

Organizational direction of british american tobacco nigeria limited



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Contents

- Appendix 10

The intent of this study is to discourse current organizational way of British American Tobacco Nigeria Limited (BATNL) and explore competitory concern program for BAT Nigeria with strategic dimensions runing from 2009 to 2012. The organic structure of the papers offers an analysis of the external, transactional and the internal environment of the company. Subsequently, the study considers the company ' s nucleus competences and its cardinal rivals, in order to consider classs of action that will enable BAT Nigeria to accomplish a sustainable competitory advantage. The recommendations aim to heighten BAT Nigeria ' s bing competences, this will add value to all the stakeholders.

Disclaimer: This study merely considers British American Tobacco Nigeria Limited as a legal concern entity and does non mean to back ingestion of baccy merchandises in any signifier.

2. Executive sum-up

This study aims to critically analyse the option that will guarantee that British American Tobacco Nigeria Limited (BATNL) remain market leader by prolonging its competitory advantage in a extremely competitory industry.

Becoming no. 1 in the market is difficult work, but keeping that place is far more hard. In the visible radiation of this, I have critically examined the plausible scenarios and arrived at an option which will beef up BATNL ' s current market place.

The company today is confronting the acclivitous undertaking of covering with menaces from new market entrants, operational restrictions caused by limited international providers, deficiency of handiness of locally sourced Sun cured baccy, stricter legislative limitations and challenges to farther addition market portion. This study suggests to direction an option of organizing a system of consistent market laterality and construct sustainable competitory advantage.

The option consists of an action program which includes forward and backward integrating of supply concatenation, capacity use and development of Nigerian production installations as an export Hub to West and Cardinal African states.

The backward integrating of supply concatenation involves sourcing the Virginia baccy from a wider international provider base in order to forestall natural stuff out of stock (OOS) state of affairs of ace premium, premium and international VFM (Value For Money) brands.

Similarly, local sourcing of Sun cured Tobacco for VFM production should be expanded by affecting larger Numberss of little rural husbandmans in BATNL ' s concern sphere in order to run into natural stuff demands for the continuously turning demand of the VFM section.

The forward integrating includes developing a wider and more efficient distribution web by agencies of incorporating identified front terminal strategic clients into electronic distribution system and by supplying fiscal aid.

The strategic location of the state can be exploited so as to set up it as an export hub to other West and Cardinal African states. It would guarantee cost salvaging advantages to the group, particularly in footings of cheaper labor, cargo and import revenue enhancements.

Procuring frontward and backward integrating along with both the fabrication mills in Nigeria moving as export Centres, would do it executable to continue with capacity use, therefore harvesting the benefits of economic systems of graduated table.

In the current scenario, it is traveling to be really difficult to increase portion of the bing pie, so the enterprise should be to augment the size of the whole pie instead than poach on the portion of rivals. Migration from other trade names seems a mostly acclivitous undertaking sing the big market size BATNL enjoys now. To heighten gross revenues, the modus operandi should be concentrated towards capturing the increase in the market as a whole. The incorporation of the above discussed thoughts would guarantee a sustained competitory advantage, with the purpose of increasing rent.

1. Organizational Strategic Aims and Aims:

1. 1 Current Strategic Aims and Aims:

In the early 1990s, BAT decided to turn our concern by concentrating entirely on baccy – a determination which regularized and transformed the Group. In 1995, BAT set itself the believable vision of recovering leading of the planetary baccy industry and established a scheme to acquire at that place.

In this subdivision summarises the cardinal elements of BATNL ' s scheme which group believes can enable it to continually construct a sustainable concern in baccy industry.

Ultimate Strategic Aim – Achieve Leadership of the Tobacco Industry

BATNL ' s vision is to accomplish leading of the baccy industry in order to make long term stockholder value. Leadership is non an terminal in itself, but a company that leads its industry, is the preferable spouse for cardinal stakeholders and is seen to hold a sustainable concern, should be valued more extremely.

Company defines leading in both a quantitative and qualitative sense.

Punitively, it seeks volume leading among our international rivals and in the longer term, value leading. BATNL recognises that its success will depend on grownup consumers and that, hence, we must be consumer driven. A

But the difficult, quantitative steps do non in themselves address all the things it must make as a company. Taking a long term position, concentrating on the quality of its concern and how it work. As a consequence, qualitatively, company seeks to be recognised as industry leaders and to be the spouse of first pick for authoritiess, NGOs, investors and possible employees. BATNL pledges to make this by go oning to show that it is a responsible baccy Group, with a sustainable concern, outstanding people and superior products. A A

In order to present company vision, BATNL ' s scheme for making stockholder value has four elements – Growth, Productivity, Responsibility and Winning Organisation.

1. 2 Component Partss to accomplish Ultimate Strategic Aim

1. 2. 1- Winning Administration: To present company vision it must hold the right people and the right working environment. That is the kernel of BATNL ' s Winning Organisation scheme.

By the right people, group average outstanding people – those with the ability and desire to drive and present competitory advantage and superior public presentation. Company enterprise to pull, develop and retain high quality endowment. BATNL besides puts accent on doing it an administration that is invariably larning. This learning civilization portions knowledge rapidly, learns from its errors and replicates success expressions rapidly.

To be a victorious administration British American Tobacco must besides be a great topographic point to work. This requires an unfastened, confident civilization that encourages alteration and invention, is shaped by company ' s Guiding Principles, animating it ' s people to execute to their best and significantly, bask their work.

Finally, Wining Organisation scheme requires that company develops leaders, at all degrees in the administration, with a clear vision for the concern, who foster invention, and can aline, energise and enable their squads to lend to the edifice of our planetary endeavor

(B) Growth: BATNL seek to increase its volume and value portion of the West African baccy market through both organic growing and amalgamations and acquisitions.

For organic growing, company is concentrating on the cardinal strategic sections of the market that offer the best chances for long term growing, including Premium and International Brands. BATNL continues to concentrate on the growing of its Global Drive Brands every bit good as being prepared to work chances for profitable volume growing in Value for Money and Low Price Segments. A Company besides wish to prolong or develop strong places in precedence markets - merely defined as the largest and most profitable 1s. BATNL believes that it is of import to go on to develop and use advanced, differentiated merchandises and to offer its consumers added value from its trade names.

(C) Productiveness: BAT ' s overall attack to productiveness is about utilizing its planetary resources to increase net incomes and bring forth finacess for reinvesting in its concern.

A

Today, all companies are seeking to cut costs. BAT ' s attack is integrated - taking to set up a lower cost base while bettering the quality of merchandises and the velocity they get to the market, every bit good as our effectivity in footings of how it can deploy its people and capital.

A

As a Group BATNL is focused on its consumers, selling is a big portion of what it does and company is working to guarantee it efficaciously and expeditiously deploy its selling resources. A A A

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In order to keep a strong balance sheet, capital effectivity is an of import portion of its productiveness scheme and includes a focal point on stock list degrees, using its assets, funding and other utilizations of capital.

(D) Duty: BATNL continues to equilibrate its commercial aims with the outlooks of a wide scope of stakeholders, therefore guaranting a sustainable concern.

Company pass oning with all stakeholders about its Business Principles, which explain the manner we expect its concerns to be run in footings of duty, and showing how group is following them. Company ' s three Business Principles, Mutual Benefit, Responsible Product Stewardship and Good Corporate Conduct are each underpinned by a figure of Core Beliefs.

In the regulative sphere, BAT continues to advance reasonable baccy ordinance that:

balances the penchants of consumers with the involvements of society
establishes an unfastened minded and nonsubjective attack to harm
decrease as a policy

Ensures that its concerns can vie and thrive.

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BAT manufactures merchandises that can be harmful to the wellness of its consumers and have publically stated its purpose to cut down this injury to run into both consumer demands and social outlooks.

Company proposes to make this by:

the progressive decrease in the pitch and toxins in its merchandises

the successful launch of a new coevals of baccy merchandises with critical mass entreaty that are recognised by scientific and regulative governments as presenting well reduced hazards to wellness.

1. 3. Factors Affecting the Strategic Plan

1. 3. 1- Contextual Environment[1]

Nigeria gained independency in 1960 but since the first military putsch in 1966, Nigeria has been ruled by military for over 35 old ages up until 1999. Since so democratically elected civilian authoritiess are governing Nigeria. Under the new fundamental law adopted in 1999, a strong presidential term appoints a federal executive council, consisting authorities curates and curates of the province from each of Nigeria ' s 36 provinces. Although the 36 authoritiess enjoy greater liberty than under the former military disposal they remain dependent on the federal authorities for support. This set up creates a system of distributed power Centres, with the highest authorization lying with the president, doing buttonholing with political powers a complicated issue.

Estimated GDP for 2006 is \$ 116. 7 billion whereas economic growing rate is believed to be 5. 4 % . This economic public presentation is badly offset by

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high rate of rising prices (8.7 %) . Since 1999 under the regulation of People ' s Democratic Party (PDP) National Economic Empowerment and Development Strategy (NEEDS) has boosted non-oil sector growing and improved macro-economy.

Increased authorities disbursement on roads and ongoing attempts to reform and pull investments into the power sector could better substructure modestly. Merely minimum advancement is likely with port reform. Both these facets would hold a positive consequence on BAT Nigeria ' s supply concatenation.

Corporate net incomes except for oil companies are taxed at 30 % . VAT on baccy merchandise is 7.5 % whereas for other trade good merchandise it ' s charged at 5 % .

In authorities ' s attempt to control smoke, publicity of coffin nail gross revenues through hoardings has become illegal since January 1st 2004. Federal authorities is under farther force per unit area from whom and other NGOs to set a prohibition on baccy merchandises ' publicity through electronic and print media. In add-on, assorted force per unit area groups are raising concerns against baccy agriculture as it renders land unserviceable for cultivation of other harvests.

1.3.2- Transactional environment

Nigeria has a entire population of 140 million and out of these lone 2.9 million grownups smoke, it indicates a immense growing potency for Tobacco industry. Given the scenario, though BAT Nigeria is providing to really comprehensive scope of markets and consumer sections, farther avenues for increasing market incursion of company ' s merchandises have <https://assignbuster.com/organizational-direction-of-british-american-tobacco-nigeria-limited/>

been identified through assorted analysis. The present market size of AFS is merely 14 % which explicitly shows growing potency. To turn and capture this section, demand for development of trade names targeted particularly to Adult Female Smokers (AFS) is identified. On the other manus, harmonizing to strategic group analysis premium trade names have a demand to spread out their geographical range and increase market incursion. Super premium merchandise line should be prevented against trade name dilution and their market presence should be enhanced with the aid of specialised channels of HoReCa. On critically measuring merchandise offerings extended by the BAT Nigeria across different sections, few possible offerings for A category, B, C and D sections[2]were recognized like, pipe baccy and cigar, limited editions and flavoured and VFM trade name discrepancies, severally.

Supply concatenation of BAT Nigeria has a weak nexus in procurement portion of Virginia baccy due to limited figure of international providers (particularly from Argentina and Brazil) . Whereas, local procurance of Sun cured baccy has restrictions of insufficiency of land conducive to tobacco agriculture, partial section of husbandmans involved in baccy agriculture and menaces from force per unit area groups.

With recent acquisition of Gallaher Group by Japan Tobacco Inc. , JTI has the 2nd largest market portion in Nigeria (14. 4 %) , after BAT Nigeria (85. 1 %) . Still we perceive the major menace to BAT Nigeria coming from Philip Morris Inc. (PMI) . Looking at the history of PMI ' s entry to new markets, they capture major portion of the market within 3 old ages, like in Benin.

Though, planetary thrust trade name for PMI is Marlboro Lights, PMI is spread <https://assignbuster.com/organizational-direction-of-british-american-tobacco-nigeria-limited/>

outing its roots in Nigerian market indirectly through Kraft Foods, subordinate of its corporate parent Altria Inc. The rival analysis[3]shows that cardinal strength of BAT Nigeria ' s merchandises against other rivals and particularly PMI, as perceived by the clients, prevarications in their handiness.

2. Stakeholder ' s Influence and Progress towards Strategic Aim

2. 1- Core Resources[4]

In 2009 BAT group reported ? 1896m of net income, attributable to stockholders ' equity. This explicitly indicates fiscal strength of the BAT group. As operations of BAT Nigeria are straight funded by parent corporate organic structure, entree to adequate fundss, as compared with other rivals, puts BAT Nigeria in the elect nine of organisations with formidable fiscal resources.

Since BAT signed Memorandum of Understanding (MoU) in November 2000 with the federal authorities, it has enjoyed position of most favoured company and leveraged resonance with the authorities in set uping local production installations in Zaria and Ibadan. These province of the art production units are rather alone resource to BAT Nigeria, sing that no other baccy company has coffin nail mill in Nigeria.

Further, BAT Nigeria has strengthened its portfolio of nucleus resources by puting finacess and attempts in developing dedicated supply concatenation mediators.

2. 2- Core Competences[5]

Though the MoU expired in April 2007 with terminal of PDP presidential term, strong relationship with the authorities has been instrumental in developing state broad distribution web and in increasing domestic baccy agriculture. BAT Nigeria has improved efficiency and integrating of distribution web by execution of SAP (ERP faculty) and Siebel (CRM faculty) . Integrated electronic supply concatenation with local entree to raw stuff is the nucleus competency of BAT Nigeria. Under this procedure and with uninterrupted attempts to exert CSR, BAT Nigeria has developed a sound societal relationship and local cognition. Benefits of BAT Foundation have been exploited to run into these strategic demands.

Apart from these local factors, BAT Nigeria has benefited from bequest and technological expertness of parent. Thus, procedure evolved quality of BAT merchandises is been cardinal beginning of competence.

3. 1: Futuristic Strategic Position:

Way to Sustainable Competitive Advantage[6]

After analyzing contextual & A ; transactional environment, nucleus resources and competences of BAT Nigeria, I propose an option which comprises of recommendations for beef uping upstream and downstream supply concatenation[7], capacity use, developing Nigeria as export hub to west African states and working BAT foundation in reciprocally good manner (to BAT Nigeria and stakeholders) , in order to supply BAT Nigeria with a sustainable competitory advantage. While proposing the options compatibility, suitableness, acceptableness and feasibleness of

recommendations with BAT Nigeria ' s current concern theoretical account and low exposure to hazard has been considered.

Production of international trade names of Premium and VFM coffin nails is based on Virginia baccy imported from Argentina and Brazil. Reliance of production of international Super premium, Premium and VFM trade names on foreign providers topics upstream supply concatenation to political, economical and ecological factors germinating in exporting states. To counter power vested in international providers and take natural stuff quantitative constriction, supplier base of Virginia baccy should be increased by importing the same quality Virginia from alternate beginning states like Cuba, Mexico, Puerto Rico and Venezuela. Tobacco export being major trade activity of these states, international baccy trade ordinances are rather broad and no major hurdle could be seen in puting up trade channels. Geographic location of alternate beginning states would non enforce any important excess cargo charges.

For local trade names of VFM cigarettes cultivation of Sun cured baccy demands to be increased. In this procedure, foremost, BATNL should buttonhole with the authorities to go through ' Land Use Decree ' , to ease husbandmans in deriving ownership of land. Second, with ownership of land and supplying the farming community with aid in taking mortgage loans, latest farming engineerings and better baccy seeds, husbandmans can be driven to come in a legal two manner contract with BAT Nigeria, in respect to procure local cultivation and supply of Sun cured baccy and promising purchasing warrant in return.

3. 2: Justifying the strategic option

As analysed by rival analysis, in consumers ' perceptual experience, apart from hapless handiness, value offered by PMI ' s merchandises is at par or better than that of BAT ' s merchandises. Therefore, to prolong BATNL ' s binding system of laterality, it is of paramount concern to hold a broad, efficient, dedicated and controlled distribution web. Apart from strategic affiliations with Global Brand Nigeria Ltd. (GBNL) and Global Apex Ltd. , downstream members of distribution channel need to be integrated with electronic distribution platform of SAP and Siebel (CRM) . Financial and technological helper to impart mediators in this respect would profit BATNL in two ways: higher channel control & A ; efficiency and fiscal binding of down watercourse channel members to BATNL. The SWOT analysis[8]highlighted that BATNL ' s current pattern of hard currency gross revenues is its ' Achilles ' heel. To forestall rivals from interrupting logistics cyberspace of BATNL, BATNL would hold to waive privilege of hard currency gross revenues and get down giving recognition installations to jobbers and distributors.

Further, and as underpinned by mobility barriers[9]analysis, to keep on to market portion every bit high as 85. 1 % , the premium trade names are the cardinal and should be pushed deep into state with associated promotional activities and rewards/rebates attributed to selling channel.

At the same clip, ace premium trade names should be prevented against trade name dilution and their image of trade name ambassadors should be continued farther. For proliferation of ace premium trade name

merchandises, upmarket specialised HoReCa[10]channel showed significant
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potency for growing. The current job of low co-operation from HoReCa proprietors, gaining the dependence of BATNL on them for promotional intents, can be overcome by offering them half annually or one-year contract of trade name association, alternatively of event based attack.

To actuate rural small-holder Nigerian husbandmans ' involvement in the baccy agriculture and concern with BATNL, BATN Foundation needs to concentrate on issues refering to deficiency of entree to modern agricultural machineries, developing on new agricultural patterns and inventions, production recognition, just and crystalline selling chances.

Presently, both local production installations are non utilized up to their full capacities, partially due to comparatively less demand in comparing with full production capacity and remainder due to constrictions in supplies of natural baccy. Together with betterment in the supply of natural baccy (international and local) , developing Nigeria as export hub to provide neighboring West and Cardinal African states would help BATNL in constructing up sustainable competitory advantage by deriving economic systems of graduated table (capacity use) , and going regional power in baccy industry.

Appendix 1

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Appendix 2

Appendix 3

Appendix 4

Appendix 5

Appendix 6

Appendix 7

Appendix 8

Appendix 9

Appendix 10