ADAPTIVE STRATEGIES OF TOBACCO FIRMS SUBSEQUENT TO THE 1998 MASTER SETTLEMENT AGREEMENT: AN EXAMINATION OF EMERGENT TOBACCO PROMOTIONAL MIX EFFORTS

ABSTRACT
This article uses the promotional mix framework to examine tobacco promotional efforts in five distinct categories: advertising, sales promotion, direct marketing, personal selling, and public relations. We specifically explore how tobacco companies are adapting their promotional efforts in each category subsequent to the 1998 Master Settlement Agreement (MSA) among the five largest tobacco companies and 46 states. We utilize primarily marketing popular press literature and a comparison between 1998 and 1999 tobacco promotional expenditures to provide a comprehensive picture of emergent tobacco promotional efforts in response to the new restrictions. Numerous adaptations within each category are examined. In particular, substantial new expenditures in the areas of trade-oriented sales promotions, direct marketing, and public relations activities are revealed. Specific tactics being used in each of the five promotional mix categories are discussed.

SOCIAL MARKETING IMPLICATIONS
It is now four years after the signing of the landmark 1998 Master Settlement Agreement. The MSA is intended to restrict the marketing activities of tobacco companies in several specific areas. However, tobacco companies are free to adapt their promotional activities in response to these restrictions. These adaptive strategies are of particular relevance to anti-tobacco social marketing efforts. With a

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better understanding of how tobacco companies are changing their promotional activities as a result of the MSA, counter marketing efforts could be made more effective. In addition, public policymakers would have more complete knowledge upon which to base anti-tobacco policy.

INTRODUCTION

The voluntary 1998 Master Settlement Agreement (MSA) among the attorneys general of 46 states and the five largest tobacco companies placed numerous restrictions on the marketing of tobacco products. The MSA has 10 major categories that specifically address the promotional and target market activities of the participating tobacco companies. Table 1 provides a summary of these marketing restrictions. Although no tobacco company makes public its promotion budget, the Federal Trade Commission’s aggregate data from U.S. cigarette firms show that manufacturers spent $6.73 billion on U.S. advertising and promotions in 1998. Not only was this amount expected to increase as a result of the MSA, but the distribution of those promotional dollars was also expected to be adapted by tobacco companies in order to work around the restrictions of the MSA. There is some precedent for this adaptation in other countries as well; even with Hungary’s most comprehensive ban on advertising in Europe, tobacco firms are still finding many options to promote their products using sales promotion (Csonka, 2002). In 1999 (the latest year data are available) cigarette advertising and promotional expenditures were $8.24 billion in the U.S., a 22% increase over 1998 (Federal Trade Commission Cigarette Report, 2001).

Just over four years after the signing of the MSA, we can now begin to form a clearer picture of the tobacco promotional strategies that emerged subsequent to the settlement agreement. In our efforts, we utilize primarily popular press marketing literature and a comparison between the

| TABLE 1 |

| (a) Prohibition on Youth Targeting |
| (b) Ban on Use of Cartoons |
| (c) Limitation on Tobacco Brand Name Sponsorships |
| (d) Elimination of Outdoor Advertising and Transit Advertisements |
| (e) Prohibition on Payments Related to Tobacco Products and Media (Product Placements) |
| (f) Ban on Tobacco Brand Name Merchandise |
| (g) Ban on Youth Access to Free Samples |
| (h) Ban on Gifts to Underage Persons Based on Proofs of Purchase |
| (i) Limitation on Third-Party Use of Brand Names |
| (j) Ban on Non-Tobacco Brand Names |
U.S. cigarette and advertising promotional expenditures for 1998 and 1999. As the MSA was signed in November 1998, from this comparison we are able to glean the initial insights on the adaptation of promotional efforts. Table 2 shows the category comparison between U.S. cigarette advertising and promotional expenditures for 1998 and 1999.

This research is based on the premise that anti-tobacco social marketing programs and public policymakers would benefit from a more comprehensive understanding of the full range of promotional tools available and currently in use by tobacco companies. Currently, public policymakers appear to be fixated on “advertising,” which is only one of many tools available to marketers under the vast category of “promotions.” In addition, this work seeks to provide for those involved in smoking cessation efforts a more complete picture of tobacco promotional tactics aimed at maintaining the current customer base.

The financial responsibilities of the major tobacco firms to their shareholders place tremendous pressure on senior managers to maintain current levels of tobacco product consumption. Although tobacco firms have many constituents, these companies may have an obligation to their shareholders to use every possible legal means to aggressively promote their products. Tobacco firms often go right up to the line drawn by the 1998 MSA, and even cross it where they see opportunity or loopholes (Jarvis, 2001). Although the limits of the 1998 MSA appear to be substantial, the marketing promotional tool

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*Because of rounding, sums of percentages may not equal 100%.
is so extensive that a multitude of viable options still remains for the tobacco companies to maintain and even increase consumer demand (Petty, 1999).

From the moment the MSA was signed, the intent of tobacco firms was to adapt their marketing efforts to mitigate the negative impact of this agreement on tobacco product sales. Evidence of this strategy is demonstrated in the comments of one R.J. Reynolds Tobacco spokeswoman who stated that, “There are still viable ways to communicate effectively with smokers. We have to concentrate on other vehicles...to deliver our brands’ positionings to adult smokers” (Masters, 1999). Furthermore, a Brown and Williamson brand manager stated in response to the MSA restrictions, “There’s always been some level of restriction, and it just means we have to be more creative” (Jarvis, 2000). In fact, the 1998 MSA may have inadvertently provided a motivation for tobacco companies to find new and creative promotional and target marketing methods that could be as effective, or possibly even more effective, than the original activities restricted. This has been termed the “backlash” phenomenon.

In a study of 22 countries in the Organization for Economic Cooperation and Development (OECD) that created advertising bans on tobacco products between 1964 and 1990, demand for cigarettes actually increased under such regulations (Stewart, 1993). While Saffer and Chaloupka (2000) question the consistency of Stewart’s (1993) data with other studies of advertising bans in OECD countries, they conclude that a limited set of advertising bans (such as the 1998 MSA) will have little or no impact on tobacco usage. In addition, research questions whether the 1970 U.S. ban on television and radio advertising of tobacco products resulted in any decrease in smoking (Hamilton, 1972; Schneider, Klien, & Murphy, 1981). The 1970 ban may also have had numerous unintended consequences, including the creation of a barrier to entry and higher brand loyalty (Holak & Reddy, 1986). With a high barrier to entry into this industry, large tobacco companies were able to devote more of their marketing resources toward the creation of “primary” or aggregate demand by increasing the overall number of smokers rather than “selective” demand, or efforts to steal market share from competitors and fend off new entrants. With fewer competitive threats, large tobacco companies became more profitable due to larger marketing budgets with which to pursue new smokers. This may be exactly what is now occurring in part of eastern Europe, where large tobacco companies are being accused of attacking a proposed advertising ban in public while lobbying in favor of it in private because they know it will create a barrier to entry and shield them from smaller and newer competitors (Breyerova, 2002).

It is important to clarify that we are not suggesting that advertising bans are not valuable in reducing tobacco usage. Nor do we suggest that advertising is not linked to tobacco usage. On the contrary, the link between tobacco promotions and tobacco usage, especially among children, is well documented (Pollay et al., 1996). (For an excellent review of the literature, see Hastings & Aitken, 1995). Therefore, limits on advertising should result in reduced smoking, except in cases where tobacco firms can redirect their efforts to other promotional strategies. As Saffer and Chaloupka (2000) conclude, comprehensive bans are needed in order to reduce tobacco consumption. As we seek to demonstrate in this article, the 1998 MSA is far from comprehensive and allows a myriad of promotional options available

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to tobacco companies. Therefore, closely monitoring changes in tobacco marketing activities following the landmark 1998 MSA is crucial. This research examines how tobacco companies are adapting their promotional efforts subsequent to the MSA. In this effort, we argue that a more comprehensive perspective of one of marketing’s 4 Ps, promotion, is essential. While it is evident from the restrictions that the attorneys general decided to focus primarily on advertising and, to a lesser extent, sales promotion, the remaining options available to tobacco companies in these categories are substantial.

PROMOTIONAL MIX ACTIVITIES

The five tools of the promotional mix are 1) advertising; 2) sales promotion; 3) direct marketing; 4) personal selling; and 5) public relations (Belch & Belch, 2001; Berkowitz, Kerin, Hartley, & Rudelius, 2000). This article examines tobacco marketing activities in each of these categories. By gaining a more comprehensive picture of the promotional mix and the tobacco marketing efforts in each of these categories, more effective counter marketing efforts will be possible. In addition, public policymakers will have a more complete understanding of marketing promotions in their deliberations over future actions.

ADVERTISING

Advertising activities are undoubtedly the most restricted of the five promotional tools for tobacco companies. In 1970, tobacco companies were prohibited from advertising on television or radio in the U.S. During the period from the 1970 ban until the 1998 MSA, outdoor advertising became one of the most prevalent tactics for tobacco companies. It appears that the large tobacco companies have adhered to the limits of the MSA in this area by removing all outdoor and transit advertisements, and eliminating cartoon characters in all promotion materials. However, the MSA does not apply to retail outlets, which are free to display outdoor advertising on the exteriors of their buildings and on their property, including gas pumps.

Product placements were another heavily relied upon advertising tactic prior to the MSA; tobacco firms paid television and movie makers handsomely for showing their brands in scenes (Mekemson & Glantz, 2001). While we could find no evidence that tobacco companies have continued paid product placements in television and movies, the number of films with a high number of smoking scenes has not decreased. In fact, of the 25 top grossing films in 2001, 17 have scenes with tobacco use; of these 17 films, some have well over 100 smoking incidents (American Lung Association, 2002). It appears that Hollywood filmmakers use smoking in films to establish a character’s image or persona rather than as a result of payments from tobacco companies, as was common practice before the MSA (Tickle, 2001). Perhaps the decades of influence that tobacco companies exercised on the entertainment industry continue to impact movie making (Mekemson & Glantz, 2001).

Subsequent to the MSA outdoor advertising restriction, initial evidence suggests that tobacco companies have placed a greater emphasis on print ads and more advertisements on the package itself (Pollack, 1999a). Tobacco industry documents reveal that tobacco companies view cigarette packages as a crucial part of their overall marketing strategy, especially for creating an in-store presence at the point of purchase and for emphasizing brand images such as lower tar, milder, tasteful, and satisfaction (Wakefield, Morley, Horan, & Cummings, 2002). In the
nine months immediately after the MSA, tobacco advertising in magazines increased 39.6%, and ads in newspapers and Sunday magazines increased 227% compared to the same nine-month period in 1998 (Jarvis, 2000). The latest 1999 Federal Trade Commission report on cigarette advertising and promotional expenditures shows that tobacco companies increased magazine advertising by 34% ($96 million) and newspaper advertising by 73% ($21.5 million) from 1998 to 1999.

Another emerging advertising tactic of tobacco companies is a greater emphasis on point-of-purchase displays. Convenience stores have had a substantial increase in display ads for cigarettes. Following the 1998 MSA, there has been a 4.7% increase in indoor tobacco advertising and an 8.7% increase in exterior ads at stores (Lieb, 2000). In an empirical study of stores selling cigarettes, Wakefield et al. (2002) also found that point-of-purchase advertising and promotions have increased since the implementation of the 1998 MSA. Stores are one of the last places to display tobacco ads larger than a magazine page. Point-of-sale signage is a critical part of the overall promotional mix, and convenience stores are willing participants in helping advertise tobacco products in their stores. Close to 60% of all cigarettes are sold at convenience stores, and cigarettes account for 37% of their total in-store sales (Dispaquale, 2002a). Industry analysts and the National Association of Convenience Stores acknowledge that without cigarette sales, they would be out of business.

SALES PROMOTIONS

The second element of the promotional mix is sales promotion. Sales promotions are often used in conjunction with other elements of the promotional mix including advertising, personal selling and direct marketing. However, sales promotions are a distinct tool in that they are designed to stimulate immediate sales and provide an incentive to purchase or try a product. Sales promotion is traditionally divided into two broad categories: trade oriented and consumer oriented. Each will be discussed in turn.

Consumer oriented. One broad marketing tool is consumer-oriented sales promotions, which include tactics such as coupons, deals, premiums, contests, sweepstakes, free samples, bonus packs, rebates (delayed incentives), event sponsorships, and continuity or loyalty programs. Subsequent to the 1998 MSA, there appears to be a greater emphasis on this element of the promotional mix. Immediately following the MSA, tobacco manufacturers offered numerous consumer-oriented sales promotions, including free packs with multi-pack purchases and $5 off coupons for cartons (Beirne, 1999). Sweepstakes and free gifts with universal product codes from cigarette packs are also more common (Rosenfield, 2001). Following the MSA, Brown and Williamson introduced a “premium” retail promotion through which consumers could buy two packs of Lucky Strike cigarettes and receive a free camera. While premiums and free packs of cigarettes with a certain volume purchase were common promotions prior to the MSA, they are now much more prevalent, especially through retail establishments. This is evidenced by a 64% increase in the “retail value added” category of tobacco companies’ promotional expenditures (the category for which “buy two packs, get one free” promotions are accounted; see Table 2). Initial empirical evidence on gift with purchase promotions indicates that they may be linked to choice of usual brand among teenage smokers (Wakefield, Ruel, Chaloupka, Slater, & Kaufman, 2002).
Tobacco industry documents reveal that sales promotions using pricing tactics (such as multi-pack discounts, coupons, lower-priced branded generics, and others) are among the most crucial marketing tools used by tobacco companies (Chaloupka, Cummings, Morley, & Horan, 2002). In addition, tobacco companies are using price-based sales promotions to undermine the impact of tobacco control programs (Chaloupka, Slater, & Wakefield, 1999).

Another form of consumer-oriented sales promotion utilizes the new product development process to design a product that will be distributed for a limited time only. In the 2001 Christmas season, Philip Morris (now named Altria) used this tactic by introducing the new "M" cigarette. With a holiday red background, the ad copy on the package read, “A special blend for a special season, from Marlboro” (Fairclough, 2001). Brown and Williamson has a similar promotion with a Mardi Gras version of their Kool brand (Beirne, 2000a).

Event marketing is still allowed under the MSA at a limited number of sporting events (racing) and at any age-restricted venues. Tobacco companies currently are focusing more on event marketing. Continuity and loyalty programs are also receiving more attention and are frequently used by tobacco companies to communicate with customers and potential customers. Following the MSA, continuity and loyalty programs became more prevalent for all of the large cigarette makers, such as Philip Morris’ Marlboro Mondays, Marlboro Miles, and Party at the Marlboro Ranch (Pollack, 1999a). Brown and Williamson’s loyalty program involves the Lucky Strike Independence Party with a disc jockey, alcoholic beverages, and attractive models distributing free cigarettes (Casison, 2000), as well as the Lucky Strike “band-to-band” promotion (Beardi, 2000a) and a comedy tour for their Pall Mall brand (Beirne, 2001). Brown and Williamson has also been using music promotions for their Kool brand. Long associated with jazz, the Kool brand has expanded its music association by including a “hip hop tour” targeted at the under-30 age group (Fairclough, 2002a). This tour is supported with radio giveaways and a national competition to find up-and-coming disc jockeys, all while leveraging the cause-related marketing tactic of benefiting the “100 Black Men of America” charity (Beardi, 2001). According to Brown and Williamson, approximately 40% of Kool smokers are African American (Fairclough, 2002a). These programs are effective for tobacco firms, as evidenced in part by analysts crediting the R.J. Reynolds loyalty program for making the Doral cigarette brand the third most popular brand among smokers (Pollack, 1999b).

Trade oriented. Trade-oriented sales promotions include allowances and discounts for channel of distribution members, cooperative advertising, and training of distributors’ sales forces. This type of promotion is a behind-the-scenes activity that consumers don’t see, and thus it doesn’t get much attention or scrutiny. In the months immediately following the MSA, a 20.3% rise in tobacco promotions at retail stores was reported (Lieb, 2000). In reference to the MSA restrictions, a Brown and Williamson’s Lucky Strike brand manager stated, “What we’ve experienced is fewer opportunities to get our message in front of consumers, and retail becomes more crucial” (Jarvis, 2000). As stated earlier, nearly 60% of all cigarettes are sold at convenience stores, accounting for 37% of convenience store total in-store sales (Dispaquale, 2002a). Therefore, convenience store retailers are more than willing to help push tobacco products in their outlets. Philip Morris and
Brown and Williamson are the most aggressive with trade-oriented sales promotions, as evidenced by their numerous signing agreements with retailers. Philip Morris provides incentives and allowances to retailers based on volume sales and demands shelf space volume based on market share. As Philip Morris has just over a 50% share of the U.S. cigarette market, they demand 50% of the retail shelf space from their partners. R.J. Reynolds also offers several merchandising programs to retailers, including their “Retail Partners” program designed to get shelf space for brands they have identified as growth brands. Not to be outdone, Brown and Williamson offers their “Retail Alliance Millennium Program,” which gives additional payments to retailers providing more shelf space for Brown and Williamson brands or placing advertising banners next to its brands in the display space (Dipasquale, 2002a).

Overall, there was a 23% increase (an additional $664 million) in tobacco companies’ “promotional allowances” category following the MSA. Furthermore, there was a 64% increase (an additional $1 billion) in tobacco companies’ “retail value added” category (primarily compensation to retail outlets for offering special offers to end customers; see Table 2). These large promotional budget increases indicate that retail has become crucial to tobacco firms’ success.

DIRECT MARKETING

Direct marketing involves database marketing activities, direct mail, electronic mail and, in general, activities directed at creating a one-to-one relationship with the consumer. Following the 1998 MSA, direct mail use by tobacco companies has nearly tripled from an average of six offers annually to 15 (Mummert, 1999). Table 2 shows that promotional spending on direct mail activities increased 64% from 1998 to 1999 (from $57.8 million to $94.6 million). However, as mentioned above, direct mail is only one part of direct marketing. Other direct marketing activities could fall under various promotional expenditure categories. Also, database marketing expenses are not tracked as an advertising or promotional expense by Federal Trade Commission records. Therefore, these activities are largely hidden from public view.

Database marketing is a core part of any direct marketing effort. Therefore, direct marketing requires extensive and detailed market intelligence on both existing customers and the most promising potential customers. In the past, direct marketing was primarily the distribution of coupons. While tobacco companies still send plenty of coupons, they are using direct marketing in more of a “guerrilla” promotional approach (Beirne, 1999). For example, an R.J. Reynolds vice president of marketing stated, “We’re increasingly looking at [direct marketing programs] as a key communication vehicle.... It’s relational, not just another direct mail, coupon delivery device” (Beardi, 2000a).

A focus on one-to-one customer relationships, or what the tobacco companies are calling “micro-marketing,” seems to be emerging as a favorite promotional tool of tobacco firms (Beirne, 2000a). Tobacco companies are now able to assemble databases of personal data such as buying habits, lifestyle, brand preference, etc., for nearly all 46 million smokers in the U.S. Sales promotion activities are designed to obtain information about tobacco customers. In this effort, many tobacco companies are offering incentives for customers and potential customers to provide this detailed personal information for their database marketing efforts. For example, Brown and Williamson gives free music
compact discs at their “Band-to-Band” events in return for filling out personal data cards (Beardi, 2000b). In a direct mail piece, Philip Morris asks for detailed personal information in exchange for a free lighter and pack of any Philip Morris cigarettes (Hoke, 1999). The use of sweepstakes also provides an opportunity to collect data on consumers to be used in tobacco’s direct marketing efforts (Jarvis, 2000).

Having information about customers facilitates the one-to-one marketing effort. Referring to the MSA restrictions and the future of the Lucky Strike brand, a Brown and Williamson vice president stated the following: “Building premium brands in this category is a long-term investment. But in the world of mass multimedia, having a direct relationship with consumers is particularly appealing. These direct consumer interfaces demonstrate that Lucky gets it, Lucky is with you. They’ve [direct marketing efforts] been well received by consumers these days [who] feel persecuted in having to smoke out in the streets” (Beirne, 2000b).

Direct marketing is not only limited to soliciting direct sales, but also incorporates creative advertising. For example, a few months following the MSA, Brown and Williamson mailed to its customers a logo mousepad bearing the Kool brand name. Similarly, Philip Morris mails birthday cards to its Marlboro customers (Mummert, 1999). R.J. Reynolds also mails birthday cards to all of its Doral brand smokers (Hein & Beirne, 2001). In an effort to build one-to-one relationships, R.J. Reynolds has responded to the MSA by distributing a newsletter via direct mail to all smokers loyal to its brands (Masters, 1999).

Database marketing is particularly dangerous for cessation efforts. A smoker seeking help to quit can purchase nicotine gum or a nicotine patch at a local grocery store. If a so-called “value card” is used in the purchase, as is common with many of the largest U.S. grocery store chains such as Kroger and Safeway, tobacco companies could readily purchase this information to match with their consumer databases. An “intervention” on the part of the tobacco companies could then ensue. A direct mailing of sample tobacco products of the smoker’s favorite brand and/or high value coupons for the purchase of tobacco products could arrive in the mail just days following the nicotine patch purchase.

The tobacco companies seem to be using direct marketing primarily to maintain customer loyalty and to prevent customers from quitting the smoking habit. Efforts aimed at preventing smokers from quitting will be a key part of tobacco company marketing efforts as they adapt their promotional activities to conform to the MSA. Rather than thinking in terms of “market share,” in the short term tobacco companies are emphasizing “share of the customer.” With fewer overall customers, tobacco companies will strive to make smokers feel like valued customers and encourage them to smoke a greater number of cigarettes.

PERSONAL SELLING

Although personal selling is a promotional tool usually reserved for high-priced items such as automobiles, real estate, home appliances and electronics, this approach recently has become more common with tobacco companies. Of course, given the addictive power of nicotine and the resulting high value of a lifetime cigarette customer, personal selling is likely to receive much greater attention by the tobacco companies following the MSA restrictions. In particular, bars and nightclubs are being targeted by tobacco companies; tobacco sales representatives have been aggressively pursuing bar patrons. Specifically, personal
selling is being combined with consumer-oriented sales promotions such as free samples of packs with five or ten cigarettes (as many as four sample packs at a time to a single patron) and sweepstakes offers (Jarvis, 2000). Research into the tobacco industry documents, which were made available as part of the MSA, reveals that tobacco companies see bar and nightclub promotions as a critical part of their direct marketing efforts aimed at persons 18 to 24 years old (Sepe, Ling, & Glantz, 2002). Empirical research on bar and nightclub promotions shows that between 1994 and 1999, the tobacco industry increased its use of bar and nightclub event promotions (Sepe & Glantz, 2002). In the year following the signing of the MSA, tobacco company promotional expenditures for “sampling distribution” increased 134% (from $14.4 million to $33.7 million; see Table 2).

Brown and Williamson also uses personal selling. This firm created what it calls the “Lucky Strike Force,” which is a team of sales representatives promoting the Lucky Strike brand. Rather than visiting nightclubs, Brown and Williamson prefers to target potential consumers on break outside of office buildings. The Lucky Strike Force brings them free samples of Lucky Strike cigarettes, free coffee or tea, and a promotional flyer (Jarvis, 2000). On Valentine’s Day the personal selling teams distribute free cigarettes along with red roses and cards with the advertisement copy, “Lucky Strike knows how tough it is to be a smoker in the city. Here, have a rose on us. Lucky Strike Loves You” (Beirne, 2000b). The two-person Lucky Strike Force teams have also been offering free cell phone calls to airport travelers. The firm running this promotion estimated that for every 500 people per location, per day receiving a free cell phone call, each told 20 other people about the promotion, which equaled 10,000 positive word-of-mouth incidents (Beirne, 2000b). Similar to their direct marketing appeals, the Brown and Williamson efforts appear to be directed toward “share of customer.” Promotions aimed at making smokers feel that the tobacco companies are on their side and empathize with their feelings as an outcast may have a strong impact on getting current smokers to smoke more.

PUBLIC RELATIONS

Public relations (PR) is a form of communication management that strives to influence the opinions and beliefs of customers, prospective customers, and other stakeholders about the company and its products (Berkowitz et al., 2000). Although PR is not often viewed as a promotional strategy, it is perhaps one of the most powerful marketing tools available (Belch & Belch, 2001). Anti-smoking groups recently have spoken out against tobacco public relations efforts, but it does not appear that public policymakers view PR as an element of the promotional mix. For example, the Federal Trade Commission’s Cigarette Advertising and Promotional Expenditures Report does not track the PR dollars spent by tobacco companies. Consequently, it is unclear how much tobacco companies are spending in this category and how much PR expenditures have fluctuated since the MSA.

The power of PR as a promotional tool rests largely on the fact that information from this source is considered the most credible in the consumer’s mind. Since the MSA, tobacco firms have placed a greater emphasis on PR and on creating a positive public image for their corporations. To survive, cigarette manufacturers must try to manage public opinion and the watchful eye of public policymakers regarding their activities. Ultimately, they are free to market their products because the public allows them to do so. Tobacco
companies also use PR to lower consumer risk perceptions regarding cigarettes and to develop a sense of legitimacy (Hanson & Kysar, 1999). In fact, some of the largest tobacco companies even want FDA regulation because the “government seal of approval” may give customers a false sense of security that smoking is safe (Birnbaum, 2001).

The PR efforts of large tobacco firms are now almost ubiquitous and unregulated. There are no restrictions for this activity, and television ads are a major tactic of tobacco companies to influence public opinion. A large focus of tobacco companies’ PR efforts seems to be on the social benefits of their philanthropic activities. While on the surface it appears that these companies are “turning a new leaf,” the underlying motive of these activities is likely to earn respect and stave off lawsuits and more marketing restriction legislation (Johnson, 2000).

For example, Philip Morris donated $60 million to homeless shelters for teens and battered women, meals on wheels, and food banks in their fiscal year 1999. However, $102 million was spent on advertising to inform the public about the philanthropic activities of Philip Morris (Rosenfield, 2001). This disparity was projected to continue, with an estimated $115 million spent on charitable giving in fiscal year 2000 and $150 million on the “Working to make a difference: The people of Philip Morris” PR campaign. Philip Morris also launched the “think don’t smoke” television advertising campaign, reportedly for youth smoking prevention. At face value this certainly appears noble and makes Philip Morris look like a good corporate citizen. However, this campaign used clean-cut kids with a message that was not compelling to youth. In a study comparing the Philip Morris “think don’t smoke” campaign to the American Legacy Foundation’s “truth” advertisements, the “think don’t smoke” ads were not only found to be ineffective, but youth seeing the ads were actually more likely to be open to the idea of smoking (Farrelly et al., 2002). Farrelly et al. (2002) also found that the “think don’t smoke” campaign led to more favorable feelings toward the tobacco industry for those who were exposed to the ads compared to those who were not. These authors conclude that the “think don’t smoke” campaign is clearly designed to deflect attention away from the current marketing tactics of tobacco companies and is being used as a PR tool to increase the respectability of the tobacco industry. Following this scrutiny, Philip Morris announced that it is refocusing its $100 million annual budget to deter underage smoking on a “parents talk with your kids” campaign (Fairclough, 2002b). In addition, in November of 2001 Philip Morris changed its name to Altria, which loosely translated means “high” in Latin. Some suggest that this name change is a PR ploy to distance the company from the negative associations ascribed to the Philip Morris name over the years (Grainger, 2001).

Perhaps the most insidious use of public relations by the tobacco industry is the creation of the “sound science” and “good epidemiology practices” campaigns. Philip Morris has led the creation of these campaigns, with the help of high-powered PR firms and lawyers, to discredit evidence that secondhand smoke causes disease (Ong & Glantz, 2001). Again, it seems like a positive action to encourage high standards in scientific research. However, there appears to be a clear ulterior motive in that a good deal of the research Philip Morris wishes to discredit is evidence demonstrating the deleterious effects of smoking.

Finally, another PR activity that has emerged after the MSA is the use of the
Internet. In October 1999, Philip Morris launched its Web site. The other large tobacco companies soon followed suit. However, rather than promoting their tobacco products or selling products over the Internet, these firms choose to promote a positive public image. On each of the large tobacco firms’ Web sites, socially responsible behaviors are displayed and promoted.

CONCLUSION

This article attempts to provide a better understanding of the vast promotional tools still available and in use by tobacco marketers following the restrictions of the 1998 MSA. By using the framework of the promotional mix, the authors examined emergent tobacco marketing activities in five distinct areas: advertising, sales promotions, direct marketing, personal selling, and PR. By comparing promotional expenditures from 1998 to 1999, and by examining the marketing popular press literature, several patterns emerged. We can begin to see how tobacco companies are adapting their promotional mix elements to continue their aggressive pursuit of new smokers and to encourage existing smokers to continue, and even to smoke more. Many promotional tactics engaged in by tobacco companies are not addressed by the MSA. For example, database and PR efforts are usually not viewed as marketing activities. Consequently, the Federal Trade Commission does not track expenditures in these areas. However, tobacco firms spend tens of millions of dollars every year on these activities for the primary or sole purpose of selling tobacco products.

Efforts to expose how tobacco marketing has been redirected following restrictions, as well as studies on the impact of marketing restrictions on tobacco usage, would provide public policymakers with critical information as additional limits are considered. Specifically, a more comprehensive ban that covers all five elements of the promotional mix is needed to ensure a significant reduction in tobacco usage. As the MSA restricts the targeting of persons under age 18, tobacco companies have turned their focus on the next age group most likely to respond to tobacco promotions and begin smoking behavior; tobacco industry documents reveal that young adults (18 to 24) recently have been directly targeted by tobacco companies (Ling, & Glantz, 2002). With fewer promotional dollars being devoted toward underage consumers, the 18- to 24-year-old adults are likely to receive an onslaught of promotional tactics. Future research must examine this adaptation, and public policymakers should consider whether the current allowance of direct targeting of this age group is in the best interests of these young adults. Indeed, it is crucial that the safety of this group be considered when future restrictions are implemented.

There is some precedent for the dissemination of research leading to a more comprehensive promotional ban. The most comprehensive piece of anti-tobacco legislation in the world, passed in New Zealand, is attributed to the publicity that a Toxic Substances Board Report received and the resulting public outcry (Carr-Gregg, 1993). More recently, research has shown the current voluntary tobacco marketing restrictions in the U.K. (similar to the U.S.’s MSA) to be ineffective (MacFadyen, Hastings, & MacKintosh, 2001). Subsequent to findings such as these, public outcry, and commitment from public policymakers, the British Parliament is reportedly close to enacting a complete ban on all forms of tobacco advertising and a comprehensive ban on...
many other tobacco promotional mix activities.

This work exposes some of the initial adaptations of tobacco promotions in response to the MSA. However, tobacco companies employ some of the greatest marketing minds that money can buy and will continue to adapt their promotional efforts to maintain and grow their markets. We hope that future research will continue to examine changes in the marketing activities of tobacco companies from a comprehensive perspective such as the promotional mix framework.

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REFERENCES


