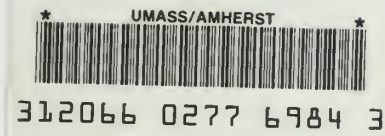


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**Smokeless Tobacco Advertising Expenditures  
Before and After the  
Smokeless Tobacco Master Settlement Agreement**

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## **Smokeless Tobacco Advertising Expenditures Before and After the Smokeless Tobacco Master Settlement Agreement**

On November 23, 1998, United States Smokeless Tobacco Company (USST) settled with 44 States' Attorneys Generals regarding smokeless tobacco-related health costs incurred by the states' Medicaid programs. USST was the only smokeless tobacco manufacturer to be sued as part of the Smokeless Tobacco Master Settlement Agreement (STMSA), and they were the only company to sign the settlement agreement. In addition to monetary payments to the states, the STMSA required the elimination of certain types of outdoor tobacco advertisements, including those found on billboards, in arenas, stadiums, shopping malls, and video arcades, and on private or public transit vehicles or waiting areas. The STMSA also forbade tobacco manufacturers from "directly or indirectly targeting youth in their promotional activities, or engaging in activities with the primary purpose of initiating, maintaining or increasing youth tobacco use."<sup>1</sup> The provision is identical to that stipulated by the Master Settlement Agreement between the States' Attorney Generals and major cigarette<sup>2</sup> manufacturers.

In 1995, the Food and Drug Administration proposed a rule on tobacco products prohibiting advertising in "youth" magazines with greater than 15% youth readers (age under 18) or two million plus youth readers.<sup>3</sup> In response to complaints by the States' Attorneys Generals that advertising in youth magazines violated the MSA, Philip Morris curtailed cigarette advertising in magazines with 15% or more youth readers or two million plus youth readers in 1999. Two other tobacco companies, Brown and Williamson and Lorillard, also agreed not to advertise in magazines with 15% or more youth readers and with 18% or more youth readers, respectively.<sup>4 5</sup>

<sup>6</sup> The purpose of this present study is to determine whether USST similarly stopped advertising in magazines with a significant number of youth readers after signing the STMSA.



## Method

To evaluate whether USST reduced advertising after the adoption of the STMSA, we compared smokeless tobacco advertising in the United States for each year from 1997 through 2001. The average, annual expenditures for two time periods, pre STMSA (1997, 1998) and post STMSA (1999, 2000, 2001) are also compared. We also contrasted expenditures by USST with other manufacturers of smokeless tobacco who did not sign the SSMA, specifically Swisher, Conwood, and Swedish Match. This current analysis focuses on expenditures for advertising in all magazines with at least 15 percent youth readership or over two million youth readers.

### Data Sources

We obtained estimated annual cigarette expenditures for media advertising from Competitive Media Reporting (CMR), a commercial vendor that monitors advertisements in major magazines published in the United States.<sup>7</sup> CMR estimates the dollars a company spends on advertising by obtaining published prices for advertisements, and multiplying those prices by the number of ads appearing in popular magazines. Youth and adult readership were estimated based on consumer surveys conducted by Simmons Market Research Bureau, Inc. (SMRB).<sup>1</sup> In 1997, 1998, and 1999, twelve magazines met the criteria for youth readers that ran smokeless tobacco advertising. The number fell to nine for 2000 and 2001 as Field & Stream, Popular Science and Outdoor Life were reclassified as adult magazines. Because the nature of the readership changed from 1997-2001, these three magazines have been excluded from the youth analyses, and advertisements in these magazines are calculated separately. All other magazines maintained their classification as

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<sup>1</sup> For the year 1997, the 1996 Simmons Teen-Age Research (STARS) and 1996 Simmons Fall SMM were used to determine whether the magazine was in the youth or adult category. For the years 1998 and 1999, the 1998 STARS/Prizm and the 1998 Simmons Spring SMM/Prizm reports were used to categorize the magazines. For the year 2000, the Simmons NCS Teens Fall 2000 and full year Prizm reports were used. For 2001, the Simmons NCS Teens Spring 2001/Prizm and Simmons Spring 2001 NCS, full year Prizm reports were used.



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either adult or youth from 1997 through 2001. The nine magazines that were consistently rated as “youth” magazines are listed in Appendix A.

## **Results**

As detailed in Table 1, overall smokeless tobacco magazine advertising expenditures rose from \$9.4 million to \$24 million from 1997 to 2001, a 150% increase. For USST, expenditures increased from \$6.9 million to \$16.2 million, a 135% increase.

	1997	1998	1999	2000	2001
<b>USST</b>					
Youth	\$3,585	\$7,245	\$6,366	\$2,631	\$9,374
Other	3,303	6,140	7,297	7,966	6,872
Sub Total	6,888	13,384	13,663	10,598	16,246
<b>Swisher</b>					
Youth	\$1,057	\$ 910	\$ 853	\$1,016	\$ 955
Other	1,036	872	1,474	1,350	1,557
Sub Total	2,093	1,782	2,327	2,366	2,512
<b>Conwood</b>					
Youth	\$ 0	\$ 91	\$ 257	\$ 176	\$ 0
Other	0	222	541	686	882
Sub Total	0	313	798	862	882
<b>Swedish Match</b>					
Youth	\$ 129	\$1,939	\$765	\$ 706	\$ 776
Other	273	1,311	1,945	1,484	3,558
Sub Total	402	3,250	2,710	2,190	4,333
<hr/>					
<b>ALL</b>					
Youth	\$4,771	\$10,184	\$8,240	\$4,529	\$11,104
Other	4,611	8,543	11,287	11,486	12,868
Total	\$9,382	\$18,727	\$19,527	\$16,015	\$23,972
*Other includes adult magazines and magazines that changed classification					





Most importantly, youth magazine advertising also rose, from \$4.7 million in 1997 to \$11.1 million in 2001 for all companies. This figure reflects a 136% increase in advertising expenditures. For USST, the increase from 1997 to 2001 was 161%, from \$3.6 million to \$9.4 million. As Table 2 indicates, USST continued to allocate a substantial proportion of their advertising dollars to youth magazines. Despite their signing of the STMSA, USST increased their advertisements in youth magazines 13%, from an average of \$5.4 million dollars in the pre-STMSA period to an average of \$6.1 million dollars in the post-STMSA period. In the period from 1999-2001, USST placed close to half (45%) their smokeless tobacco advertising dollars in magazines that were read by a substantial number of adolescents. This 45% is only slightly lower than the Pre-STMSA percentage of 53%. The increase in advertising dollars spent in youth magazines by USST is in marked contrast to the three other smokeless tobacco companies that decreased by 11% their overall spending in youth magazines. Swisher, Conwood, and Swedish Match decreased their advertising of smokeless tobacco in youth-oriented magazines from an average of \$2,063 million dollars in the pre-STMSA period to \$1,834 million dollars in the post-STMSA period. Additionally these three companies decreased the percentage of their budget (from 53% to 29%) that was devoted to advertisements in magazines with a substantial youth readership.



**Table 2: Smokeless Tobacco Magazine Advertising  
Pre-Post the STMSA by Youth and Adult Magazines  
Average Annual Expenditures (in millions of dollars)**

	<b>Pre STSMA</b>		<b>Post STSMA</b>	
	97-98 Average	% of expenditures	99-01 Average	% of expenditures
<b>USST</b>				
Youth	\$5,415	53%	\$6,123	45%
Other	4,721	47%	7,378	55%
Subtotal	\$10,135		\$13,501	
<b>Swisher, Conwood, Swedish Match Combined Totals</b>				
Youth	\$2,063	53%	\$1,834	29%
Other	1,857	47%	4,492	71%
Subtotal	3,920		6,326	
<b>All Companies</b>				
Youth	\$7,478	53%	\$7,957	40%
Other	6,578	47%	11,870	60%
Total	\$14,056		\$19,827	

\*Other includes adult magazines and magazines that changed classification.

Data from Table 3 indicates the amount of advertising, for both USST and the three remaining smokeless tobacco companies, for the periods before and after the STSMA. During the post-settlement period, USST paid Sports Illustrated an average of \$2.5 million each year for advertising its brands. In addition, USST paid Rolling Stone magazine \$937,000, Motor Trend magazine \$844,000, and Hot Rod magazine \$767,000. All of these magazines have more than twenty-percent youth readership and more than two million plus youth readers. Data from Table 4 enumerates both the percent of youth readers for each of the nine youth magazines and the number of youth readers exposed to smokeless tobacco advertisements. Twenty-three percent of



the readers of Sports Illustrated are adolescents between the age of 12-17; that is, 7.2 million adolescents are exposed to USST smokeless tobacco advertisements. Similarly, Rolling Stone, with a 28% youth readership, is read by 3.3 million adolescents; Motor Trend , with a 25% youth readership, is read by 2.1 million adolescent readers; and Hot Rod , with a 31% youth readership, is read by 2.9 million adolescent readers. These figures demonstrate that USST's smokeless tobacco advertisements continued to reach a significant number of adolescents.

**Table 3: Smokeless Tobacco Average Annual Youth magazine Advertising Expenditures Pre/Post the STMSA for USST and Other Companies**

	PRE 1997-98				TOTAL	POST 1999-01				TOTAL
	USST of ads	%	OTHER <sup>1</sup> of ads	%		USST of ads	%	OTHER <sup>1</sup> of ads	%	
Sports Illustrated	\$2,759	72%	\$1,076	28%	\$3,835	\$2,486	74%	\$871	26%	\$3,357
Hot Rod	323	44%	407	56%	730	767	69%	345	31%	1112
Rolling Stone	810	79%	211	21%	1021	937	100%	0	0%	937
Motor Trend	188	100%	0	0%	188	844	94%	55	6%	899
Sporting News	491	76%	159	24%	650	435	49%	449	51%	884
Sport	273	57%	296	61%	482	293	78%	83	22%	376
TV Guide	167	100%	0	0%	167	258	100%	0	0%	258
Popular Science	347	100%	0	0%	347	92	100%	0	0%	92
Spin	58	100%	0	0%	58	13	30%	31	70%	44
Total	\$5,416	72%	\$2,149	29%	\$7,478	\$6,125	77%	\$1,834		\$7,959

<sup>1</sup> OTHER = Swisher, Conwood, Swedish Match combined advertisements



**Table 4: Percentage and Number of Youth Readers for Major Youth Magazines**

	% Youth Readers (1998)	Youth Readers (in 000's)
Sports Illustrated	23%	7,254
Hot Rod	31%	2,937
Rolling Stone	28%	3,318
Motor Trend	25%	2,131
Sporting News	30%	1,190
Sport	33%	2,605
TV Guide	16%	8,131
Popular Science	30%	2,559
Spin	32%	1,316
Total		31,441

### Conclusion

Despite the restrictions placed on youth advertising by the STMSA, USST continues to heavily advertise in youth-oriented magazines. Expenditures on youth advertising actually increased after the STMSA, and expenditures remain high. Although USST was the only signatory to the STMSA, the company continued to heavily advertise their brands in magazines popular with youth. This is in sharp contrast to the actions of the three major cigarette manufacturers who curtailed advertising in youth magazines in 1999, one year after signing the MSA, and to smokeless tobacco companies who did not sign the STMSA.





Appendix A

Magazines consistently rated as Youth from 1997-2001.

Sports Illustrated

Hot Rod

Rolling Stone

Motor Trend

Sporting News

Sport

TV Guide

Popular Science

Spin



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<sup>1</sup> Smokeless Tobacco Master Settlement Agreement. November, 1998: 16 Provision III Permanent Relief (a) Prohibition in Youth Targeting.

<sup>2</sup> Master Settlement Agreement. November, 1998: 18-19 Provision III Permanent Relief (a) Prohibition on Youth Targeting.

<sup>3</sup> 21 CFR Post 801 et al. Regulation Restricting the Sale and Distribution of Cigarettes and Smokeless Tobacco Products to Protect Children and Adolescents: Proposed Rule. Federal Register, August 11, 1995.

<sup>4</sup> Orlowsky, M. to Gregoire, C., Letter. Lorillard Tobacco Company, Greensboro, N.C., February 9, 2001.

<sup>5</sup> Szymanczyk, M.F. to Gregoire, C. Letter. Philip Morris USA, New York, June 2, 2000.

<sup>6</sup> Fisher, M.F., to Gregoire, C. Letter. Brown & Williamson Tobacco, Louisville, KY, November 28, 2000.

<sup>7</sup> Federal Trade Commission Report to Congress for the Years 1998 and 1999 Pursuant to the Comprehensive Smokeless Tobacco Health Education Account of 1986. Federal Trade Commission, Washington, D.C. 2001.

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