

T.S.G. COMPANIES PURCHASING CONFERENCE
WOKING, UK, 5TH TO 7TH MAY 1993

ATTENDEES: B&W - Chuck Dawson, BATCF - Hermann Schneider,
ITL - Tom Lee, Souza Cruz - Divaldo Gomes,
BATCo - Ed Watt and Procurement Dept.

At the TSG meeting of the 24th February, it was agreed that a meeting of the Group's purchasing managers should be convened to consider the rationalisation of specifications and co-ordination of purchasing of wrapping materials. From this, recommendations were to be reported to the TSG meeting of 19th May. Prior to the purchasing meeting all companies were surveyed about current key wrapping material supplies. This information was tabulated, analysed and then presented to all delegates. The focus was on specifications, volumes, values and suppliers.

All delegates agreed that the meeting had been of significant value and should be repeated at regular intervals. The consensus was that without such exchanges the BAT Industries Companies are putting themselves at a commercial disadvantage to suppliers and competitors. With exchanges like this, the opportunity exists to establish commonality in pricing baselines and approaches to material and supplier issues.

The data exchange confirmed the approximate total value of spend estimated for wrapping materials at over \$1.2 billion per annum. It also identified apparent purchasing opportunities for all 5 companies that will now be reviewed locally in terms of both cost and specifications.

The discussions identified areas of potential co-operation, both between individual companies and within the whole group, where other Companies knowledge, expertise, information or purchasing volume can add value. Although each company is operating in a different environment with different objectives and priorities, it was noted that major issues and philosophies were converging.

Specific issues that were noted included: -

- Vendor rating - the use of a common system,
- Specifications of materials - to a common standard,
- Qualification procedures for suppliers and materials,
- Print origination - particularly electronic systems,
- Systems developments in material and inventory management,
- Electronic Data Interchange.

It was agreed that these specific issues should be addressed wherever possible in a consistent manner around the Group.

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It was recognised that Purchasing is only part of the 'mix' of decision makers relating to wrapping materials. Others include Production, Research and Development, Product Development and Marketing. Some of the major material specification issues eg Filter Tow and Cigarette Paper rationalisation, require agreement and approval by all parties in all companies if the benefits identified are to be achieved.

Communication between other decision makers would be encouraged by this group, in particular relating to the product development and quality issues surrounding cigarette paper furnish change and filter tow rationalisation projects.

RECOMMENDATIONS:

- 1 The meeting agreed that suppliers would be told of the BAT Group meeting and its objectives and advised that we are exchanging information.
- 2 Suppliers primary contacts in each company should remain the same.
- 3 The supplier prices exchanged should remain confidential and not be used without the prior knowledge of the BAT company contributing the information.
- 4 Information exchanged would be reviewed by delegates within their own organisations and the potential impact of it identified and reported at the next meeting, including specific actions yet to be undertaken.
- 5 The data circulated will be reviewed by all in order to identify and formalise a structure for future information exchange at the next meeting. In the interim, other major purchase information should be surveyed and exchanged in similar manner with the outstanding gaps/errors in the current collated information being eliminated.
- 6 Following each company's internal review of the above, the next meeting to be held before end 93, will determine delegates, timetable and terms of reference for future meetings.

The TSG is requested to confirm its support for the above recommendations.

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