

BAT GROUP RESEARCH STRATEGY AND THE ROLE OF
BAT (UK&E) RESEARCH AND DEVELOPMENT CENTRE

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Prior to 1985, BAT Group research activity was organised on a centralised basis with the Group Research and Development Centre (GR&DC) being located in Southampton, U.K. This Centre did not have a direct reporting responsibility to any single Operating Company, being devoted principally to fundamental researches to be regarded as source information for the Group as a whole. In addition to the central R&D Laboratory each of the leading Operating Companies in the Group (Australia, Brazil, Canada, Germany, U.S.A.) maintained research laboratories within which investigations were conducted with somewhat more of an emphasis on locally driven requirements. This pre 1985 scenario can be summarised as follows:

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Here it can be seen that central R&D devoted fully two-thirds of activity to fundamental research on product and process research, which was largely interfaced to the major research companies together with their own particular research activities. The remaining one third of activity was devoted to technical support services to other BAT Associate Companies (the majority of this technical support being in the form of routine/semi-routine brand analysis and product development consultancy).

Since 1985, this scenario has been substantially altered. Although this change is entirely in keeping with evolving BAT requirements it should also be observed that the nature of these changes is clearly reflected in similar changes in the role of R&D in most major commodity industries. The essence of this change is one of de-centralising the R&D function and increasing the ratio of applied and technical research to fundamental research.

In practice, the Group Research and Development Centre was re-assigned to a role in which it now becomes the R&D resource for BAT U.K. and Export and BATCo. Companies. The re-named BAT (UK&E) R&D now becomes one of six major R&D laboratories which in aggregate represent the BAT Group Research effort:

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In this post 1985 scenario, the balance of fundamental to applied research has been redressed to a more even distribution in a situation where each major laboratory devotes substantial proportions of time to (a) the specific applied needs of the Operating Company concerned and (b) contributions to the sort of commonly shared fundamental knowledge requirements which a Group research programme implies.

This re-distribution of the balance between fundamental and applied researches may be seen in the case of BAT (UK&E) R&D by examining the allocation of effort in this Centre pre and post 1985:

The BAT Group research programme is, therefore, now assembled from the aggregate efforts of the six major Research and Development laboratories and represents a proportion of the total research activity of each of these centres. As such this Group programme is organised against two broad categories of objective, one of which is largely pro-

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active and strongly influenced by marketing requirements (i.e. PRODUCT RESEARCH) and one of which is largely reactive and influenced by external impacts on the Group (SMOKING AND HEALTH RESEARCH):

The dominant principal shaping the product research component of the Group R&D programme is a classification of projects against the nature of consumer demand. Group R&D projects are oriented to, and classified by, a typology of consumer demand derived from BAT Marketing strategy:

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A similar classification may be derived to outline the principal areas of Group research activity in response to external Regulatory Authority requirements:

Looking more specifically at how the de-centralisation works in practice, we may take the structure of BAT (UK&E) R&D as an example:

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Consistent with the previously outlined distinction between activities devoted to the Group fundamental research programme and the requirement for specific applied/technical support work, we may observe that in addition to the mainstream reporting responsibility to the parent Operating Company this structure also has a line of input to the collective Group R&D effort.

Fundamental research, the principal objective of which is to contribute to the Group R&D programme, is organised around four main activities within this Centre:

Product research is concerned principally with all aspects of the combustion dynamics of cigarettes including modelling of flow aerodynamics and mainstream/sidestream interactions and understanding of pyrolysis physics and chemistry.

Biological research is concerned primarily with ensuring the toxicological status of BAT products.

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Process science is concerned with optimisation of primary (and to a limited extent secondary) process in terms of cost reduction and quality maintenance. Market mapping research involves the development of objective procedures for characterising blend and smoke features of own and competition leaf and products in such a way that these measures may be related to subjective data in diagnostic 'product space maps' of BAT markets (the objective being to give more precise direction to product development activity).

Applied Research and Development, the principal objective of which is to contribute to the needs of BAT (UK&E) and BATCo. Operating Companies, is organised around a number of applications activities, many of which may draw from the aforementioned fundamental activities:

This array of activities (which are 'applied' in the sense that are short-medium term in timescale and more specifically business/project oriented than fundamental research tends to be) may be

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distinguished from technical support in the sense that the latter is short-term in timescale and oriented to specific Operating Company needs on request.

Technical support offers an array of applied commercially oriented activities which may be deployed with minimum response times in support of particular Operating Companies:

Spearheading the applied research and development activities of BAT (UK&E) R&D, and of particular relevance to Marketing professionals, is the Marketing Support Group. The scope of operation of this group will, therefore, be outlined in some detail.

The role of Marketing Support Group, as the name implies, is to provide technical assistance to Marketing activities within BAT (UK&E) and BATCo. Operating Companies and where relevant, to interact with peers in the other major research centres around the Group.

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Within BAT (UK&E) R&D the role of this group is to interface closely with more fundamental researches in order to ensure (a) the early identification of projects with significant business potential and (b) the association of specific commercial objectives to the early stages of formulation of research programming. The group is concerned centrally with the development and evaluation of cigarettes either within conventional configuration or through the vehicle of innovations also developed within the function:

The programme of development projects undertaken by Marketing Support is designed to represent at any time a balanced portfolio against the previously outlined classification of consumer demand derived from BAT Marketing strategy.

A critical factor in the successful deployment of a Marketing Support function lies in the awareness on the client side that (a) this function exists and is set up to support technical needs and (b) just what nature of support the function is capable of offering.

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Increasingly this awareness is being developed through the initiation, on request, of direct 1:1 liaisons with BATCo. Operating Companies. The transfer of technical support and awareness is further assisted by regionally sponsored seminars and courses designed to promote product development and product testing expertise in the Group across a broad front.

In summary, since 1985 BAT has adopted (in line with general industrial trends) a decentralised Research and Development policy. At the same time the ratio of applied to fundamental research has been adjusted to bring applied research activity to parity with that of fundamental activity.

The desired outcome of these changes is to achieve a rapid transition to a situation in which business driven, commercially oriented objectives may be clearly identified with Research and Development programming and subsequent effort.

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