

STATEMENT OF
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BEFORE THE
COMMITTEE ON GOVERNMENTAL AFFAIRS

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT,
RESTRUCTURING, AND THE DISTRICT OF COLUMBIA
UNITED STATES SENATE

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Main Points

- The goal of the national tobacco settlement to reduce the exposure of young people to tobacco marketing has not been met.
- Although the settlement explicitly prohibits targeting youth, young persons continue to be bombarded by cigarette advertising in magazines.
- Magazine advertising represents less than 5 percent of the total marketing and promotional expenditures of the tobacco companies. Yet most of the other 95 percent, which can also be directed at children, is not monitored.

Mr. Chairman and distinguished Members of the Subcommittee:

My name is Charles King III. I am an Assistant Professor at the Harvard Business School. I am here today to talk about cigarette advertising to children.

Reducing cigarette smoking among adolescents is a public-health priority.¹ According to the Centers for Disease Control and Prevention:

- 1) Approximately 80% of adult smokers started smoking before the age of 18.
- 2) Every day, nearly 5,000 young people under the age of 18 try their first cigarette.
- 3) More than 6.4 million children living today will die prematurely because of a decision they will make as adolescents — the decision to smoke cigarettes.²

In 1998, the attorneys general of 46 states signed a Master Settlement Agreement with the four largest tobacco companies in United States. The agreement prohibits tobacco advertising that targets people younger than 18 years of age.

¹ Healton C, Messeri P, Reynolds J, et al. Tobacco use among middle and high school students – United States, 1999. MMWR Morbid Mortal Wkly Rep 2000;49:49-53. Johnston LD, O'Malley PM, Bachman JG. The Monitoring the Future national survey results on adolescent drug use: overview of key findings, 1999. Rockville, MD: National Institute on Drug Abuse, 2000 (NIH Publication No. 00-4690).

² Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Tobacco Information and Prevention Source (TIPS), Overview, 2002. (Available: <http://www.cdc.gov/tobacco/issue.htm>. Accessed: May 9, 2002).

Last year, Dr. Michael Siegel, M.D., M.P.H, of the Boston University School of Public Health, and I published a study in the *New England Journal of Medicine* analyzing the effect of the Master Settlement Agreement on the exposure of young people, 12 to 17 years of age, to cigarette advertising in magazines.³ Our analysis was based on magazine advertising before and after the tobacco settlement by 15 major cigarette brands in 38 leading national magazines.

What we found was disheartening. The Master Settlement Agreement appears to have had little effect on cigarette advertising in magazines and on the potential exposure of young people to these advertisements in the two years after it was signed.

Our study showed that nearly all the cigarette brands in our sample reached large numbers of young people in United States with their magazine advertisements. “Reach” is a standard measure of audience penetration used in media planning and buying. It represents the percentage of a particular population that has at least one opportunity to see an advertisement in a magazine, not the percentage that actually does see the advertisement. Two years after the settlement, 11 of the 15 cigarette brands studied still reached more than two-thirds of all young people.

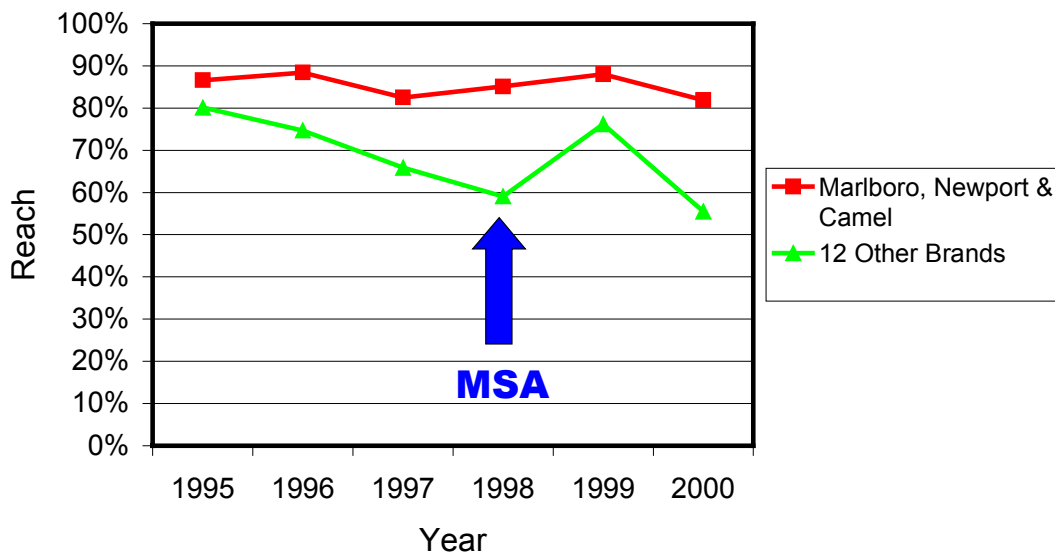
Comparing the reach of the three cigarette brands most popular among young people – Marlboro, Newport and Camel⁴ – with the other 12 brands in our study, we found that on average these three brands reached a significantly larger percentage of young people. Figure 1 presents the trends in the average proportion of young people reached by magazine advertising for the three cigarette brands most popular among young people and the 12 other brands in 1995 to 2000. In the two years after

³ King C, Siegel M. The master settlement agreement with the tobacco industry and cigarette advertising in magazines. *N Engl J Med* 2001;345:504-511.

⁴ According to the 1998 national Monitoring of the Future survey, Marlboro has an average market share among smokers in the 8th, 10th, and 12th grades of 64.3 percent, Newport has 19.1 percent, and Camel has 7.9 percent. These data on brand preferences and market shares were derived the responses of 2048 smokers who were in the 8th grade, 2708 who were in the 10th grade, and 2335 who were in the 12th grade.²⁸ Johnston LD, O’Malley PM, Bachman JG, Schulenberg JE. Cigarette brand preferences among adolescents (Monitoring the Future Occasional Paper 45). Ann Arbor, MI: Institute for Social Research, University of Michigan, 1999.

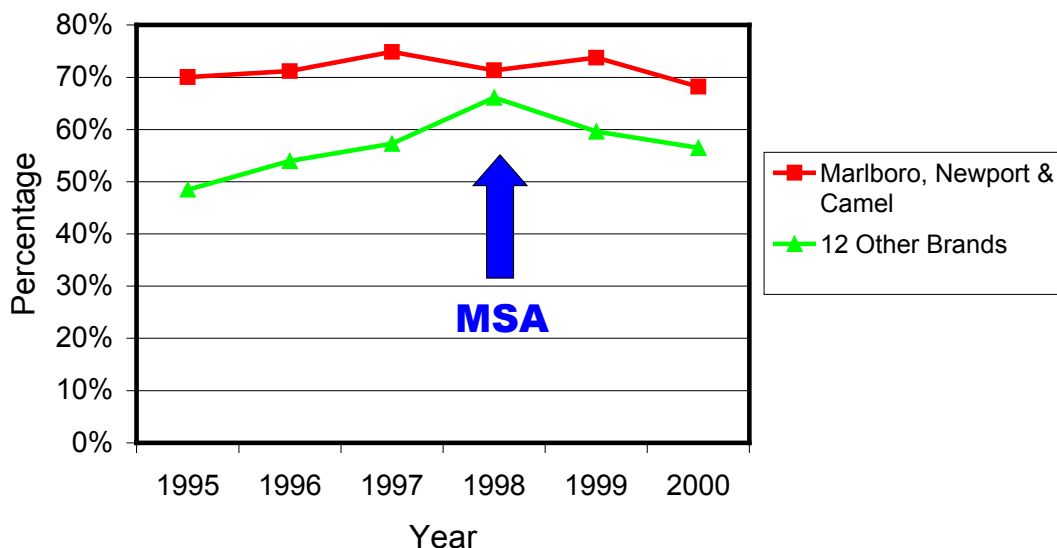
the settlement, Marlboro, Newport and Camel, on average, continued to reach more than 80 percent, or 18.4 million young people.

Figure 1. Trends In Average Number of Young People Reached by Magazine Advertising



We also found that the three brands most popular among young people consistently devoted a significantly larger share of their magazine advertising budgets to youth-oriented magazines. For the purpose of our analysis, we defined youth-oriented magazines as those with more than 15% young readers or more than 2 million young readers. Figure 2 presents the trends in the proportions of expenditures for magazine advertising of the three most popular brands and of the other cigarette brands that were allocated to youth-oriented magazines from 1995 to 2000. During the two years following the settlement, Marlboro, Newport and Camel continued to devote most of their advertising dollars to advertising in youth-oriented magazines.

Figure 2. Trends in the Proportions of Magazine Budget Allocated to Youth-Oriented Magazines



For the 15 brands of cigarettes studied, overall expenditures for advertising in the 38 magazines actually rose 33% percent in 1999, the first year after the settlement was signed, to their highest levels during 1995 to 2000. Despite reductions in the expenditures for cigarette advertising in youth-oriented magazines in the second year after the settlement, the overall level of exposure of young people to this advertising remained high.

The decline in advertising in youth-oriented magazines in 2000 reflects, in part, Philip Morris' decision to discontinue advertising in youth-oriented magazines starting in September 2000.⁵ Brown & Williamson also reduced its level of advertising in magazines with a high proportion of young readers, but neither R.J. Reynolds nor Lorillard substantially changed its level of advertising in youth-oriented magazines during the first two years after the settlement. Last month, a California Superior Court began hearing a lawsuit alleging that R.J. Reynolds had violated the

⁵ Philip Morris to stop ads in magazines read by youth. New York Times. June 6, 2000:C27. Levin M. Philip Morris will drop ads in magazines read by youths; Tobacco: no. 1 cigarette maker hopes to defuse investigation of its adherence to settlement. Los Angeles Times. June 6, 2000:C3.

Master Settlement Agreement by targeting young people with its advertising.

The voluntary policy adopted by Philip Morris does not appear adequate to protect young people from substantial exposure to cigarette advertising in magazines. If Philip Morris had eliminated youth-oriented magazines for all of 2000, we estimated that Marlboro would still have reached more than 57 percent of young people, or 13.1 million young people, with its magazine advertising.

Finally, magazine advertising remains but one small part – 4.6% – of the tobacco industry’s total marketing expenditures of \$8.2 billion in 1999.⁶ Other marketing tools include coupons, direct mail, Internet advertising, newspaper advertising, point-of-sale advertising, promotional allowances to retailers, sponsorship of public entertainment, retail-value added programs (such as “by one, get one free”), the distribution of samples, and the distribution of specialty items. Many of these promotional techniques have been previously found to have great appeal for young people.⁷ Yet most of them are neither measured nor monitored outside the tobacco companies. This makes the Master Settlement Agreement’s prohibition against targeting young people difficult to enforce. No effort to reduce smoking among young people will succeed without a complete understanding of the entire marketing mix available to tobacco companies and the ability to monitor it.

⁶ Federal Trade Commission. Federal Trade Commission: cigarette report for 1999. Washington, DC: Federal Trade Commission, 2001.

⁷ Hastings G, MacFadyen L. A day in the life of an advertising man: review of internal documents for the UK tobacco industry’s principal advertising agencies. *BMJ* 2000; 321:366-71. Lynch BS, Bonnie RJ, eds. Committee on Preventing Nicotine Addiction in Children and Youths, Division of Biobehavioral Sciences and Mental Disorders, Institute of Medicine. Growing up tobacco free: preventing nicotine addiction in children and youths. Washington, DC: National Academy Press, 1994. U.S. Department of Health and Human Services. Preventing tobacco use among young people: a report of the Surgeon General. Atlanta, GA: U.S. Department of Health and Human Services, Public Health Service, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 1994.

I conclude with three main points:

- The goal of the national tobacco settlement to reduce the exposure of young people to tobacco marketing has not been met.
- Although the settlement explicitly prohibits targeting youth, young persons continue to be bombarded by cigarette advertising in magazines.
- Magazine advertising represents less than 5 percent of the total marketing and promotional expenditures of the tobacco companies. Yet most of the other 95 percent, which can also be directed at children, is not monitored.

Thank you, Mr. Chairman, for this opportunity.