Tobacco Industry Tactics: Lessons Learned and Policy Implications

In March 2019, the Tobacco Control Network (TCN), an ASTHO peer network, convened a three-part workforce development virtual series on tobacco industry marketing tactics. Each installment of this virtual series featured remarks from La Tanisha Wright, a tobacco marketing expert who draws upon internal tobacco industry documents and her personal experience working in the tobacco industry in the early 2000s. During this virtual series, Wright provided participants with key insights on how tobacco companies promote their products in retail settings and what policy options are available to reduce the appeal of tobacco products among consumers. This issue brief summarizes the takeaway themes from Wright's three presentations and highlights policy implications related to tobacco retailer marketing practices.

Key Insights on Tobacco Retail Sales and Marketing

Currently, the tobacco industry is dominated by the "Big Three." Philip Morris, RJ Reynolds, and ITG manufacture most tobacco products sold in the United States at retail outlets. Each company sells several brands of cigarettes and a nationally distributed e-cigarette brand. Most notably, the parent company of Philip Morris is now a 35% owner of JUUL Labs. Two of these companies also sell little cigars and smokeless tobacco products nationwide. All tobacco products sold by these companies are designed to keep consumers addicted to nicotine, and many of them contain menthol or other flavors that might appeal to youth and young adult consumers.

Industry documents indicate that tobacco companies distinguish between "focus" and "non-focus" communities and market to them differently. In summary, focus communities are of lower socioeconomic status, and non-focus communities are of higher socioeconomic status. According to Wright, tobacco companies understand that socioeconomic status (SES) is an important predictor of tobacco use, and they tend to promote pricing discounts and point-of-sale advertising most intensely in focus community settings. As a result, the tobacco industry has played a role in exacerbating health disparities across sociodemographic lines. With many other forms of advertisements prohibited by law, price discounts and promotional allowances paid directly to retailers and wholesalers currently comprise the vast majority of tobacco industry marketing expenses in the United States.

Characteristics of Focus Communities	Characteristics of Non-Focus Communities
Low SES, urban	Medium to high SES, suburban and rural
Higher economic insecurity and less educated	Lower economic insecurity and more educated
Medically underserved with less access to tobacco prevention and cessation programs	Better insured, with better access to tobacco prevention and cessation programs

Tobacco sales and industry relationships are important revenue sources for many retailers. Though tobacco sales volume differs significantly based on trade channel, most tobacco retailers are contracted with at least one of the Big Three tobacco manufacturers to display their products in a certain location or display advertisements both inside and outside the walls of their retail establishments. These contractual relationships provide financial benefits to the retailer in exchange for their strict compliance. Trade marketing territory managers dispatched by the industry build relationships with retailers and frequently visit retail locations in person to monitor compliance with contracted terms.

The tobacco industry utilizes several different discount strategies to keep retail prices low. A tobacco manufacturer might contract with a retailer to institute an ongoing buydown agreement where the industry covers a portion of the retail cost to keep the price of the tobacco product consistent for consumers. Other price reduction strategies include temporary discounts printed directly on packages, value-added promotions (e.g., sweepstakes, limited edition packaging, and buy X get X free deals), and coupons.

Implications for State and Territorial Tobacco Control Programs

Tobacco taxes are an important pricing strategy for reducing tobacco use. Tobacco taxes are an evidence-based method to decrease tobacco consumption and encourage cessation, especially among youth and low-income individuals. This is why the industry strongly opposes tobacco tax increases and dedicates a majority of marketing expenditures to keeping the retail price of their products low. Such policies are also effective at increasing state revenues, which public health groups recommend should be utilized to bolster tobacco control and cessation initiatives. State and territorial governments can help enforce these laws and keep retail prices elevated by addressing tobacco product smuggling and other tax evasion practices.

Other non-tax pricing policies are also available. When tax increases are not politically viable, other policy options are available to restrict the ability of tobacco manufactures to offer product discounts. For example, coupons and/or value-added promotions can be prohibited. Tobacco retail licensing costs can be instituted or increased, and these costs are generally passed on to the consumer. A minimum price law—one of the most comprehensive measures—can be implemented that requires the retail cost of a given tobacco product to exceed a certain amount. This prevents all forms of discounts from lowering the retail cost of a tobacco product below the established minimum. While these policies don't raise revenue for the state like tobacco taxes, they are still effective at reducing tobacco use.

There are several ways to address advertising at point of sale, with or without policy. States and local municipalities have many opportunities to reduce the impact of point-of-sale advertisements on consumers. These include zoning/retailer density laws, regulating product placement, regulating ad placement, and instituting point-of-sale health warnings, among other policies. Tobacco control programs can also take steps to track tobacco retailers and encourage voluntary retailer actions without any buy-in from legislators. Retailer education initiatives can improve compliance of federal, state/territorial, and local laws, especially if there are any changes to said laws. Some retailers have a negative view of the industry and are open to voluntarily displaying anti-tobacco messaging and/or reducing the number of tobacco advertisements they display.

To view all three recordings from the TCN workforce development virtual series and other supplemental materials, visit the resources page on the TCN website.