

ANALYSIS OF THE CIGARETTE MARKET

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I. Introduction

The objectives of my work in this area have been to make long range (5 years) projections of the market shares of brands and segments and to develop an understanding of what kinds of things can happen and what kinds of things are likely to happen in the cigarette market.

My approach has been to study what has happened in the past as a guide to what can happen in the future. What generalities apply to the market? What consistencies have there been in the behavior of brands and segments? What has succeeded and what has failed in brand introductions, extensions, and changes?

II. Influences on Industry Sales 1948-1977

Figure 1 shows industry cigarette sales for the last thirty years. The overall growth in sales has been due mainly to changes in the size and composition of the smoking-age population.

Most irregularities in the sales curve can be accounted for by specific events or conditions: the first publicity on smoking and health (1953), the Surgeon General's Report (1964), antismoking advertising on television (1967-1969), and publicity on the social aspects of smoking along with restrictions on smoking (1975-).

Neither the Industry nor, in particular, any company has had an influence on total cigarette sales or consumption in the U.S. Over any period of about five years, especially for recent years, growth in industry sales is almost negligible.

III. The Market Share Viewpoint

If Philip Morris, or any U.S. company, is to grow significantly in cigarette sales, its market share must grow. Therefore, in my analysis of the cigarette market I have concentrated only on market shares.

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