

# Should tobacco advertising be stubbed out?

**This two-part IESE case analyzes marketing issues associated with a controversial sector: the tobacco industry.**

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The first tobacco advertisement appeared in a 1789 edition of a local New York newspaper. Back then, the health risks of smoking were unknown and remained so until the 1930s, when links between cigarette smoking and lung cancer began to be suspected.

In 1964, the U.S. Surgeon General Luther Terry published research confirming the relationship between tobacco and lung cancer, emphysema and other diseases.

Today, cigarettes are the most advertised product in the United States, with the tobacco industry spending \$11 million each day on advertising — all against a backdrop of ever-growing restrictions on tobacco advertising.

The latest round of tobacco advertising legislation, the 2009 Family Smoking Prevention and Tobacco Control Act, called for stronger cigarette warnings covering the top half of both the front and rear panels of cigarette packets.

A [two-part IESE case study on tobacco advertising in the United States](#) considers whether governments have a responsibility to increase restrictions on cigarette advertising through the launch of new, proactive anti-smoking campaigns, or whether the current restrictions in place are sufficient.

Among the relevant issues at stake are: personal freedom, health protection, the role of the government in controversial markets, and the economic impact of individual decisions on social welfare.

The case considers the constitutional appropriateness of the current compulsory health

warnings on cigarette packets; the effects these warnings have on the revenue of convenience stores during a time of economic recession; and the perceived discrimination against smokers who already feel penalized by the heavy taxes they have to pay on cigarettes.

## **The effects of smoking**

In 1999, lung cancer caused 158,900 deaths in the United States and around a million deaths worldwide. Research shows that 90 percent of male lung cancer cases, and 75-80 percent of female lung cancer cases, are caused by cigarette smoking.

Today lung cancer is the leading cause of cancer deaths in the United States for both men and women.

In 2009, the U.S. government signed a bill allowing the Food and Drug Administration (FDA) to force tobacco companies to place images of cancer stricken lungs, rotten teeth and dead bodies on half of the cigarette packet space, as well as on 20 percent of cigarette advertisements.

The bill also stipulated that every advertisement must contain the warning "Tobacco smoke can harm your children" and the helpline number 1-800-QUIT-NOW.

It was estimated that there would be up to 200,000 fewer smokers as a result of these changes to tobacco advertising.

This would almost certainly reduce the 400,000 cigarette-related deaths that happen each year in the United States alone.

The FDA hoped that this strategy would reduce the smoking rate to 12 percent, from 21 percent, by 2020.

## **Tobacco company rights**

Tobacco companies have often denied the link between advertising and higher numbers of smokers — after having previously denied the link between smoking and cancer. Some have claimed that advertising increases brand awareness, but has no direct influence in terms of converting non-smokers.

In 2011, four tobacco companies went to court in response to the 2009 Family Smoking

Prevention and Tobacco Control Act. They challenged the constitutional appropriateness of the new legislation enforcing cigarette warning labels, claiming that it contravened their First Amendment right to freedom of expression.

The legal representative of one tobacco company argued that "the goal of informing the public about the risks of tobacco use can and should be accomplished consistent with the U.S. Constitution."

## **Public response**

Public reaction to the legislation has been mixed. Some argue that the stiffer regulations have simply spurred the industry to innovate around the legislation by developing, producing and commercializing other tobacco- and nicotine-based products.

As 85 percent of cigarettes are sold in convenience stores, others point out that the new legislation could be bad news for them, especially during a time of economic recession, as it could substantially hurt store revenues.

Similarly, a decrease in cigarette sales leads to a commensurate drop in the money that the government earns from cigarette duties.

Among smokers, some said such shocking images would make them more inclined to quit, while others felt discriminated against.

In the words of one smoker: "(The government) already hits us with all these taxes. Now they are making us put up with this. I know the risks of smoking. Why don't they do something about alcohol addiction instead of always picking on us?"

This case stimulates discussion around these and many other issues.

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