

Fact Sheet #9: Young Adults and the FTC Cigarette Report

In the FTC Cigarette Report released in 2004, the tobacco industry reported they spent more than \$12.4 billion on advertising and marketing their products.¹

What Is Happening?

Breaking down the FTC report

- The Federal Trade Commission's (FTC) Cigarette Report, released in 2004, accounts for sales, advertising and promotional activities by the six largest tobacco manufacturers for the year 2002 only in the United States. The \$12.4 billion that was reported to the FTC as spent on marketing and advertising for 2002 was over a billion dollars more than was reported by the tobacco industry for 2001.
- The largest single category of expenditures was price discounts paid to retailers or wholesalers in order to reduce the price of cigarettes to consumers. This one category accounted for \$7.87 billion dollars, or 63.2% of the total promotional spending in 2002.
- It was also reported that the tobacco industry spent \$1.06 billion dollars on retail value added (buy one, get one free) promotions involving cigarettes. This accounts for 8.5% of all promotional spending in 2002.
- \$49.4 million dollars was spent on branded specialty item distribution (items with a tobacco industry brand name or logo). \$174.2 million dollars was spent on non-branded specialty items.
- \$54.2 million was spent on sponsorship of sports teams or individual athletes.
- \$219 million dollars was spent on adult-only public entertainment events (e.g., sponsorship of bar nights or concerts) promoting cigarettes or a tobacco brand name. By comparison, only \$34.1 million was spent to sponsor general-audience public entertainment (e.g., Sponsorship of a fishing tournament).²

For a copy of the Federal Trade Commission's Cigarette Report, go to www.ftc.gov/bcp/menu-tobac.htm.

An example of how tobacco industry spending affects young adults

As mentioned above, most of the promotional spending by the tobacco industry in 2002 was to pay retailers and wholesalers in order to reduce the price of cigarettes to consumers. Research shows young adults are especially sensitive to price increases, indicating a 3-5% drop in consumption for every 10% increase in price.³ The tobacco industry must compensate for the rising taxes implemented on cigarettes by the states, and subsequently pays retailers and wholesalers to keep prices low and young people buying.

Where else are tobacco industry dollars being spent?

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES FOR THE YEAR 2002 (DOLLARS IN THOUSANDS)

EXPENDITURE	2002 FUNDING	%
Newspapers	\$25,538	0.2
Magazines	\$106,852	0.9
Outdoor	\$24,192	0.2
Transit	\$0	0.0
Point-of-Sale	\$206,902	2.1
Price Discounts	\$7,873,835	63.2
Promotional Allowances-		
Retail	\$1,333,097	10.7
Wholesalers	\$446,327	3.6
Other	\$2,767	0.0
Sampling Distribution	\$28,777	0.2
Speciality Item Distribution-		
Branded	\$49,423	0.4
Non-Branded	\$174,201	1.4
Public Entertainment-		
Adult-Only	\$219,016	1.8
General Audience	\$34,089	0.3
Sponsorships	\$54,247	0.4
Endorsements and Testimonials	\$0	0.0
Direct Mail	\$111,319	0.9
Coupons	\$522,246	4.2
Retail Value Added-		
Bonus Cigarettes	\$1,060,304	8.5
Non-Cigarette Bonus	\$24,727	0.2
Company Web Site	\$940	0.0
Internet-Other	\$0	0.0
Telephone	\$679	0.0
Other	\$112,879	0.9
Total	\$12,466,358	100.0

¹ Federal Trade Commission. "Cigarette Report." 2004.

² Ibid.

³ Office of the U.S. Surgeon General. "Reducing Tobacco Use." 2000.

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