Thesis Report
On
Supply Chain Management Process:
A Case Study British American Tobacco (BAT)

Submitted by:

Md. Rafiqul Islam
ID: MSCM2203027002
Program: MSCM
Major: SCM Major
Semester: Spring-2024
Sonargaon University (SU)

Submitted to:

Department of Business Administration
Sonargaon University (SU)
Submitted for the partial fulfillment of the degree of
MBA in Supply Chain Management



Sonargaon University (SU)
147/I, Green Road, Tejgaon, Dhaka-1215, Bangladesh.

Date of Submission: May 05, 2024

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Mst. Marium Akter
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Submitted for the partial fulfillment of the degree of
MBA in Supply Chain Management



Sonargaon University (SU)
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Date of Submission: May 05, 2024

Letter of Transmittal

May 05, 2024

Mst. Marium Akter
Lecturer
Department of Business Administration
Sonargaon University (SU)

Subject: Submission of thesis paper.

Dear Madam,
I am hereby submitting my thesis paper entitled "Supply Chain Management Process: A Case Study British American Tobacco (BAT)" which was assigned to me as a requirement for the completion of the MSCM Program. I have discovered this paper very interesting, beneficial, and insightful.

The entire report is based on my practical experience in British American Tobacco (BAT) I expect this paper to be informative as well as comprehensive. This thesis paper will help me a lot in my future career life.
Thank You very much for your guidance and cooperation during the course without which this thesis paper cannot be completed.

Moreover, if you have any further inquiries concerning any additional information, I would be very pleased to clarify that.

Yours Sincerely

_____

Md. Rafiqul Islam
ID: MSCM2203027002
Program: MSCM
Major: SCM Major
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Acknowledgment

In the beginning, I would like to convey my sincere appreciation to the Almighty God for giving me the strength and ability to finish the task.

I want to thank my academic supervisor **Mst. Marium Akter**, Lecturer, Department of Business Administration, Sonargaon University (SU), for providing me with all the necessary help for the completion of this report. I want to give the greatest thanks to him for guiding me as an advisor to start and complete this report successfully.

The opportunity I had with British American Tobacco (BAT) Bangladesh ltd is a great chance for deep learning and professional development. I consider myself a very lucky individual as I was provided with an opportunity to be a part of it. I am also grateful for having a chance to meet so many wonderful people and professionals who led me through this period.

I would like to express my deep sense of thankfulness to Md Atiqur Rahman, GM, HR & Admin, Head Office, British American Tobacco (BAT) & Md Shirazul Islam, GM, Head Office British American Tobacco (BAT) Bangladesh ltd for his enormous help and endless support throughout the dissertation period.

And last but not the least; thanks to all my office colleagues working at British American Tobacco (BAT) Bangladesh ltd. The opportunity I had with British American Tobacco (BAT) Bangladesh ltd is a great chance for deep learning and professional development. I consider myself a very lucky individual as I was provided with an opportunity to be a part of it. I am also grateful for having a chance to meet so many wonderful people and professionals who led me through this period.

Declaration of Student

This is to notify you that, the thesis paper on "Supply Chain Management Process: A Case Study British American Tobacco (BAT)", has been prepared as a part of my dissertation formalities. It is an obligatory part of my MSCM program to submit a thesis paper.

Moreover, I was inspired and instructed by my supervisor **Mst. Marium Akter**, Lecturer, Department of Business, Sonargaon University (SU).

I am further declaring that I did not submit this report anywhere for awarding any degree or certificate.

Yours Sincerely

Md. Rafiqul Islam
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Certificate of Supervisor

This is to certify that the thesis report **"Supply Chain Management Process: A Case Study British American Tobacco (BAT)"** has been prepared as a part of completion of the MSCM program from Department of Business Administration, Sonargaon University (SU), carried out by Md. Rafiqul Islam, bearing ID: MSCM2203027002 under my supervision. The report or the information will not be used for any other purposes.

_____

Mst. Marium Akter
Lecturer
Department of Business Administration
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Executive Summary

Low-cost sourcing has now become a staple of competitive strategy in many retail and manufacturing sectors. As organizations source a greater proportion of manufactured products from China, India, and other low-cost countries the hidden perils of these approaches are often not considered, especially within the context of enterprise risk management (ERM). Global sourcing affords many benefits in the form of lower prices and expanded market access. Only recently have senior executives begun to recognize the increased risk attributed to the higher probability of product and service flow disruptions in global sourcing networks. A major disruption in the offshore supply chain can "shut down" a company, and have dire consequences on profitability. This was felt most drastically in the last few years, when such events as 9/11, the war in Iraq, the West Cost port workers strike, and increased regulatory and customs delays have brought supply chain operations to a standstill. Other less serious events that can also impact customer service include natural disasters, fire and theft, poor communication of customer requirements, part shortages, poor and quality problems. These disruptions can be costly and have in many cases brought distribution and production to a screeching halt. Supply chain disruptions have been found to negatively impact shareholder value by as much as 8-10% and is amplified in "time-sensitive" environments where early market introduction is critical to success.

Based on a set of interviews with key executives in multiple industries, we discovered several key themes associated with supply chain disruptions. First, companies should develop supply chain strategies that explicitly consider two parameters that "amplify" the negative impact of disruptions on customer and brand performance: 1) globalization and 2) product/process complexity. Second, companies should craft strategies with countermeasures that mitigate the impact of these effects, namely: 1) improved visibility to key supply chain nodes that can quickly detect disruptions, 2) well-positioned resources that enable quick short-term recovery plans, and 3) long-term collaborative approaches to eliminate disruptions in the future. Our research also suggests that there is a relationship between companies that experience amplifiers and the strategies they use. Finally, organizations exposed to both types of risk also invest in longer-term solutions such as training and collaborative tools to establish resilient supply chains that are agile and able to respond to disruptions. While no company can eliminate the probability of a major supply chain disruption, those who take the appropriate measures ahead of time will be better positioned to manage these potentially devastating incidents when they occur.

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Chapter: 01

Introduction

1.1 Introduction

In today's dynamic business environment, effective supply chain management (SCM) has become crucial for organizations to maintain their competitive edge. With globalization, technological advancements, and ever-changing consumer demands, businesses are constantly seeking ways to optimize their supply chain operations. Decision support techniques play a pivotal role in aiding organizations in making informed decisions to enhance their supply chain efficiency and effectiveness. This chapter introduces the research focus on employing decision support techniques within the supply chain context, with a specific case study on British American Tobacco (BAT). In today's dynamic business environment, effective supply chain management (SCM) has become crucial for organizations to maintain their competitive edge. With globalization, technological advancements, and ever-changing consumer demands, businesses are constantly seeking ways to optimize their supply chain operations. Decision support techniques play a pivotal role in aiding organizations in making informed decisions to enhance their supply chain efficiency and effectiveness. This chapter introduces the research focus on employing decision support techniques within the supply chain context, with a specific case study on British American Tobacco (BAT).

1.2 Origin of the Report

This report stems from the growing need for organizations to leverage data-driven approaches to optimize their supply chains. Rising competition, fluctuating demand, and disruptions in global trade necessitate sophisticated decision-making tools. By examining BAT's implementation of DSTs, this study aims to shed light on the practical application of these techniques and their impact on the effectiveness of an organization's supply chain. The genesis of this report lies in the growing importance of decision support techniques in modern supply chain management practices. The need to explore and analyze the application of such techniques within a real-world context led to the selection of British American Tobacco (BAT) as a case study. BAT, being a global leader in the tobacco industry, presents a unique opportunity to examine the complexities and challenges faced in managing a vast and diverse supply chain network.

1.3 Background of the Study

The backdrop of this study encompasses the evolution of supply chain management and the emergence of decision support systems. Traditionally, supply chain management focused on cost reduction and efficiency improvements. However, with the advent of globalization and advancements in technology, supply chains have become more complex and interconnected. This complexity necessitates the use of sophisticated decision-support techniques to address uncertainties, risks, and fluctuations in demand and supply.

The tobacco industry faces unique challenges in terms of supply chain management. Strict regulations, fluctuating demand patterns due to anti-smoking campaigns, and the need to ensure product quality across a global network necessitate a robust and adaptable SCM system. BAT, with its extensive international presence, provides a compelling case study for exploring how DSTs can be employed to address these challenges.

1.4 Scope of the Study

This study focuses on the application of specific DSTs within BAT's supply chain operations. It will explore how these techniques are used in areas such as demand forecasting, inventory management, and supplier selection. The research will analyze the effectiveness of these implementations and discuss the resulting benefits for BAT's SCM performance.

The scope of this study is centered on the application of decision support techniques within the supply chain of British American Tobacco (BAT). It encompasses various aspects such as procurement, production, inventory management, distribution, and logistics. The study delves into the challenges faced by BAT in managing its supply chain operations and explores how decision-support techniques can aid in overcoming these challenges.

1.5 Objectives of the Study

- To identify the key decision support techniques employed by BAT in its supply chain management.

- To evaluate the effectiveness of these DSTs in optimizing BAT's supply chain performance.
- To analyze the impact of DSTs on critical areas like demand forecasting, inventory management, and supplier selection.
- To provide valuable insights into the potential benefits and limitations of implementing DSTs in a real-world supply chain context.
- To analyze the current supply chain management practices at BAT.
- To identify the key challenges faced by BAT in managing its supply chain.
- To explore the potential benefits of implementing decision support techniques in BAT's supply chain.
- To develop recommendations for improving supply chain decision-making processes at BAT.

1.6 Methodology

Thesis report primarily based on secondary data. Secondary Sources mean the sources of data which were already existed and used. Many journals, books and data from websites are used here as a source of secondary data. Sources of Data:

- Books, manuals,
- Journals,
- Official publications,
- Web sites,
- Relevant industry reports,
- Scholarly articles.

1.7 Limitations of the Study

- Limited Scope of Technique: Your chosen decision support technique might not be applicable to all aspects of BAT's supply chain. Discuss areas where it may not be as effective.
- Data Availability: Access to detailed data from BAT might be restricted due to confidentiality. This could limit the comprehensiveness of your analysis and the generalizability of your findings.

- Case Study Focus: Focusing on a single case study (BAT) limits the generalizability of your findings. The technique might work well for BAT's specific context but may not be universally applicable.
- Timeframe: The study may only capture a specific timeframe within BAT's supply chain. Changes in regulations, market conditions, or BAT's own strategies could impact the ongoing effectiveness of the technique.
- Implementation Challenges: Even if the technique is sound, implementing it within a large organization like BAT might face challenges like resistance to change, integration with existing systems, and training costs.
- Cost-Benefit Analysis: The paper might not fully explore the cost-benefit analysis of implementing the decision support technique.
- Ethical Considerations: There might be ethical implications of using the technique, such as potential job losses due to automation or data privacy concerns.
- Limited Focus on Sustainability: The paper might not adequately address the environmental and social impact of BAT's supply chain, which are important considerations nowadays.
- External Factors: The paper may not fully account for external factors that can significantly impact supply chains, such as political instability, natural disasters, or fluctuations in commodity prices.
- Future Developments: The field of decision support techniques is constantly evolving. Newer or more advanced techniques might emerge that could outperform the one studied in your thesis.

Chapter: 02

Literature Review

2.1 Concept of Supply Chain Management (SCM)

Supply Chain Management (SCM) encompasses the planning, organization, and control of all activities involved in procuring raw materials, transforming them into final products, and delivering them to customers. It integrates various functions like sourcing, production, inventory management, logistics, and distribution to ensure efficient and cost-effective product flow from the beginning to the end of the chain. The concept of SCM revolves around the seamless integration of key business processes from the procurement of raw materials to the delivery of finished products to end customers. It emphasizes the coordination and collaboration among various stakeholders within and across organizational boundaries to optimize the flow of goods, information, and finances.

2.2 Evolution of SCM

SCM has evolved from a basic focus on logistics to a strategic function. Early approaches primarily dealt with physical movement and storage of goods. As businesses became more globalized, the concept broadened to encompass information sharing, collaboration with suppliers and customers, and risk management. Today, SCM leverages technology and data analytics to optimize processes and create a competitive advantage. SCM has evolved significantly over the years, transitioning from a fragmented and transactional approach to a more strategic and holistic perspective. Initially, SCM primarily focused on logistics and distribution, but it has now expanded to encompass strategic sourcing, demand planning, inventory management, and risk mitigation strategies.

2.3 Theoretical Frameworks in SCM

Several theoretical frameworks underpin SCM practices, including the resource-based view, transaction cost economics, and the systems theory. These frameworks provide insights into the strategic decision-making processes involved in managing supply chains, emphasizing factors such as supplier relationships, cost optimization, and organizational resilience. These include:

- **The Supply Chain Operations Reference (SCOR) model**: A standardized framework for evaluating and improving supply chain performance across various metrics.
- **Efficient Consumer Response (ECR)**: Collaborative approach between retailers and suppliers to improve efficiency and responsiveness to consumer demand.

- **Agile Supply Chain**: Focuses on flexibility and rapid adaptation to market changes through close collaboration and information sharing within the supply chain network.

2.4 Key Components of SCM

The key components of SCM include procurement, production, inventory management, logistics, and distribution. Each component plays a crucial role in ensuring the smooth functioning of the supply chain and requires effective coordination to minimize disruptions and enhance overall efficiency. Effective SCM involves managing several key components:

- **Sourcing and Procurement**: Selecting and managing relationships with suppliers to ensure timely and cost-effective acquisition of materials.
- **Production Planning and Inventory Management**: Optimizing production schedules and inventory levels to meet demand while minimizing costs.
- **Logistics and Distribution**: Efficiently transporting and storing goods throughout the supply chain.
- **Warehousing**: Selecting and managing storage facilities for raw materials, finished products, and work-in-progress inventory.
- **Demand Forecasting**: Predicting customer demand to plan production and inventory levels effectively.
- **Information Technology**: Utilizing data and technology to integrate and streamline supply chain processes.

2.5 Importance of SCM in Modern Business Practices

SCM is increasingly recognized as a critical determinant of competitive advantage in modern business practices. Organizations that effectively manage their supply chains can gain a competitive edge by reducing costs, improving quality, shortening lead times, and responding swiftly to changing market dynamics. Effective SCM offers significant advantages to modern businesses, including:

- **Cost Reduction**: Optimizing processes minimizes waste and unnecessary costs throughout the supply chain.
- **Improved Customer Service**: Efficient delivery and responsiveness to customer needs enhance satisfaction and loyalty.
- **Increased Efficiency**: Streamlined processes and better collaboration lead to faster cycle times and improved productivity.
- **Enhanced Competitiveness**: Strong SCM capabilities enable businesses to respond rapidly to market changes and gain a competitive edge.

2.6 Review of Relevant Literature on SCM in the Tobacco Industry

In the tobacco industry, SCM faces unique challenges related to regulatory compliance, product quality, and sustainability concerns. Several studies have explored various aspects of SCM in the tobacco sector, including supplier relationships, distribution channels, and risk management strategies. The case study of BAT provides valuable insights into how a leading tobacco company navigates these challenges and leverages SCM practices to drive operational excellence and maintain market leadership. However, some relevant literature explores aspects of BAT's supply chain:

- **Building the supply chain to enable business alignment: Lessons from British American Tobacco (BAT)** examines BAT's experience with a major supply chain reconfiguration program, highlighting key lessons learned.
- **Supply chain management of british american tobacco** [8] provides a basic overview of BAT's supply chain structure, focusing on tobacco leaf procurement and distribution.

Studies on the broader tobacco industry can also offer insights into relevant SCM practices. Research might address challenges like managing geographically dispersed production, ensuring quality control for raw materials, and navigating regulatory environments specific to tobacco products.

2.7 Gaps in the Literature

There is a lack of in-depth research exploring the specific strategies and challenges of managing a complex global supply chain for a tobacco company like BAT. Further studies could investigate:

- How BAT utilizes SCM practices to ensure the sustainable sourcing of tobacco leaf.
- The impact of technological advancements like blockchain on traceability and transparency within BAT's supply chain.
- The specific challenges BAT faces in managing its global supply chain network and how it addresses them through SCM strategies.

Chapter: 03

Organizational Profile

British American Tobacco operates British American Tobacco Bangladesh in Bangladesh which is one of the largest multinational corporations. It is doing its trade above 100 years in this region. In 1990 it was founded in Bangladesh. The first depot of it, was established at Armanitola in Dhaka. After partition in 1947, it was established in 1949. After the independence of Bangladesh from Pakistan, it was renamed as Bangladesh Tobacco Company (BTC) in 1972. But in 1998, it is again renamed as British American Tobacco Bangladesh (BATB). In Bangladesh, British American Tobacco Bangladesh has more than 1,200 people as direct employees and more than 50,000 people as indirect employees (Batbangladesh.com, 2015). They are listed on the stock index of the Dhaka Stock Exchange and Chittagong Stock Exchange (Dsebd.org, Retrieved 2015- 03-11)
British American Tobacco Bangladesh's motto is "success and responsibility go together". Shehzad Munim is the current Managing Director of BATB. He is serving as the first ever Bangladeshi MD in the history of BATB (Archive.thedailystar.net, 2013-10-01)

3.1 History of Bat

1902	The British American Tobacco Company was formed by the joint venture of UK's Imperial Tobacco Company and the American Tobacco Company of the United States.
1904–1911	BAT had a huge expansion to some countries and those are West Indies, India, Ceylon, Egypt, Holland, Belgium, Sweden, Norway, Finland, Indonesia, East Africa and Malaya.
1910	More than 10 billion per year was sales of cigarettes.
1915	Within 5 years the sales total was increased to 25 billion cigarettes per year.
1927	25th anniversary of BAT and it has become one of the UK's leading companies, with 120 subsidiaries.
1939	The occurrence of the Second World War rigorously interrupts global operations.
1942	Profits that were static at £5.5 million right through the misery go down to £3 million until the war ends.
1953–1955	A return to growth sees us rank third among British, French and German companies, measured by company profits.
1960	Global sales exceed 280 billion cigarettes with trading profits of more than £58 million.
1961–1965	We begin to diversify with moves into the paper, cosmetics and food industries.

1966	We acquire cigar manufacturer Henri Wintermans and company profits exceed £100 million for the first time.
1976	BAT Industries is formed. Within two years it is the UK's third biggest company. Annual sales increase to 500 billion cigarettes.
1981	Trading profits from the tobacco operations triple over the previous decade to more than £463 million.
1984–1989	BAT Industries acquires Eagle Star, Allied Dunbar and Farmers Group to become the largest UK- based insurance group.
1994	The prestigious Lucky Strike and Pall Mall brands are now added to our portfolio, with the acquisition of the American Tobacco Company.
1998	BAT Industries divests its financial services businesses. British American Tobacco becomes a separately quoted company on the London Stock Exchange.

3.2 History of BATB

British American Tobacco was established back in 1910 as Imperial Tobacco Company Ltd and the head office was in Calcutta. In 1926 ITC launched a branch at Moulovibazar, Dhaka. Cigarettes were made in Carreras Ltd., Calcutta. Imperial and Carreras merged into a single company in 1943. After the partition in 1947, cigarettes were coming freely from Calcutta, but introduction of customs barriers in 1948 between India and Pakistan interrupted the smooth flow of cigarettes from Calcutta to East Pakistan. In March 1, 1949, Pakistan Tobacco Company (PTC) came into existence with head office in Karachi; with the assets and liabilities of ITC Limited held in Pakistan. At that time East Pakistan Office was situated in Alico Building, Motijheel. In order to meet the increasing demand, the first factory in the then East Pakistan was established in Chittagong in 1952. From this time, onwards requirements for cigarettes for East Pakistan markets were met from products manufactured in Karachi. In 1954, PTC established its first cigarette factory although high-grade cigarettes still came from West Pakistan. The Dhaka factory of PTC went into production in 1965. After the war between India and Pakistan in 1965; the import of tender leaf from India for the production of Biri was stopped. This gave a big boost to cigarette business. It was at that time the East Pakistani entrepreneurs set up 16 cigarette factories in this region.

After independence, Bangladesh Tobacco Company (Pvt.) Limited was formed on 02 February 1972 under the Companies Act 1913, with the assets and liabilities of

PTC. Shareholding position for GOB and BAT was 1:2. BTC (Pvt.) was converted into a public limited company on 03 September 1973. British American Tobacco played a pivotal role in BTC's creation in 1972 and since then has been involved in BTC's development every step of the way. To pronounce the successful relationship with British American Tobacco, BTC has changed its name and identity to British American Tobacco (BAT) Bangladesh Company Limited on March 22, 1998. The company changed its identification to establish commitment to the highest international standards (batbangladesh.com, 2016).

3.3 Mission statement of BATB

Our mission is delivering our commitments to society, while championing informed consumer choice. We need to continue to ensure that our consumers are fully informed about the choices they are making when they purchase our tobacco products. We recognize that we have a responsibility to offer a choice of products across the risk spectrum, but we will also defend their rights to choose and provide them with the products they want. As society changes, and people's priorities and needs shift, we need to be ready to meet new challenges and take advantage of new opportunities. We are a major international business and with this status come responsibilities, from being open about the risks of our products to supporting rural communities in the developing world (Annual report, 2014).



Fig. 1: Mission, Vision and Strategic Focus of BATB Source: Author Constructed (Annual Report 2014)

3.4 Vision of BATB

Our vision is to be world's best at satisfying consumer moments in tobacco and beyond (Annual report, 2014).

3.5 Strategic Focus of BATB

Our strategic focus areas are the foundations upon which our strategy is built and they have been in place for many years, but we continue to concentrate on our activities in all four focus areas and constantly review our ways of working. Growth requires understanding and delivering enjoyable consumer moments.

Resources should be effectively deployed to increase profits and generate funds for better productivity. Winning organizations consists of great people, great teams and a great place to work. Ensuring a sustainable business that meets stakeholders' expectations is another part of our strategic focus.

Guiding Principles of BATB

- Strength from diversity
- Open-minded
- Enterprising spirit
- Freedom through responsibility

3.6 Business Model Strategy of BATB

Our business model describes what we do and, more importantly, how we use our unique strengths and employ our resources and relationships to deliver sustainable growth in earnings. It is built around meeting our consumers' evolving needs and is driven by our strategy to ensure that we are delivering great results today and investing in our long-term future.

3.7 BOARD OF DIRECTORS



Fig. 2: Board of Directors
Source: Author Constructed (Annual Report 2014)

3.8 BRANDS

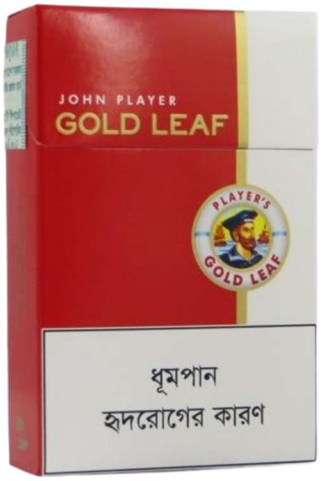
BATB offer adult consumers a range of products to choose from, including: Benson & Hedges, John Player Gold Leaf, Pall Mall, Capstan, Star, Derby, Pilot and Hollywood. Benson & Hedges Fine Cut was the latest addition to our portfolio. There are different segments like premium, medium and low. The higher brand of cigarette in the market is in premium segment. BATB is the only company in Bangladesh which produces two products in medium segment (Md. Habibur Rahman, 2010) . Range of high-quality products covers all segments, from low to premium. According to (Baghil, 2013) the marketing process create sense of belonging between brand and consumer. BATB has a successful brand marketing strategy based on sound consumer insights. It is driven by our International Brands – Benson & Hedges, John Player Gold Leaf and Pall Mall. Our portfolio of a good number of international as well as local brands is designed to meet a broad array of consumer preferences around the country with the idea of delivering today and investing for tomorrow.

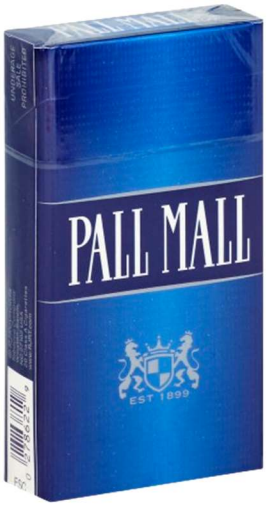
Benson & Hedges



Since its launch in 1997, Benson & Hedges has dominated the Premium segment and set the standards in a very competitive market. And in 2012, the house of Benson & Hedges launched a new and unique variant - Benson & Hedges Switch. Keeping innovation at its core, Benson & Hedges Switch became the first ever capsule cigarette to be launched in Bangladesh.

John Player Gold Leaf, Pall Mall and Capstan







John Player Gold Leaf, Pall Mall and Capstan are positioned in the Aspirational Premium segment.

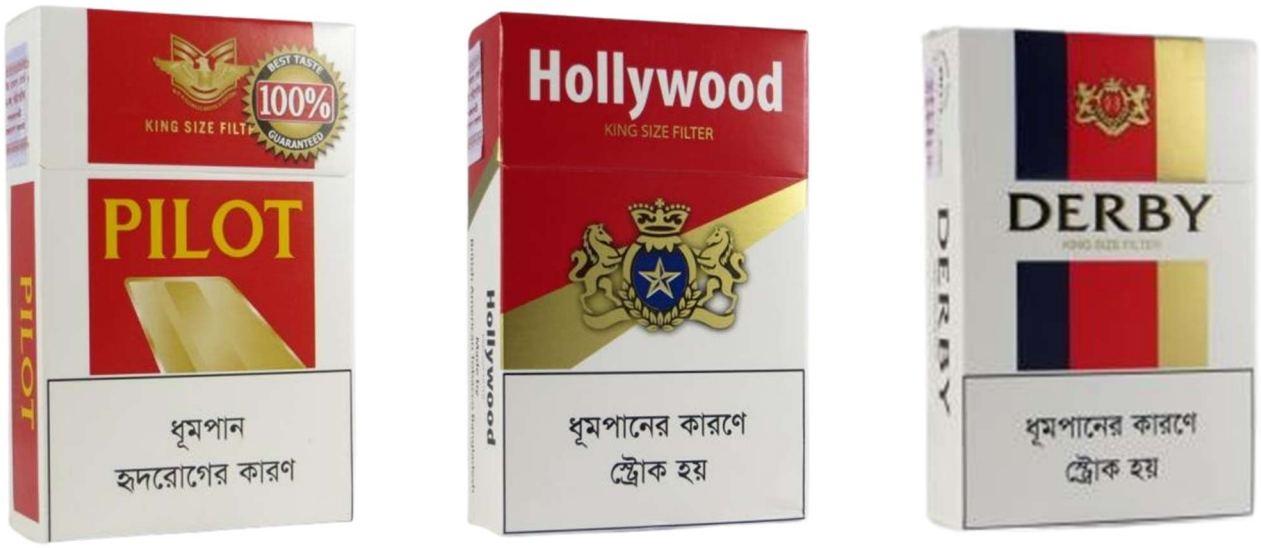
- Launched in 1980, John Player Gold Leaf is one of the highest selling brands of our company, enjoying large market share in the Aspirational Premium segment.
- Pall Mall was the Group's first Global Drive Brand to be launched in Bangladesh in 2006.

Star



Star and Star Next are positioned in the VFM segment. Star was launched in 1964 and Star Next was launched in 2012. The brand has absolute leadership in the segment with a robust performance.

Pilot, Hollywood and Derby

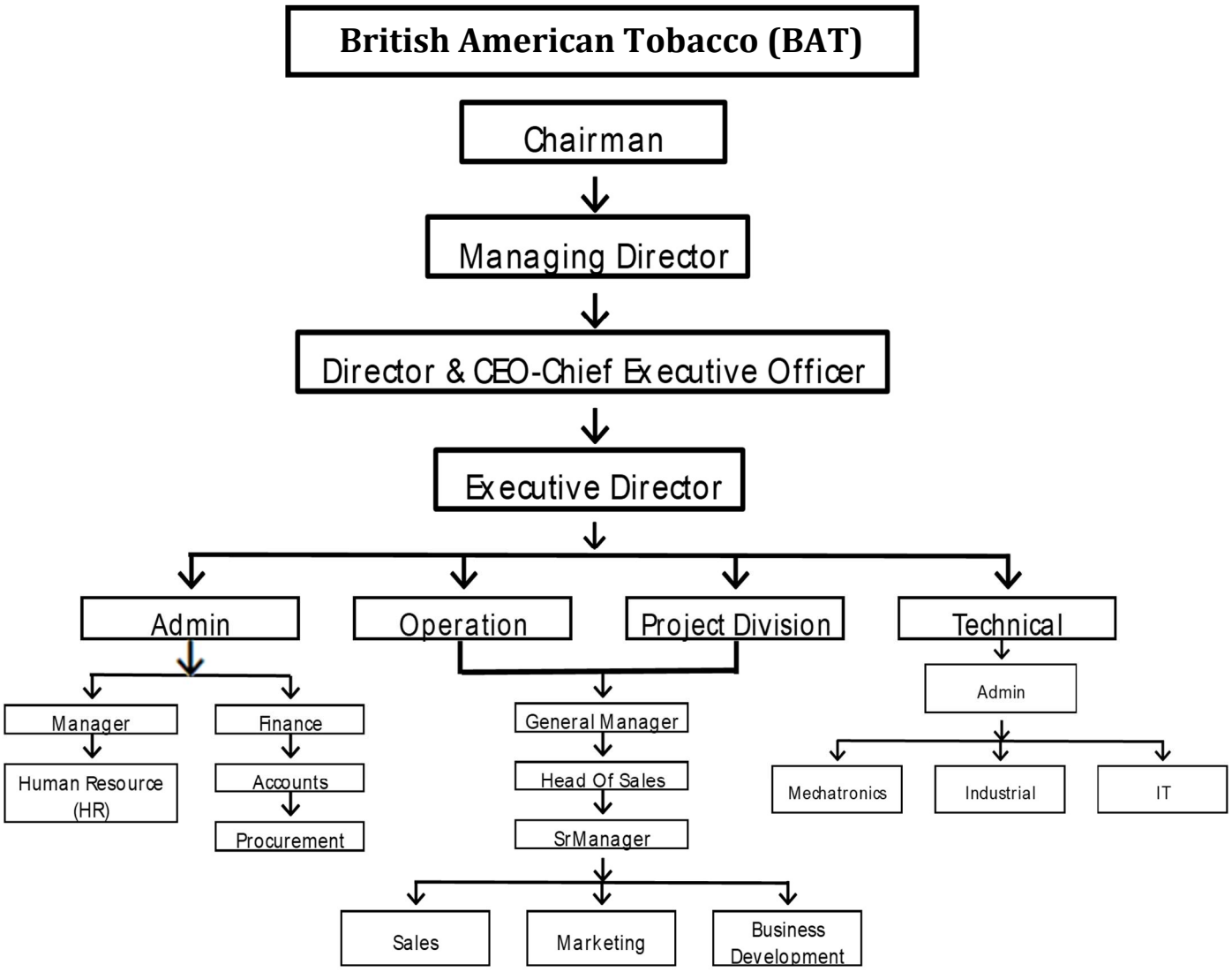


We have three brands in Low Segment – Derby, Pilot & Hollywood.

- Derby was launched in 2013 and is the biggest brand among the three, offering taste differentiation to the consumers through its two variants.

- On the other hand, Pilot offers true and authentic smoke to the consumers. Pilot was launched in 2009 and at present it is the fastest growing brand in the industry.
- The third brand is Hollywood which was launched in 2011.

3.8 Organogram



Chapter: 04

Supply Chain Management Process at British American Tobacco (BAT)

This chapter delves into the intricate supply chain management (SCM) process of British American Tobacco (BAT), the world's second-largest tobacco company. By examining BAT's approach to procurement, inventory management, and distribution & logistics, we can gain valuable insights into how a global leader navigates a complex and geographically dispersed supply chain. In this chapter, we delve into the supply chain management (SCM) process at British American Tobacco (BAT), exploring its procurement practices, inventory management, and distribution and logistics strategies.

4.1 Procurement Practices

BAT's procurement practices are a fundamental aspect of its SCM process, ensuring the timely acquisition of raw materials and services necessary for production. The company employs a strategic approach to procurement, focusing on building strong relationships with suppliers, fostering innovation, and maintaining supply chain resilience.

One of BAT's key procurement strategies is supplier diversification. By engaging with multiple suppliers for critical inputs, the company mitigates risks associated with dependency on a single source. This approach enables BAT to adapt swiftly to market fluctuations and unforeseen disruptions, safeguarding its supply chain continuity.

BAT's procurement strategy plays a pivotal role in ensuring consistent quality and cost-effectiveness throughout their supply chain. Here are some key aspects of their practices:

- Supplier Selection and Management: BAT employs a rigorous selection process for both direct material suppliers (e.g., tobacco leaf) and indirect material suppliers (e.g., machinery). They prioritize factors like quality, sustainability practices, and long-term partnerships.
- Strategic Sourcing: BAT focuses on building strong relationships with key suppliers, particularly for critical components and high-volume materials. This collaborative approach fosters innovation and helps secure reliable supply.
- Sustainability Integration: BAT recognizes the importance of responsible sourcing. They incorporate ESG (environmental, social, and governance)

policies into their procurement decisions, ensuring their supply chain adheres to minimum social and environmental standards.

Furthermore, BAT emphasizes sustainable sourcing practices, aligning its procurement activities with environmental and social responsibility objectives. The company works closely with suppliers to uphold ethical standards, promote fair labor practices, and reduce the environmental impact of its supply chain operations.

4.2 Inventory Management

Efficient inventory management is crucial for optimizing operational efficiency and minimizing costs within BAT's supply chain. The company employs advanced forecasting techniques and inventory optimization algorithms to ensure adequate stock levels while avoiding excess inventory buildup.

BAT utilizes a combination of just-in-time (JIT) and safety stock inventory management strategies to balance the need for responsiveness with cost-effectiveness. By maintaining a lean inventory model, the company reduces carrying costs and improves cash flow, while simultaneously safeguarding against supply chain disruptions.

Efficient inventory management is crucial for BAT to balance product availability with cost control. Here's how they achieve this:

- Demand Forecasting: BAT utilizes sophisticated forecasting tools to predict future demand for their products across various markets. This data informs their production planning and helps maintain optimal inventory levels.
- Just-in-Time (JIT) Manufacturing: BAT strives to implement JIT principles whenever possible, minimizing finished good inventory and reducing storage costs. This approach requires close collaboration with suppliers to ensure timely delivery of materials.
- Warehouse Management Systems (WMS): BAT leverages WMS to optimize warehouse operations and track inventory movement in real-time. This enables efficient picking, packing, and distribution processes.

Moreover, BAT leverages technology such as advanced inventory tracking systems and real-time data analytics to monitor inventory levels across its global network of

warehouses and distribution centers. This enables proactive inventory management, allowing the company to anticipate demand fluctuations and adjust inventory levels accordingly.

4.3 Distribution and Logistics

BAT's distribution and logistics operations are designed to ensure timely delivery of products to customers while minimizing transportation costs and environmental impact. The company operates a sophisticated network of distribution centers strategically located to serve regional markets efficiently.

BAT employs a multi-modal transportation strategy, utilizing a combination of road, rail, sea, and air freight to optimize transportation routes and minimize transit times. By leveraging economies of scale and negotiating favorable contracts with transportation providers, BAT achieves cost savings and enhances supply chain agility.

Distributing tobacco products across a global network requires a robust and well-coordinated logistics system. Here are some key aspects of BAT's approach:

- Multimodal Transportation: BAT utilizes a combination of transportation modes (road, sea, air) to ensure efficient and cost-effective delivery, considering factors like distance, urgency, and product type.
- Global Distribution Network: BAT has established a vast network of distribution centers strategically located around the world. This network allows them to deliver products to markets quickly and efficiently.
- Logistics Optimization: BAT continuously seeks ways to optimize their logistics network. This may involve route planning software, consolidation strategies, and partnerships with reliable freight forwarders to reduce transportation costs.

Furthermore, BAT prioritizes sustainability in its logistics operations, striving to reduce carbon emissions and minimize environmental footprint. The company invests in fuel-efficient vehicles, alternative energy sources, and emission-reduction technologies to promote eco-friendly transportation practices.

4.4 Supplier Relationships

Supplier relationships are integral to BAT's supply chain management strategy. BAT maintains a diverse network of suppliers spanning various regions to ensure a consistent supply of raw materials and components necessary for production. These relationships are built on trust, transparency, and mutual benefit.

BAT employs various strategies to enhance supplier relationships:

- Long-term Partnerships: BAT fosters long-term partnerships with its suppliers, emphasizing collaboration and mutual growth. By developing deep relationships with suppliers, BAT ensures stability in its supply chain and leverages synergies for continuous improvement.
- Supplier Development Programs: BAT invests in supplier development programs aimed at enhancing the capabilities and efficiency of its suppliers. These programs may include training, technology transfer, and process optimization initiatives, fostering a more resilient and agile supply chain ecosystem.
- Supplier Performance Evaluation: BAT implements robust performance evaluation mechanisms to assess supplier performance against predefined metrics such as quality, delivery reliability, and cost-effectiveness. This enables BAT to identify areas for improvement and incentivize superior performance through rewards and recognition.
- Risk Management: BAT collaborates closely with its suppliers to identify and mitigate risks across the supply chain. This proactive approach helps BAT anticipate potential disruptions and implement contingency plans to ensure uninterrupted operations.
- Joint Planning and Forecasting: BAT collaborates with key suppliers on demand forecasting and production planning. This transparency helps ensure a smooth flow of materials and reduces the risk of stockouts or overstocking.
- Supplier Development Programs: BAT invests in training and development programs for their suppliers. This empowers them to improve their own efficiency and sustainability practices, ultimately benefiting BAT's supply chain.

- Risk Management: BAT acknowledges the potential risks associated with their supply base, such as disruptions or natural disasters. They work with suppliers to develop contingency plans to mitigate these risks.

4.5 Technology Integration

Technology plays a pivotal role in BAT's supply chain management processes, driving efficiency, visibility, and agility across the entire value chain. BAT leverages advanced technologies to optimize various aspects of its supply chain operations:

- Enterprise Resource Planning (ERP) Systems: BAT utilizes sophisticated ERP systems to integrate and streamline its supply chain processes, enabling real-time visibility into inventory levels, production schedules, and demand forecasts. This integration facilitates data-driven decision-making and enhances responsiveness to market dynamics.
- Advanced Analytics: BAT harnesses the power of advanced analytics and predictive modeling to optimize inventory management, demand planning, and logistics operations. By leveraging historical data and machine learning algorithms, BAT can forecast demand more accurately, minimize stockouts, and optimize inventory levels to reduce carrying costs.
- Blockchain Technology: BAT explores the potential of blockchain technology to enhance transparency and traceability within its supply chain. By recording transactions on a decentralized ledger, blockchain enables BAT to track the movement of goods from suppliers to end consumers, ensuring compliance with regulatory requirements and enhancing product authenticity.
- Internet of Things (IoT): BAT deploys IoT devices and sensors across its supply chain infrastructure to monitor and optimize various processes in real time. IoT-enabled solutions provide visibility into key parameters such as temperature, humidity, and location, enabling proactive maintenance, route optimization, and quality control.
- Enterprise Resource Planning (ERP) Systems: BAT utilizes integrated ERP systems to manage all aspects of their supply chain, from procurement to distribution. This facilitates data sharing and real-time visibility across the entire network.

- Supply Chain Management (SCM) Software: BAT leverages specialized SCM software for tasks like demand forecasting, inventory management, and transportation optimization. These tools enable data-driven decision making and improve overall supply chain efficiency.
- Blockchain Technology: BAT is exploring the potential of blockchain technology to enhance traceability within their supply chain. This could improve transparency and combat counterfeiting.

4.6 Sustainability Initiatives

As a responsible corporate citizen, BAT is committed to integrating sustainability principles into its supply chain management practices. BAT's sustainability initiatives encompass environmental stewardship, social responsibility, and ethical sourcing practices:

- Environmental Sustainability: BAT strives to minimize its environmental footprint by implementing eco-friendly practices throughout its supply chain. This includes reducing energy consumption, optimizing packaging materials, and promoting circular economy principles such as recycling and waste reduction.
- Social Responsibility: BAT upholds high standards of social responsibility by ensuring fair labor practices, promoting employee welfare, and fostering inclusive workplace environments across its supply chain. BAT also engages in community development initiatives to support local communities and enhance livelihoods.
- Ethical Sourcing: BAT is committed to ethical sourcing practices, ensuring that its suppliers adhere to stringent ethical standards regarding labor rights, human rights, and anti-corruption measures. BAT conducts regular audits and assessments to monitor compliance and address any violations promptly.
- Product Responsibility: BAT places a strong emphasis on product responsibility, prioritizing the health and safety of consumers. This includes rigorous quality control measures, responsible marketing practices, and efforts to combat illicit trade and underage smoking.

In conclusion, BAT's supply chain management process is characterized by a strategic focus on supplier relationships, technology integration, and sustainability

initiatives. By fostering collaborative partnerships, embracing cutting-edge technologies, and prioritizing sustainability, BAT continues to drive innovation and excellence in its supply chain operations, ensuring long-term value creation for all stakeholders.

Chapter: 05

Findings

5.1 Findings:

- BAT employs a robust network of suppliers strategically located across various regions to ensure a steady supply of raw materials and components.
- Long-term partnerships with suppliers are a cornerstone of BAT's supply chain strategy, emphasizing collaboration and mutual growth.
- Supplier development programs implemented by BAT aim to enhance the capabilities and efficiency of its suppliers through training and technology transfer initiatives.
- BAT utilizes performance evaluation mechanisms to assess supplier performance based on predefined metrics such as quality, delivery reliability, and cost-effectiveness.
- Proactive risk management practices enable BAT to identify and mitigate potential disruptions across its supply chain, ensuring operational resilience.
- Advanced technologies, including enterprise resource planning (ERP) systems, play a crucial role in optimizing supply chain operations and enhancing visibility.
- The integration of advanced analytics enables BAT to forecast demand more accurately, minimize stockouts, and optimize inventory levels.
- Blockchain technology is explored by BAT to enhance transparency and traceability within its supply chain, ensuring compliance with regulatory requirements and product authenticity.
- Internet of Things (IoT) devices and sensors deployed by BAT provide real-time monitoring and optimization of key parameters such as temperature, humidity, and location.
- BAT is committed to environmental sustainability, implementing eco-friendly practices such as energy conservation and waste reduction throughout its supply chain.
- Social responsibility initiatives by BAT include promoting fair labor practices, ensuring employee welfare, and engaging in community development projects.
- Ethical sourcing practices are prioritized by BAT, with regular audits conducted to monitor supplier compliance with labor rights and anti-corruption standards.

- BAT's product responsibility initiatives focus on ensuring the health and safety of consumers through rigorous quality control measures and responsible marketing practices.
- Collaboration with suppliers and stakeholders enables BAT to drive innovation and continuous improvement in its supply chain processes.
- BAT's supply chain management approach emphasizes agility and responsiveness to changing market dynamics and consumer preferences.
- Continuous monitoring and optimization of logistics operations enable BAT to minimize lead times and enhance customer satisfaction.
- BAT actively engages in sustainability reporting and disclosure, transparently communicating its progress and initiatives in supply chain management.
- Cross-functional collaboration within BAT facilitates alignment of supply chain objectives with broader business goals and objectives.
- BAT leverages data analytics and business intelligence tools to gain actionable insights into supply chain performance and identify areas for optimization.
- The implementation of lean principles and best practices enables BAT to drive efficiency and cost-effectiveness throughout its supply chain operations.

Chapter: 06

Recommendations & Conclusion

6.1 Recommendations

- Enhance Supplier Collaboration: Strengthen collaboration with key suppliers through regular communication, joint planning sessions, and shared goals to foster innovation and agility in the supply chain.
- Invest in Supplier Development: Implement supplier development programs to enhance the capabilities and performance of key suppliers, focusing on areas such as technology adoption, process optimization, and sustainability practices.
- Diversify Supplier Base: Continuously evaluate and diversify the supplier base to mitigate risks associated with overreliance on a single source and enhance supply chain resilience.
- Implement Demand-Driven Planning: Adopt demand-driven planning approaches to align production and inventory levels more closely with actual customer demand, reducing the risk of excess inventory and stockouts.
- Leverage Advanced Analytics: Expand the use of advanced analytics and predictive modeling techniques to improve demand forecasting accuracy, optimize inventory levels, and enhance supply chain responsiveness.
- Embrace Digitalization: Accelerate digital transformation initiatives to digitize manual processes, enhance data visibility, and improve decision-making across the supply chain.
- Deploy IoT Solutions: Implement Internet of Things (IoT) solutions to monitor and optimize supply chain operations in real time, leveraging IoT-enabled sensors for asset tracking, condition monitoring, and predictive maintenance.
- Explore Blockchain Technology: Investigate the potential of blockchain technology to enhance transparency, traceability, and trust in the supply chain, particularly for tracking product authenticity and ensuring compliance with regulatory requirements.
- Strengthen Distribution Network: Optimize the distribution network by evaluating transportation routes, consolidating shipments, and leveraging third-party logistics providers to improve delivery reliability and reduce transportation costs.

- Adopt Sustainable Packaging Practices: Implement sustainable packaging initiatives to reduce environmental impact, minimize waste, and enhance brand reputation through eco-friendly packaging materials and designs.
- Promote Circular Economy Principles: Embrace circular economy principles by implementing closed-loop systems for product recycling, remanufacturing, and waste reduction, fostering a more sustainable approach to resource management.
- Enhance Supply Chain Visibility: Invest in technologies and systems to improve end-to-end visibility across the supply chain, enabling proactive risk management, faster decision-making, and better collaboration with stakeholders.
- Develop Contingency Plans: Develop robust contingency plans to mitigate supply chain disruptions caused by external factors such as natural disasters, geopolitical events, or global health crises, ensuring business continuity and resilience.
- Empower Supply Chain Talent: Invest in training and development programs to empower supply chain professionals with the skills and capabilities needed to adapt to evolving market dynamics, emerging technologies, and changing regulatory requirements.
- Integrate Sustainability Metrics: Integrate sustainability metrics into key performance indicators (KPIs) and performance evaluation criteria to incentivize sustainable practices throughout the supply chain and drive continuous improvement.
- Engage Stakeholders: Foster closer collaboration and engagement with stakeholders, including suppliers, customers, government agencies, and civil society organizations, to address sustainability challenges collectively and drive positive social impact.
- Ensure Ethical Sourcing Practices: Strengthen due diligence processes to ensure ethical sourcing practices across the supply chain, including compliance with labor standards, human rights principles, and anti-corruption measures.
- Monitor Regulatory Compliance: Stay abreast of evolving regulatory requirements related to supply chain management, environmental

sustainability, and product safety, ensuring compliance to avoid potential risks and liabilities.

- Promote Innovation Culture: Cultivate a culture of innovation within the organization by encouraging cross-functional collaboration, rewarding creative ideas, and fostering a mindset of continuous improvement and experimentation.
- Benchmark Best Practices: Benchmark supply chain performance against industry peers and best-in-class organizations to identify opportunities for improvement, adopt leading practices, and maintain a competitive edge in the marketplace.

6.2 Conclusion

The case study of British American Tobacco (BAT) offers valuable insights into the intricate dynamics of supply chain management (SCM) processes within a multinational corporation operating in the tobacco industry. Through a comprehensive analysis of BAT's SCM practices, including supplier relationships, technology integration, and sustainability initiatives, several key findings emerge, underscoring the strategic significance of SCM in driving operational excellence, fostering resilience, and creating sustainable value. First and foremost, BAT's emphasis on cultivating robust supplier relationships emerges as a cornerstone of its SCM strategy. By nurturing long-term partnerships built on trust, transparency, and collaboration, BAT ensures a stable and reliable supply of raw materials and components necessary for production. Through supplier development programs, performance evaluation mechanisms, and proactive risk management strategies, BAT leverages its supplier network as a source of competitive advantage, enabling agility and responsiveness in a rapidly evolving market landscape. Furthermore, BAT's commitment to technology integration emerges as a catalyst for driving efficiency, visibility, and innovation across its supply chain. Through the adoption of advanced technologies such as enterprise resource planning (ERP) systems, advanced analytics, blockchain, and the Internet of Things (IoT), BAT optimizes various SCM processes, from demand planning and inventory management to logistics and quality control. By harnessing the power of data-driven insights and predictive modeling, BAT enhances decision-making capabilities, mitigates supply chain risks, and improves overall operational performance. Additionally, BAT's steadfast commitment to sustainability emerges as a guiding principle underpinning its SCM practices. Ultimately, BAT's commitment to excellence, integrity, and responsibility underscores the transformative potential of SCM as a driver of positive change, not only within the organization but also across its broader ecosystem. As companies embark on their own SCM journeys, they would do well to heed the lessons learned from BAT's experience, embracing innovation, collaboration, and sustainability as guiding principles in the pursuit of enduring success and societal relevance.

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