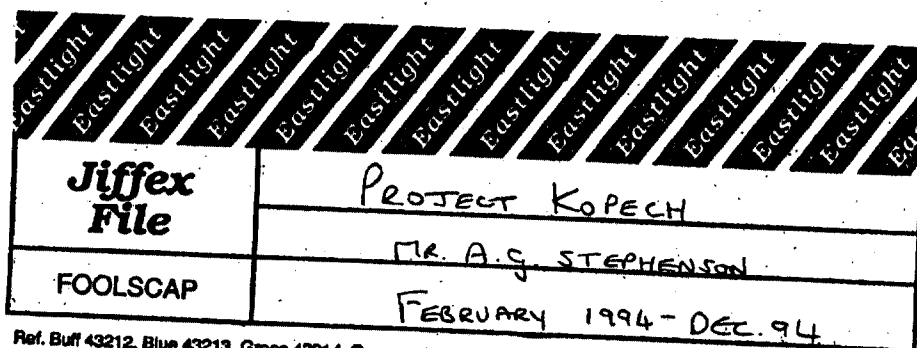


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BRITISH-AMERICAN TOBACCO COMPANY LIMITED

TO: Mr. G.A. Read
CC: Mr. A.G. Stephenson
FROM: Dr. C.R. Jenkins
DATE: 21 December 1994
SUBJECT: Project Work: KOPECH II/TEAM

Project KOPECH has demonstrated that Virginia products can be developed at significantly lower cost than current IFB's ex BAT (UK&E)'s factory, whilst still achieving acceptable smoking character as judged by our internal sensory panel. However, with increased BATCo. activity centred on new markets in the former 'Russian bloc', Virginia products are unlikely to carve out a major market segment. For these markets, a low priced 'international' style 'blended' product is likely to be more relevant.

In 1991/2, Project TEAM was initiated for BAT (UK&E) to develop low cost blends for a U.S. style product for exploitation in opportunity markets. Although blends at < U.S.\$3/kg and < U.S.\$4/kg were developed, which by internal evaluation were viewed as more acceptable than other products from the opportunity market (Lebanon), the project was not taken further. In a number of these potential markets, tobacco sourcing is a major issue and importation of any tobaccos may be prohibitive. Limited processing facilities may also be available. However, if a low cost 'blended' style pseudo international proposition were developed, cross-border trade (cigarettes for tobacco?) could be engendered leading to improved penetration in markets where BATCo. may not have manufacturing facilities. To explore the possibilities and the limitations for this concept, I would propose that we review the opportunities for a 'TEAM' style development proposition with key functional representatives from NBD e.g. Leaf, Marketing and Production and to assess the feasibility of manufacture of these style of products.

Chris
C.R. JENKINS

*Klan, I do not fully understand this statement.
The idea appears to have meant to me
i buy a 'blended' US B style of product.
What's your opinion?*

Discussed.

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