Federal Trade Commission
Cigarette Report
For 2000

ISSUED: 2002
I. INTRODUCTION

This report is the latest in a series on cigarette sales, advertising and promotion that the Federal Trade Commission ("the Commission") has prepared annually since 1967.

The statistical tables appended to this report provide information on domestic sales and advertising and promotional activity for U.S. manufactured cigarettes for the years 1963 through 2000. The tables were compiled from raw data contained in special reports submitted to the Commission pursuant to compulsory process by the six major cigarette manufacturers in the United States: Brown & Williamson Tobacco Corp., Commonwealth Brands, Inc., Liggett Group, Inc., Lorillard Tobacco Co., Philip Morris Inc., and R.J. Reynolds Tobacco Co.\(^1\)

The report shows that cigarette sales increased by 0.5 percent from 1999 to 2000, while advertising and promotional expenditures rose 16.2 percent to $9.57 billion, the most ever reported to the Commission. Increases in expenditures for promotional allowances and retail value added account for most of the overall rise in spending. The industry also reported increases in spending for coupons (up 32.8 percent) and public entertainment (up 15.8 percent), but these expenditure categories are relatively small in terms of overall spending. Substantial decreases were reported for outdoor advertising (down 82.8 percent from 1999 to 2000) and transit advertising (down 99.9 percent).

Table 1 displays annual cigarette sales by manufacturers to wholesalers and retailers.\(^2\) In 2000, the major domestic cigarette manufacturers sold 413.5 billion cigarettes domestically, 2.2 billion more than the 411.3 they sold in 1999. This 0.5 percent increase from the 1999 level follows a 10.3 percent decrease in

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\(^1\) Data provided in this report for the year 2000 include information from Commonwealth Brands, Inc.; data for prior years do not include information from that company.

\(^2\) The Commission recently learned that one manufacturer's previous reports had not included some of its sales in, or any of its advertising and marketing expenditures for, the Commonwealth of Puerto Rico and the U.S. territories. Such sales and expenses are included in the 2000 data.
sales from 1998 to 1999.

Because the cigarette sales data that are reported to the Commission by the manufacturers are based on factory shipments, and thus can reflect changes in inventory holdings by cigarette wholesalers and retailers, the Commission has recently been including in its annual report information from the cigarette consumption series produced by the U.S. Department of Agriculture (USDA), which is based on an estimate of the number of cigarettes actually sold to consumers. USDA's cigarette consumption estimates, which are also included in Table 1, show a 1.1 percent decrease from 435 billion cigarettes in 1999 to 430 billion in 2000. Table 1 also shows U.S. adult per capita cigarette sales per year, which is generated by dividing manufacturers' sales to wholesalers and retailers by the U.S. adult population. Based on the data reported to the Commission by the manufacturers, per capita sales fell from 2,175 in 1999 to 1,975 in 2000, a decline of 9.2 percent, or 200 cigarettes per person.

Tables 2 through 2B show the amounts spent on cigarette advertising and promotion for the years 1970, and 1975 through 2000. These tables list the amounts spent on the different types of media advertising (e.g., newspapers and magazines) and sales promotion activities (e.g., distribution of cigarette samples and specialty gift items) and also give the percentage of the total amount spent for the various types of advertising and promotion.

Table 2B shows that overall, $9.57 billion was spent on cigarette advertising and promotion in 2000, the most ever reported by the major cigarette manufacturers. The $9.57 billion represents an increase of 16.2 percent from the $8.24 billion spent in 1999, and of 42.2 percent from the $6.73 billion

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3 The reported figures include all advertising, merchandising, and promotional expenditures related to cigarettes, regardless of whether such advertising would constitute "commercial speech" or would be protected from law enforcement action under the First Amendment. The Commission began requiring tobacco companies to include expenditures for such protected speech in 1989.
spent in 1998.

Newspaper advertising expenditures rose slightly from $51.0 million to $51.7 million between 1999 and 2000, an increase of 1.4 percent. This advertising category accounts for one-half of 1 percent of all expenditures. Although newspaper spending accounted for 23.1 percent of total expenditures in 1981, it has accounted for less than 1 percent of expenditures since 1992.

The manufacturers reported spending $294.9 million on magazine advertising in 2000, a decrease of 21.8 percent from 1999. Magazine advertising represented 3.1 percent of total spending. Spending on magazine advertising peaked in 1984, when the cigarette companies reported spending $425.9 million (20.3 percent of total advertising and promotional expenditures).

Spending on outdoor advertising (e.g., billboards) totaled $9.3 million in 2000, an 82.8 percent decrease from 1999, when $53.8 million was spent. In 2000, outdoor advertising expenditures comprised 0.1 percent of total advertising and promotional spending. These expenditures peaked at $386.1 million in 1991.

Spending on transit advertising (i.e., advertising on public transportation) declined from $5.6 million in 1999 to $4,000 in 2000, a decrease of 99.9 percent. Transit advertising has been as high as $40.2 million only two years earlier.

Spending on point of sale promotional materials (ads posted at the retail location) grew by $17.6 million (5.3 percent) from 1999 ($329.4 million) to 2000 ($347.0 million). Point of sale advertising accounted for 3.6 percent of total advertising and promotion in 2000. These expenditures peaked in 1993 at $400.9 million.

Promotional allowances (e.g., payments made to retailers to facilitate sales) were $3.91 billion in
2000, up 10.5 percent from the $3.54 billion spent in 1999. As it has been each year since 1994, this was the single largest category of advertising and promotional expenditures, accounting for 40.9 percent of all 2000 spending. Since 1995, spending on promotional allowances has more than doubled.

Money spent giving cigarette samples to the public ("sampling distribution") declined from $33.7 million in 1999 to $22.3 million in 2000, a decrease of 33.8 percent. Cigarette sampling distribution accounted for only 0.2 percent of the total spent on advertising and promotion in 2000; these expenditures have accounted for less than 1 percent of total spending every year since 1992.

In 2000, $264.8 million was spent on specialty item distribution through the mail, at promotional events, or by any means other than at the point-of-sale with the purchase of cigarettes.4 (Specialty items distributed along with the purchase of cigarettes were redesignated as retail value added expenses beginning in 1988.) Specialty item distribution expenditures declined $70.9 million (21.1 percent) from 1999, and accounted for 2.8 percent of total advertising and promotional expenditures in 2000.

Spending on public entertainment (e.g., sponsorship of concerts, auto racing, and fishing tournaments) increased by 15.8 percent ($42.2 million) from 1999 to 2000. With expenditures reported at $309.6 million, public entertainment accounted for 3.2 percent of total advertising and promotion expenditures in 2000.

The cigarette companies reported a total of $92.9 million for direct mail advertising in 2000, 1.8 percent less than the $94.6 million reported in 1999.5

4 Specialty item distribution includes the practice of selling or giving to consumers items such as T-shirts, caps, sunglasses, key chains, calendars, lighters and sporting goods bearing a cigarette brand's logo.

5 This category does not include direct mail containing coupons. Coupons sent via direct mail were reported in the coupon and retail value added category from 1988 to 1996, and, as noted below,
All reporting companies indicated that no money had been spent on endorsements and testimonials for cigarettes in 2000. No expenditures have been reported in this category since 1988.

The industry reported spending $705.3 million on coupons, an increase of 32.8 percent from the $531.0 million spent in 1999.6

Spending on retail value added (offers such as "buy one, get one free" or "buy three, get free T-shirt," where the cigarette product and the bonus item often are packaged together as a single unit) grew by $956.6 million (37.4 percent) from 1999 ($2.56 billion) to 2000 ($3.52 billion). Retail value added accounted for 36.7 percent of total advertising and promotion in 2000. Since 1997, the first year the Commission reported retail value added as a separate category, spending on retail value added has more than tripled.

In 2000, the companies reported spending $949,000 on Internet advertising, which is less than one hundredth of 1 percent of the year’s total advertising and promotional expenditures. This category includes the Internet, World Wide Web, commercial online services and direct mail advertising using electronic mail messages.

In 1988, the Commission began requiring the cigarette companies to state separately the amount of money spent on sports and sporting events. For 2000, the major domestic cigarette companies reported were reported separately for the first time in the report to Congress for 1997.

6 From 1988 to 1996, the Commission collected information about spending on coupons and retail value added as a single expenditure category. This category, which included cents-off coupons, multiple pack promotions and retail value added offers, was the single largest category of expenditures from 1990 to 1993. Beginning with its report to Congress for 1997, the Commission reported information about expenditures on coupons and retail value added separately, to provide better information on industry marketing trends.
that they spent $127.9 million on sports and sporting events,\textsuperscript{7} an increase from the $113.6 million in 1999.

Cigarette manufacturers reported that they paid no money or other form of compensation to have any cigarette brand names or tobacco products appear in any motion pictures or television shows.\textsuperscript{8} This practice has been reported as unfunded since 1989.

The data on cigarette advertising and promotional expenditures reported in Tables 2 through 2A were not collected in their present form until 1975. Therefore, Table 3 reports cigarette advertising expenditures from 1963 through 1974.

Tables 4 gives the domestic market share of cigarettes with tar ratings of 15 milligrams (mg.) or less for the years 1967 through 2000. The data for the years since 1982 are further broken down into sub-categories according to tar ratings, \textit{e.g.}, 3 mg. or less, 6 mg. or less, etc. (categories are presented cumulatively). In 2000, 87.1 percent of the domestic cigarette market was cigarettes with tar ratings of 15 mg. or less. Cigarettes with tar ratings of 3 mg. or less -- the lowest rated portion of the market -- made up only 1.3 percent of the market.

As shown in Table 5, filtered cigarettes have dominated the market since the Commission began collecting this information in 1963. Filtered cigarettes held 98 percent of the market in 2000.

Table 6 provides the domestic market share of the various cigarette length categories. The King-
size (79-88 mm) category continues to be the biggest seller, with 60 percent of the market. This category is followed by the Long (94-101 mm) group, which held 37 percent of the market in 1999. Regular (68-72 mm) and Ultra-Long (110-121 mm) cigarettes accounted for 1 percent and 2 percent, respectively, of the market in 2000.

Table 7 gives the market share of menthol and non-menthol cigarettes. In 2000, the market share of menthol cigarettes was 26 percent, while non-menthols held 74 percent of the market.

In 1994, the Commission began requiring the cigarette companies to indicate whether "tar" and nicotine ratings were displayed on cigarette packaging and advertising. Table 8 shows: (1) the percentage of the overall cigarette market represented by varieties with different tar ratings, and (2) within each tar group, the percentage of those varieties that disclose tar and nicotine ratings on their packs. Table 8 shows that cigarette varieties that printed tar and nicotine ratings on their packs represented only 3.6 percent of the overall market in 2000, down from 4.1 percent in 1999. Since 1994, 12-15 mg. tar cigarettes have seen the greatest increase in usage, with their market share rising from 19.3 percent in 1994 to 39.0 percent in 2000. Only 0.1 percent of these cigarettes, however, disclosed their ratings on the pack in 2000. In contrast, 92.0 percent of cigarettes rated 3 mg. tar or less disclosed their ratings on the pack in 2000, but those cigarettes only accounted for 1.3% of the total market.
| YEAR | TOTAL SALES REPORTED BY CIGARETTE MANUFACTURERS | UNIT CHANGE FROM PRIOR YEAR | % CHANGE FROM PRIOR YEAR | USDA CIGARETTE CONSUMPTION ESTIMATES ** | PER CAPITA DOMESTIC CIGARETTE SALES*** |
|------|-----------------------------------------------|-----------------------------|-------------------------|------------------------------------------|--------------------------------------|
| 1963 | 516.5                                         | ---                         | ---                     | 523.9                                    | 4,286                                |
| 1964 | 505.0                                         | (11.5)                      | (2.2)                   | 511.2                                    | 4,143                                |
| 1965 | 521.1                                         | 16.1                        | 3.2                     | 528.7                                    | 4,196                                |
| 1966 | 529.9                                         | 8.8                         | 1.7                     | 541.2                                    | 4,197                                |
| 1967 | 525.8                                         | 5.9                         | 1.1                     | 549.2                                    | 4,175                                |
| 1968 | 540.3                                         | 4.5                         | .8                      | 545.7                                    | 4,145                                |
| 1969 | 527.9                                         | (12.4)                      | (2.3)                   | 528.9                                    | 3,986                                |
| 1970 | 534.2                                         | 6.3                         | 1.1                     | 536.4                                    | 3,969                                |
| 1971 | 547.2                                         | 13.0                        | 2.4                     | 555.1                                    | 3,982                                |
| 1972 | 561.7                                         | 14.5                        | 2.7                     | 566.8                                    | 4,018                                |
| 1973 | 584.7                                         | 23.0                        | 4.1                     | 589.7                                    | 4,112                                |
| 1974 | 594.5                                         | 9.8                         | 1.7                     | 599.0                                    | 4,110                                |
| 1975 | 603.2                                         | 8.7                         | 1.5                     | 607.2                                    | 4,095                                |
| 1976 | 609.9                                         | 6.7                         | 1.1                     | 613.5                                    | 4,068                                |
| 1977 | 612.6                                         | 2.7                         | .4                      | 617.0                                    | 4,015                                |
| 1978 | 615.3                                         | 2.7                         | .4                      | 616.0                                    | 3,965                                |
| 1979 | 621.8                                         | 6.5                         | 1.1                     | 621.5                                    | 3,937                                |
| 1980 | 628.2                                         | 6.4                         | 1.0                     | 631.5                                    | 3,858                                |
| 1981 | 636.5                                         | 8.3                         | 1.3                     | 640.0                                    | 3,818                                |
| 1982 | 632.5                                         | (4.0)                       | (.6)                    | 634.0                                    | 3,733                                |
| 1983 | 603.6                                         | (28.9)                      | (4.6)                   | 600.0                                    | 3,513                                |
| 1984 | 608.4                                         | 4.8                         | .8                      | 600.4                                    | 3,497                                |
| 1985 | 599.3                                         | (9.1)                       | (1.5)                   | 594.0                                    | 3,400                                |
| 1986 | 586.4                                         | (12.9)                      | (2.2)                   | 583.8                                    | 3,288                                |
| 1987 | 575.4                                         | (11.0)                      | (1.9)                   | 575.0                                    | 3,190                                |
| 1988 | 560.7                                         | (14.7)                      | (2.6)                   | 562.5                                    | 3,073                                |
| 1989 | 525.6                                         | (35.1)                      | (6.3)                   | 540.0                                    | 2,846                                |
| 1990 | 523.7                                         | (1.9)                       | (.4)                    | 525.0                                    | 2,827                                |
| 1991 | 510.9                                         | (12.8)                      | (2.4)                   | 510.0                                    | 2,724                                |
| 1992 | 506.4                                         | (4.5)                       | (.9)                    | 500.0                                    | 2,680                                |
| 1993 | 461.4                                         | (45.0)                      | (8.9)                   | 485.0                                    | 2,414                                |
| 1994 | 490.2                                         | 28.8                        | 6.2                     | 486.0                                    | 2,546                                |
| 1995 | 482.2                                         | (8.0)                       | (1.6)                   | 487.0                                    | 2,482                                |
| 1996 | 484.1                                         | 1.9                         | .4                      | 487.0                                    | 2,467                                |
| 1997 | 478.6                                         | (5.5)                       | (1.1)                   | 480.0                                    | 2,416                                |
| 1998 | 458.6                                         | (20.1)                      | (4.2)                   | 465.0                                    | 2,287                                |
| 1999 | 411.3                                         | (47.2)                      | (10.3)                  | 435.0                                    | 2,175                                |
| 2000 | 413.5                                         | 2.1                         | .5                      | 430.0                                    | 1,975                                |

* Sales by manufacturers to wholesalers and retailers within the U.S. and to armed forces personnel stationed outside the U.S.

** USDA: Tobacco Situation and Outlook Report, Sept. 2001, TBS-250, Table 1, page 5.

*** Total domestic cigarette sales, as reported by the manufacturers divided by the number of U.S. residents 18 years of age and older and overseas military personnel. Source of population figure is the U.S. Department of Commerce, Bureau of Census, and the U.S. Dept. of Defense.
### TABLE 2
DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES FOR YEARS 1970, 1975-1985 (DOLLARS IN THOUSANDS)*

| Year | Newspapers | Magazines | Outdoor | Transit | Point of Sale | Promotional Allowances | Sampling Distribution | Specialty Item Distribution | Public Entertainment | Other** | Total |
|------|-------------|------------|---------|---------|---------------|------------------------|-----------------------|--------------------------|----------------------|---------|-------|
|      | 1970        | 1975       | 1976    | 1977    | 1978          | 1979                   | 1980                   | 1981                     | 1982                 | 1983    | 1984  | 1985  |
|      | $14,026     | $104,460   | $155,808| $190,677| $186,947      | $240,978               | $304,380               | $358,096                 | $282,897             | $200,563| $193,519| $203,527|
|      | 3.9%        | 21.3%      | 24.4%   | 24.5%   | 21.4%         | 22.2%                  | 24.5%                  | 23.1%                    | 15.8%                | 10.6%   | 9.2%  | 8.2%  |
|      | $50,018     | $131,199   | $148,032| $173,296| $184,236      | $257,715               | $266,208               | $291,227                 | $349,229             | $388,365| $425,912| $395,129|
|      | 13.9%       | 26.6%      | 23.2%   | 22.2%   | 21.1%         | 23.8%                  | 21.4%                  | 18.8%                    | 19.5%                | 20.4%   | 20.3% | 16.0% |
|      | $7,338      | $84,329    | $102,689| $120,338| $149,010      | $162,966               | $193,333               | $228,081                 | $266,925             | $295,226| $284,927| $300,233|
|      | 2.0%        | 17.2%      | 16.1%   | 15.4%   | 17.0%         | 15.0%                  | 15.6%                  | 14.7%                    | 14.9%                | 15.5%   | 13.6% | 12.1% |
|      | $5,354      | $10,852    | $19,341 | $21,530 | $22,899       | $21,151                | $26,160                | $21,931                  | $24,135              | $26,652 | $25,817 | $33,136|
|      | 1.5%        | 2.2%       | 3.0%    | 2.8%    | 2.6%          | 2.1%                   | 2.0%                   | 1.4%                     | 1.3%                 | 1.4%    | 1.2%  | 1.3%  |
|      | $11,663     | $35,317    | $44,176 | $46,220 | $57,384       | $66,096                | $79,799                | $98,968                  | $116,954             | $170,059| $167,279| $142,921|
|      | 3.2%        | 7.2%       | 6.9%    | 5.9%    | 6.6%          | 6.1%                   | 6.4%                   | 6.4%                     | 6.5%                 | 8.9%    | 8.0%  | 5.8%  |
|      | $33,789     | $72,018    | $82,523 | $108,227| $125,148      | $137,111               | $179,094               | $229,077                 | $272,269             | $366,153| $363,247| $548,877|
|      | 9.4%        | 14.7%      | 12.9%   | 13.9%   | 14.3%         | 12.7%                  | 14.4%                  | 14.8%                    | 15.2%                | 19.3%   | 17.3% | 22.2% |
|      | $11,775     | $24,196    | $40,390 | $47,683 | $47,376       | $64,286                | $50,459                | $81,522                  | $141,178             | $125,968| $148,031| $140,565|
|      | 3.3%        | 4.9%       | 6.3%    | 6.1%    | 5.4%          | 5.9%                   | 4.1%                   | 5.3%                     | 7.9%                 | 6.6%    | 7.1%  | 5.7%  |
|      | $5,652      | $10,088    | $20,030 | $35,797 | $48,281       | $62,029                | $69,248                | $115,107                 | $95,246              | $127,186| $140,431| $211,429|
|      | 2.6%        | 2.1%       | 3.1%    | 4.6%    | 5.5%          | 5.7%                   | 5.6%                   | 7.5%                     | 5.3%                 | 6.6%    | 6.7%  | 8.5%  |
|      | $544        | $8,484     | $7,946  | $9,538  | $11,590       | $10,783                | $16,914                | $37,423                  | $63,168              | $76,648 | $59,988 | $57,581|
|      | 0.2%        | 1.7%       | 1.3%    | 1.2%    | 1.3%          | 1.0%                   | 1.4%                   | 2.4%                     | 3.5%                 | 4.0%    | 2.9%  | 2.3%  |
|      | $220,841    | $10,311    | $18,182 | $26,157 | $42,100       | $60,310                | $56,694                | $86,226                  | $181,813             | $123,951| $286,035| $443,043|
|      | 61.1%       | 2.0%       | 2.8%    | 3.4%    | 4.8%          | 5.6%                   | 4.6%                   | 5.6%                     | 10.1%                | 6.5%    | 13.7% | 17.9% |
|      | $361,000    | $491,254   | $639,117| $779,463| $874,971      | $1,083,425             | $1,242,289             | $1,547,658               | $1,793,814           | $1,900,771| $2,095,231| $2,476,441|
|      | 100%        | 100%       | 100%    | 100%    | 100%          | 100%                   | 100%                   | 100%                     | 100%                 | 100%    | 100%  | 100%  |

* Because of rounding, sums of percentages may not equal 100 percent.

** Includes TV and Radio advertising expenditures of $207,324,000 and $12,492,000, respectively, for 1970. Broadcast advertising was banned after January 1, 1971. Expenditures for direct mail, endorsements, testimonials, and audio-visual are included in the “All Others” category to avoid disclosure of individual company data.
# TABLE 2A
DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES FOR YEARS 1986-1995 (DOLLARS IN THOUSANDS)*

| Year | Newspapers | Magazines | Outdoor | Transit | Point of Sale | Promotional Allowances | Sampling Distribution | Specialty Item Distribution | Public Entertainment | Direct Mail | Endorsements & Testimonials | Coupons & Retail Value Added | Other** | Total |
|------|-------------|------------|---------|---------|---------------|------------------------|-----------------------|--------------------------|----------------------|-------------|---------------------------|-----------------------------|---------|-------|
| 1986 | $119,629    | $340,160   | $301,822| $34,725 | $135,541      | $630,036              | $98,866               | $210,128                 | $71,439              | $187,057    | $384          | *** $874,127                 | $252,570       | $2,382,357 |
| 1987 | $95,810     | $317,748   | $269,778| $35,822 | $153,494      | $702,430              | $55,020               | $391,351                 | $71,389              | $187,931    | $376          | *** $959,965                 | $299,355       | $2,580,504 |
| 1988 | $105,783    | $355,055   | $319,293| $44,379 | $222,289      | $879,703              | $74,511               | $190,003                 | $88,072              | $42,545     | $781          | $874,127                   | $78,366        | $3,274,853 |
| 1989 | $76,993     | $380,393   | $358,583| $52,294 | $303,855      | $999,843              | $57,771               | $262,432                 | $92,120              | $45,498     | $0            | $959,965                   | $89,290        | $3,616,993 |
| 1990 | $71,174     | $328,143   | $375,627| $60,249 | $344,580      | $1,021,427            | $100,893              | $307,037                 | $125,094             | $51,875     | $0            | $1,882,905                 | $62,917        | $3,992,008 |
| 1991 | $48,212     | $278,110   | $386,165| $60,163 | $366,036      | $1,156,280            | $56,970               | $237,114                 | $118,622             | $65,002     | $0            | $1,882,905                 | $68,758        | $4,650,114 |
| 1992 | $35,467     | $237,061   | $295,657| $53,293 | $400,943      | $1,514,026            | $49,315               | $339,997                 | $89,739              | $34,345     | $0            | $2,175,373                 | $41,608        | $5,231,917 |
| 1993 | $19,122     | $235,253   | $231,481| $39,117 | $31,463       | $1,557,635            | $40,202               | $339,997                 | $84,276              | $31,463     | $0            | $2,559,387                 | $63,680        | $6,035,437 |
| 1994 | $19,443     | $240,024   | $240,024| $29,323 | $31,187       | $1,678,917            | $6,974                | $31,187                 | $81,292              | $13,836     | $0            | $1,248,896                 | $47,672        | $4,833,532 |
| 1995 | $19,443     | $273,664   | $225,543| $22,543 | $259,035      | $1,865,657            | $13,836               | $34,618                 | $110,669             | $33,680     | $0            | $1,348,378                 | $33,680        | $4,895,223 |

* Because of rounding, sums of percentages may not equal 100 percent.
** Expenditures for audio-visual are included in the “All Others” category to avoid disclosure of individual company data.
*** Prior to 1987, the Commission did not specifically collect information on Coupons & Retail Value Added.
|                          | 1996      | 1997      | 1998      | 1999      | 2000      |
|--------------------------|-----------|-----------|-----------|-----------|-----------|
| Newspapers              | $14,067   | $16,980   | $29,444   | $50,952   | $51,652   |
|                          | 0.3%      | 0.3%      | 0.4%      | 0.6%      | 0.5%      |
| Magazines                | $243,046  | $236,950  | $281,296  | $377,364  | $294,916  |
|                          | 4.8%      | 4.2%      | 4.2%      | 4.6%      | 3.1%      |
| Outdoor                  | $292,261  | $295,334  | $294,721  | $53,787   | $9,262    |
|                          | 5.7%      | 5.2%      | 4.4%      | 0.7%      | 0.1%      |
| Transit                  | $28,865   | $26,407   | $40,158   | $5,573    | $4        |
|                          | 0.6%      | 0.5%      | 0.6%      | 0.1%      | 0.0%      |
| Point of Sale            | $252,619  | $305,360  | $290,739  | $329,429  | $347,038  |
|                          | 4.9%      | 5.4%      | 4.3%      | 4.0%      | 3.6%      |
| Promotional Allowances   | $2,150,838| $2,438,468| $2,878,919| $3,542,950| $3,913,997|
|                          | 42.1%     | 43.1%     | 42.8%     | 43.0%     | 40.9%     |
| Sampling Distribution    | $15,945   | $22,065   | $14,436   | $33,711   | $22,330   |
|                          | 0.3%      | 0.4%      | 0.2%      | 0.4%      | 0.2%      |
| Specialty Item Distribution| $544,345| $512,602  | $355,835  | $335,680  | $264,792  |
|                          | 10.7%     | 9.6%      | 5.3%      | 4.1%      | 2.8%      |
| Public Entertainment     | $171,177  | $195,203  | $248,536  | $267,379  | $309,610  |
|                          | 3.4%      | 3.4%      | 3.7%      | 3.3%      | 3.2%      |
| Direct Mail              | $38,703   | $37,310   | $57,772   | $94,610   | $92,902   |
|                          | 0.8%      | 0.7%      | 0.9%      | 1.2%      | 1.0%      |
| Endorsements & Testimonials| $0       | $0        | $0        | $0        | $0        |
|                          | 0.0%      | 0.0%      | 0.0%      | 0.0%      | 0.0%      |
| Coupons                  | $1,308,708*** | $552,550  | $624,199  | $531,004  | $705,299  |
|                          | 9.8%      | 9.3%      | 6.5%      | 7.4%      |           |
| Retail Value Added       | $1,308,708*** | $970,363  | $1,555,391| $2,559,883| $3,516,490|
|                          | 25.6%     | 17.1%     | 23.1%     | 31.1%     | 36.7%     |
| Internet                 | $432      | $215      | $125      | $651      | $949      |
|                          | 0.0%      | 0.0%      | 0.0%      | 0.0%      | 0.0%      |
| Other*                   | $46,696   | $50,207   | $61,584   | $54,658   | $63,395   |
|                          | 0.9%      | 1.0%      | 0.9%      | 0.7%      | 0.7%      |
| Total                    | $5,107,700| $5,660,014| $6,733,157| $8,237,631| $9,574,731|
|                          | 100%      | 100%      | 100%      | 100%      | 100%      |

* Because of rounding, sums of percentages may not equal 100 percent.

** Expenditures for audio-visual are included in the "All Others" category to avoid disclosure of individual company data.

*** Prior to 1997, Coupons and Retail Value Added were reported as a single category.
## TABLE 3

DOMESTIC CIGARETTE ADVERTISING EXPENDITURES
BY MEDIA FOR YEARS 1963 - 1974*
(MILLIONS OF DOLLARS)

| YEAR | TV      | RADIO | MAGAZINES | NEWSPAPER | DIRECT | TRANSIT/OUTDOOR | OTHER | TOTAL  |
|------|---------|-------|-----------|-----------|--------|-----------------|-------|--------|
| 1963 | $151.7  | 31.6  | 45.6      | 13.2      | NA     | 7.4             | 249.5 |
| 1964 | 170.2   | 25.5  | 45.2      | 14.6      | NA     | 5.8             | 261.3 |
| 1965 | 175.6   | 24.8  | 41.9      | 14.7      | NA     | 6.0             | 263.0 |
| 1966 | 198.0   | 31.3  | 43.4      | 17.9      | NA     | 6.9             | 297.5 |
| 1967 | 226.9   | 17.5  | 41.2      | 20.3      | NA     | 6.0             | 311.5 |
| 1968 | 217.2   | 21.3  | 44.6      | 21.6      | NA     | 6.0             | 310.7 |
| 1969 | 221.3   | 13.6  | 48.7      | 13.4      | NA     | 8.9             | 305.9 |
| 1970 | 205.0   | 12.4  | 14.7      | 49.5      | 16.9   | 11.7            | 4.5   | 314.7  |
| 1971 | 2.2     | 0     | 59.3      | 98.3      | 27.0   | 60.6            | 4.2   | 251.6  |
| 1972 | 0       | 0     | 63.1      | 96.1      | 22.9   | 67.5            | 8.0   | 257.6  |
| 1973 | 0       | 0     | 65.3      | 92.4      | 15.2   | 63.2            | 11.4  | 247.5  |
| 1974 | 0       | 0     | 80.5      | 114.6     | 31.1   | 71.4            | 9.2   | 306.8  |

* The data reported in Tables 2 through 2B were not collected in their present form until 1975. Thus, Table 3, which reports cigarette advertising expenditures from 1963 through 1974, has been retained in this report for comparative purposes.
| Year  | 15 mg. or less | 12 mg. or less | 9 mg. or less | 6 mg. or less | 3 mg. or less |
|-------|----------------|----------------|---------------|---------------|---------------|
| 1967  | 2.0%           | NA             | NA            | NA            | NA            |
| 1968  | 2.5%           | NA             | NA            | NA            | NA            |
| 1969  | 3.0%           | NA             | NA            | NA            | NA            |
| 1970  | 3.6%           | NA             | NA            | NA            | NA            |
| 1971  | 3.8%           | NA             | NA            | NA            | NA            |
| 1972  | 6.6%           | NA             | NA            | NA            | NA            |
| 1973  | 8.9%           | NA             | NA            | NA            | NA            |
| 1974  | 8.9%           | NA             | NA            | NA            | NA            |
| 1975  | 13.5%          | NA             | NA            | NA            | NA            |
| 1976  | 15.9%          | NA             | NA            | NA            | NA            |
| 1977  | 22.7%          | NA             | NA            | NA            | NA            |
| 1978  | 27.5%          | NA             | NA            | NA            | NA            |
| 1979  | 40.9%          | NA             | NA            | NA            | NA            |
| 1980  | 44.8%          | NA             | NA            | NA            | NA            |
| 1981  | 56.0%          | NA             | NA            | NA            | NA            |
| 1982  | 52.2%          | 43.8%          | 27.8%         | 8.9%          | 2.9%          |
| 1983  | 53.1%          | 44.9%          | 27.9%         | 9.4%          | 3.1%          |
| 1984  | 51.0%          | 43.4%          | 26.3%         | 9.4%          | 2.9%          |
| 1985  | 51.9%          | 43.1%          | 25.3%         | 8.4%          | 2.3%          |
| 1986  | 52.6%          | 44.5%          | 22.3%         | 9.9%          | 2.6%          |
| 1987  | 55.4%          | 47.8%          | 20.2%         | 10.0%         | 2.5%          |
| 1988  | 54.2%          | 48.7%          | 20.1%         | 10.7%         | 3.1%          |
| 1989  | 55.1%          | 48.4%          | 21.5%         | 11.4%         | 2.4%          |
| 1990  | 60.6%          | 51.5%          | 25.5%         | 12.2%         | 2.8%          |
| 1991  | 60.5%          | 52.6%          | 22.0%         | 12.7%         | 2.6%          |
| 1992  | 68.7%          | 52.9%          | 24.9%         | 12.7%         | 2.5%          |
| 1993  | 66.5%          | 53.3%          | 23.4%         | 12.6%         | 1.9%          |
| 1994  | 71.2%          | 53.7%          | 23.1%         | 12.3%         | 2.1%          |
| 1995  | 72.7%          | 53.6%          | 27.1%         | 12.2%         | 2.2%          |
| 1996  | 67.4%          | 55.5%          | 22.3%         | 11.9%         | 1.9%          |
| 1997  | 70.2%          | 55.6%          | 21.9%         | 11.5%         | 1.7%          |
| 1998  | 81.9%          | 56.8%          | 22.9%         | 13.2%         | 1.6%          |
| 1999  | 86.6%          | 57.4%          | 25.3%         | 13.6%         | 1.6%          |
| 2000  | 87.1%          | 50.4%          | 23.7%         | 13.6%         | 1.3%          |
| YEAR | NON-FILTER | FILTER | CHARCOAL | NON-CHARCOAL |
|------|------------|--------|----------|--------------|
| 1963 | 42%        | 58%    | *        | *            |
| 1964 | 39%        | 61%    | *        | *            |
| 1965 | 36%        | 64%    | *        | *            |
| 1966 | 32%        | 68%    | *        | *            |
| 1967 | 28%        | 72%    | *        | *            |
| 1968 | 26%        | 74%    | 6%       | 68%          |
| 1969 | 23%        | 77%    | 6%       | 71%          |
| 1970 | 20%        | 80%    | 6%       | 74%          |
| 1971 | 18%        | 82%    | 6%       | 76%          |
| 1972 | 16%        | 84%    | 6%       | 87%          |
| 1973 | 15%        | 85%    | 5%       | 80%          |
| 1974 | 14%        | 86%    | 5%       | 81%          |
| 1975 | 13%        | 87%    | 5%       | 82%          |
| 1976 | 12%        | 88%    | 4%       | 84%          |
| 1977 | 10%        | 90%    | 4%       | 86%          |
| 1978 | 10%        | 90%    | 3%       | 87%          |
| 1979 | 9%         | 91%    | 3%       | 88%          |
| 1980 | 8%         | 92%    | 3%       | 89%          |
| 1981 | 8%         | 92%    | 2%       | 90%          |
| 1982 | 7%         | 93%    | 2%       | 91%          |
| 1983 | 7%         | 93%    | 2%       | 91%          |
| 1984 | 7%         | 93%    | 2%       | 91%          |
| 1985 | 6%         | 94%    | 1%       | 93%          |
| 1986 | 6%         | 94%    | 1%       | 93%          |
| 1987 | 4%         | 96%    | **       | **           |
| 1988 | 5%         | 95%    | **       | **           |
| 1989 | 5%         | 95%    | **       | **           |
| 1990 | 5%         | 95%    | **       | **           |
| 1991 | 4%         | 96%    | **       | **           |
| 1992 | 3%         | 97%    | **       | **           |
| 1993 | 3%         | 97%    | **       | **           |
| 1994 | 3%         | 97%    | **       | **           |
| 1995 | 3%         | 97%    | **       | **           |
| 1996 | 3%         | 97%    | **       | **           |
| 1997 | 2%         | 98%    | **       | **           |
| 1998 | 2%         | 98%    | **       | **           |
| 1999 | 2%         | 98%    | **       | **           |
| 2000 | 2%         | 98%    | **       | **           |

* Figures for charcoal filter cigarettes for the years 1963 through 1967 were not obtained.
** Beginning with 1987, figures for charcoal filter cigarettes have no longer been reported.
## TABLE 6
DOMESTIC MARKET SHARE OF CIGARETTES
BY LENGTH IN MILLIMETERS (mm)

| YEAR | 68-72 mm | 79-88 mm | 94-101 mm | 110-121 mm |
|------|----------|----------|-----------|------------|
| 1967 | 14%      | 77%      | 9%        | ---        |
| 1968 | 12%      | 74%      | 13%       | --- *      |
| 1969 | 11%      | 74%      | 16%       | --- *      |
| 1970 | 9%       | 73%      | 18%       | ---        |
| 1971 | 8%       | 72%      | 20%       | ---        |
| 1972 | 8%       | 71%      | 21%       | ---        |
| 1973 | 7%       | 71%      | 22%       | ---        |
| 1974 | 6%       | 71%      | 23%       | --- **     |
| 1975 | 6%       | 69%      | 24%       | 1%         |
| 1976 | 5%       | 69%      | 24%       | 2%         |
| 1977 | 5%       | 67%      | 26%       | 2%         |
| 1978 | 5%       | 65%      | 27%       | 2% *       |
| 1979 | 4%       | 65%      | 30%       | 2% *       |
| 1980 | 3%       | 63%      | 32%       | 2%         |
| 1981 | 3%       | 62%      | 33%       | 2%         |
| 1982 | 3%       | 61%      | 34%       | 2%         |
| 1983 | 3%       | 60%      | 34%       | 2%         |
| 1984 | 3%       | 59%      | 36%       | 2%         |
| 1985 | 3%       | 58%      | 37%       | 2%         |
| 1986 | 2%       | 58%      | 37%       | 3%         |
| 1987 | 2%       | 57%      | 38%       | 3%         |
| 1988 | 2%       | 57%      | 38%       | 2%         |
| 1989 | 2%       | 57%      | 39%       | 2%         |
| 1990 | 2%       | 57%      | 39%       | 2%         |
| 1991 | 2%       | 56%      | 40%       | 2%         |
| 1992 | 2%       | 56%      | 41%       | 2% *       |
| 1993 | 1%       | 55%      | 42%       | 2%         |
| 1994 | 1%       | 56%      | 41%       | 2%         |
| 1995 | 1%       | 57%      | 40%       | 2%         |
| 1996 | 1%       | 57%      | 40%       | 2%         |
| 1997 | 1%       | 58%      | 39%       | 2%         |
| 1998 | 1%       | 59%      | 38%       | 2%         |
| 1999 | 1%       | 59%      | 38%       | 2%         |
| 2000 | 1%       | 60%      | 37%       | 2%         |

* Because of rounding, the total of the individual percentages may not equal 100 percent in some instances.

** The 110-121 mm length was combined with 94-101 mm length.
TABLE 7

DOMESTIC MARKET SHARE OF MENTHOL AND NON-MENTHOL CIGARETTES

| YEAR | MENTHOL | NON-MENTHOL |
|------|---------|-------------|
| 1963 | 16%     | 84%         |
| 1964 | 16%     | 84%         |
| 1965 | 18%     | 82%         |
| 1966 | 19%     | 81%         |
| 1967 | 20%     | 80%         |
| 1968 | 21%     | 79%         |
| 1969 | 22%     | 78%         |
| 1970 | 23%     | 77%         |
| 1971 | 24%     | 76%         |
| 1972 | 24%     | 76%         |
| 1973 | 25%     | 75%         |
| 1974 | 27%     | 73%         |
| 1975 | 27%     | 73%         |
| 1976 | 28%     | 72%         |
| 1977 | 28%     | 72%         |
| 1978 | 28%     | 72%         |
| 1979 | 29%     | 71%         |
| 1980 | 28%     | 72%         |
| 1981 | 28%     | 72%         |
| 1982 | 29%     | 71%         |
| 1983 | 28%     | 72%         |
| 1984 | 28%     | 72%         |
| 1985 | 28%     | 72%         |
| 1986 | 28%     | 72%         |
| 1987 | 28%     | 72%         |
| 1988 | 28%     | 72%         |
| 1989 | 27%     | 73%         |
| 1990 | 26%     | 74%         |
| 1991 | 27%     | 73%         |
| 1992 | 26%     | 74%         |
| 1993 | 26%     | 74%         |
| 1994 | 25%     | 75%         |
| 1995 | 25%     | 75%         |
| 1996 | 25%     | 75%         |
| 1997 | 25%     | 75%         |
| 1998 | 26%     | 74%         |
| 1999 | 26%     | 74%         |
| 2000 | 26%     | 74%         |
|                  | 1994 | 1995 | 1996 | 1997 | 1998 | 1999* | 2000 |
|------------------|------|------|------|------|------|-------|------|
| % of overall market that discloses ratings on the pack | 6.3% | 6.3% | 6.1% | 5.8% | 5.3% | 4.1%  | 3.6% |
| more than 15 mg. tar market share of varieties in tar group | 28.8% | 27.3% | 32.7% | 29.8% | 18.0% | 13.4% | 12.9% |
| % that discloses ratings on pack | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0%  | 0.0% |
| 12-15 mg. tar market share of varieties in tar group | 19.3% | 21.0% | 15.3% | 16.7% | 29.1% | 32.5% | 39.0% |
| % that discloses ratings on pack | 0.0% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1%  | 0.1% |
| 8-11 mg. tar market share of varieties in tar group | 38.6% | 38.7% | 39.2% | 41.0% | 39.4% | 40.3% | 33.9% |
| % that discloses ratings on pack | 2.4% | 2.8% | 2.6% | 2.3% | 3.2% | 1.6%  | 0.7% |
| 4-7 mg. tar market share of varieties in tar group | 11.2% | 10.8% | 10.9% | 10.8% | 11.9% | 12.2% | 12.9% |
| % that discloses ratings on pack | 30.7% | 30.1% | 29.3% | 28.6% | 20.7% | 16.2% | 16.5% |
| 3 mg. tar or less market share of varieties in tar group | 2.1% | 2.2% | 1.9% | 1.7% | 1.6% | 1.6%  | 1.3% |
| % that discloses ratings on pack | 91.8% | 89.1% | 97.2% | 97.3% | 97.4% | 92.3% | 92.0% |

* Due to an error in the last report, the data previously reported for 1999 have been re-computed.
## APPENDIX A

| Category                  | Definition                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Newspapers:              | Newspaper advertising, excluding expenditures in connection with sampling, specialty item distribution, public entertainment, coupons, and retail value added.                                                                                                                                                                                               |
| Magazines:               | Magazine advertising, excluding expenditures in connection with sampling, specialty item distribution, public entertainment, coupons, and retail value added.                                                                                                                                                                                                     |
| Outdoor:                 | Outdoor advertising, excluding expenditures in connection with sampling, specialty item distribution, public entertainment, coupons, and retail value added.                                                                                                                                                                                                     |
| Audio-visual:            | Audio-visual or video advertising on any medium of electronic communication not subject to the Federal Communication Commission’s jurisdiction, including screens at motion picture theaters, video cassettes, and monitors in stores, but excluding expenditures in connection with Internet advertising.                                                                                   |
| Transit:                 | Advertising in or on public transportation facilities, excluding expenditures in connection with sampling, specialty item distribution, public entertainment, coupons, and retail value added.                                                                                                                                                                             |
| Point of Sale:           | Point-of-sale advertisements, excluding expenditures in connection with promotional allowances, sampling, specialty item distribution, public entertainment, coupons, and retail value added.                                                                                                                                                                         |
| Promotional Allowances:  | Promotional allowances paid to retailers and any other persons (other than full-time employees of the cigarette manufacturers) in order to facilitate the sale of any cigarette, excluding expenditures in connection with newspapers, magazines, outdoor, audio-visual, transit, and direct mail.                                                                                                     |
| Sampling:                | Sampling of cigarettes, including the cost of the cigarettes and the cost of organizing, promoting, and conducting sampling.                                                                                                                                                                                                                                 |
| Specialty Item Distribution: | All costs of distributing items other than cigarettes (whether the items are sold, redeemed by coupon, or otherwise distributed) that do or do not bear the name or depict any portion of the package of a cigarette variety, including the cost of the items distributed but subtracting any payments received for the item; expenditures in connection with sampling and retail value added are reported in those categories, not in specialty item distribution. |
| Direct Mail:             | Direct mail advertising, excluding expenditures in connection with sampling, specialty item distribution, public entertainment, coupons, retail value added, and Internet advertising.                                                                                                                                                                         |
| Public Entertainment:    | Public entertainment events bearing or otherwise displaying the name of a company or its cigarettes, including all expenditures made by the company in promoting and/or sponsoring such events.                                                                                                                                                                           |
| Retail Value Added:      | All expenditures and costs associated with the value added to the purchase of cigarettes, including buy one get one free and buy one get x (promotional item) free.                                                                                                                                                                                                       |
| Coupons:                 | All costs associated with coupons for the reduction of the retail cost of cigarettes, whether redeemed at the point of sale or by mail, including all costs associated with advertising or promotion, design, printing, distribution and redemption.                                                                                                                          |
| Endorsements & Testimonials: | Endorsements and testimonials, excluding newspapers, magazines, outdoor, audio-visual, transit, direct mail, point of sale, and public entertainment.                                                                                                                                                                                                 |
| Internet:                | Internet advertising, including on the World Wide Web, on commercial on-line services, and through electronic mail messages.                                                                                                                                                                                                                                      |
| All Other:               | Advertising and promotional expenditures not covered by another category.                                                                                                                                                                                                                                                                                      |