



STREAMLINING SALES & DISTRIBUTION: THE BATB WAY

An Analysis of Stock Rotation phase of Project Accord

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Submitted to

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Dear Madam:

Subject: Internship report on “STREAMLINING SALES & DISTRIBUTION: THE BATB WAY - An Analysis of Stock Rotation phase of Project Accord”

It is a great pleasure to present to you my internship report on “**STREAMLINING SALES & DISTRIBUTION: THE BATB WAY - An Analysis of Stock Rotation phase of Project Accord**” which I have diligently worked on during my internship attachment period with the Trade Marketing team of British American Tobacco Bangladesh from April 1, 2018 to June 31, 2018.

I have gained the most interesting & informative experience while working for this report. My endeavor for learning about the trade marketing efforts of BATB has not only been fruitful, but it also has given me a new insight into the requirement of situation-based marketing and branding perspective. Incorporating vast amounts of information into a concise report was indeed a challenge for me. I earnestly hope that the report will meet the standards that the institute has set for us. I am always available for further query and clarification.

Sincerely,

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ACKNOWLEDGEMENT

First, I would like to thank the Almighty Allah for making me able to complete my internship in sound health and given time.

I would also like to express my sincere gratitude to Md. Shamin Yeasar Shadman, Area Manager, Kushtia, British American Tobacco Bangladesh for assigning me the responsibilities while being attached with the organization and Miss Nusrat Hafiz, Lecturer, BRAC Business School for approving the project and authorizing me to prepare this report. I am also indebted to her because she was kind enough to guide me in solving every problem I faced.

I am grateful to various officials of the trade marketing department of BATB and of course to my family and friends for their co-operation that helped me throughout the tenure of my internship period.

Executive Summary

The 2013 act amendment was scheduled to bring in some drastic changes. The new law adds to the 2005 acts and forbids the use of imageries or any kind of descriptors in the outlets. In an increasingly dark market, BAT recognizes that the future of the business lies with the Trade Marketing and Sales & Distribution function. BATB has developed a unique sales and distribution model to ensure maximum reach and off-take the brands from the retail outlets to gain the competitive edge.

Cigarettes have a shelf life of only 4 months. But it falls to only 3 months in Bangladesh because of the humidity. The freshness of a cigarette is determined by checking whether the stick is damp or not. Smokers consider it as a very important factor. DTI lost its market leadership in the low cigarette segment in 2011 because they failed to clear the stock of cigarettes at retailer's end before the budget period. As a result, there was a huge amount of their damp stocks of cigarettes in the market and consumers turned away from their brands. Furthermore, they failed to take back their Quality Complaint product, for which the retailers stopped lifting their products. They still haven't been able to retrieve the leadership in low segment which was once their private property.

In 2018, BATB was facing a similar kind of challenge. From the beginning of the year, the C&Cs (wholesalers) and big retailers have started to hoard the brands of BATB. To offset the losses they have incurred, since there was no change in price at the Premium, Aspirational Premium and Value for money segments. As a result, there was an artificial price increase due to speculation at small retailer's end which the C&Cs (wholesalers) capitalized on. To combat this BATB launched Project Accord and supplied the market with more actual demand. The price of cigarettes stabilized but the market was flooded with cigarettes which could have resulted in damp products at the market. To maintain the freshness of the products, BATB launched the Stock Rotation phase which was named Project Accord. The theme of the project was to change all the products of Graphical Health Warning – 4 with the products of Graphical Health Warning – 5 and to avoid the mistake that cost DTI their leadership. This was also to avoid QC product from being delivered to the end consumers. The whole project and its results at Barguna Territory is highlighted in this report along with how Trade Marketing and Distribution functions were implemented while executing the activities of the project.

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Glossary of Terms

- ADS: AVERAGE DAILY SALES
- AM: AREA MANAGER
- ASR: ASSISTANT SALES REPRESENTATIVE
- BATB: BRITISH AMERICAN TOBACCO BANGLADESH CO. LTD
- BM: BUSINESS MANAGER
- BR: BRAND REPRESENTATIVE
- BA: BRAND ADMIRERS
- BCP: BRAND CALL PRODUCTIVITY
- BX: BUSINESS EXPRESS
- CSC: CUSTOMER SERVICE CENTRE
- C&C: CASH & CARRY
- CM: CONTRACT MERCHANDISER
- CBC: CORRUGATED BOARD CARTON
- CDR: CONSUMER DIALOGUE THROUGH RETAILER
- DSS: DIRECT STORE SERVICE
- D&D: DAMAGED & DAMP
- DD: DEMAND DRAFT
- DDSS: DAILY DIRECT STORE SERVICE
- DCC: DISCOUNTED C&C
- EC&C: ENTERPRISE C&C

- FF: FIELD FORCE
- FIFO: FIRST IN FIRST OUT

- IMS: INTERNATIONAL MARKETING STANDARDS
- ID: INDIRECT DISTRIBUTION
- ICA: INWARD CARTAGE ALLOWANCE
- KPI: KEY PERFORMANCE INDICATORS
- MC: MERCHANDISING COORDINATOR
- MLN: MILLION
- OHS: ON HAND STOCK
- OSDO: ON SITE DISTRIBUTION OPERATION
- OCA: OUTWARD CARTAGE ALLOWANCE
- OSA: OUTSTATION SERVICE ALLOWANCE
- OOS: OUT OF STOCK
- PO PURCHASE ORDER
- POS: POINT OF SALES
- POSM: POINT OF SALES MATERIAL
- PMM: PERMANENT MERCHANDISING MATERIAL
- PTR: PURCHASE THROUGH RETAILER
- QC: QUALITY COMPLAINT
- RAO REGIONAL ADMINISTRATION OFFICER
- RM REGIONAL MANAGER
- RTM: ROUTE TO MARKET
- RC: REGIONAL COORDINATOR

- RRO: REGIONAL REPORTING OFFICER
- RTM: ROUTE TO MARKET
- SKU: STOCK KEEPING UNIT

- SR: SALES REPRESENTATIVE
- SUP: SALES SUPERVISOR
- SM: SALES MANAGER
- SOP: SALES & OPERATION PLAN
- STT: SALES TO TRADE
- SCR: STOCK COVERING RATIO
- SRR: STOCK RETURN RECEIPT
- S.R: STRIKE RATE
- SLA: SERVICE LENGTH AGREEMENT
- TM&D: TRADE MARKETING & DISTRIBUTION
- TO: TERRITOTY OFFICER
- TSA: TERRITORY SALES ASSISTANT
- TLP: TRADE LOYALTY PROGRAMME
- TC: TRADE CLUSTERS
- TO: TERRITORY OFFICER
- TPG: TRADE PLANNING GROUP
- TLP: TRADE LOYAL PARTNERS
- VBP: VALUED BUSINESS PARTNER
- WC: WORKING CAPITAL
- WTD: WEIGHTED

- 2/W: TWICE PER WEEK
- 3/W: THRICE PER WEEK

Chapter 1: Introduction

1.1 Origin of the Report

The report titled “**STREAMLINING SALES & DISTRIBUTION: THE BATB WAY - An Analysis of Stock Rotation phase of Project Accord**” has been prepared to fulfil the partial requirement of my Internship of BBA Program of BRAC University under the supervision of Miss Nusrat Hafiz. I have been attached with the Trade Marketing and Distribution team of British American Tobacco Bangladesh since April’18 and I have prepared this report in alignment with my assigned responsibilities.

1.2 Objectives

The objectives of this report are:

- To gain practical knowledge regarding overall business operation of BATB being within a controversial industry with various law barriers imposed by the government
- To develop a better understanding in Trade Marketing and Sales & Distribution Process
- To analyze the Stock Rotation Phase of Project Accord
- To measure the effectiveness of activities undertaken during the Stock Rotation Phase.

1.3 Scope

- Information for the analysis was collected from the internal websites, database, research papers, annual reports and study materials of BATB
- Geographic scope of the report is limited within the Khulna Territory.

1.4 Methodology

Methodology refers to the system of methods undertaken for the research. Since the study is focused on determining the success factors and effectiveness of the Route to Market Strategy of BATB, the research design is mainly primary and secondary data based. The study has been conducted through ensuring involvement of cigarette retailers and the people from marketing and research department of BATB.

1.5 Limitations

- Analysis is completely based upon historical data and experience
- No assumption of any price change of the budget has been incorporated
- No assumption of any competition activity such as launch of a new brand, etc. has been incorporated

Chapter 2: Orientation to the Organization

2.1 British American Tobacco Bangladesh Company Ltd.

British American Tobacco Bangladesh is a member of the British American Tobacco Group that is based in UK and one of the leading players in the global tobacco business. It has been in business for more than 100 years, trading through the turbulence of wars, revolutions and nationalizations as well as all the controversy surrounding smoking. The business was formed in 1902, as a joint venture between the UK's Imperial Tobacco Company and the American Tobacco Company founded by James 'Buck' Duke. Despite its name, derived from the home bases of its two founding companies, British American Tobacco was established to trade outside both the UK and the USA, and grew from its roots in dozens of countries across Africa, Asia, Latin America and continental Europe. However it was founded in Bangladesh in 1910.

Some glorious moments for BAT in the last century: expansion and achievement:

1902: Imperial Tobacco Company of the United Kingdom and The American Tobacco Company of the United States formed a joint venture - the 'British-American Tobacco Company Ltd'.

1910: Operations extended to West Indies, India, Ceylon (Sri Lanka, East Africa, Java, Malaya (Malaysia) and Nigeria.

1911: British American Tobacco listed on the London Stock Exchange.

1914: Acquired Brazilian tobacco company -Souza Cruz.
1927: Entered the US market through purchase of Brown & Williamson.
1929: Rothmans listed on the London Stock Exchange.
1930: Period of growth for both Rothmans International and British American Tobacco.
1960-80s: Period of diversification for British American Tobacco.
1976: Group re-organised under new holding company - B.A.T. Industries & BATUKE
1990s: B.A.T. Industries focus on tobacco & financial services.
1993: Rothmans emerges as pure tobacco company after reorganisation.
1994: Reorganisation of 4 tobacco companies within B.A.T Industries.
1995: Rothmans 100% owned by Richemont.
1998: British American Tobacco plc listed as a FTSE 100 company.

British American Tobacco has 85,000 employees who are involved in manufacturing, selling & delivering more than 300 brands in more than 180 markets worldwide. Today, the company produces some 2 billion cigarettes every day across the world. Adding to that, BATB has introduced hundreds of brands, both local and international, throughout the world from time to time.

Currently, International Brands include Dunhill, Kent, Lucky Strike, Pall Mall, Vogue, Rothmans, Peter Stuyvesant, Benson & Hedges, Winfield, John Player, State Express 555, KOOL, and Viceroy. However, British American Tobacco does not necessarily own the rights to each and every brand in every nation in which they are marketed. Local brands owned by British American Tobacco include, Belmont (Colombia, Chile and Venezuela), Jockey Club (Argentina), Stradbroke (Australia), pt: Hollywood (cigarro) Hollywood (Brazil), du Maurier (Canada), Prince (Denmark), North State (Finland), HB (Germany), Sopiana (Hungary), Wills (India), Ardath (Indonesia), Carrolls, Carrolls Kings, Grand Parade, Black Allen (Germany), Sweet Afton, Major (Ireland), Boots, Alas (Mexico), Gold Leaf (Pakistan), Jan III Sobieski (Poland), Yava Gold (Russia), Courtleigh (South Africa), Parisienne (Switzerland), Maltepe (Turkey) and Xon (Uzbekistan), Craven A (Vietnam and Jamaica) as well as BAT snus, Holiday, Freedom and Park Drive (New Zealand) Royals (UK), Embassy (Kenya), Viceroy, Newport, Lucky Strike in Dominican Republic.

On 11 June 2006, R. J. Reynolds Tobacco Company which is one of the leading NGP Brands in USA announced that it would be manufacturing Camel brand snus in Sweden in association with British American Tobacco; the product would be test-marketed in Portland, Oregon. Currently, more than a billion people across the globe enjoy smoking tobacco in various forms. Among them

one in every seven prefers to a British American Tobacco brand which gives them the right to claim themselves as one of the leading brands in tobacco product industry. Extent of operation of British American Tobacco Company is given below:

- America-Pacific (USA, Japan, South Korea)
- AsPac (China, Indo-China, Taiwan, South-East Asia, Australasia)
- Europe (50 countries including Russia)
- Latin America (Central & South America, Mexico, Caribbean)
- Africa (More than 50 countries)
- MESCA (Middle East, South & Central Asia)

The turning points of the company's business was in 1999 when British American Tobacco went for a merged venture with Rothmans International. The official announcement of merging between the two industries was made on 11 January 1999. This global merger was completed on 7th June 1999. This brought the 2nd & 4th largest players together which boasted a combined volume exceeding 900 billion cigarettes around the world with some 120,000 employees and a world-wide market share of 16 percent (Phillip Morris has a 17 percent share). The decision of merging was a stepping stone towards British American Tobacco's vision of becoming the world's leading International Tobacco Company. The global integration program (GIP) was launched after merging and that enabled the company to operate under maximum resource utilization, reducing the number of workforce and implementing superior process controls.

BAT has a plan to build their business in three ways:

- Organic growth in their current markets
- Quick and effective entry into new and challenging markets and
- Potentially attractive acquisitions, joint ventures or other strategic alliances.

British American Tobacco Bangladesh Company Limited, a market leader in the country, is a subsidiary of British American Tobacco PLC and Bangladesh is one of the 66 countries in which the British American Tobacco Group has manufacturing plants. British American Tobacco Bangladesh has operated in Bangladesh since pre-independence and has its head office in Dhaka, with a tobacco multinational companies operating in Bangladesh.

BTC was renamed as British American Tobacco Bangladesh Company Limited (BATB) in 1998, since the global identity change of British American Tobacco PLC. The Company is enlisted in both the Dhaka Stock Exchange (DSE) and Chittagong stock exchange (CSE) markets in the country.

BAT Bangladesh is currently delivering major international cigarette brands like Benson & Hedges, John Player Gold Leaf and Pall Mall, which are supported by local brands such as Capstan, Star, Scissors and Pilot. The company also exports processed tobacco leaf in the international market, mainly in the European Countries with its effort to create an international market of its products and maintain the image of a global organization.

British American Tobacco Bangladesh currently employs more than 1,300 people and provides indirect employment to a further 24,500 farmers, distributors and suppliers.

2.2 The Vision and Mission of BATB

British American Tobacco Bangladesh is very optimistic about their future in Bangladesh along with its future business across the globe. The company has always been setting challenging, targets and achieving them at a constantly regular basis. Their vision for the future is clearly defined and determined. The vision is “to achieve Leadership of the Global Tobacco Industry”- to create long term shareholder value. To make this vision into reality people at BATB are working on four strategies: growth, productivity, responsibility and winning organization.

The vision of BATB can be described as both quantitatively and qualitatively. Quantitatively, the company aims for volume leadership among the international competitors and value leadership for long term. BAT recognizes that it is adult customers who will be determining the factors and therefore, BAT must be consumer driven and goal driven.



Again qualitatively, BAT seeks to be recognized as the industry leaders and to be the partner of first choice for government, NGO's, investors and potential employee recruits. The company will also do this by being a responsible tobacco product manufacturing group, with sustainable business, outstanding people and superior products.

There are certain missions the organization is on its way to achieve. They are:

- Growing company share of the total tobacco market
- Dominating key identified segments

2.3 Historical Background of BATB

Figure 1: Vision & Mission of BAT

The journey of BATB started long back. It was established back in 1910 as Imperial Tobacco Company Ltd. which had its head office in Calcutta. At the very beginning, Imperial Tobacco Company (ITC) established a branch office at Moulivibazar, Dhaka in 1926. Cigarettes were made in

Carreras Ltd., Calcutta. Imperial and Carreras merged into a single company in 1943. After the partition in 1947, cigarettes were coming freely from Calcutta, but introduction of customs barriers in 1948 between India and Pakistan interrupted the smooth flow of cigarettes from Calcutta to East Pakistan.

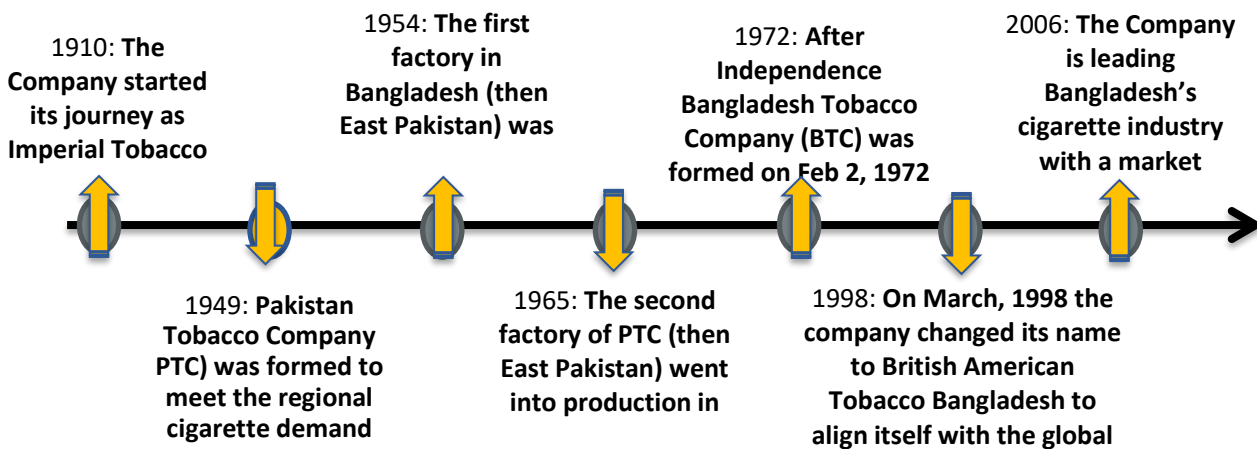


Figure 2: Historical Background of BATB

In March 1, 1949, Pakistan Tobacco Company (PTC) came into existence with head office in Karachi; with the assets and liabilities of ITC Limited held in Pakistan. The then East Pakistan Office was placed in Alico Building, Motijheel. To meet the increasing demand, the first factory in the then East Pakistan was established in Chittagong in 1952. From this time, onwards requirements for cigarettes for East Pakistan markets were executed from products manufactured in Karachi. In 1954, PTC established its first cigarette factory in Bangladesh (East Pakistan) although high-grade cigarettes still came from West Pakistan. The Dhaka factory of PTC started production in 1965. After the war between India and Pakistan in 1965; the import of tender leaf from India for the production of Biri was put on halt. This gave a big boost to cigarette business as Biri industry was falling apart. It was at that time the East Pakistani entrepreneurs set up an appealing number of 16 cigarette factories in this region.

After independence, Bangladesh Tobacco Company (Pvt.) Limited was formed on 02 February 1972 under the Companies Act 1913, with the assets and liabilities of PTC. Shareholding position for GOB and BAT was 1:2. BTC (Pvt.) was converted into a public limited company on 03 September 1973. British American Tobacco played a pivotal role in BTC's creation in 1972 and since then has been involved in BTC's development every step of the way. To pronounce the successful relationship with British American Tobacco, BTC has changed its name and identity to British American Tobacco (BAT) Bangladesh Company Limited on March 22, 1998. The company changed its identification to establish commitment to the highest international standards.

2.4 Relationship between BATCO & BATB

The principal company of BATB is called BATCO or British American Tobacco Company. They are the prime shareholders of BATB. The UK-based British American Tobacco group owns 65.91% share in the company. The government of Bangladesh owns 28.7% through several of its inside agencies, while 5.39% is owned by other shareholders followed by the stock preferences. The operations of BATB are regulated according to BATCO regulations and BATCO looks after the management aspects of BATB. BATB management is trained by BATCO and in many occasions. BATCO sends over their own management to work in BATB for sharing technology and the overall culture with each other. BAT industries are widely known as BATCO and have two major divisions:

- Tobacco Division
- Financial Division

The following organogram shows the relationship between BATCO and BATB very clearly:

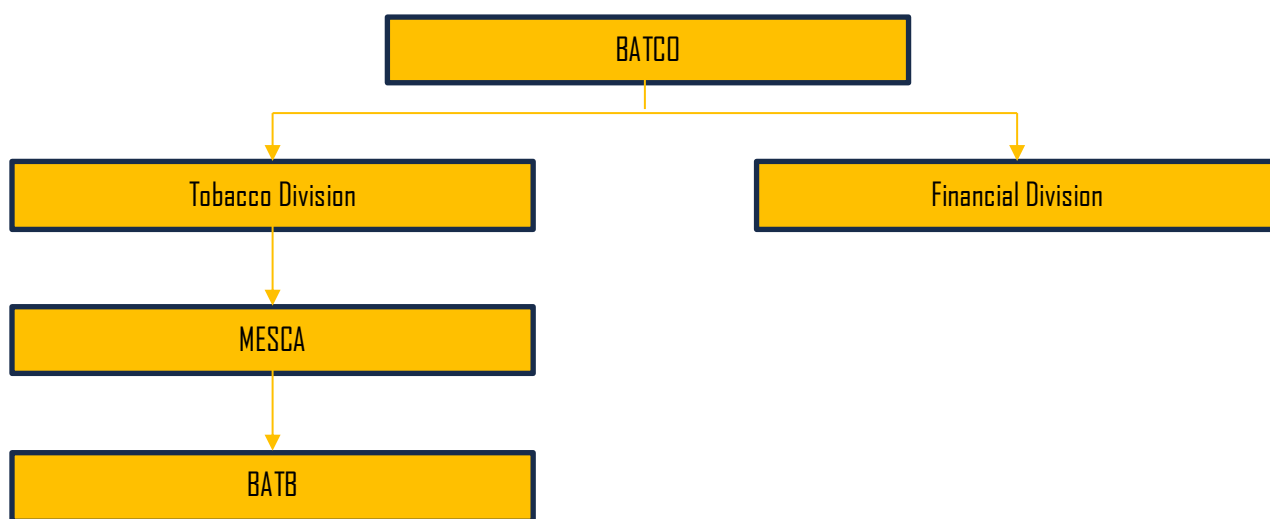


Figure 3: BATB& BATCO

Currently British American Tobacco Bangladesh is retaining more than 63% of the cigarette market in Bangladesh. British American Tobacco Bangladesh is a sister concern of British American Tobacco Company (BATCO). The cigarette division is known as British American Tobacco Holdings (BAT Holdings), which widely operates in more than 78 countries. BATCO divided its cigarette operation in MESCA – Middle East and South & Central Asia five regions. They are:

- AAMPC (America Pacific) – USA, Japan, South Korea
- ASPAC (Asia Pacific) – China, Indo china, Taiwan, South East Asia, Australasia

- Europe – 50 countries including Russia
- Latin America – Central & South America, Mexico, Caribbean
- Africa – More than 50 countries

2.5 Tobacco Industry of Bangladesh

There are two major tobacco industry associations in Bangladesh. i.e. Bangladesh Cigarette Manufacturers Association (BCMA) and Bangladesh Biri Manufacturers Association (BBMA) representing the 2 potential industries. The main cigarette manufacturers in Bangladesh are:

- British American Tobacco Bangladesh
- Dhaka Tobacco Industries
- Abul Khair Tobacco
- Nasir Tobacco
- Azizudin Industries and New Age Tobacco.

The main biri manufacturers are:

- Akij Biri
- Abul Biri
- Nasir Biri
- Karikar Biri
- Aziz Biri and
- Several other local biri manufacturers.

2.6 Company Strategy

To fulfill their vision, their strategy for creating shareholder value has four elements, as mentioned earlier. They are- Growth, Productivity, Responsibility and Winning Organization. All their efforts revolve around the above stated 4 elements.

Growth: The Company's operation in Bangladesh, seek to increase their volume and value share of the global tobacco market industry through both organic growth and mergers and acquisitions.

The company is determined in concentrating on the key strategic segments of the market that successfully offers the best prospects for long term growth, including Premium and International Brands for its organic growth. Their focus is on the growth of the Global Drive Brands (Pall Mall, Kent, Dunhill, and Lucky Strike) as well as to be welcomed to exploit opportunities for profitable volume growth in Value for Money and Low-Price Segments to grab the whole pot of the consumer segment. The company also wishes to sustain or develop strong positions in priority markets as the largest and most profitable ones. They also believe it is important to continue to develop and utilize innovative, differentiated products and to offer consumers added value from their brands.

Productivity: The overall approach to productivity is about using the Group's global resources to increase profits and generate more funds for reinvesting in the business.

One of the main objectives of all the companies is to cut costs. Here, BAT's approach is integrated. They aim for establishing a lower cost base while improving the quality of products. They also investigate the speed they get to the market, as well as the effectiveness in terms of how the people and capital are positioned and invested to produce outcomes.

To remain competitive, BAT understands that it is important to reduce and control the complexity and costs across the entire supply chain, also to improve the service to retailers and ensure product freshness and integrity through introducing improved distribution and marketing models into the market. BAT deploys programs in various places to find reductions in the Overheads and Indirect costs (anything the company spends on other than leaf, wrapping materials, cigarette making machinery and permanent labor costs) and make the most of their global buying power and sustain it. The company is on track to deliver real savings of £200 million per annum. In short, BAT's aim is to create an efficient cost management through innovation.

To maintain a strong balance sheet, capital effectiveness is an crucial part of the productivity strategy and includes a focus on inventory levels, utilizing assets, financing and other uses of capital.

Responsibility: BAT keeps on offsetting their business destinations with the desires for an expansive scope of partners, therefore guaranteeing an economical & sustainable business structure. They are speaking with partners about their Business Principles, which clarifies the way it anticipates that organizations will be kept running as far as obligation and show how the organization is tailing them. Their three Business Principles: Mutual Benefit, Responsible Product Stewardship and Good Corporate Conduct are each supported by various Core Beliefs of BATB.

In the regulatory arena, they will continue to promote sensible tobacco regulation that will:

- Balance the preferences of consumers with the interests of society
- Establish an open minded and objective approach to harm reduction as a policy
- Ensure that BAT's businesses can compete and prosper

BAT realizes that it manufactures products that can be harmful to the health of its consumers and have publicly stated their aim to reduce this harm to meet both consumer needs and societal expectations through transforming tobacco. They will do this by:

- The progressive reduction in the tar and toxins in their products
- The successful launch of a new generation of tobacco (NGP) products with critical mass appeal that are recognized by scientific and regulatory authorities as posing substantially reduced risks to health and better the value of tobacco products

Winning Organization: BAT is sure about their techniques for Growth, Productivity and Responsibility however to pass their vision they should likewise have the right individuals and the rightful environment. That is the substance of the Winning Organization procedure. Keeping up to this is the obligation of the Human Resources division which is talked about in a lot more prominent brief in the later part of the report.

By the right individuals, the organization implies extraordinary individuals, those who have the capacity and want to drive and convey upper hand and predominant execution. The organization needs to pull in, create and hold high bore capabilities. They additionally need an association that is continually learning and evolving. This learning society shares information rapidly, gains from its oversights and recreates achievement which helps them to equate rapidly.

British American Tobacco is currently having an extraordinary work environment. This requires an open, confident culture that energizes change and advancement, is formed by its Guiding Principles, rouses its kin to perform to their best and significantly, make the most of their work.

Finally, the organization's Winning Organization system necessitates that pioneers are created, at all dimensions in the association, with an unmistakable vision for the business, who encourage advancement, and can adjust, invigorate and enable their teams to contribute to the building and shaping of becoming a global enterprise.

2.7 Structure of BATB

BATB is a public limited company. The Management Director is the operational head and appointed by the British American Tobacco. Every department heads carries out their functions with the help of line managers. Different departments have different structures according to their functions and responsibilities.

The Board of Directors and Executive Committee (ExCo) govern the overall activities of the company. The Board of Directors is composed of 10 members who are called Directors. The Chairman heads the Board of Directors. Chief Executive of British American Tobacco Bangladesh is called the Managing Director, who is normally appointed by BAT Holdings. Managing Director of the company is the chairperson of the Executive Committee. This committee includes the head of all the functional departments.

2.8 Employee and Trade Union of BATB

The employees of the BATB are dynamic, self-motivated and energetic to perform any assigned job. They all are selected based on an excellent academic and experience records. The company employs 1,244 permanent employees and varying number of seasonal and temporary workers as required. Each permanent employee receives remuneration in excess of TK. 36,000 per annum. Remuneration depends on the nature and conditions of work. The workers are labelled in the following categories:

- Permanent
- Probationer
- Temporary (seasonal)

- Casual

Trade union is established in the following company's working locations:

- Head Office and Dhaka Factory
- Chittagong Factory
- Rangpur Leaf Factory

There is a positive relationship between the company and the trade union based on mutual trust and respect. Every employee of the company belongs to the trade union which is created internally. When a worker becomes a member of the union, according to his request a certain amount of his wage is deducted as the union subscription fees on a check off system for collective results. Trade union election is held after every two years and governed by their respective constitutions. The terms and conditions of services of the employee are negotiated and determined through a process of collective bargaining between the company and the union.

2.9 Physical Infrastructure of the Company

The infrastructure of the company has a broader field where the company plays its prime role. BATB has six Regional Trade Marketing Offices (CHANGEOVEROs), 12 Regional Sales Depots, 1 Factory, 1 Green Leaf Threshing Plant, 7 Leaf Depots and a Head office consisting of Corporate Head Office and Production Head Office. The Company's Head office and Cigarette factory is in Dhaka. A Green Leaf Threshing (GLT) Plant has been set up in Kushtia and it has started operation from April 1995 and currently is going through several expansion phases.

The company's products are manufactured in the factory at Mohakhali, Dhaka. The Plant Manager who reports to the Production Director at the Head Office heads Dhaka factory. The company procures tobacco leaf maintaining the international standard and it imports processed tobacco leaf for its international brands. It procures green tobacco from the registered farmers of the leaf area mainly for its local brands and very few for its exports.

The company's authorized leaf areas are in Chuadanga, Chittagong and Manikgonj and Meherpur. However, huge amount of tobacco leaf comes from Chuadanga region. The Chittagong area is under development process and it now covers and develops Rangunia and Lama. The company operates seven leaf depots in the leaf area. Four of them are in Chuadanga region, two of them are located in CDA and other one is in Manikgonj, The Company provides all sorts of supports to the

registered growers through its depot personnel. This includes technical know-how, agricultural inputs, human resource and financial assistance.

The company performs its sales and distribution operation all over the country through its five regional sales offices. They are in Dhaka, Chittagong, Sylhet, Rajshahi and Khulna. Each of the regions is again divided into operational areas, each of which in turn is divided into

territories. To perform its sales and distribution smoothly, the company operates 10 sales depots in different geographical locations of the country and it has 63 authorized distributors with 2 company run distribution houses

2.10 Tobacco Cultivation

Tobacco cultivation in Kushtia Leaf area was first introduced in 1967 with an area of 10 acres. It was predicted to expand to 650 acres by 1971. Flue-cured and Air-cured tobacco were cultivated in Kushtia and the Leaf Department achieved self-sufficiency in cigarette tobacco cultivation by 1975. Tobacco cultivation through registered growers and procurement of the product tobacco is done through four leaf depots in Chuadanga. Those depots are Meherpur, Jhenidah, Chechua and Allardarga Leaf Depot. Chuadanga Leaf Factory stands on 4.31 acres of land and is located at about 3 kilometres away from town. The Green Leaf Threshing (GLT) plant could complete the entire leaf purchase in 1995. A team of management including the Plant Engineer, Processing Manager, Shift Manager, Quality Control Manager, Leaf Account and the Leaf Personal Manager is currently managing the GLT plant. The Plant Manager is one of the team leader of GLT management team.

2.11 Environmental, Health & Safety Policy and Afforestation Program

American Tobacco's Environment, Health and Safety Merit award for the year 1995 and 1996 for achieving consecutive two years of operation with zero accident. The company also achieved the prestigious EHS Silver Award for 1999 without any lost time due to accident in any part of the company, which was the second time of the year in a row.

In line with BAT's environmental, health, and safety policy, the company is involved in an afforestation program. The contribution of the company in afforestation program in Bangladesh has earned recognition in the country through winning of the Prime Minister's Trophy in 1993. In 1998, the company successfully distributed 3.5 million free saplings in Dhaka through the Bonsai Nursery project. This program had caused more than 28.5 million trees planted or distributed till 1998 and is expected to yield around 120,000 metric tons of timber for fuel-wood, furniture making, or construction process by the end of 1998. The Food and Agricultural Organization (FAO) has awarded British American Tobacco Bangladesh for pioneering the development of vegetable seed industry in Bangladesh. The company had started its vegetable seed multiplication

program in 1990 with the technical support of FAO with a view to provide quality vegetable saplings for free distribution amongst farmers in the tobacco growing areas and beyond.

It is not enough for BATB only to contribute to the afforestation of the country. The company also felt the need to promote the use of alternate wood fuel for tobacco curing by its farmers to reduce the overall cost and make it eco-friendly. Briquette as an alternate was introduced to the farmers to reduce their dependency on trees for wood fuels. Briquettes are made of paddy husk and sugarcane bagasse. Briquettes can be used for cooking, in burns for curing tobacco and brick. The company promotes Briquette as a alternative energy solution.

Manufacturing in the tobacco growing areas and tries to make them easily available to the farmers.

A companywide safety awareness program was initiated and completed in 1996. The objective of this program was to brief employees about the techniques to reduce the risk of occurrence of preventable incidents. The company's commitment to the highest level of safety practices are recognized with awards being received from the British American Tobacco Group headquarters in more than 1 year. Workers and management are provided with regular safety measure training. Hard hats and safety shoes are required during shift work. All movable machine parts have guards to prevent workers from accidental injury.

2.12 Commitment to Develop the Future

British American Tobacco has over the decades consistently invested in the Bangladesh market through BATB. Thus, BATB has always been in the business of manufacturing and marketing brands that meet standards found anywhere in the world.

The company believes in pulling the best talent available by offering a challenging working environment with international career development opportunities. Individuals here are entrusted with significant responsibility and autonomy, and investment in people through regular training and career development has helped them to establish a culture, that makes them more creative which encourages people to think creatively, generate new ideas and approach problems from several different perspectives. In the quest of becoming a World Class Company by achieving the visions, strategic imperatives and the values, the company has launched a change management program called – Winning in Our World in 1999. The objective is to bring about a cultural change by embedding the WOW Values and removal of barriers. To this effect, the company has organized different workshops, new idea generating sessions through which employee care and development activities throughout the year with direct participation of its people.

With state-of-the-art machinery, excellent people, and a portfolio of world-beating brands, British American Tobacco Bangladesh could not be anything but instinctively international.

People's attitudes have changed much over the time. Without this changed attitude of excelling in their performance, it would not have been possible to make so much progress. This spirit of people will help in achieving the company's Vision and Mission and ultimately to be a world class company.

Lotus notes is a highly evolved advanced communication system of BAT through which all the employees of BAT worldwide communicate and learn among themselves. This hi-tech device assists to provide quick and uninterrupted communication and information communication. Quantum is a marketing information tool with the objective of effective utilization of marketing spends through better targeting and evaluation of BATB's marketing activities. This strategic investment assists BAT to achieve competitive edge in case of facing any external competition. The company has implemented Tetra CS/3, a totally integrated software package that links Manufacturing, Finance, and Distribution providing one set of clearly understood information that can be used throughout the company for better outcomes. Apart from this software, the company uses several other software packages for some specific purposes that are shared throughout the company which is made both locally and internationally.

Another important development regarding accessibility of information is the implementation of the Global Enterprise Network (GEN) standard. GEN provides a standardized IT infrastructure throughout the British American Tobacco group that allows users to access their work areas from any location within the group.

Also, the company has developed a system to have improved control of its supply chain process. This has made a major impact in terms of automating the entire supply chain process from shipping go-down to retailer, providing on-line information at every stage of the secondary supply chain.

As a company that aspires to be the world class, the company also looks at the interests of its suppliers and trading partners. A team is currently looking at how the company can support them as they strive to improve their performance.

2.12 Functional Areas

British American Tobacco Bangladesh has several functional departments that are integrated to give the best output for the organization. The following diagram shows the top management structure of BATB.

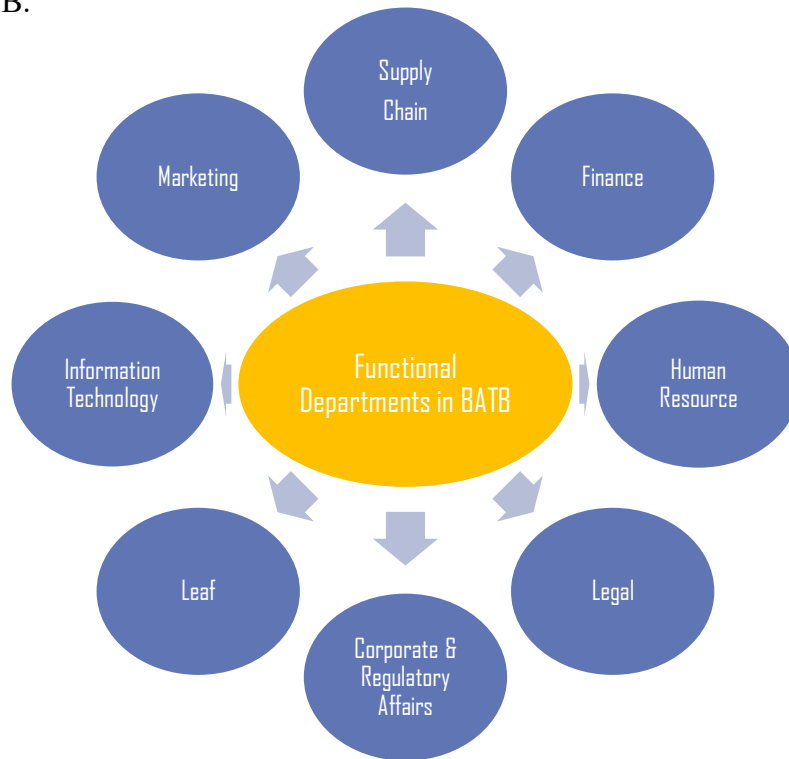


Figure 4: Functional Areas of BATB

Different departments have different structure according to their activities and responsibility. BAT maintains a modern organizational structure headed by Managing Director. Managing Director is the operational head and national sales manager for the nation. Head of every department carries out their functions with the help of line managers and other deputies. Other positions of the organogram are directors, regional manager, secretary, assistant manager, area manager, territory officer, supervisor and other staffs. It has seven departments with two supporting departments. The “Board of Directors” and Executive Committee (EXCO) govern the overall activities of the company. The Board of Directors is responsible for protecting the rights and interests of all shareholders and are held accountable for the overall management of the entity.

The British American Tobacco Bangladesh Board consists of eight Directors, comprising the Non-Executive Chairman, five other Non-Executive Directors and three executive Directors which include the Managing Director. The key functions of the Managing Director are clearly defined and established.

The Board meets at least 6 times a year and makes decisions on key matters. The Board is responsible for the overall system of internal control for the company and for reviewing the effectiveness of these implementations. The system is designed to manage risks that may impede the achievement of the company’s business objectives rather than to eliminate or eradicate these risks.

Responsibilities for implementing the company’s strategy and day to day operations are delegated to the Executive Committee, which meets monthly and weekly. The Executive Committee is chaired by the Managing Director. The other members include the Deputy Managing Director and the functional heads of Human Resources, Corporate and Regulatory Affairs, Operations, Leaf, Brand Marketing, Trade Marketing & Distribution, Finance and Information Technology of whom 3 are Executive Directors. The Board Committees are namely – Audit Committee & Board Compensation Committee, each of its own terms of reference play an impactful role in executing the responsibility of the Board.

2.12.1 Corporate & Regulatory Affairs

British American Tobacco Bangladesh is a responsible company operating within a controversial industry. At British American Tobacco, Corporate & Regulatory Affairs (CORA) works to assure stakeholders, who directly or indirectly affects the business, that British American Tobacco Bangladesh is meeting its business objectives in a way consistent with reasonable expectations from the society of a responsible tobacco company in the 21st century. Managing regulations, prompting corporate social responsibility and driving corporate communications are the core wing of CORA functions.

A few examples of the activities of CORA are:

- To ensure the principles of Corporate Social Responsibility are embedded in every function and are driven with integrity.
- To develop the best comprehensive practice approach to Social Reporting. If put simply, Social Reporting is a process for listening and responding to the stakeholders.
- To maintain a good relation & continuous liaison with the media, regulators and other stakeholder groups to promote the company's image as a responsible, reputed corporate citizen.

2.12.2 Finance

A commercially astute finance function is critical for making good business decisions in a competitive business environment - for example – to know about which brands or countries to invest in, evaluation and improvement returns and management of the delivery of consistent profit growth to the shareholder and stakeholders.

Finance managers within BATB are part of the decision-making team, a business partner who is eligible and involved day to day, not merely reporting results and setting budgets. Having moved beyond the 'comfort zone' of purely technical accountants, into added value decision making support, The Company needs people who are commercially astute, intellectually curious and passionate about business life & ethics, not just figures.

Whether one is working in tax or treasury, or in the business partnership roles supporting marketing, operations and the other functions, he/she needs excellent communication and influencing skills to represent finance in the commercial arena.

Finance department's activities within BAT Bangladesh include:

- Setting and delivering against financial objectives
- Planning and budgeting for optimal use of resources to grow the business and to satisfy shareholder expectations
- Management reporting to the Board on business performance, current and future
- Statutory reporting and support of investor relations
- Audit and business risk management
- Acting as a value adding business partner to all functions

2.12.3 Human Resources

The Human Resources department holds primary responsibility for creating and sustaining a winning workforce for BAT Bangladesh, meaning it is providing opportunities for talented

employees to feel the satisfaction and accomplishment gained through being members of a responsible, winning organization; where they are respected, rewarded and recognized; where their efforts are encouraged; where their careers are made; where they understand the vision and strategy of the company; and they know where they fit into the broader picture. The HR function within BAT Bangladesh takes care of three broad of areas:

- Organizational Development & Change
- Reward
- Employee Relations

2.12.4 Legal

Legal and Secretarial functions is considered as the first line of defence and a fundamental business measure of the company. The major activities of Legal and Secretarial includes litigation management, combat-illegal trade, trade marks & agreement management, in-house legal counsel, share management which is listed with 2 stock exchanges and working under central depository system, company secretarial function, recording management, shaping regulatory environment, trust fund management, policy compliance etc. Legal and Secretarial function mainly drives to ensure Corporate Governance in the company.

2.12.5 Supply Chain

Operational function is at the heart of BATB business, so BATB invest substantially in people and technology to ensure that the processes are state-of-the-art, highly flexible and are responsive to the needs of customers and consumers alike.

Working in operations means constantly having to balance the demands of availability, quality and cost. BATB people operate in an energetic environment and under tremendous pressure, so they need the strength of mind to make quick decisions, often basing them on limited information. They also need to be open to innovative solutions that can improve the processes.

2.12.6 Leaf

The Leaf Department is responsible for purchasing, processing, packing, shipping, and storing leaf tobacco for BAT Bangladesh.

Essentially, it is the Leaf Department's job to ensure a secure, continuous and consistent supply of tobacco at the best cost and at the right quality (as required by BATB Blenders) to maintain the correct taste of final products for the consumer. Therefore, the Leaf Team's skills make a significant contribution to the ongoing success and reputation of BATB brands, as well as the Company's position as market leader.

2.12.7 Information Technology

They have achieved competitive advantage for the business with the emergence of super information highway and the ever-evolving technological environment. British American Tobacco Bangladesh, have a robust Information Technology team which provides critically important support service to all the other departments in the organization.

BATB Information Technology contributes to a whole range of ways, from the general application of IT to specific advice on hardware and software; from the application of telecommunications for voice, data and video to solving complex, strategic business challenges to support the business of BATB.

While a robust Information Technology infrastructure is a crucial component of a dynamic and world class organization, there are other ways of adding value to the business as well, according to the members. Information Technology includes business area management, architecture & service delivery and IT Management.

2.12.8 Marketing Department

The marketing department has two main wings:

- Brand Marketing
- Trade Marketing and Distribution

While the Brand Marketing wing focuses on the branding aspects of a product, the Trade Marketing & Distribution (TM&D) Wing focuses on the trade and distribution aspect for better outcomes. These two wings are enjoined by the Trade Development Team (TDT).

The Brand Marketing department concentrates on satisfying consumers' needs from within the brand portfolio. Once consumers' needs are understood and evaluated, brands can be made available, accessible and desirable through strong, consistent communication and proper delegation. The brand marketing elements includes the adopting of products, logistics and brand marketing policies that best meet the needs of trade channels and strategic customers. The Brand Managers and Brand Executives are held responsible for the allocated brand(s). They are responsible for all type of brand management activities and executions.

Within five years to be the undisputed leader of Bangladesh tobacco market

It also includes:

- Dominate value share
- Dominate volume share base
- Destination brand in key segments.

The mission of the wing is:

- Promise of future profit growth
- Grow quality share: ASU30
- Owning the medium and premium segment (90% share)

Aggressive:

1. Expand the premium segment growth.
 - a. Internationalism, destination status & image differentiator: Youthful
2. Expand Mid segment
 - a. Key differentiators are international standard with affordability & distinctive image: masculinity/adventure
3. Dominate volume base
 - a. Build the critical mass
 - b. Protect BAT's leadership.

Innovative:

1. Investigate & build new segments
 - a. Lights
 - b. New brands & line extensions
2. Product enhancement
 - a. Packaging, spec. change & higher satisfaction
3. Creative communication
 - a. Focused: HoReCa (Hotels, Restaurants and Cafés), rural penetration
4. Consumer insight
 - a. World-class knowledge base: consumer research & market tracking.

To reach out to our target consumers in the most efficient and effective way by becoming the benchmark supplier to the trade within strategic channels in every market place where we do business for such a long period of time.

TM&D identifies the areas in which best practices, which are:

- Create an efficient entry barrier against international competition
 - Improve our benchmark supplier status to the trade pioneer among all FMCG companies
1. **Secondary Supply Chain/ Product Management:** Optimize cost and performance while ensuring achievement of brand objectives. The associated sub-activities are:
 - a. Supply chain strategy/management
 - b. Order management
 - c. Order fulfilment
 - d. Trading terms
 - e. Inventory management
 2. **POP (Point of Purchase) Management:** Create effective competitive entry barrier at point of sales while driving international brands. The associated sub-activities are:
 - a. Display
 - b. Promotions
 - c. In-store communication/advertising
 - d. Implementation
 - e. HoReCa (Hotels, Restaurants and Cafes)
 3. **Account Management/ Channel Development:** Create an effective entry barrier while driving brand imagery, awareness and trial in HoReCa and superior grocery outlets. The associated sub-activities are:
 - a. Account planning
 - b. Account profitability
 - c. New business development
 4. **Strategy and Planning:** Ensure effective implementation of EMF (effective market focus) process to support achievement of company's objectives. The associated sub-activities are:
 - a. TM&D planning

- b. Cycle planning
 - c. Coverage planning
5. **Resource Management:** Ensure that TM&D organogram is responsive to the changing trade and company needs. The associated sub-activities are:
- a. Financial planning and management
 - b. Manpower planning
 - c. Organization development
 - d. Management information for marketing overview
6. **Information Management:** Drive Quantum business benefits to the fullest. The associated sub-activities are:
- a. Market intelligence
 - b. Internal monitoring
 - c. Information technology
 - d. Customer satisfaction

Structure of TM&D Department

The TM&D Structure is as follows

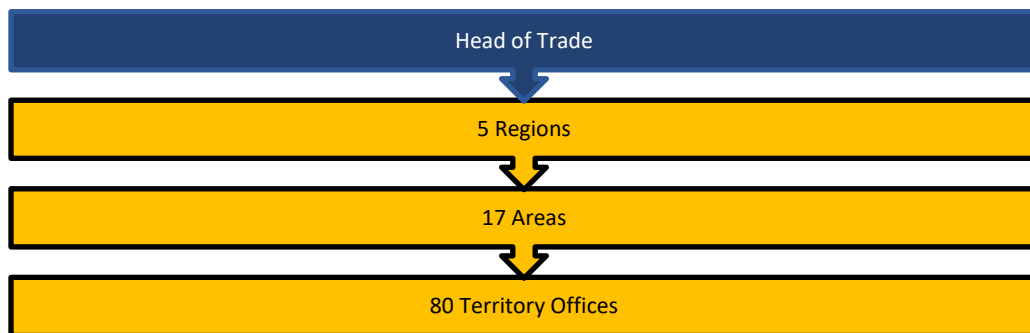


Figure 5: Structure of TM&D Department

The five regions are Dhaka, Chittagong, Khulna, Sylhet and Rajshahi. Among them, Sylhet, Dhaka and now Rajshahi are considered to be Green markets, where BATB has a strong presence. Khulna

was a Red market until recently, due to the strong presence of Dhaka Tobacco Industries of Akij Group, which is based in Khulna. However, the market scenario is transforming and Khulna has delivered phenomenal growth to change the game over the couple of years.

Chittagong is a through and through Red market, though it is the second largest cigarette industry in terms of volume. There is an extremely strong presence of Abul Khair Tobacco, which is a local company and with just one Low Segment brand – Marise – it is the absolute market leader there for a couple of years.

2.12.9 Detailed promotional activities

BATB is operating in a dark market since it is a tobacco company. As a result, it must face several constraints for its promotion and other communication strategies. Some of the major constraints are-

- Promotional Offers
- Promotional Events
- Promotional Items, Or

- Sampling Shall Comply within The Content Standards.
- Promotional offers and programs for specific brands which appear on the package, at the point of retail sale, by mail or through other communications shall be directed only to adults and, unless prohibited by law, only to smokers.
Reasonable measures shall be taken to ensure that youth and (unless prohibited by law) non-smokers are excluded from direct mailing lists.
- Participation in promotional offers by the general public will be conditional upon evidence of age eligibility and (unless prohibited by law) confirmation of smoker status.
- Where promotional offers permit an adult smoker to be accompanied by other persons at a third-party event or in an activity, such other persons shall be adults.
- Promotional Events: Each Participant shall ensure that only adults are allowed access to promotional events
- No advertisements shall be placed on:
 - Items where those particular items are marketed to, or intended to be used predominantly by, youth, or shopping bags.
 - No advertisement larger than 25 square centimetres - either on its own or in deliberate combination with other advertisements - shall be placed on any items (other than on items with a smoking-related function) which are to be sold, distributed or offered to the general consumers
 - Any item of clothing, which is offered for sale or distribution by or on behalf of a Participant, shall only be offered in adult sizes.
 - Reasonable measures shall be taken to ensure that:

- Sample tobacco products are not offered to youth or to non-smokers
- Samples are only offered in a segregated area access to which is restricted to adults
- Personnel employed directly or indirectly by Participants to offer sample tobacco products or to conduct promotional activities
 - At least 21 years of age, and
 - Verify the age and (unless prohibited by law) smoker status of those to whom the samples and promotions are offered, and
- Unsolicited tobacco product samples are not distributed, either directly or through a third party, by mail.
- Graphical Health Warning to be placed on all packs of cigarettes.

BATB's response to these constraints

In response to all these constraints, BATB has developed a new communication strategy in Bangladesh. BATB has become the pioneer of BTL communication of Bangladesh by communicating directly with the consumers and retailers and by different trade promotion activities across the country.

The objective of the consumers' engagement activity is to engage consumers through BRs to provide information to the respondents and to create awareness and positive word of mouth in the mind of the consumer for typical brands. Sometimes repeated contact has been made to guide the consumer to become loyal. Consumer engagements are not always successful. It can only occur when a consumer thinks himself benefited from the contact.

One of the core tasks of BRs is swapping among the contacted consumers. Swapping refers to entertaining consumers with a free cigarette. That's how the process begins. It has been found from a research that only a few consumers try another brand after that.

To create positive word of mouth, BRs try to provide some leaflets, non-branded gifts or invitation of any event to the consumer related to the brand. This gifts and equivalences have different weight to different consumers. Consumer engagement through Brand Representatives is a very expensive way of consumer communication though it is very effective.

'Trade Loyalty Partner' is a unique program that ensures product push from a very important retailer, enhances positive word of mouth and attract more consumers. Retailers' suggestion can create a impactful feeling of the brand to the consumers. Retailers try to convey the positive brand messages to the consumers through verbal communications. The success of retailer advocacy program depends mainly on the right outlet selection and consumer frequency to those outlets. The selection of TLP outlet is the discretion of respective territory officer.

2.12.10 Major segments of the market

The cigarette market in Bangladesh is currently divided into four major segments.

These segments are referred inside BATB as:

- Premium
- Aspiration Premium
- VFM
- Low

2.13 Brands of BAT

2.13.1 International Brand

As a major international Fast Moving Consumer Goods (FMCG) company, BAT are proud of their reputation for producing high quality brands that are chosen by one in six of the world's adult smokers. British American tobacco produces many local brands to satisfy the needs of different markets. But BAT has different international brands that are highly accepted by the consumers all over the world. Among the international brands these are four Global Drive Brands- Dunhill, Kent,



Lucky Strike, and Pall Mall. These brands accounts for 21% of the global volumes from the subsidiary companies.

Some of the international brands of BAT are listed below:

Kent was introduced in America in 1952 and is now sold in more than 70 countries. It is a free-standing premium brand for consumers seeking a mild and smooth taste. 45 billion Kent cigarettes were sold in 2006. The brand achieved its fourth consecutive year of double-digit growth, rising 16 per cent on 2005 with strong growth in Russia, Eastern Europe and Chile.

Dunhill was launched in 1907 and now sells in more than 120 countries. Dunhill's role is to establish a strong global position in the premium / super premium segment. In 2006, total Dunhill volumes were 33 billion cigarettes, up 6 per cent on 2005. Key markets include Australia, Malaysia, South Korea and Taiwan.



Lucky Strike, launched in 1871, is one of the oldest trademarks in the world and is now sold in more than 90 countries. It is among the leading global brands for the premium segment and 2006 saw the launch of new product and packaging initiatives. Volumes in last year rose 0.4 per cent to 22 billion cigarettes. Key markets include Germany, Spain and France.

Pall Mall was introduced in 1899 and is now sold in more than 60 countries. It is BAT's leading global value-for-money brand. Pall Mall delivered outstanding growth in 2006, with volumes up 40 per cent on the previous year to 46 billion cigarettes, making it the bestselling brand in the portfolio. Key markets include Germany, Poland, Spain and Russia and Bangladesh. While the Global Drive Brands remain central to BAT's strategy, BAT is also increasing the profile of Vogue.





Vogue is a super-premium brand and includes the aromatic Vogue Aroma. Sales are strong across Europe, especially Russia, and the brand is well placed to grow where consumers are increasingly able to trade up to premium brands.

Viceroy is sold in over 30 countries. Introduced in 1936, key markets for Viceroy today include Romania, the Middle East, Turkey, Bangladesh and Argentina.



Rothmans was launched in 1890 and is now sold in about 115 countries. Key markets include France, Italy, South Africa and Saudi Arabia.

now among the cigarettes. Available one of the fastest popular in the United American



Kool was introduced in 1933 and is world's biggest selling menthol in more than 45 countries, Kool is growing brands in Japan and is also States and a number of Latin countries. Smokeless snus under

the Kool brand is currently in a pilot market by the company in Japan.

Benson & Hedges cigarettes were created for the then Prince of Wales in 1873. British American Tobacco acquired the rights to the brand in a large number of overseas markets in 1956. Today, British American Tobacco Group companies sell Benson & Hedges in more than 80 countries, including

BENSON & HEDGES

Australia, New Zealand, Bangladesh, Nigeria, Malaysia and South Africa.

State Express 555 was launched in 1895 and is one of British American Tobacco's best-selling cigarettes. Now sold in more than 55 countries, the brand is particularly popular with smokers in China, Taiwan, Bangladesh and Vietnam.





Peter Stuyvesant was first launched in South Africa in 1954 and then internationally in 1957. Now sold in around 55 countries, Peter Stuyvesant is popular in South Africa, France, The Netherlands, Greece, and Malaysia. Smokeless snus is currently being test-marketed under the Peter Stuyvesant brand by the company in South Africa as part of a year-long consumer trial.

John Player Gold Leaf is today sold in over 20 countries and is particularly popular in Pakistan, Bangladesh, Sri Lanka and Saudi Arabia. The brand dates back to the 1890s. For historical reasons, British American Tobacco does not own the brand in the UK, continental Europe or the United States.



2.13.2 Brands in Bangladesh



British American Tobacco Bangladesh operates in key segments of the cigarette market of Bangladesh with drive brands like Benson & Hedges, John Player Gold Leaf, Pall Mall, Star and Pilot.

Benson & Hedges cigarettes were initially made for the Prince of Wales back in 1873. British American Tobacco acquired the rights of the brand in a large number of overseas markets in 1956. Today, British American

Tobacco Group companies sell Benson & Hedges in more than 80 countries in the world. In Bangladesh Benson and Hedges was launched in 1997 and it is dominating the premium segment of cigarettes in Bangladesh. B&H has a value of TK 9-10/ stick and can be found in three different flavors, Special Filters, Lights & Switch.

John Player Gold Bangladesh that brands in the in the Saudi TK 4.5/ stick.



Leaf is one of the oldest brands of BATB in was launched in 1980 and one of the highest selling Medium Segment in the market. JPGL is mostly found Arabia, Pakistan and Sri Lanka. JPGL has a value of



Pall Mall is an International Brand operating in more than 60 countries in the world. Pall Mall is the First Global Drive Brand launched in Bangladesh in March 2006. Pall Mall has a price of TK 3.5/ stick, and can be found in three flavours, Full Flavour, Menthol. Pall Mall made record of volume in 2007 that was maintained by Star brand of BATB.

Star, a local Brand launched 40 years ago still generates leading sales in terms of volume. Star operates in the Low Segment and has a price of TK 3/stick. Star occupies the leadership in the low segment outside Dhaka, where it has tremendous popularity among smokers. BATB launches colourful new packets for star during the Spring Season in Bangladesh to represent the true colours of Bangladesh.



Lights, and sales in terms initially



Pilot: In October 2009, British American Tobacco Bangladesh introduced another brand named **Pilot** in the Low segment. This brand replaced the other LS brand Viceroy which failed to create enough competitive advantage over the existing brands of other major players. Successful introduction and implementation of the superior brand building activities through various cycles made Pilot a popular VLS Brand.

Derby: BATBs portfolio, Derby was intention of capturing the contributory Low segment uptrading model from the lived up to its billing and performances in Sylhet and Currently, the brand has two Regular/FF & Derby Style.



The newest brand in launched with the massive volume and complete the ground up. It has since enjoys particularly good Khulna region. distinct varieties: Derby

2.13.3 Retail Outlet Classification

For running business in a totally dark market BATB needs to keep in good connection with the retailers. The British American Tobacco Bangladesh has classified all the retail outlets into three categories, these are:

- Convenience
 - Grocery
 - HoReCa.
1. *Convenience Outlet:* All shops where consumers generally go without any purchasing intention fall in this category. The consumers like to buy product on impulse from this sort of outlets. These outlets generally maintain a limited product range and do not offer flexibility in prices such as fixed price products.
 2. *Grocery:* These are the outlets where consumers visit on a regular basis with a purchasing intention. They generally make a list of items before they will visit these sorts of outlets. Vist can comply towards many purposes. These outlets typically offer variety in terms of product range and flexibility in prices.
 3. *HoReCa:* Shops like hotels, restaurants, and cafes are considered in this category. The prime characteristic of a HoReCa is that the shops must have a seating arrangement. It is assumed that consumers visit those shops with the intention to spend some time. These outlets range from small roadside cafes with seating arrangements to luxurious restaurants of fast food outlets.

Retail Outlet Classification in Terms of Volume: BAT also classifies all the outlets in terms of the average daily sales volume:

Class	Stick/Day	Sticks/Year
1	54,795 +	20,000,000
2	27,397 – 54,794	10,000,000 – 19,999,000
3	13,699 – 27,396	5,000,000- 9,999,000
4	5,479 – 13,698	2,000,000- 4,999,000
5	2,740 – 5,478	1,000,000- 1,999,000

6	1,370 – 2,739	500,000- 999,000
7	548 – 1,369	200,000- 499,000
8	274 – 547	100,000- 199,000
9	Less than 274	Less than 100,000

Table 1: Retail Outlet Classification in Terms of Volume

The Marketing Department and the Production Department activities are highly correlated. According to the demands of the Marketing Department, Production Department carries out the cigarette manufacturing. The Marketing Department forecasts the sales volume of the different brand cigarettes for the coming business year and based on this; prepare a marketing plan known as the Sales Operational Plan (SOP) goes by the line. According to the Plan, Marketing Department communicates the brand wise sales target for each month to the Production Department for each territory. Based on the SOP, Production Department sets its production schedule. The inventories of cigarettes are also evaluated at this stage to find out the actual output to be produced

2.14 Socio-Economic Contributions of BATB

British American Tobacco Bangladesh is involved in various community development programs in the country. The company is also one of the highest taxpayers in the country.

- The company contributes more than BDT 12000 million to government annually (largest private sector taxpayer)
- It is proactively involved in afforestation program in the rural areas of the country since 1980's. Every year it distributes amongst the farmer and other agencies over two million plants free of charge. Since the inception of its afforestation program in 1980 the company till date has planted and distributed 38 million trees across the country with a sapling survival rate exceeding 91%.
- Supports Shandhani (posthumous eye donation) and the Centre for the Rehabilitation of the Paralysed as well as other charitable development organisations.
- Is involved in vegetable seed multiplication program.
- In national disasters the company has been prompt in lending timely support to people of the affected regions.
- Is committed to develop backward linkage industries for the cigarette industry, leading to significant improvements in the packaging industry.
- Committed to rural wealth and hygiene improvements through concerted activities in rural areas.
- Assistance to tobacco farmers in crop cycle planning and optimum utilisation of land.

- Run programmes to promote farmers' literacy, health, hygiene, education, family planning awareness and bank accounts.
- Provide prompt relief and generous support to affected communities in cases of natural disaster.

- Commitment to the principles of sustainable development through high international standards of environmental, health and safety practice.

British American Tobacco Bangladesh has won many awards during the last 30 years. Among the awards won are the 1st Prize of Prime Minister's National Award on Tree Plantation 99, Prime Minister Afforestation Award in 1993, Presidents Award in Agriculture in 1975, FAO Award in 1999 and the National Export Trophy award in 2000. It has also received the prestigious Environmental, Health and Safety Silver Award in 1998 and 1999 in a row for no lost time accident in any part of the company and many more to come in the future.


Chapter 3: Financial Performance of BATB

3.1 Balance sheet for the year of 2015-2016

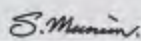
British American Tobacco Bangladesh Company Limited
Statement of Financial Position

In thousands of BDT	Note	31 December 2016	31 December 2015
Assets			
Property, plant and equipment	5	15,411,873	13,665,015
Non-current assets		15,411,873	13,665,015
Inventories	6	13,979,180	8,553,377
Trade and other receivables	7	1,062,450	940,758
Advance, deposit and pre-payments	8	3,329,480	4,074,679
Cash and cash equivalents	9	1,564,600	2,357,002
Current assets		19,935,710	15,925,816
Total assets		35,347,583	29,590,831
Equity			
Share capital	10	600,000	600,000
Capital reserve	11	64,896	64,896
Retained earnings	12	18,217,686	13,944,623
Total equity attributable to owners of the company		18,882,582	14,609,519
Liabilities			
Net defined benefit plans	13	800,663	461,230
Deferred tax liabilities	14	2,027,373	2,069,796
Non-current liabilities		2,828,036	2,531,026
Bank overdraft	15	289,572	-
Short term bank loans	16	1,500,000	-
Trade and other payables	17	8,218,406	7,842,726
Current tax liabilities	18	2,499,269	3,500,379
Provisions and accruals	19	1,129,718	1,107,181
Current liabilities		13,636,965	12,450,286
Total liabilities		16,465,001	14,981,312
Total equity and liabilities		35,347,583	29,590,831

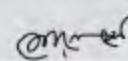
The annexed notes 1 to 44 form an integral part of these financial statements.



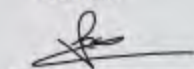
Golam Mainuddin
Chairman



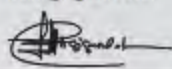
Shehzad Munim
Managing Director



Md. Mosharraf Hossain Bhuiyan ndc
Director



William Francis Pegel
Finance Director



Md. Azizur Rahman FCS
Company Secretary

As per our report of same date



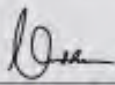
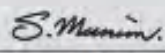
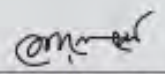
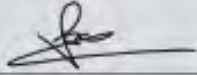
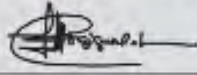
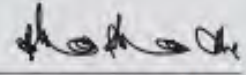
Rahman Rahman Huq
Chartered Accountants

Dhaka, 27 February 2017

3.2 Profit and loss account for the year 2011-2012

British American Tobacco Bangladesh Company Limited				
Statement of Profit or Loss and Other Comprehensive Income				
In thousands of BDT	Note	31 December 2016	31 December 2015	
Gross turnover		165,633,760	143,711,664	
Supplementary duty & VAT		(121,879,985)	(103,816,770)	
Net turnover	20	43,753,775	39,894,894	
Cost of Sales	21	(23,890,895)	(21,212,511)	
Gross profit		19,862,880	18,682,383	
Operating expenses	22	(5,936,146)	(5,481,856)	
Operating profit		13,926,734	13,200,527	
Net financial Income/ (expenses)	23	(36,468)	(122,828)	
Non operating Income/ (expenses)	24	(26,708)	37,680	
Profit before contribution to WPPF		13,863,558	13,115,379	
Contribution to WPPF		(693,178)	(655,767)	
Profit before tax		13,170,380	12,459,612	
Income tax expense				
Current Tax	25	(5,622,651)	(5,633,340)	
Deferred Tax	26	34,733	(952,198)	
		(5,587,918)	(6,585,538)	
Net Profit for the Year		7,582,462	5,874,074	
Other comprehensive income	27	(9,399)	(28,066)	
Total comprehensive income		7,573,063	5,846,008	
		BDT	BDT	
Earnings Per Share		126.37	97.90	

The annexed notes 1 to 44 form an integral part of these financial statements.

 Golam Mainuddin Chairman	 Shehzad Munim Managing Director	 Md. Mosharrat Hossain Bhuiyan Director
 William Francis Pegel Finance Director	 Md. Azizur Rahman FCS Company Secretary	As per our report of same date  Rahman Rahman Huq Chartered Accountants

Dhaka, 27 February 2017

3.3 Statement of changes in equity

British American Tobacco Bangladesh Company Limited				
Statement of Changes in Equity				
In thousands of BDT	Share capital	Capital Reserve	Retained Earnings	Total Equity
Balance at 1 January 2016	600,000	64,896	13,944,623	14,609,519
Profit for the year	-	-	7,582,462	7,582,462
Other comprehensive income	-	-	(9,399)	(9,399)
Total comprehensive income	-	-	7,573,063	7,573,063
Dividend paid:				
Final dividend for previous year	-	-	(3,300,000)	(3,300,000)
Interim dividend during the year	-	-	-	-
Balance at 31 December 2016	600,000	64,896	18,217,686	18,882,582
Balance at 1 January 2015	600,000	64,896	10,798,615	11,463,511
Profit for the year	-	-	5,874,074	5,874,074
Other comprehensive income	-	-	(28,066)	(28,066)
Total comprehensive income	-	-	5,846,008	5,846,008
Dividend paid:				
Final dividend for previous year	-	-	(2,700,000)	(2,700,000)
Interim dividend during the year	-	-	-	-
Balance as at 31 December 2015	600,000	64,896	13,944,623	14,609,519

3.4 Cash flow statement

British American Tobacco Bangladesh Company Limited		
Statement of Cash Flows		
In thousands of BDT	For the year ended 31 December	
	2016	2015
Cash flows from operating activities		
Collection from distributors, leaf export and others	165,597,074	143,924,478
Payment for costs and expenses	(28,884,337)	(27,582,631)
Supplementary duty and VAT paid	(125,824,237)	(102,249,859)
Cash generated from operating activities	10,888,500	14,091,988
Income tax paid	(6,623,761)	(4,862,875)
Interest paid	(30,069)	(128,394)
Net cash generated from operating activities	4,234,670	9,100,719
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,550,488)	(2,691,343)
Proceeds from sale of property, plant and equipment	35,591	48,690
Net cash used in investing activities	(3,514,897)	(2,642,653)
Cash flows from financing activities		
Short term loan receipt	1,500,000	-
Short term loan payment	-	(2,800,000)
Dividend paid	(3,301,747)	(2,693,756)
Net cash used in financing activities	(1,801,747)	(5,493,756)
Net increase/(decrease) in cash and cash equivalents	(1,081,974)	964,310
Cash and cash equivalents at 1 January	2,357,002	1,392,692
Cash and cash equivalents at 31 December	1,275,028	2,357,002
Closing cash and cash equivalents have been arrived at as follows:-		
Cash and bank balances	1,564,600	2,357,002
Bank overdraft	(289,572)	
	1,275,028	2,357,002

Chapter 4: Tobacco Industry Competitor Analysis

The main cigarette manufacturers today are:

- British American Tobacco Bangladesh
- Dhaka Tobacco Industries
- Abul Khair Tobacco
- Nasir Tobacco
- Azizudin Industries and
- New Age Tobacco.

The main biri manufacturers are:

- Akij Biri
- Abul Biri
- Nasir Biri
- Karikar Biri
- Aziz Biri and
- Hundreds of local biri manufacturers.

Now, there are two main tobacco industry associations i.e. Bangladesh Cigarette Manufacturers Association (BCMA) and Bangladesh Biri Manufacturers Association (BBMA) representing the industry.

Today, the market is estimated to be 75 billion sticks of biri and 55.5 billion sticks of machine manufactured cigarettes. Biri overtook cigarettes being the more popular smoked product in 1979. However, the market for biri has been on a declining trend since 2003. This indicates that the consumers have switched to cigarettes due to social pressure, urbanisation, literacy rate, economic growth and awareness level. The market has a high International Brand share (18%) and most importantly, a high ASU 30 share (59%) which promises for future growth.

In May 2008, Philip Morris International launched both full flavoured and light variants of Marlboro brand cigarettes in different markets of Dhaka. Dhaka Tobacco Industries is manufacturing and distributing the brand. BAT Bangladesh and Dhaka Tobacco Industries together hold around 85% share of the cigarette market. Tobacco products are distributed by the manufacturers themselves or the third party distributors or the wholesalers. The sales and distribution effort requires a large number of field employees and agents because they have to serve about 1 million individual retail outlets throughout Bangladesh with a growth of 8% per annum.

The escalation of retail outlets is mainly due to the ease of entry and the low capital requirement. Many of these outlets operate on limited capital and are unable to purchase quantities beyond their immediate daily sales. The high number of retail outlets has created a “stick market” and consequently imposed more frequent sales visits compared to other similar businesses.

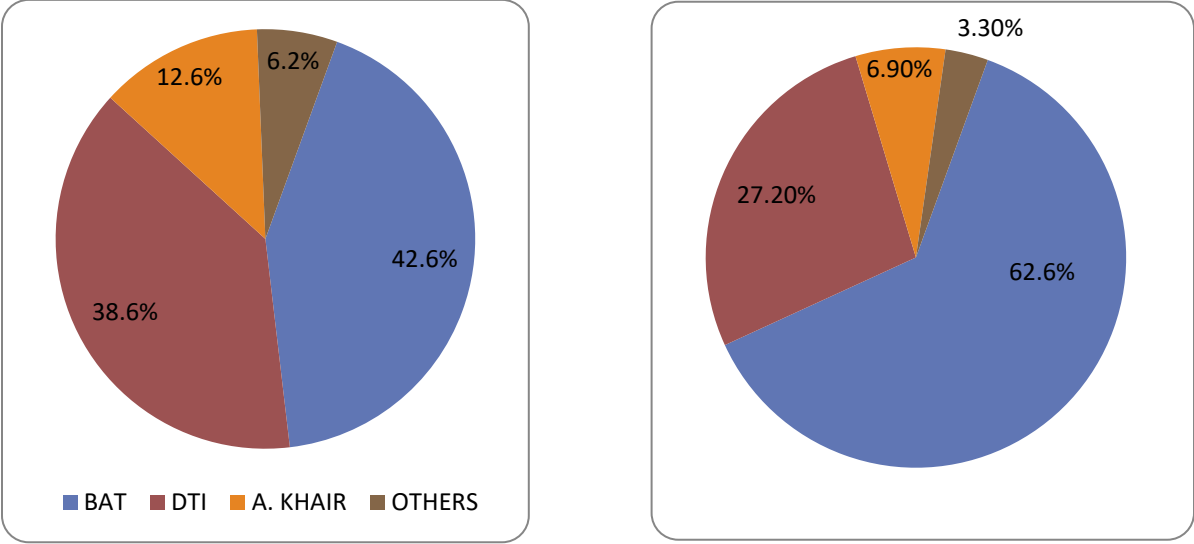


Chart 1: National Market Share (LEFT: in Volume, RIGHT: In Value)

These two graphs show the national cigarette market share in volume and in value. British American Tobacco Bangladesh is the market leader in both with a market share of 42.6% and 62.6% respectively. They are followed by Dhaka Tobacco Industries with a market share of 38.6% and 27.2% respectively. Abul Khair Tobacco Company holds a market share of 12.6% and 6.90% respectively with the third position in the market.

Chapter 5: Khulna Region at a Glance

5.1 General Overview

Khulna is the 3rd largest region of British American tobacco Bangladesh in terms of Volume. The regional sales through trade (STT) volume was 390 million per month on an average in 2016, which is the 3rd highest after Dhaka Region with average STT volume of 500 Million per month.

5.2 Geographic Overview

Khulna has an area of 22,285 km² and a population of 15,563,000 at the 2011 Census (preliminary returns). It is located on the north by the Jessore District and the Narail District, on the south by the Bay of Bengal, on the east by the Bagerhat District, and on the west by the Satkhira District. The market demarcation of Khulna region consists of 20 Zillas. The Zillas under Khulna Region is:

Khulna	Meherpur	Narail
Jessore	Faridpur	Bhola
Shatkhirā	Magura	Jhalokathi
Bagerhaat	Madaripur	Potua khali
Chuadanga	Rajbari	Borguna
Jhenaidah	Gopalganj	Pirojpur
Barisal	Shariatpur	

Table 2: Geographic Coverage of Khulna Region

5.3 Basic Characteristics of Khulna Region

If we closely observe the business of BATB in Khulna Region over the past few years we would be able to identify 3 broad market characteristics of the regions. And the market nature of the region also changes according to these 3 broad characteristic since tobacco consumption pattern is heavily dependent on the economic activities These three broad characteristics are:

- Increasing Urbanization of Khulna City Corporation due to the opening of Mongla and Payra port.
- Agro based Economy in wider Khustia, Jessore, Khulna and Barisal with certain level of Agro Industrialization (Rice Mills & Fishery).

- Agro based Riverine belt in the Southern part of Barisal, poor Infrastructure & road communication.
- Geographically dispersed with the lowest population per square kilometre.

5.4 Market Share of Khulna Region

Khulna Region is divided in 4 areas and 20 territories in total. The four areas of Khulna Region are Khulna Area, Faridpur Area, Barisal Area & Kushtia Area. These areas are divided in 19 territories. The business operation in Khulna region is spread in the following manner:

Region	Area	Territory
Khulna	Khulna	Khulna 1
		Khulna 2
		Jessore 1
		Jessore 2
		Satkhira
	Kushtia	Kushtia
		Chuadanga
		Meherpur
		Jhenaidah
	Faridpur	Faridpur
		Madaripur 1
		Madaripur 2
		Rajbari
		Magura
	Barisal	Barisal 1
		Barisal 2
		Bhola

		Patuakhali
		Barguna

Table 3: Khulna Region

Khulna Region has always been a strong market for British American Tobacco Bangladesh. Traditionally all the brands of BATB portfolio performed exceptionally well in this region. The market share of this region over the years is as follows:

Since the industry price increase in 2005, the market share of BATB is declining. This is largely because BATB did not want to penetrate the Low Segment (Tk. 3/stick) in that period due to probable brand cannibalization of Star and low profit margin of LS. But however, as years went by the LS became a significant market segment which is fully dominated by the Sheikh Family – a brand from Dhaka Tobacco Industries. But since the launch of BATB LS brands in Q3 2009, the market share of BATB is experiencing a positive trend.

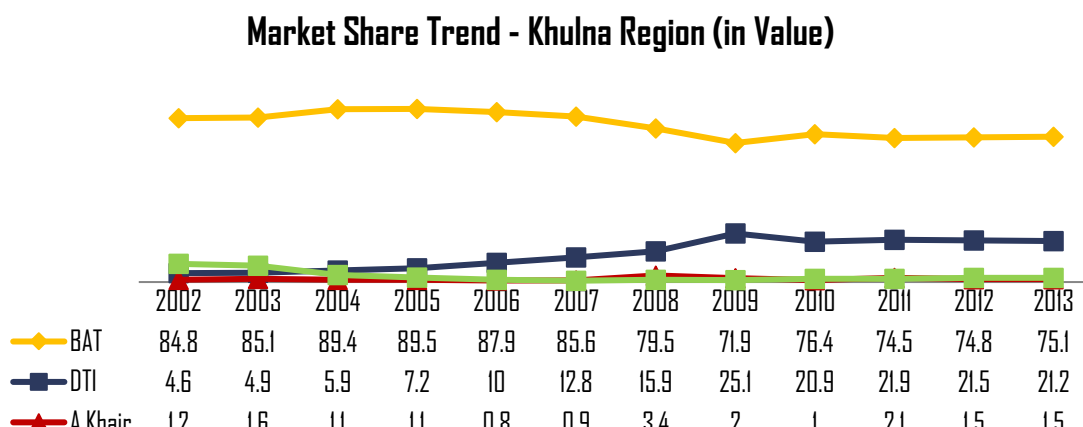


Chart 3: Market Share Trend – Khulna Region (in Value)

The market share in terms of value in Khulna Region did not experience the sharp decline as it experienced in volume. Although the market share declined from 89.5% in 2003 to 74.8% presently, the declining trend of market share has been arrested & turned in a positive shift in 2009. The reason behind was the successful re-launch of LS Brand – Derby and Hollywood.

Chapter 6: Overview of Barguna Territory – The market and the distribution house

6.1 Background

Hajee and Sons. Barguna was established as the Distribution house at Barguna in 2016. The current Distributor or Valued Business Partner (VBP) of this house is Mr. Wahab Mridha, a family member of locally influential Family and local strong businessman.

6.2 Overview of Barguna Distributory Market

Barguna Territory, under Barisal Area is the smallest territory of British American tobacco Bangladesh in terms of Volume & distribution vibrancy in Khulna Region. The sales through trade (STT) volume were 14 million per month on an average in 2016. In 2017, the Barguna Territory was experiencing tremendous growth momentum in all the brands of BATB portfolio. The average monthly volume has increased to 21 million which is 50% higher than 2016. Barguna had the third highest growth in the whole Khulna Region in terms of growth in STT and BCP. However, a change in distributor house has resulted in a small blip, but the results are still swaying.

6.3 Basic Characteristics of Barguna Territory

If we closely observe the business of BATB in Barguna Territory over the past few years we would be able to identify 3 broad market characteristics of the territory. As tobacco consumption pattern is heavily dependent on the economic vibrancy, the market nature of the territory is quite unique with all the brands having a very good volume as the following characteristics, ensures volume of different brands. These three broad characteristics are:

- Increasing level of Urbanization in Barguna city
- Agro based Economy with certain level of Agro Industrialization (Rice Mills & Fisheries)
- Economic vibrancy created for Kuakata, Payra Deep Sea Port and Padma Bridge

6.5 Economic Overview of Barguna Territory

Barguna's economy is primarily dependent on agriculture. Their principal crops include rice and pulses. Jute cultivation used to be vital, but it gradually lost popularity as a cash crop. Being a coastal district, Barguna has a thriving fishing industry. Produce of the district includes betel leaf, pulses, bananas, betel nut, molasses, marine fish, and shrimp. A small manufacturing industry comprises mostly rice mills, saw mill, soap factory, flour mill, ice factory and pen factory. Traditional cottage industries such as weaving, bamboo and cane art work, goldsmithing, blacksmithing, pottery, wood work, and tailoring also thrive in rural areas. However, with the improved road connectivity between Kuakata and Dhaka and the massive ongoing projects of

Padma Bridge and Payra Deep Sea Port, a new horizon for the business of BATB has been created to capitalize on. Apart from that there are many other projects working back and forth.

Key Points for Barguna territory,



Table 4: Key Points for Barguna Territory

6.6 Business Operation of Barguna Territory

Geographically Barguna Territory is a challenging territory. The population of Barguna is very scattered. Also, it is a coastal area and so it becomes vulnerable during cyclones and storms. Cyclone, Sidr and Ayla had devastating effects on the lives of the people of Barguna. The two mighty rivers Payra and Bishkhali, flows through Barguna. These 2 rivers have been a constant source of challenge for the native people. Except for the Main house, all the other six Distribution Points are on the other sides of the two rivers, making it very difficult and challenging for proper servicing. The Distribution Points and the Main House are as followed:

1. Barguna Main
2. Amtali
3. Taltali
4. Khepupara
5. Patharghata
6. Mathbaria
7. Bamna

The whole market was divided into 29 routes. All of these routes were divided in either two or three sections. A route that has 2 sections is a thrice per week (3/w) route and is serviced thrice

per week for each section. A route that has 3 sections is a twice per week (2/w) route and is serviced twice per week for each section. Every Sales Representative (SR – Salesman) works on a single route and is responsible for placing the products in the retail outlets of that route sometimes who is supported by other FFs. Number of outlets per route varies as the routes are determined through ease of communication.

6.7 Fact sheet of Barguna Distribution House

Coverage	Distribution Points	7
	No. of DSS	4567
	Frequency	2/w or 3/w
Field Force	Territory Sales Assistant	1
	Sales Manager	1
	Sales Supervisor	5
	Sales Representatives	29
	Brand Representatives	5
	Brand Representative Supervisor	1
	Contract Merchandiser	9
	Contract Merchandiser Supervisor	1
	Driver/Puller	11
	Others	10
Logistics	Scooter Van	2
	Tri Van	8
	Pannier Box	17
	Cover Van	1
	Motorcycle	1
	Total	29

Table 5: Fact sheet of Barguna Distribution House

Chapter 7: Project Accord: Phase Stock Rotation

Pre-& post budget period is considered as a critical period in the tobacco industry of Bangladesh. Various challenges occur in these months which, if not addressed promptly, will result in non-favorable results for BATB and can even impact the volume and value share of the organization. To combat these challenges, they have rolled out the 1st phase of Project Accord in April to drive price compliances across the national market. Owing to the successful implementation of those activities, the situation in the market were effectively controlled during and serviced the pre-budget phase.

7.1 Stock Management - Pre Budget

To attain stick price compliance and safeguard market share, we have been allowing additional Sales to Trade in H1 '18 to the key retailers. Despite ongoing effort to channel more stocks to retail, high hoarding is anticipated at Cash and Carry (Wholesalers) at the end of this year. There are other externalities such as seasonal impact, belated de-hoarding due to speculation, difficulty to track stock in non-trader stockiest & Non-Direct Store Service Cash and Carry (Wholesalers) etc. Higher hoarding and prolonged de-hoarding period mean amplified risk of product quality issue posing significant commercial threat. Consecutively, proactive and comprehensive effort is required to ensure product freshness and minimize the risk of delivering QC products.

7.2 Suggested Proposition

Leverage GHW change-over to ensure product freshness through effective stock-rotation and enforced depletion under the plan named as “Project Accord.”

7.3 Objective

1. Depletion of Graphical Health Warning-3 and Graphical Health Warning-4 stocks (70% of reported hoarding)
2. Ensure proper rotation of Graphical Health Warning-4 stocks in the scope markets.

7.4 Strategic Approach



- Graphical Health Warning-3 stock is NOT to be rotated; C&Cs(Wholesalers) need to be asked to sell-out GHW-3 immediately

- This instruction only pertains to pre-budget activities; for post-budget activities a separate instruction was given

7.5 Strategic Framework and Topline Activities



Figure 4: Strategic Framework

Ensure awareness and accountability	Gain Trade's conviction	Robust rotation mechanism
<ul style="list-style-type: none"> • Structured communication to management and VBPs • Ensure distributor accountability 	<ul style="list-style-type: none"> • Structured C&C engagement • Intensive engagement through BATB management & VBP 	<ul style="list-style-type: none"> • Instant rotation by S&D FF • Additional resource planning • Stock depletion • Validation thru TM FF

Figure 7: Topline Activities

7.6 Scoping

All C&C outlets (Nationally 14,106), activated C&C outlets (which are playing C&C role in current context) and identified retail outlets with hoarded stocks. Regional team will consider following factors related to C&C for operationalizing planned activities:

- Hoarded volume assumption- Outlets with probability of higher hoarding amount should be identified as important
- Counterfeit track-record – Outlets having previous record of getting involved in counterfeit product disbursement should be avoided from rotation scope
- Trade-relationship history- Outlets where we have already done activation, which have well-known reputation of doing business with BAT should be approached first during the timelines

7.7 Ensuring Awareness and Accountability

1. Structured communication to management and Valued Business Partners (VBP)

- 1-2-1 session where AM will onboard all his TOs first.
- Then Area Manager and Territory Officers will onboard VBPs together about the needful activities

Objective: To onboard all the relevant individuals regarding the overall impact of the situation and their responsibilities.

Scope: All Territory Officers and Valued Business Partners

Responsibility: Area Manager

Briefing Content: The session will cover the following aspects:

- Consequence of higher hoarding citing previous example
- Importance of FIFO, stock rotation management and counterfeit identification and prevention
- Importance of the planned activity to safeguard market share and team KPI (depletion of GHW-4 stock)
- Manage communication and activation properly to avoid confusion and resistance from trade to end consumers

2. Field Force Briefing

1-2-many session in distribution house where TO will onboard FF Briefing tonality: While briefing TO will have to keep in mind following 3 objectives:

- Create FF awareness of potential business impact of situation and get effective outcomes
- Energize FF to go the extra-mile towards the executions

- Ensure FF awareness about probable actions (if FF do not comply)

Objective: To onboard all the FF regarding the business risk, activity design and their responsibilities.

Scope: All Field Force of distribution house

Responsibility: Territory Officer

Facilitation tool: - FF Briefing deck - Prism survey module manual.

3. Ensure distributor accountability

Distributor's ownership & involvement to deliver the objective will be considered in '18 evaluation.

Onboard distributor in briefing and follow-up accordingly for better results

Scope: Distributors

Modality:

- Visit/phone call to C&Cs by distributor to ensure 'Zero' old stock existence (as per RM's discretion)

- Inclusion of following items in Distributor's Business Plan KPI:

- FIFO @ all distribution points
- Adherence to C&C engagement plan in all points
- Ensure logistical support for stock rotation
- Provide additional financial support to keep FF motivated to go extra-mile (regional discretion)
- Based on region-prepared 'By market directional hoarding of GHW4', distributor will be communicated about rotation to target outlets
- Region will share the 'By market rotation target' with the central team for final go ahead

7.7 Gaining Trade's Conviction

1. Effective engagement

Objective: To gain trade's conviction on the overall rotation approach through proactive 3 layered C&C engagement

Scope: 15k identified C&Cs nationally and regionally identified hoarders

Topline Activities:

1. Communication by SR
2. 1-2-1 Reinforcement by House management/designated 3P FF
3. Periodic reinforcement through IVR

Communicate C&Cs thru 1-2-1 through SR call about importance of stock rotation and consequence of counterfeit

Responsibility: SR

Facilitation tool: Word of Mouth

1-2-1 reinforcement for C&C to encourage them about rotation through visit/phone-call

• **Responsibility:** Territory Sales Assistant (For EC&C), Business Manager/Sales Manager (for Rest C&C)

• **Facilitation tool:** Word of Mouth (WoM)

Ensure periodic reinforcement to C&Cs through IVR for highlighting core benefits of stock rotation

Responsibility: Third Party Agency

Modality:

- Regional team will confirm list of outlets with phone number
- Central team will share the awareness status

Facilitation tool: Automated voice call at retailers' phone

2. Structured Market Visit

To gain trade's conviction on the overall rotation approach through proactive visit from top layer of management & VBP.

Suggested C&C visit & engagement matrix				
C&C Type	No. of C&C	Pre-dominant Location	Comms. Responsibility	Engagement responsibility
Trader C&Cs	168	8 key national C&C Hub	BM/SM	AM /VBP
2 nd tier Major C&C (rest of DCC)	400	District	SM/SS	AM/TO/VBP
RC&C (rest of EC&C & other C&C)	Rest of 13.5 K	Route	SM/SS/SR	TO/VBP

Figure 8: Structured Market Visit



Figure 9: Call Structure of Territory Officers

7.7 Robust Stock Rotation

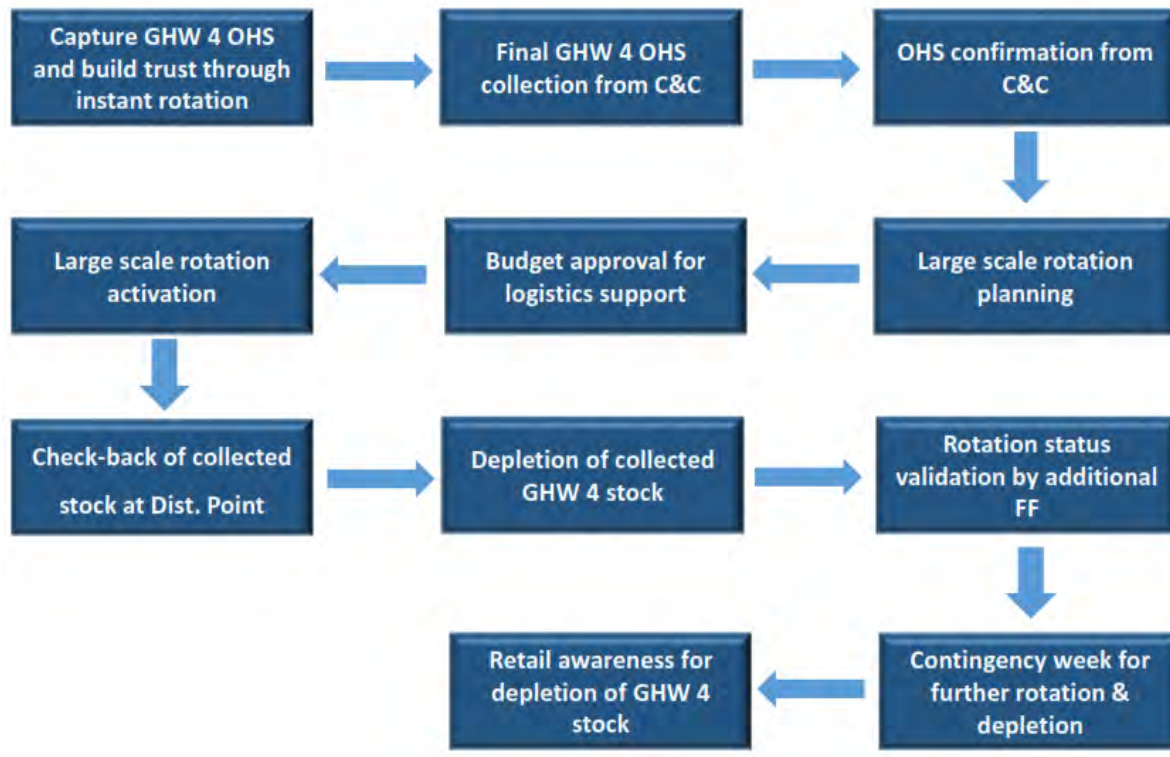


Figure 10: Rotation Flow Chart

Rotation amount/outlet/day	Rotation modality
Less than 5 k	SR rotates instantly during route-service
More than 5k	Large scale rotation by SS

Figure 10: Rotation Flow Chart

- Capture GHW 4 OHS and build trust through instant rotation

Modality:

- SR captures on hand quantity of old GHW stock (GHW 4) in the PRISM survey module. SR should spend quality time to convince C&Cs for cooperation and assist them to check and share on-hand status with them for further processing (including go-down)
- SR will highlight that Sup will come in next week to rotate the GHW 4 stock and thus will ask for C&C's cooperation.
- SR starts instant stock rotation at the outlet (applicable for small scale rotation eg. 2-5K stock/C&C/day) based on his manageability to build C&C's trust on BAT's motive.

- While rotating this stock SR will inspect visually to ensure that these stocks are not counterfeit and have legal grounds
- It is suggested that SR goes to the C&C outlet of the cluster first and changes the old GHW stock (GHW 4) with new one (GHW 5).
- Then SR should complete service in the cluster with those old GHW stocks for proper distribution
- SR should avoid counterfeit associated C&Cs while doing this instant rotation.
- In case of any market with high counterfeit sensitivity, region might decide to narrow down the scope routes for instant rotation. Rotation in these routes can be done by SS through alternate mechanism and fetching digital assistance

Responsibility: SR

Facilitation tool: PRISM survey module in SR's PDA device/ Visual inspection tool-kit

Final OHS collection from C&C

Modality:

- SR will collect the final on hand quantity of old GHW stock (GHW 4) from the C&C for the final time.
- SR will reinforce that Sup will come in next week to rotate the GHW 4 stock and thus will ask for C&C's cooperation
- SS will be designated directly by TO to gain key C&C's conviction and persuade them to communicate their OHS

Responsibility: SR/SS

Facilitation tool: PRISM survey module in SR's PDA device

OHS confirmation through Call Center

Modality:

- An in-house call center will call the C&C outlet and validate the SR-captured "old GHW stock" quantity over phone.
- In case of any deviation, the revised by-brand on-hand stock would be updated in the report.

Responsibility: BM/SM/Dist. House staff, MWZ C&C activation call center (in case of additional support requirement)

Facilitation tool: Word of Mouth, PRISM-generated On Hand report & tracker

Large scale rotation planning

Modality:

- Assigned FFs with additional logistics will visit these C&Cs to complete the remaining large-scale rotation.
- Based on the reported and validated on-hand stock of GHW 4, the comprehensive logistics plan will be prepared to rotate the stock with new one (GHW 5) within maximum 1-2 week.
- The logistics planning should include vehicle type-wise number requirement (house owned/rented) and trip plan to rotate the entire stock within given timeline

Responsibility: BM/SM/Sup

Large scale rotation activation

Modality:

- Supervisors will lead a logistics team preferably accompanied by 1-2 Contract Merchandisers for assistance (upon region's discretion)
- Rotate OHS of C&C with new stock after visual inspection of counterfeit issue and C&C comfort
- Arrangement for handheld UV device is under process which will further aid FF to detect counterfeit products
- Supervisors will write down on a piece of paper and paste it on the CBC to mark corresponding C&Cs info (name/route/section). Purpose is to identify the C&C in case of counterfeit identification in later stage for further processing
- Supervisors will fill up the rotated stock quantity in the tracker and take C&C's signature.
- If any Quality Complaint (QC) stock is identified, SS will escalate the quantity to distribution house. QC cannot be withdrawn under stock-rotation.
- In case of excessive amount of rotation-stock, it is preferred to bring in C&C's stock accompanied by his representative for in-house check-up for counterfeit using own vehicles.

Responsibility: Sup, CM (region's discretion)

Facilitation Tool: Handheld UV device, OH report & tracker

Check-back of collected stock at Distribution Point

Modality:

- Under the supervision of Go-down keeper, the rotated stock returned from C&Cs would be checked to ensure no counterfeit or QC stock.
- Additional FF will assist Go-down keeper in this exercise for better results. Handheld UV device will help in this exercise to fasten the process.

Responsibility: Go-down Keeper, additional house-staff, CM (region's discretion)

Facilitation Tool: Handheld UV device

Depletion of collected GHW 4 stock

Modality:

- The collected GHW 4 stocks will be allocated at routes (only retail) along with new (GHW 5) stocks.
- The allocation of GHW 4 stocks can be increased by region up to 80% if no reservation is observed from retail.
- C&C must get new (GHW 5) stock through-out the stock rotation activity.

Responsibility: SM (stock allocation at retail), SR (stock rotation)

Facilitation Tool: Frequently Asked Questions

Contingency week for stock rotation & depletion:

- If further requirement for stock rotation from C&C is observed, SR needs to escalate and evaluate. SM will share the requirement with TO. RM will provide ad-hoc support for logistics rent and other supports.
- SR will get signature from C&C on zero GHW 4 stock sign-off tracker for provc (if applicable)

Retail awareness from depletion of GHW 4 stock:

- SR will carry out trade call to retail outlets highlighting that GHW 5 is the ongoing stock and ask to deplete GHW 4 stock as early as possible.

Responsibility: SR

Facilitation tool: SR script

□ Tracking & update:

- Daily update by region on OH and rotation

Responsibility: Regional Reporting Officer

Facilitation Tool: Tracker

7.8 Activity Timeline

SL	Activity details	Responsibility	Timeline
1	VBP & management onboarding	AM	April 6-9
2	FF Briefing	AM/TO	April 6-10
3	Communicate C&Cs thru SR call	SR	April 9-12
4	Reinforce C&Cs through 1-2-1 visit/phone call	TSA/SM/BM	April 10-15
6	Periodic Reinforcement through IVR	Agency	April 16- 30
7	Capturing GHW4 OHS/Instant rotation	SR	April 12-20
8	Final OHS collection from C&C	SR/SS	April 18- 20
9	OHS confirmation through Call Center	Call Center	April 19-22
10	Large scale rotation planning	BM/SM/Sup	April 22-23
11	Large scale rotation activation	Sup, CM/BR	April 24-May 2
12	Check back of collected stock at dist. Point	Godown-keeper, additional house staff	April 24- May 2
13	Depletion of collected GHW 4 stock	SM, SS, SR	April 25- May 3
14	Contingency week for stock & depletion	Sup, SR, CM/BR	May 3-9
15	Retail awareness for depletion of GHW 4 stock	SR	May 16-23
16	Tracking & update	RRO	April 13- May 10

Figure 11: Timeline of the Stock Rotation Phase of Project Accord

Chapter 8: Outcomes of Implementation of Stock Rotation

Rotating the hoarded stock was necessary to maintain the freshness of BATB's cigarettes. The project was a good initiative. BATB supplied 4 Billion more sticks than that was required to combat the Artificial Price Increase during critical situations. 4 billion cigarettes are more than enough to sustain the market for a whole month nationally. This was 1.5 times more than what was required in the same period in 2017. In Barguna Territory, there was estimated hoarding of more than 5 million. Even though it is a huge number for a small territory like Barguna,

The Result of the activities undertaken in Barguna Territory and nationally:

- 80% (4 million out of 5 million) of hoarded stocks in Barguna Territory were replaced with fresher already available product
- 65% (2.6 billion out of 4 billion) of hoarded stocks were replaced with fresher products nationally which was more than the given target
- The older products were distributed to smaller retailers and routes where the stock lasts for less than two days, which means there were plenty of fresh cigarettes in the market as a whole
- The Quality Complaints percentage has gone down by 75%, saving BATB at least 4 billion Taka. From Barguna territory, the amount saved was approximately 1 million BDT
- Identified potential hoarders on whom we can put on a leash post Budget period, when the retention is low than base
- The smaller retailers got more stock than they could have asked which cemented long term loyalty for the products of BAT Bangladesh
- The freshness of the product was maintained which stopped BATB from making the same mistake as their main competition DTI
- Acquired leverage over the C&Cs (wholesalers) that can help BATB in the post budget period for retention
- Helped to identify markets and outlets of counterfeit products and take actions

Chapter 9: Recommendations

1. Improve Stock Management
 - To prevent a repeat of this, the floodgates should not be opened as frequently as this. This should be done in a more calculated way and the process should start earlier
2. Keep records to improve service in the future

- The problematic retailers and clusters should be tracked and approached as soon as there is a possibility of this scenario arising again. Volume cap for pre-budget period can be counted

3. Deploy a tracking method

- A cheap and alternative method of tracking should be placed in outers and CBCs to identify where the stocks are kept. This could be done using NFC tags and Barcode Scanners for better monitoring.

4. Increase Vigilance in the market

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- The FF should be reminded of the calamity that can arise if there are damp stocks in the market. The TOs and AMs should be stricter during Market Visits and should keep their eyes opened to avoid such scenario.

Chapter 10: Conclusion

With an incredibly calculated brand portfolio, British American Tobacco Bangladesh (BATB) Company has become the most recognized leader in Bangladesh Tobacco market. And it is the united efforts from each of its department that has made this success possible. However, the role of marketing department is unbound to express. Its dynamic strategies in different circumstances have made the company to become the market leader in Tobacco Industry for a couple of years and beyond.

Khulna region is a unique region in its own very ways. The market is highly competitive especially the Low segment, maintaining the same market share is the toughest challenge for the market. However, as every problem has its solution, issues were recognized, the way forward was identified. With timely implementation of the changes that were mandatory, the house that was losing market share once has now turned game by starting to gain market share and swung back to a growth momentum.

However, as is the demarcation of a great company, there is no limit to improvement, a lot more can still be done to avoid scenarios like this in the future. It is too early to tell whether the steps undertaken will be enough, however after spending a considerable time in market, it can be said that BATB won't be facing the same problem as its competitor once did.

