

October 14, 2014

Federal Trade Commission  
Office of the Secretary  
600 Pennsylvania Avenue NW  
Suite CC-5610 (Annex J)  
Washington, DC 20580

RE: Tobacco Reports: Paperwork Comment, FTC File No. P054507

Dear Secretary Clark,

I am pleased to submit this comment regarding the Federal Trade Commission's collection of data on manufacturer annual sales and marketing expenditures. My comments focus on advertising and promotional expenses.

I am a founding member of the Center for Tobacco Studies (CTS) at the Rutgers School of Public Health. The main goal of the Center is to enhance the evaluation and surveillance of tobacco control as well as tobacco industry strategies. A major component of CTS is the Trinkets and Trash (T&T) program, which functions as an archive and surveillance system that monitors and collects examples of current and historic tobacco products and tobacco industry marketing materials, and makes these available for public use through an image-rich website ([www.trinketsandtrash.org](http://www.trinketsandtrash.org)). I have served as PI and curator of T&T since 2002 so I am quite familiar with industry marketing practices. My research focuses on tobacco industry marketing and I have served as PI or Co-investigator on grants concerning the extent and content of industry marketing.

I frequently utilize Federal Trade Commission (FTC) reports of advertising and promotional expenses, which I have found to be quite helpful. I strongly support continued collection of this information, which provides invaluable information to tobacco control and public health. However, expenditure data from FTC reports are often interpreted as reflecting the magnitude or importance of a category to the industry's advertising and promotion practices. This is concerning and misleading if FTC-reported data undercount or overcount specific categories, as I believe they do. In addition, in some cases definitions of categories are often inadequate or unclear. My comments today concern some limitations to expenditure data which, if corrected, would improve our understanding of actual expenditures for marketing practices and our ability to make use of FTC expenditure data correctly and accurately.

My comments today concern 1) the need for a general definition of what costs are included as "expenditures," 2) underestimation of expenditures for direct mail advertising by excluding costs of items carried by direct mail and direct mail carrying these items, and 3) questions relating to whether expenditures reported as "company website" include those for brand-specific websites, and 4) questions about the "internet other" category. These are detailed below.

**1. The term “expenditure” is not clearly defined.**

FTC reports do not define what is covered by the term “expenditures.” Do the costs reported reflect only outside expenditures or in-house spending or both? Clearly advertising and promotion incur both costs for outside firms and services and in-house costs, the question is whether both are included in FTC data and if not, what is included.

**Recommendation:** FTC reports should clearly state what costs (e.g., contracted outside services, in-house costs and personnel) are covered by the term “expenditures” for each category, if these differ by category.

**2. Expenditure data for direct mail marketing are incomplete.**

FTC reports underestimate spending for direct mail by excluding expenditures for items and promotions routinely distributed by direct mail but for which costs are reported in other categories. This includes expenditures in connection with coupons, specialty item distribution, public entertainment, and internet advertising. Although it is difficult to estimate what proportion of expenditures reported in these categories involved direct mail, if expenditures for distribution of items in these categories by direct mail were reported in the direct mail category, the 2011 cigarette report’s reported spending of \$51.5 million would undoubtedly balloon. (In 1988, when the FTC added separate categories for coupons and specialty items thus reporting them separately from direct mail, expenditures for direct mail fell from \$187 million to \$42.5 million.) Since an analysis of 1177 pieces of direct mail in the T&T collection showed that 69% contained coupons, the exclusion of coupons alone (\$171 million in 2011) represents a serious underestimation of the cost (and by extension the extent) of direct mail marketing.

**Recommendation:** Assessment of actual costs of direct mail and database marketing would be facilitated by more complete reporting to the FTC, including the cost of direct mail distributing coupons, specialty items, and other promotional materials distributed through the mail but currently reported in other categories. The FDA should request this disaggregated data from tobacco companies to inform the development of future regulations on these types of marketing communication.

**3. Do expenditures reported as “company website” include those for brand-specific websites?**

The Report’s description of the Internet marketing category is “All expenditures associated with advertising on any company Internet website.” It is not clear whether this includes expenditures for brand-specific websites or solely for the corporate websites. T&T currently monitors eight brand specific websites from reporting companies but it is not clear whether costs for these extensive websites is included in the “company website” category.

**Recommendation:** FTC more clearly defined what is included in this category including specifying whether it includes websites devoted to promoting a specific brand.

**4. Issues related to Internet "other" category.**

Among the items detailed as being covered in this category is "electronic mail messages." However, FTC reports for the past few years have shown no expenses for this category or, more recently, shown this as N/A, with a footnote saying that N/A is used when only one company reports expenditures in that category. However, T&T regularly receives e-mail messages from brands owned by more than one of the reporting companies. It may be that e-mail messages are reported under the direct mail category and if this is true that should be noted.

**Recommendation:** Specify whether expenses for direct e-mail are included in this category or under direct mail and stress the importance of reporting expenses covered by it.

Overall, I strongly support your efforts to improve the collection of information from tobacco manufacturers. Thank you for the opportunity to contribute to this process. If you have any questions, please do not hesitate to contact me.

Respectfully,

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