

## PROJECT STEM

A meeting to discuss Project Stem was held on Wednesday 27th October 1993 in Windsor House.

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Present: Mr M F Broughton, Mr U G V Herter, Mr B D Bramley, Mr T E Sandefur, Dr B Schweitzer, Mr A Monteiro de Castro, Mr D Brown, Mr N G Brookes, Miss H C Barton (Secretary)

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1. Mr Broughton outlined and reconfirmed his conclusions from the meeting on 9th September. The main action point was that a paper would be produced for discussion at this meeting. As was pointed out in the covering memo, the paper circulated prior to the meeting did not accord with the conclusions of the previous meeting, but was circulated anyway as a basis for the discussion of the issues. Rapid progress is needed on end market control, as decisions are being held up waiting for this, but decisions on a wider front are not necessary at this meeting.
2. It was agreed that we would implement "end market control" as quickly as possible, which will mean 1st January 1994 for most markets. The markets are defined as countries, and each country will be allocated to one of the existing 4 management teams (BATCo, B&W, BATCF, Souza Cruz).
3. The end market manager must build up a plan for his market which proposes a portfolio of brands drawing from the total Group portfolio, in order to maximise the total Group profit. To enable this to happen, management information will be developed to provide information on total Group profitability for each market. Mr Allvey has already written to the Finance Directors requesting data which is already available, to enable a "rough cut" of market profitability to be prepared for 1994. He has also initiated an exercise to harmonise the definitions used in the Operating Groups, so that a system to collect more complete and accurate information can be set up during 1994.
4. The information "building blocks" are unit profitability by brand which will enable profit and loss accounts to be produced by brand for the brand owners. The brand owner concept remains valid, and will be modified as necessary.
5. These changes in management information are independent of the statutory accounts although they must be reconciled.
6. Before any function is set up better to coordinate supply and demand, the tax implications must be checked.
7. The TSG will review and approve the brand owners' plans for the major brands, on an annual basis in May.
8. As a first step, end markets were allocated to the management teams of the four Operating Groups. These will be allowed to become established, and any problems resolved, before any further consolidation is considered.

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9. The team under Tom Whitehair is responsible for Mexico, Japan, Korea, Philippines, Israel, Levant, Northern Caribbean/Puerto Rico, Iran (export of Group brands) and Iceland.
10. Cuba will continue to be looked after by Brazil.
11. The team under Keith Dunt is responsible for the end markets in South America with the exception of Mexico, Brazil, Cuba and Northern Caribbean/Puerto Rico.
12. The responsibility of the team under Norman Davis for the Sub-Continent is unchanged.
13. The team under Dick Hartley is responsible for the whole of Africa (with the possible exception of North Africa), and the Middle East with the exception of Israel and the Levant. BATCo and B&W will discuss and agree the responsibilities for North Africa.
14. The team under Paul Adams is responsible for the end markets in Asia-Pacific with the exception of Japan, Korea and the Philippines.
15. The team under Jimmi Rembiszewski is responsible for Norway, Sweden, Finland, Denmark, Estonia, Latvia, Hungary, Holland, Belgium, Switzerland, France, Spain and Portugal.
16. The team under Hans Tomat is responsible for Italy, Greece, Poland, Ukraine, Czechlands and Lithuania.
17. Investments in Turkey, the Central Asian states, and Moldova are the joint responsibility of BATCo and NBD.
18. Investments in Poland, Ukraine, Belarus, Czechlands and Macedonia are the joint responsibility of BATCF and NBD.
19. The situation in Russia remains fluid, therefore, for the time being, the team under Hans Tomat is responsible for exports, while investments are the joint responsibility of BATCo and NBD. Close liaison will be needed between BATCF, BATCo and NBD.
20. This allocation has been made pragmatically, based on which management team has the best knowledge and experience of the market.
21. The responsibility for the Central European countries, particularly Bulgaria, Romania and Yugoslavia, has not been decided. Their allocation will be based on a better understanding of how the markets operate. *Albania*
22. Action points:
  - each responsible management team must prepare a plan for each end market covering the marketing plan and the opportunities for eliminating any duplication of organisations and reducing overheads. The plans for the more important markets which have changed responsibility must be reviewed by the TSG;

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