

D R A F T

COUNTRY ANALYSES

Objective

To identify the strategic focus of each global competitor operating in the marketplace or likely to enter the market.

Responsibility

Country analyses will be performed by the Group company in the best position to obtain information and assess competitor strategies in each selected country. Details of responsibilities are attached.

Timing

Annual analysis due to BATCo. for inclusion in the relevant Regional analysis by April 20 each year. A copy is also to be sent to Brown & Williamson by the same date. Any analyses covering Reemtsma must also be sent to BATCF.

Content

It is intended that the analyses focus only on major issues. They are not intended to be a full collection of competitor operating data for a market. The important elements are the description of current competitor strategies and forecast of future strategic direction with supporting rationale. The country analyses should not exceed 10 pages, including exhibits.

For ease of reading and summarization, it is important that all country analyses be prepared in a common format as described below.

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The following table identifies key markets for which Country Reports are to be prepared by the Group member indicated.

REGION	RESPONSIBLE GROUP COMPANY			
	BATCO	BATCF	B&W	SOUZA CRUZ
FAR EAST	CHINA TAIWAN HONG KONG MALAYSIA AUSTRALIA INDONESIA		JAPAN SOUTH KOREA PHILIPPINES	
SUB-CONTINENT	INDIA PAKISTAN			
MIDDLE EAST/ AFRICA	ARABIA NIGERIA SOUTH AFRICA		LEBANNON CYPRUS DUTY FREE	
EUROPE	FRANCE BENELUX GREECE SPAIN	TURKEY** GERMANY ITALY EASTERN EUROPE, INCL. CIS		
LATIN/SOUTH AMERICA	VENEZUELA ARGENTINA CHILE		MEXICO	BRAZIL
NORTH AMERICA	CANADA*		UNITED STATES	

\* Report by Imperial Canada

\*\*Responsibility being finalized

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COUNTRY COMPETITIVE REPORT

Country..... Year.....

I. THE MARKET

This section is a narrative, summarizing the overall environment of the Tobacco industry. Whilst statistical data, where relevant and available, will clarify or underscore a point, it is more important that this section represents the professional judgmental view of the Operating Company. The emphasis desired is more on a strategic outlook than a straightforward recounting of facts and issues. The list that follows is intended as a topic guide, and should be followed as relevant for understanding key issues in the market.

Market Overview

A brief summary of the overall market in the context of the following: (cover the current situation as well as any possible significant changes anticipated)

- Whether it is liberalized, or a closed Monopoly
- Whether there is only Local Manufacture, or only Imports, or both
- Government policies on Tobacco, any restrictions on distribution, sale, or consumption
- Whether there are communications restrictions, how severe, and since when
- Whether there is a local tobacco growing industry, and if so, its influence on Government policies on Smoking & Health
- Whether the National economy/politics relates to WHO, World Bank or any such international pressures

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Summary of Market Trends

A brief summary of the key Consumer elements in the market. Discuss trends as well as forecasted changes:

- Consumer-oriented segments and trends in terms of price, blend, flavor, delivery
- Illustrate the price structure including market share of all key brands
- Consumer awareness of and sensitivity to Smoking and Health
- Consumer behavior trends and their impact on Brand communications strategies

Competitors

- Who, since when, alone or in joint-venture. Comment on any expected new entrees.
- Importing, or manufacturing, or both
- Indicate market share of each competitor for the past five years

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II. COMPETITOR INFORMATION

Prepare a separate analysis for Section II for each international competitor, (including PM, RJR, Rothmans/Rembrandt, Reemtsma, JTI). As with the preceding section, the narrative covering the items outlined below is required to present a strategic assessment, present and future outlook, of each individual competitor. Emphasis should be on projecting strategic direction. Statistical information will feature more in this section than the preceding one, although it is expected that only significant macro data will be included.

Of particular relevance will be a discussion of Competitors' policy and activities in relation to restrictions, regulations and laws, either imposed by Government or arising from Industry agreements and/or self-regulatory codes.

Summary

- Summarize the three or four most important strategic issues for the competitor and the implications to B.A.T

Corporate structure

- Describe ownership and control. Profile diversifications in terms of past activities and future expectations. Cite advantages and disadvantages of structure. Comment on any synergies to be gained by tobacco business from leveraging on affiliates' resources.

Financial

Recent 5 year historical information

COMPANY					
Cigarette Vol(Bns)					
(\$Million)					
Turnover					
Gross Contribution					
Net Contribution					
Operating Profit					
Net Profit					
Contribution/ Turnover					

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- Use exchange rates as of December 31, 1992 for presenting all financial data.
- Note whether profits are influenced significantly by transfer pricing arrangements.
- Comment on the availability of capital for growth.
- For local manufacture and imports estimate the cost structure compared to B.A.T competing products, including any tax, duty, freight, etc. Describe strategic direction on product sourcing.

#### Production

- Profile product sourcing. Describe quality of manufacturing operation, including generation of equipment and process technology developments. Identify number of factories, capacities, utilization and estimated productivity. Identify source and relative quality of leaf content of key products. Describe strategic direction. Describe any major strengths and weaknesses in policies with respect to sourcing materials.

#### Personnel/Management

- Comment on the strategy and policy regarding Expats vs. Locals, key organization structures, recruitment, training & development, wage structure, including the strategic competitive importance. Discuss management quality, strengths, and weaknesses as well as any past operating tendencies of key managers. Identify size of organization versus B.A.T. Operating philosophies of management should be given significant attention.

#### Marketing

- Profile market share trends of key brands
- Profile 5 year spending for advertising and promotion, including splits for ATL/BTL into Key Activities. Provide estimates where actual data is not available.
- Overall strategy in relation to Regional/International objectives
- Brand portfolio and strategy
- Brand positions, target Consumer segments
- TMD and/or Sponsorships
- Communications strategy, covering Creative and Media ATL, and POS, Merchandising, Promotions and Sponsorships BTL
- Agencies, and any alignments
- New Brand activity and deduced strategic objectives

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### Sales & Distribution

- Briefly describe the distribution chain for the market and competitor's strategies, strengths, and weaknesses. Profile their sales organization, method of trade coverage, including key accounts.
- Strategic policy & relationship to Marketing
- Training and development of Sales Force, own and distributors
- Margins and incentives to trade

### Exports

- Describe and provide trend data relative to exports for the last five years -- volumes, major markets, and estimated profitability. Comment on future prospects, capabilities, and expectations.

### Excise

- Describe competitor's excise strategy and any recent efforts to influence the structure.

### Other

- Describe any other information and strategies that are needed to clearly understand the competitor's position and direction in the market.

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## REGIONAL ANALYSES

### Objective

The Regional analyses are intended to provide a broader perspective on competitor strategies based on input from the country analyses. Importantly, the regional analyses will consider other information from the region beyond the analysis performed in selected countries.

### Responsibility

The BATCo. Directors responsible for each region with assistance from BATCo. marketing department.

### Timing

The annual regional analyses are due to the Group members performing the worldwide assessments by May 15 each year.

### Content

It is the intention to comment on each of the same content points included in the country analyses. The regional analyses will highlight strategic direction for each content point throughout the region, while noting any significant exceptions.

The analyses will be no longer than ten pages, plus exhibits. Exhibits will highlight major market performance, but will not estimate regional results.

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## GLOBAL ANALYSES

### Objective

The Global analyses are intended to provide a concise analysis of the broad strategic direction of the key international competitors. The focus is on analysis and projecting actions rather than on presenting historical data.

### Responsibility

BATCF - Reentsma  
BATCo. - Rothmans/Rembrandt  
Brown & Williamson - Philip Morris, R.J.Reynolds, Japan Tobacco

### Timing

In order to be an important input to the annual planning cycle, the global analyses are to be distributed to the TSG members by June 30. The competitor analysis coordinators at each company will also receive a copy.

### Content

The content will follow the same structure as used for the country analyses with particular focus on the overall summary of key strategic issues and on whether global, regional, or local, market strategies dominate in each area. An assessment of strengths and weaknesses by area will also be done and any possible changes in strategic direction will be identified.

This document will be no longer than ten pages for each competitor, plus a limited number of exhibits highlighting major market and corporate wide information.

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