



**BRITISH AMERICAN
TOBACCO**

**INTERNSHIP REPORT ON
WORK EXPERIENCE AT
BRITISH AMERICAN TOBACCO BANGLADESH**



Inspiring Excellence

WORK EXPERIENCE AT BRITISH AMERICAN TOBACCO BANGLADESH IN TRADE MARKETING & DISTRIBUTION

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Inspiring Excellence

Date of Submission: 13/07/2016

Letter of Transmittal

July 13, 2016

Shamim Ehsanul Haque
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Subject: Submission of Internship Report.

Dear Sir,

It is an honour and great pleasure for me to hand over the report of my work experience as a Territory Officer at British American Tobacco Bangladesh.

The experience has provided me the opportunity to work with an immensely prominent multinational company such as British American Tobacco, allowing me to gain valuable insights into the professional life in a top notch organization. It has helped me significantly to enhance my knowledge and prowess in the corporate world.

I, therefore, convey my earnest gratitude to you for your kind cooperation, supervision and guidance in successfully preparing this report, despite some limitations. I have completed the whole program with great enthusiasm. I hope you will be kind enough to assess this report and oblige me thereby. I shall be happy to provide any clarification if required on any relevant matter.

Sincerely,

Ali Azam Al Wajed

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Acknowledgement

First and foremost, I would like to offer my heartiest gratitude to almighty Allah for keeping me in good health and giving me the strength to accomplish the report.

The successful completion of my internship program in British American Tobacco would not have possible without the help of some kind-hearted people.

I convey my deepest appreciations to my line manager Mr. George Real Mondal for his continuous guidance and support in preparing this report. I thank him for being a constant source of inspiration. I am also very grateful to my immediate colleagues, namely Md. Safiqul Islam, Muhammad Shakik, Tamzid Al Maruf and Syed Sakib Ahmed Puman, with whom I worked and who helped me a lot in learning my job responsibilities.

Last but not the least; I would like to express my deepest gratitude to all my colleagues and personnel of BATB for their continuous support and valuable suggestions, cooperation and assistance in the preparation of this report.

I thank my institution, BRAC University and my mentors for giving me the opportunity of self-development through practical experience.

Executive Summary

This report was meticulously created to describe the different facets of working in British American Tobacco Bangladesh. It incorporates a brief history of the organization along with an organizational overview, its mission & vision and how it aligns itself with the current tobacco industry of Bangladesh. The report provides a glimpse into the company's distribution network, product offerings and competition status. It also touches upon the organizational strategies, structure, functional areas and briefly explains the employee welfare & relations and CSR activities conducted by the Company.

This comprehensive report includes an accurate portrayal of the daily activities performed by me as a Territory Officer working in the Trade Marketing & Distribution Department of British American Tobacco Bangladesh.

Ample amount of time and energy was spared in the making of this report, in order to make it thorough and foolproof. Nevertheless, some inadvertent errors may have crept in despite my heartiest efforts. Also, the sensitive nature of the information and confidentiality may have hindered in making the report as descriptive as I would have liked to. These factors should thus be taken into consideration before drawing any conclusions.

Personal views or suggestions and recommendations on areas of improvement alongside the findings have been included in this report as well. This report will thus hopefully enhance one's knowledge regarding how a multinational company with such high stature such as British American Tobacco operates in the Bangladeshi market.

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Chapter 1: Introduction

1.1 Origin of the Report

The report, titled “Work Experience at British American Tobacco Bangladesh” has been prepared to fulfill the partial requirement of my Internship of BBA Program, supervised by Shamim Ehsanul Haque, Associate Professor of BRAC Business School. I have been an employee of British American Tobacco Bangladesh since March 1, 2016 and I have prepared this report in alignment with my assigned responsibilities.

1.2 Objectives

The primary objective of this report is:

- To gather experience working as a Territory Officer in the Trade Marketing & Distribution department of British American Tobacco Bangladesh

In addition, the report also focuses on the following objectives:

- To understand the nature of distribution in the tobacco industry of Bangladesh
- To identify key areas of improvement for BATB

1.3 Scope

- Information for the report was collected from company websites, internal database, annual reports, research papers and BATB study materials.
- Geographical scope of the report was limited to BATB Head Office, Dhaka and the territory overseen by me, which is Chouddogram, Comilla.

1.4 Methodology

Methodology refers to the overall procedures of research. In order to achieve the aforementioned objectives, two basic methods were adopted:

- In-depth induction sessions at the Head Office in Dhaka, followed by hands-on experience gained through working alongside colleagues
- Observation of the work environment throughout the tenure of internship at BATB

1.5 Limitations

- Analysis is completely based upon historical data and experience.
- Due to confidentiality regarding information and to avoid breach of contract, certain information could not be gathered or divulged.

Chapter 2: Organizational Overview

2.1 History

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. British- American Tobacco 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. More than a billion people across the globe enjoy smoking tobacco. Among them one in every seven chooses a British American Tobacco brand. Extent of operation of British American Tobacco Company is given below:

- Americas
- Asia-Pacific (AsPac)
- Western Europe
- Eastern Europe, Middle East and Africa (EEMEA)

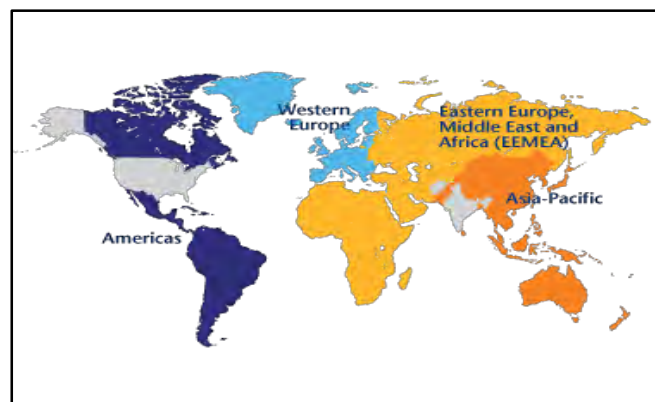


Figure: BAT Global Operations

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

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

In 1972 as Bangladesh Tobacco Company (BTC), British American Tobacco Bangladesh was incorporated. British American Tobacco Bangladesh is one of the largest private sector enterprises in Bangladesh, incorporated under the Company's Act 1913 on 2nd February 1972 and has been operating for over 100 years. Since 1972 BATB is operating as the market leader in the tobacco industry by providing some of the most powerful global and local brands. Beginning the journey as Imperial Tobacco 100 years ago, the company set up its first sales depot at Armanitola in Dhaka. After the partition of India in 1947, the company was established in 1949. After Bangladesh's independence in 1971, it became Bangladesh Tobacco Company Limited. In 1998, the company changed its name and identity to British American Tobacco Bangladesh Company Ltd. It is listed on the stock index of the Dhaka Stock Exchange and Chittagong Stock Exchange.

In its effort to create an international market for Bangladeshi leaf tobacco the Company has been exporting tobacco to markets in developed countries like UK, Germany, Poland, Russia and New Zealand.

British American Tobacco Bangladesh currently employs more than 1,500 people and provides indirect employment to a further 50,000 farmers, distributors and suppliers.

2.2 Mission & Vision

BATB's vision is stated as:

“WORLD'S BEST AT SATISFYING CONSUMER MOMENTS IN TOBACCO AND BEYOND”

There are certain missions the organization is heading to accomplish. They are:

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

British American Tobacco Bangladesh is very optimistic about their future in Bangladesh as well as the world as a whole. The company has always been setting challenging targets and achieving them at regular

basis. Their vision for the future is clearly defined. They believe that by being the world’s best at satisfying consumer moments, they will become the leader in the tobacco industry. Consumers are at the core of everything BAT does and their business success depends on addressing their evolving concerns, needs and behaviors.

The second part of their vision – tobacco and beyond – recognizes the strength of the traditional tobacco business and addresses the emerging opportunities they see in next-generation products. There is a great potential business opportunity here with emerging product categories in which they are uniquely trying to succeed.

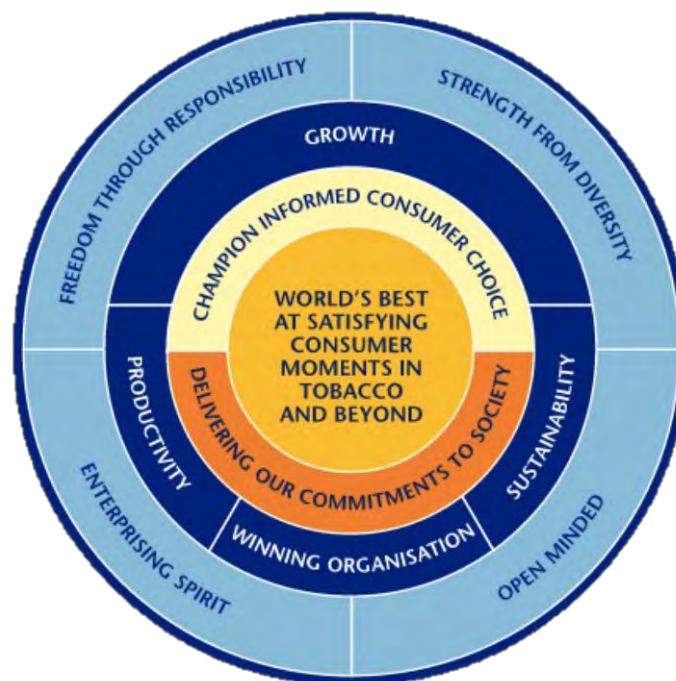


Figure: Vision & Mission of BATB

The vision of BATB can be both quantitatively and qualitatively described. Quantitatively, the company seeks volume leadership among the international competitors and in the longer term, value leadership. BAT recognizes that it is adult customers who will determine this and that, therefore, BAT must be consumer driven.

Qualitatively, BAT seeks to be recognized as 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 group, with sustainable business, outstanding people and superior products.

2.3 BATB Guiding Principles

BATB has four guiding principles that describe the key characteristics of the organization and guide the company in its operations. The guiding principles are:

- **Enterprising Spirit:** The confidence to seek out opportunities for success, to strive for innovation and to accept the risk that comes with it.
- **Freedom through Responsibility:** The freedom to take decisions and act on them obliges us to accept personal responsibility for the way they affect our stakeholders.
- **Open Minded:** We strive to be active listeners, genuinely considering others' viewpoints and not pre-judging.
- **Strength from Diversity:** We actively utilize diversity – of people, culture, viewpoints, brands, markets and ideas – to create opportunities and strengthen performance.

2.4 Company Strategies

In order to deliver their vision, their strategy for creating shareholder value has four elements around which all their efforts revolve - Growth, Productivity, Responsibility and Winning Organization.

Growth: The organization and thus its operation in Bangladesh seek to increase their volume and value share acquisitions of the global tobacco market through both organic growth and mergers and acquisitions.

Productivity: The overall approach to productivity is about using the Group's global resources to increase profits and generate funds for reinvesting into the business. Today, all companies are trying to cut costs. BAT's approach is integrated - aiming to establish a lower cost base while improving the quality of products and the speed they get to the market, as well as our effectiveness in terms of how we deploy our people and capital.

Responsibility: BAT continues to balance their commercial objectives with the expectations of a broad range of stakeholders, thus ensuring a sustainable business. They are communicating with stakeholders about their Business Principles, which explains the way it expects businesses to be run in terms of responsibility, and demonstrate how the company is following them. Their three Business Principles are: Mutual Benefit, Responsible Product Stewardship and Good Corporate Conduct are each underpinned by a number of Core Beliefs.

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 understands 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.

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 products with critical mass appeal that are recognized by scientific and regulatory authorities as posing substantially reduced risks to health

Winning Organization: BAT is confident in their strategies for Growth, Productivity and Responsibility but to deliver their vision they must also have the right people and the right working environment. That is the essence of our Winning Organization strategy. Maintaining this is the responsibility of the Human Resources department, which was discussed in much greater detail later in the report. By the right people, the company means outstanding people - those with the ability and desire to drive and deliver competitive advantage and superior performance. The company wants to attract, develop and retain high caliber talent. They also want an organization that is constantly learning. This learning culture shares knowledge quickly, learns from its mistakes and replicates success formulas quickly.

British American Tobacco must also be a great place to work. This requires an open, confident culture that encourages change and innovation, is shaped by its Guiding Principles, inspires its people to perform to their best and importantly, enjoy their work.

Finally, the company's Winning Organization strategy requires that leaders are developed, at all levels in the organization, with a clear vision for the business, which foster innovation, and can align, energize and enable their teams to contribute to the building of global enterprise.

2.5 Product Portfolio

From the customers' point of view, the products of British American Tobacco Bangladesh are divided into four product segments. The segments are Premium, Aspirational Premium, Value for Money (VFM) and Low. The brands can be identified as below according to their product segmentation:

- **Premium:** Benson & Hedges
- **Aspirational Premium:** John Player's Gold Leaf, Pall Mall
- **VFM:** Star, Capstan
- **Low:** Pilot, Hollywood, Derby

Premium: Benson & Hedges (B&H) launched in 1997, maintains its dominance in Premium segment and drives the growth of Premium price segment in Bangladesh market. Within a short time Bangladesh became a leading B&H market across the British American Tobacco world.

BAT Bangladesh was the first market to launch the new pack of B&H at the beginning of September 2005.

Aspirational Premium: Launched in 1980, John Player Gold Leaf is one of the highest selling brands of the Company - dominating the High price segment. In 2005, they launched three flavored Limited Edition Product and Packs under the 'Taste the World' campaign, which were extremely well received by consumers. In July 2006, three Limited Edition Product and Pack (LEPP) were launched under the campaign 'Blender's Choice'. BAT Bangladesh launched John Player Gold Leaf Smooth on December 2008. The new cigarette with its enhanced filtration and perforated long filter is geared to offer smokers a smoother smoking experience with a full bodied flavor.

VFM: Star, launched 40 years ago, is still a dominant brand in this segment. Currently it is the highest volume generating brand for the Company. At the same time, the cigarette stick carried a new look with brighter paper and bi-color dye.

Low: In order to meet the demand of the smokers of the increasing Low segment, they have launched Pilot, Hollywood and very recently Derby Style and Derby Special.

2.6 Competition in the Tobacco Industry

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

The main cigarette manufacturers in Bangladesh are:

- British American Tobacco Bangladesh
- Philip Morris International
- Dhaka Tobacco Industries
- Abul Khair Tobacco
- Nasir Tobacco
- Azizudin Industries
- New Age Tobacco

The main biri manufacturers are:

- Akij Biri
- Abul Biri
- Nasir Biri
- Karikar Biri
- Aziz Biri
- Other local biri manufacturers

2.7 SWOT Analysis

SWOT analysis is done to find out the factors important to the operation of a business in the environment, both internal and external. The internal factors help to find out the strength and weakness; the threats and

opportunities can be comprehended by scanning the external environment. The SWOT analysis of the cigarette industry is given below:

Strength:

- Because of high regulations, high cost and high entry barriers, new entrants are discouraged, which is good for the current and already established market players
- As they are not allowed to go for public promotion, the tobacco companies can use their resources for other purposes
- Established manufacturers enjoy high market share and profits

Weakness:

- Dealing with a product, which is sensitive in many issues
- Cannot promote their products using public media
- Limited avenues of advertising
- A high volume but low value industry

Opportunity:

- In Bangladesh, tobacco market is pretty strong. Among the sale of all tobacco products, 68% is biri and the rest 32% is cigarette. However, with the rise of purchasing power and good economic condition, high rate of migration from biri to cigarette is also expected. Even now; the migration rate is good enough to sustain the cigarette industry. The cigarette market depends not on increasing number of customers, but on switching to cigarette brands.

Threat:

- Increasing amount of awareness among the consumers about the health hazards
- Increasing number of regulations and laws, imposed by the government about smoking and selling cigarettes, which recently includes Graphical Health Warning (GHW) cigarette packs

2.8 Operational Organogram

BATB is a process-based organization, instead of having isolated departments the company has some support functions and some core functions. Typically the structure of the organization can be explained through the supply chain.

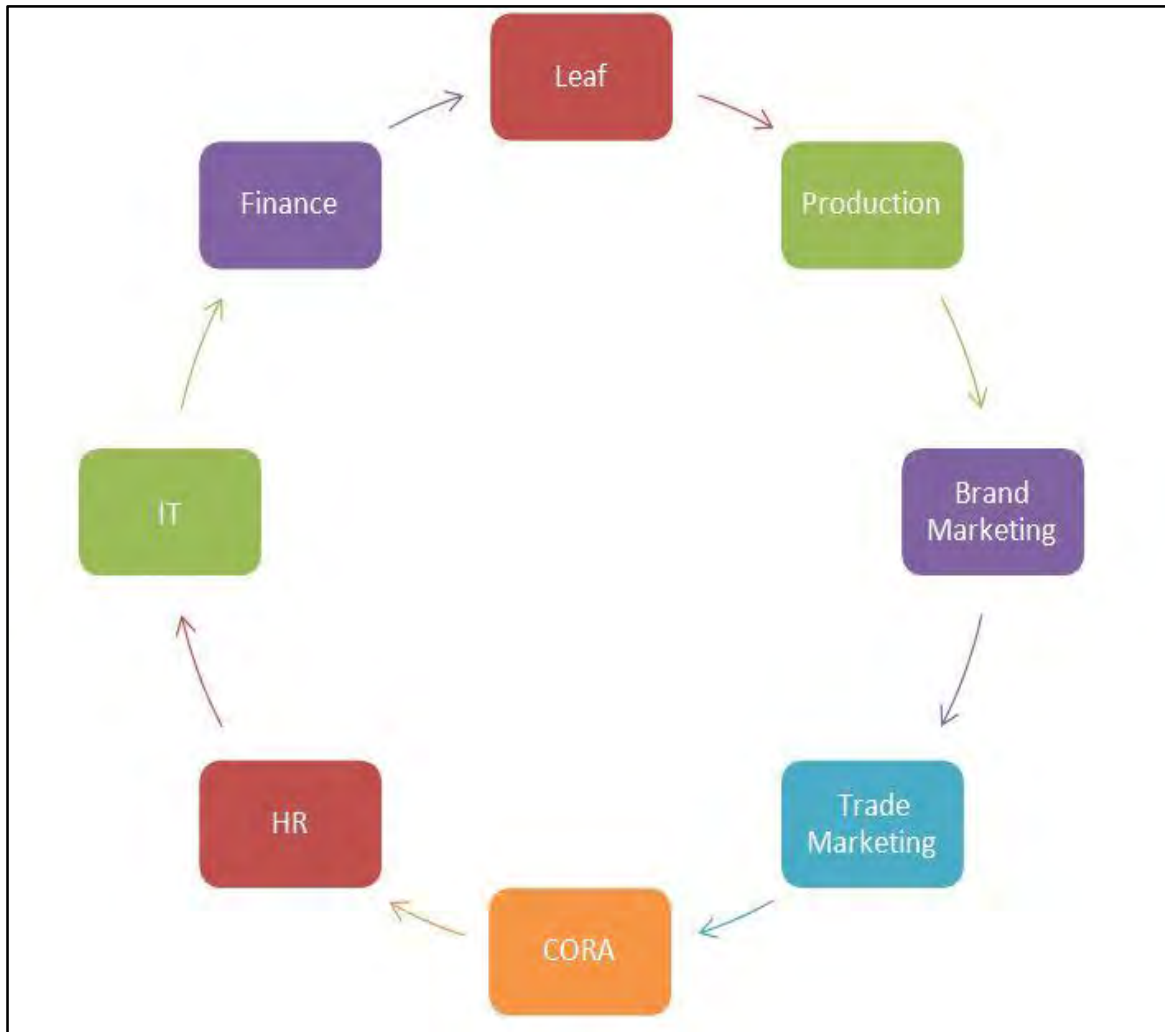


Figure: Operational Network Organogram of BATB

The different departments are briefly discussed below:

Leaf:

The leaf department of BATB is responsible for Tobacco Growing, Production & Procurement, Green Leaf threshing and packaging, leaf bending, leaf export and import. BATB procures almost 80% of their leaf from their own cultivation. The tobacco crop is processed at the Green Leaf Threshing (GLT) plant in Kushtia. The purpose of the GLT is to convert the tobacco into a form suitable for cigarette production. The tobacco is brought to a uniform moisture level and temperature. Initial blending of the different grades of tobacco takes place at the GLT. The processed tobacco is sized and packed before delivery to Dhaka factory.

Production:

The tobacco from the GLT comes to the Dhaka Factory for further processing according to needs. The first stage of production is known as PMD. The Primary Manufacturing Department: The primary manufacturing department (PMD) is responsible for further conditioning the domestic tobacco to make it ready for production. The tobacco passes through a set of integrated and regulated machinery whose purpose is to blend the different packing grades in specified proportions. The secondary manufacturing department (SMD) uses the tobacco that is blended and conditioned by the PMD along with wrapping materials to manufacture cigarettes.

Trade & Brand Marketing:

British American Tobacco Bangladesh has a well-defined mission for the marketing and distribution of products, which is to reach the target consumer in the most efficient manner by becoming the benchmark supplier to the trade within the strategic channels in every market where the company operates. A well-organized trade marketing team is working continuously to make this mission successful. Furthermore the whole country has been divided into six regions to perform the marketing activities efficiently.

CORA:

Corporate & Office Regulatory Affairs is the department which is responsible for upholding the corporate image of the company. Since BAT is in a controversial industry it is very much important for it to manage all its stakeholders as well as to manage the media. All these are done by CORA. It also looks after the legal aspects and taxation of BATB.

Humana Resources:

From recruitment to selection and also from employee welfare to industrial relations, this department has to play an important role.

Information Technology:

IT departments function is to enhance BATB's competitive position by increasing operational efficiency and timely decision making through measurably better and more compatible information system, and by harnessing the most appropriate technology and implementing new business practices to enhance BATB's business effectiveness.

Finance Department:

The Finance department is responsible to evaluate the economic performance of the Organization in BATB.

Chapter 3: Work Experience

3.1 Job Description

I had the opportunity to join as a Territory Officer in the Trade Market & Distribution department of British American Tobacco Bangladesh. The recruitment process took about 3 weeks. I applied via the BAT careers website and had to go through several online aptitude tests. After the successful completion of the tests, I was called upon for an interview. Passing that, I was asked to appear for a day-long assessment at the BAT Head Office. There I had to encounter three rounds of tests before finally being selected and called up for the final interview. After the interview, I was asked to go through a medical examination. In the end, I started my journey in British American Tobacco Bangladesh on March 1, 2016 and joined my territory in Chouddogram, Comilla on March 14, 2016.

The job requires an individual who is a quick learner and able to multitask; spend long hours working, has excellent Microsoft excel skills and computer knowledge along with a set of English language fluency both written and oral. The individual also needs to be proactive and have communication skills. Office hours would start from 9.30 AM and continue till tasks are completed for the day. The job requires one to be attached with a distribution house of the territory and oversee distribution. Some benefits provided to me were a laptop with a 3G modem, personal car with chauffeur and other allowances.

3.2 Specific Responsibilities of the Job

The responsibilities of a Territory Officer are manifold. Outlined below are some of the responsibilities that I had to undertake whilst being on the job:

- a) **Ensure efficient distribution:** For efficient distribution, it is important to ensure coverage of those outlets which have a high volume contribution. Currently, the requirement is to cover 80% national volume contributory outlets through direct and indirect distribution. To achieve this, several mechanisms are in place which are as follows:
 - Call frequency (either thrice per week or twice per week)
 - Outlet call-rate (depending on the type of distribution vehicle used)

b) Supervision of Field Force: To ensure operational directions are being followed, an organogram needs to be in place. This ensures clarity of role profiles at each level of reporting line and reduces overlapping and ambiguous roles. The supervision of these roles includes the following in order of rank:

- Business Manager (BM)
- Sales Manager (SM)
- Sales Supervisor (SS)
- Sales Representative (SR)
- Assistant Sales Representative (ASR)

Besides them, I also had to oversee other personnel related to merchandising and consumer marketing. These roles are as follows:

- Merchandising Coordinator (MC)
- Contract Merchandiser (CM)
- Brand Representative (BR)

Other than that, a Territory Sales Assistant (TSA) was attached with me to help me with daily proceedings.

c) Stock Management Requirement: For proper stock management in the distribution house, the following guidelines had to be maintained:

- S&OP: Monthly sales target set in the beginning of the month in consultation with Area Manager.
- Lifting schedule: Distributors are required to comply to stock lifting schedule strictly.
- Lifting quantity: Distributors are also given by brand quantity per lifting.
- Stacking of Stock: Proper handling of stock inside the go-down, it is recommended to stack the Corrugated Box Carton (CBC) on wooden pallets at a height of 5 CBCs. It is done to ensure easy stock counting, ease product storage, reduce probability of stock damage.

d) Route Plan Planning & Review: Route plans should display the routes of distribution vehicles plying in the markets including their section and route numbers, days of delivery, clusters/markets served, number of retailers, types of vehicles, names of sales representatives

(SR) and additional sales representatives (ASR) of that particular route/section. This is again reviewed to adjust appropriate outlet expansion.

e) Trade Cluster and Trade Planning Group: The trade universe has been categorized into three clusters according to their characteristics and consumer types. Each cluster contains specific trade planning groups of varying importance. The categorization is outlined below:

- Pay & Go: Refers to outlets where consumers do not devote much of their time (less than 2 minutes). It includes street kiosks, semi-structured and structured outlets.
- Shop & Browse: Outlets mostly frequented by premium consumers. It includes key accounts, organized grocery and cash & carries.
- Entertainment: It refers to outlets where consumers gather for spending time and usually purchase products for immediate consumption. Consists of hangout places for Adult Smokers Under 30 (ASU30). It includes mass, popular and premium HoReCas.

f) Key Trade Marketing Platforms: BATB has two major platforms composed of right set of outlets and suitable trade marketing activities to drive push and pull for BATB brands in superior manner. Rest of the outlets is considered to be “General Trade” (GT) for sales and distribution record keeping. These platforms are outlined below:

- Partner Platform: Partner is a set of advocate retailers for creating a competitive edge capitalizing the touch points to communicate, to engage and to drive business in the future dark market scenario. Partners are selected using Consumer Dialogue Capability (CDC) assessment. There are three types of partners which are:
 - MVP (Most Valued Partner)
 - VP (Valued Partner)
 - P (Partner)
- EC&C Platform: EC&C outlets are wholesalers who are strategically located to serve and distribute products at the NDSS outlets. They play a vital role in strengthening the reach and market share in those outlets.

g) Market Visits and Observation: For a Territory Officer, it is crucial to embark on market visits in all of the routes and communicate with all of the outlets to understand the current trend of the market. These market visits help to identify potential problems, opportunities and areas of improvement for the BATB brands.

h) Assistance: Apart from all these tasks, I would have to assist my line manager and any other departments when they would need any information.

3.3 Critical Observation and Personal Development

By giving the opportunity of directly getting a job before internship, British American Tobacco Bangladesh is helping the undergraduate students of Bangladesh in gaining a great multinational working experience, which will help them to survive and thrive in the fiercely competitive corporate world. My motivation to work hard always came because of the supportive and friendly attitude of the management in every aspect of the job. I was given each and every facility for my assigned works which would always encourage me to meet deadlines with a positive outcome. The work experience in such a renowned organization has allowed me to hone my business skills, communication skills and even interpersonal skills. Thus I am very grateful for this opportunity and the faith bestowed upon me by my organization.

Chapter 4: Findings & Analysis

4.1 Trade Marketing in BATB

The mission of Trade Marketing & Distribution department is **“To reach 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.”**

The Trade Marketing and Distribution department identifies the areas in which best practice must be achieved to enable markets to meet the Trade Marketing and Distribution objectives, which are:

- Create an efficient entry barrier against international competition.
- Improve our benchmark supplier status to the trade pioneer among all FMCG companies.

Trade Marketing & Distribution Department has the responsibility to reach the ultimate consumers through trade, e.g. Retailer. The emphasis is not only on what volume is being sold to the retailers (Sales-To-Trade), but also on the volume sold out to consumers (Off-take).

The Marketing Department and the Production Department activities are highly correlated. According to the needs 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). The inventories of cigarettes are also evaluated at this stage to find out the actual output to be produced.

The British American Tobacco Bangladesh has a well-defined mission for the marketing and distribution of products, which is to reach the target consumer in the most efficient manner by becoming the benchmark supplier to the trade within the strategic channels in every market where the company operates. A well-organized trade marketing team is working continuously to make this mission successful; furthermore the whole country has been divided into six regions to perform the marketing activities efficiently.

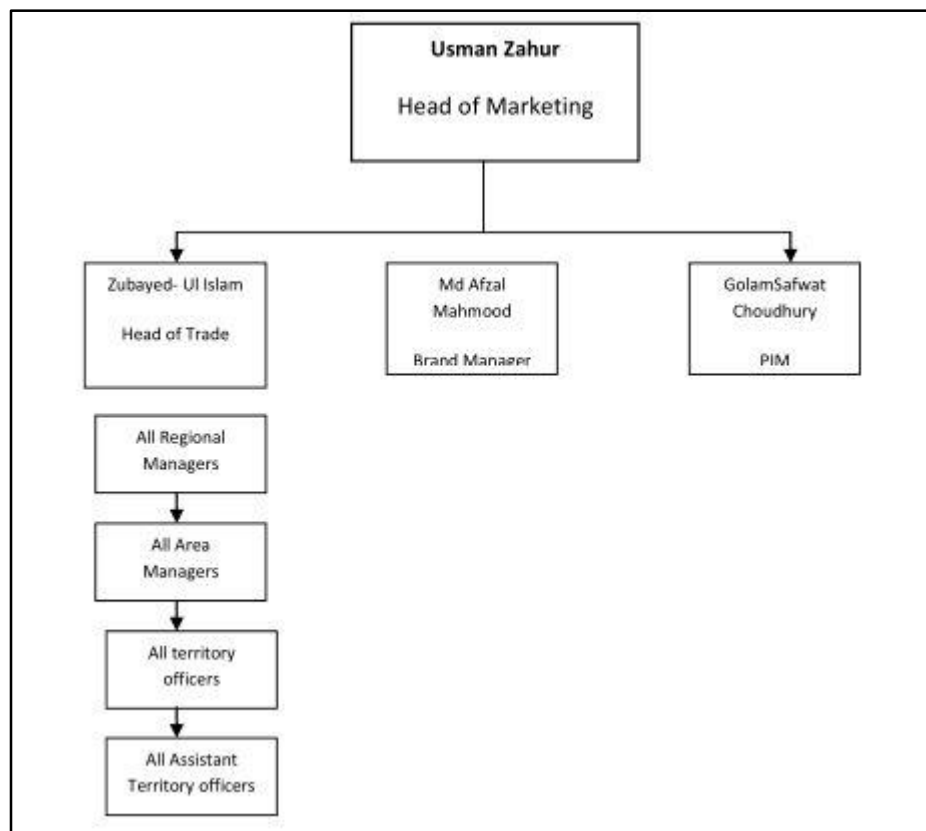


Figure: Organogram of Marketing Department

4.2 Analysis

Product:

BATB has a wide variety of brands in its product line. It has *international premium quality* (centrally managed) brands such as *Benson & Hedges* (B&H) both full-flavored, lights and variants such as B&H Switch; *aspirational premium brands* (regionally managed) such as John Player Gold Leaf (JPGL) both full-flavored and lights; *Value for money* (locally managed) brands like *Star filter*, *Star NEXT* and *Capstan*; while the *low category* (locally managed) include brands such *Pilot*, *Hollywood & Derby Style* and *Special*.

For all international brands BATB needs to consult with *IBG* (International Brand Group) in London. No decision can be taken without their due permission. Even for advertisements and promotions, every bits and pieces are guided by *IBG guideline*.

BATB has developed the capability of producing all its international brands, which were previously imported from BAT UK operation at Southampton factory. BATB brands are available in three types of

SKU's (Stock Keeping Units): Hinge lit (HL), Soft-Cup (SC) and Shell and Slide. All international and local brands are available in 20s HL and 10s SS pack (except B&H Switch).

Price:

Competitive price is being offered by BATB while keeping pace with the competitions. BATB products are available in the entire *price segment* of the market except the very low segment. As around 87-90% of the total cigarettes are sold in sticks rather than whole pack, price segmentation has been done on the basis of *per stick price*.

In the premium segment at Tk. 11, the parent products are *Benson & Hedges full-flavour, B&H Blue Gold and B&H Switch*. These international brands have excellent product image with a segment share/ volume share of 99.7%.

In the aspirational premium price segment at Tk. 7.5, *John Player Gold Leaf* is the bread and butter for the company with international image in both full-flavour *John Player Gold Leaf Special* versions. It has a 100% volume share in the market.

In the low price segment at Tk.2.5, the brands are *Pilot, Hollywood and Derby Style & Special*. These brands have a fluctuating volume share depending on the region, due to tough local competitors such as DTI and AKTC.

Products are delivered to the ultimate consumers through its designated distributors. BATB has 60 distributors all over the country. These distributors supply BATB products to the retailers under the supervision of Territory Officers (TOs) of the company.

Place:

Entire Bangladesh has been divided in to six geographic regions headed by 5 Regional Managers (RM's). These regions are Dhaka Metro, Dhaka Outer, Chittagong, Khulna, Sylhet and Rajshahi. Regions are again divided into strategic areas and headed by Area Managers (AMs). Under each Area Manager, there are Territory Officers who are responsible for their defined territory. Therefore, companies' managers are continuously monitoring the performance of one or several distributors and ensuring effective distribution to all the district markets.

BATB has classified the types of outlets in 3 categories: *Grocery, Convenience* and *HoReCa* (Hotel, Restaurant & Café). The distributors cover groceries and convenience outlets, whereas HoReCa channels

are covered by company designated HORECA managers to promote premium brands only in the Metropolitan cities of Bangladesh.

Major sales are done through *Cash & Carries*, small mobile outlets who buys directly through distributors. Small retail outlets also takes BATB's product from some major retail stores in the wholesale bazaar (like Barura Bazaar of Chouddogram), where all the trading takes place for all kinds of consumable goods. These wholesalers buy cigarettes from different distributors. BATB never encourage this particular channel, as this particular channel is very hard to monitor and control.

Distributors of BATB are perceived as '*valuable business partner* of the company. Therefore, they are also engaged in various company programs like training and development, different workshop as part of continuous improvement initiatives.

Promotion:

BATB has strict CORA guidelines for promoting its brands. Apart from CORA guidelines, there are strict *IBG guidelines* for promoting international brands. For such kinds of brands, advertisements and promotional activities are same all over the operating companies of British American Tobacco. Again from legal point of view, under Company Act 294 (B), BAT cannot run any promotions directly to its ultimate smokers like any other company.

In Bangladesh, the government has banned all sorts of advertisement mediums for tobacco product promotions. This includes television advertisements, newspaper ads, sponsored events, billboards, buntings, planograms, leaflets, dummy packs, posters etc. Only permission based one-to-one consumer dialogue and placement of PMM and facing is allowed nowadays. Hence this industry is consistently becoming very dark. On top of that, recent government regulations have been imposed which forces to display Graphical Health Warning (GHW) on 50% of the cigarette pack.

4.3 Strategic Problems

Some of the strategic problems that I have identified during my tenure have been discussed below:

- *Brand Portfolio:*

Consumers in Bangladesh are very price sensitive. Cigarette Industry is of no exception. Around 87-90% cigarettes are sold on stick and market segmentation has done also on the basis of stick price. BATB brands do not exist in all the existing market segments. In those vacant segments, BATB does not have any product available and therefore, it is always under potential threat of new product entry in the market.

- *Operating in very low segment:*

Market has great potential (volume terms/value terms) in the very low segment. But it is not economically viable for BATB to operate in this segment and earn reasonable profit after paying excise. As competitors are well known for unethical practices in terms of excise payment, they are making profit by operating in this segment and capture both volume and value share without facing any competition from the industry leader.

- *Increasing Excise:*

Excise management is always a big concern for BATB. There is a continuous pressure for increasing excise demand from the government. BATB has to manage the excise structure and put constant pressure for not making any excise structure change, which has direct effect on pricing of its brands.

- *Increasing Transit (smuggle) brands & Counterfeits:*

According to *Retail audit*, major competition faced by BATB in its premium segments from transit Marlboro (around .03%). There was a time when BATB used to face competition with its own BAT companies cigarette brands. These brands are not duty paid therefore, they are available in comparatively cheaper price compare to BATB's brands. Sometime, counterfeits of some of the major brands of BATB like JPGL, Star are available in the market. This has become a serious concern for the company as the quality of the counterfeits is very low and thus deteriorates company's reputation.

- *Industry Shifts:*

Even till 2010s smokers preferred to smoke plain brand cigarette with a very strong and hard taste. During the 90s, the smokers' preference started shifting towards full flavored Virginia cigarettes with lower

delivery and king size filter cigarette. Today's industry is experiencing a fundamental shift in its business. Now smokers want to smoke lower delivery cigarettes and therefore, preference for lighter cigarette has been increased. To meet this industry demand, new technology in the industry with huge capital investment is essential for overall industry success.

- *Threat of International Competition:*

Phillip Morris International, the largest tobacco company in the world, has been operating in Bangladesh through Dhaka Tobacco Industries and selling their Marlboro brand of premium cigarettes. Already they have gained traction in many markets, especially the urban ones. Their available brands include *Marlboro Red, Marlboro Advance and Marlboro Gold*, all of which are have “less smell technology” and “smoother taste”. On the other hand, Japan Tobacco Industries, in collaboration with Abul Khair Tobacco Company, has introduced two limited edition packs (LEP) of their international brand *Winston Red and Winston Blue*. The entry of these international competitors is a cause for concern in retaining market share for BATB.

Chapter 5: Recommendations

Although in terms of market share BATB is in the pole position and enjoying the market leadership, I believe the following recommendations can be made to support the company's overall strategy for further enhancements of its operations in this country:

- Continuously monitor 10 years strategic plan and its execution phases year on year to have an overall balanced planning in line with the market demand and its responses, and find out whether plans are aligned with the global corporate strategies or not
- Identify opportunities and build on strengths
- Brand portfolio should include brands in different price segments to fill up the gaps (e.g. introducing a super-premium brand).
- Should seriously consider operating in the very low segments.
- Should continuously monitor and reshuffle its strategic and tactical brand portfolio as per the industry trend. For instance, can think of giving effort behind Pall Mall.
- BATB should try to achieve the economies of scale in order to reduce cost of production per unit. Production Planning should be more focused on utilizing the entire productive asset in the production floor.
- It can think of focusing on unrelated business diversification.
- BATB should outsource its daily administrative activities and put concentration more on its business development activities.
- BATB should continue to enhance its corporate images by continuing different social activities and introducing new promotional campaigns like YSP (Young Smoking Prevention).

Chapter 6: Conclusion

British American Tobacco, being one of the leading tobacco companies of the world ensures value addition at every stage of the supply chain. BAT must further focus on price, quality and performance of their product lines and brands to stay competitive in the industry. Even though people are becoming more aware of the health hazards of smoking, customers who smoke on a regular basis face enormous difficulty in giving up. British American Tobacco should contribute extensively on research and development for better variety of tobacco leaves that will be less injurious for health and more cost effective for the customers. In the end, I believe that British American Tobacco will continue its trend of being one of the leading MNCs in Bangladesh by continuously driving its growth year after year in spectacular fashion.

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