



InterOffice Memo

To: Mr U G V Herter
From: Miss H C Barton
Date: 29th November 1993
Subject: Briefing Note for TSG on 8th December 1993

Mr Davis will attend for items 1 to 4, Dr Thornton and Mr Proctor for item 2(i), Mr Read for item 2(ii), and Mr Snowden and the Leaf Directors will attend for item 3. I have also heard that Mr Tomar, Mr Zapf and Dr Kausch will be attending from BATCF.

1. Minutes of the meeting on 8th September

Some amendments to the minutes have been proposed and these are set out on the attached note. All matters arising from the Cost Reduction meeting on 12th August, the TSG meeting on 8th September and the Project Stem meeting on 27th October, are covered on the Agenda.

2. Research & Development

- (i) Dr Ray Thornton and Mr Chris Proctor will present the annual review of the work of the Scientific Research Group.
(ii) Mr Graham Read will present a report on recent patents for each of our major competitors, concentrating on the number, quality and type of patents, in order to assess the direction of their research, and to judge whether our efforts behind innovation are sufficient (8/9/93 minute 49).
(iii) Dr Schweitzer was asked to arrange for a short presentation on coaxial cigarettes (8/9/93 minute 49).

3. Leaf

- (i) Mr Snowden was asked to review the forecasts for real demand for Leaf in order to give better central guidance (12/8/93 minute 49). He and the other Leaf Directors were also asked to report on which Group companies are not buying all their non-BAT Leaf through Standard Commercial, and the reasons for their other purchases (8/9/93 minute 19).

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- (ii) Several options with respect to Standard Commercial were to be evaluated: Mr Snowden and Mr Davis were to consider either financial engineering to prevent a take-over or an enhanced JV; Mr Sandefur was to investigate whether there could be an opportunity with ELT; Mr ~~Enedqui~~^{Enedqui} was asked to analyse the implications of a BAT/Souza Cruz minority participation.

4. Production

- (i) Mr Davis will report on the further work that you requested on the European Manufacturing Location Strategy following the TSG meeting in May: a more detailed study of the need to maintain Brussels and Berlin, based on market forecasts rather than guidelines, taking into account EC sourcing requirements, particularly if Finland and Switzerland join the EC, with planning for a UK greenfield plant being continued in parallel (19/5/93 minute 19).

- (ii) At the Cost Reduction meeting in August you asked Mr Kohnhorst to update the Group view of capacity as quickly as possible and at the latest for the TSG meeting in December, as it is needed to review the individual Operating Group plans. This was already being prepared as part of the disaster recovery exercise, and will be reported in full by Mr Kohnhorst at the TSG meeting in March 1994. However he will submit a short paper summarising the current position to be presented by Mr Sandefur (12/8/93 minute 42).

? new
Group in
plans
for capacity

At the same meeting, Mr Davis was asked to update, in parallel, the work on the standardisation of production particularly of IBs, as a joint Manufacturing/Marketing initiative. I believe that it is intended that this work will also be reported in March (12/8/93 minute 43).

5. Progress Reports

- (i) Competitors: All members to report as usual.
- (ii) Mr Bramley will report on UKIBs as usual. I have requested that Mr Sandefur should increase his USIB report to include information by brand as was previously reported. (I believe that this was dropped as it was not used by B&W internally. However following the succession plan meeting, B&W committed to developing brand groups who will themselves need this information in the future).

Until we have agreed on brand classification, the major brand report for other Operating Groups is premature, but I think the TSG could hear reports on HB and Hollywood, and any brand that Imperial Tobacco is considering using outside Canada, at this meeting.

- (iii) I proposed this agenda item on end markets so that progress on the implementation of end market control could be reported and any issues resolved. *including E. Europe (trans Tomcat)*
- ME*
- (iv) New Markets: Mr Brookes to report as usual.

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6. Marketing

(i) The pricing strategy for Lucky Strike was discussed at the last TSG meeting but not agreed (8/9/93 minute 30).

before meeting
TES -

(ii) You asked Mr Sandefur to present the advertising developments for Lucky Strike, Kent, Pall Mall and Viceroy to the next TSG (8/9/93 minute 32).

Not much - ready by May

(iii) At the cost reduction meeting I was asked to work with Mr Bingham to produce a paper for this TSG, setting out case histories and lessons to be learned from them, and analysing potential areas of risk. I have received case studies from Germany (1982) and Brazil (current) and expect to receive an update of the US situation. You have seen Mr Bingham's paper which does not set out case studies but draws general conclusions from all BATCo's experience. In view of this paper, I do not think that it is necessary for me to produce another summary of the lessons (12/8/92 minute 2).

7. Legal/Regulatory Issues

(i) Mr Chalfen presented a policy statement on counterfeit in December 1992 and committed to reporting back to the TSG on progress in a year's time (2/12/92 minute 48).

(ii) At the TSG meeting in May it was reported that the Leaf contract was with Mr Snowden for comments, and the Distributors' contract was waiting for Mr Walzer to come free from Talisman. Progress was not reported in September (19/5/93 minute 23).

check

8. Project Stem

(i) I have not yet received any comments on the minutes of the meeting on 27th October.

(ii) and (iii): I sent you a Memo on Thursday about brand classification and Trade Mark policy and processes (8/9/93 minute 47).

(iv) Bulgaria, Rumania and Yugoslavia were outstanding at the end of the Project Stem meeting on 27th October.

Slavonia: Kim, MS ⇒ BATCo + Macedonia

(v) I sent down to you this morning a copy of Mick Fenn's paper showing IDF volumes by Operating Group and market.

for X-ray together

(vi) Mr Allvey will report progress on the work being done by Mr Potter to develop management information by end market and by brand.

(vii) BATCo were asked at their Plan Review meeting to produce a short paper on their current product, sourcing which is relevant to Project Stem.

logistics

(viii) Mr Bramley proposed that we should agree what to communicate as a result of Stem.

BATCo internal regions (regional) and market managers

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