

BA Business Management

Strategic Management & Sustainability LCBB6004

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Student Name: Constantin Gabriel Tacea

Student Number: 2122369

Lecturer Name: Dr . Jaya Gopalkrishnan

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Introduction

A successful company that aims to be listed on the London Stock Exchange (LSE) must consider strategic management, thereby ensuring that the business is properly directed. This process involves an analysis of strategic choices and strategic actions, as well as an evaluation of the market and existing resources (Barney, 2019).

In the context of the present research, the strategic management report is based on the analysis of the British American Tobacco company. British American Tobacco is one of the world's leading companies in the tobacco industry, with a history spanning over 100 years, and is listed on the London Stock Exchange. The company has a diversified portfolio of tobacco brands, traditional tobacco products, and alternative nicotine solutions. The resilience of British American Tobacco is notable due to its innovative approach, which is tailored to consumer needs and addresses the challenges posed by global regulations. The most popular brands under British American Tobacco include Kodiak, Vogue, Newport, Vype, glo, Dunhill, Kool, Camel Snus, Pall Mall, Natural American Spirit, Kent, Rothmans, and Lucky Strike. The company's headquarters is located in London, United Kingdom.

The industry is continuously evolving, and an analysis of British American Tobacco's strategic choices and actions is essential to understanding how challenges and opportunities in the tobacco sector are addressed. The company's decisions are focused on long-term sustainability and maintaining competitiveness in the market. British American Tobacco offers a diverse range of products, has a broad geographical expansion, and adapts to changes and consumer behavior.

Identifying Key Business and Corporate Strategies

British American Tobacco relies on both business and corporate strategies. "Strategy is a crucial subject. It's about the development, success, and failure of all kinds of organizations, from multinationals to entrepreneurial start-ups, from charities to government agencies, and many more. Strategy raises the big questions about British American Tobacco organizations – how they grow, how they innovate, and how they change." (Johnson, G et al., 2017).

Costs: Regarding the costs associated with British American Tobacco, there are fluctuations in purchasing costs due to weather conditions, global demand, and plantation decisions. The chosen strategy is to invest in research and development. According to Marketline studies, they spent GBP 323 million in FY2022 on research and development. Additionally, marketing costs

are significant for maintaining and increasing market share, with the company promoting its brands, organizing events, and using indirect advertising.

Differentiation: British American Tobacco employs a strong differentiation strategy, specifically Porter's strategy, thus positioning itself uniquely and remaining competitive within the industry (Morden, 2016). Compared to competitors, it may have higher or lower costs depending on its pricing strategy and the region in which it operates. Essential to its differentiation are investments in research and development for the creation of new products and technologies, making it a true competitor in innovation (e.g., Glo).

Digital Transformation: British American Tobacco uses advanced production technologies and digital solutions. The strategies the company has followed include automating manufacturing processes using "Big Data" technologies to analyze market trends and consumer behavior. Furthermore, digitalization involves data security, and the company has implemented cybersecurity solutions to protect sensitive information.

Resources and Capabilities of British American Tobacco

Resources are the main factors through which a company can implement its strategies (Morden, 2016). British American Tobacco possesses financial resources, but according to the data from the British American Tobacco p.l.c. - Financial and Strategic Analysis Review (2024), they have also experienced fluctuations. For instance, in FY2022, BAT's current ratio was 0.8, compared to a competitor like Japan Tobacco Inc., which had a current ratio of 1.7. Financial resources are crucial for covering the costs associated with developing new products (Lynch, 2018).

Technological Resources: British American Tobacco spent GBP 323 million on research and development in FY2022. The company's strategy of investing in technology involves product innovation, which maintains its competitive position against other companies.

Human Resources: Operating at a high global level, British American Tobacco employs specialists in marketing and management and has research centers in strategic locations, such as Southampton, UK.

Production and Distribution Resources: British American Tobacco operates 41 factories in 39 countries, with a distribution network covering key regions worldwide. This is based on a strategy of geographic diversification, providing access to various markets and enabling the company to meet local demands.

Brand Portfolio and Range: As mentioned in the introduction, British American Tobacco owns an extensive portfolio of brands and supports the strategy of consolidating its market position and entering new market segments.

British American Tobacco has effectively aligned its resources and capabilities with its business and corporate strategies. Efforts in research and development, geographic diversity, human resources, and well-organized production and distribution are key aspects of its innovation and global expansion strategies. The innovation strategy is directly aligned with investments in research and development as well as in human resources. As a result, products are created that cater to consumer needs, generating revenue that supports the expansion of the product range.

Globally, the production and distribution network supports the company's global expansion strategy. The company has tapped into emerging markets, and its technological resources and extensive production capacity support proper expansion in each country. The diversification and adaptation strategy is aligned with the brand resources, allowing British American Tobacco to explore new production areas, such as hemp-based products. Through the diversity of its portfolio, the company is prepared to face changes in consumer demand.

VRIO Analysis

Resources	Value	Rarity	Imitability	Organisation
Financial resources	Allows the company to develop new products and maintain a competitive position in the market.	In the tobacco industry, most major companies possess significant financial resources.	Affected by Financial Market Conditions	Optimized to Enable Growth Strategy
Technological Resources	Supports the company in staying relevant and competitive in the market.	There are research and development centers and contracts with researchers—an uncommon feature in the tobacco industry.	The Duration Involved in Developing Systems for Innovation May Limit Processes	Good Equipment for Transforming Innovations into Products

Brand Reputation	A large portfolio that maintains brand recognition.	The company holds patents, which is a rare aspect.	Limited Time for Portfolio Development	Through Strong Marketing and Expansion
Global Production and Distribution Network	Access to markets – a competitive advantage.	Most large companies in the tobacco industry are developed at a global level.	Due to its Extensive Portfolio and Production and Distribution Network, British American Tobacco is Difficult to Imitate	Organized to Sustain Global Expansion

Figure1: VRIO ANALYSIS (Self Souce, 2024)

British American Tobacco has the capacity to be a sustainable competitor through its resources and capabilities, innovation, and global network, which holds an impressive portfolio.

Successful company - implementing selected business and corporate strategies

For British American Tobacco, the success of implementing business and corporate strategies can be easily evaluated. The analysis of how these strategies have been implemented and their competitive impact is examined through the main strategies chosen by British American Tobacco.

- Implementation and Success of Innovation Strategies:**
 Significant investments have been made, approximately 1.2% of revenues according to the British American Tobacco p.l.c. - Financial and Strategic Analysis Review (2024), and products like GLO have been launched to meet strict health regulations. This has been a real success, with revenues increasing by 41% in FY2022. In the market, British American Tobacco has consolidated its position in the reduced-risk product segment.
- Implementation and Success of Globalization Strategies:**
 British American Tobacco operates 41 factories in 39 countries and invests in emerging markets (Switzerland, Canada, South Korea, Russia, Romania). Success is derived from access to new markets, as British American Tobacco meets the global demand for tobacco products, resulting in significant and consistent revenue growth.
- Implementation and Success of Diversification Strategies:**
 British American Tobacco has partnerships, such as the joint venture with Charlotte's

Web Holdings, Inc. and AJNA BioSciences PBC, to develop a botanical hemp extract. Furthermore, investments have been made in non-tobacco, health-oriented products. Success is represented by the expansion of the portfolio with new products and a reputation for innovation and adaptation to changes and consumer demands.

- **Implementation and Success of Performance Strategies:**

In FY2022, there was a 7.8% increase compared to FY2021, with significant growth driven by new products. Success has been ensured by expanding the portfolio with innovative and health-oriented products.

British American Tobacco become more competitive

British American Tobacco is a competitive company, particularly in the context of sustainability and the environment.

- **Innovation Strategy and Reduced-Risk Products:**

As presented in the British American Tobacco p.l.c. - Financial and Strategic Analysis Review (2024), the company invested GBP 323 million in Research and Development. Consequently, e-cigarettes and tobacco care products were designed to reduce the negative impact on health. New products, such as Glo and Vype, were developed to offer a less risky alternative to traditional tobacco smoking, thereby meeting the company's sustainability objectives. Revenues have increased significantly following these decisions, and the company has responded to health requirements and consumer preferences through innovation.

- **Sustainability and Corporate Responsibility Strategy:**

A campaign was implemented to reduce the ecological impact by cutting carbon emissions and managing waste. British American Tobacco has engaged in social responsibility projects to educate consumers about reduced-risk alternatives. Periodic reports are published that detail the progress made in achieving British American Tobacco's sustainability goals.

- **Regulatory Adaptation and Compliance Strategy:**

The advertising and packaging of products have been adapted to meet strict regulations. Products with simplified packaging have been launched, and investments have been made in compliance with anti-tobacco legislation. British American Tobacco has implemented compliance strategies to align with both international and local regulations, as well as to adhere to packaging laws.

- **Diversification Strategy and Investments in New Areas:**

British American Tobacco has pursued partnerships to enter new areas and develop alternatives to traditional tobacco products (e.g., joint ventures with Charlotte's Web Holdings, Inc., and AJNA BioSciences PBC). Expansion into new domains has demonstrated that the company can exploit new revenue opportunities and help reduce reliance on tobacco products, thus supporting sustainability goals.

British American Tobacco stands out for its innovation and development of reduced-risk products, commitment to sustainability and social responsibility, and diversification and investments in new areas. All these contribute to the company's commitment to reducing its ecological impact, increasing revenue, and satisfying customers who wish to reduce tobacco consumption for health reasons.

Assessment of Future Strategic Directions for British American Tobacco

The strategic options available for British American Tobacco are outlined as follows:

Future Strategic Directions

Given the success of reduced-risk products, expanding the portfolio to include more of these, including electronic cigarettes, represents ongoing innovation and requires further investment in Research and Development to improve technology and develop new low-risk products. The major benefit of this choice is from a competitiveness standpoint, as it can strengthen the company's market position.

Expansion into Emerging Markets

British American Tobacco is known for its strategy of geographic expansion into rapidly growing markets. This is a suitable choice and could continue through further expansion into certain countries in Asia and Africa. The major benefit here is the reduced risk of increased expenditures. Developing markets have the advantage of offering profit growth at lower costs.

Sustainability Practices

Adapting to environmental protection by reducing emissions and promoting sustainability has improved the company's reputation among consumers and investors, contributing to their retention and attraction.

Diversifying the Portfolio and Investing in New Areas

Investing in new domains will enable the company to continue strategic partnerships and exploit innovative collaboration opportunities, which will position the company in a hard-to-beat standing. Another benefit is the reduced dependence on tobacco.

Recommendations for Future Sustainability Practices

For the future, British American Tobacco should consider strengthening its emissions reduction initiatives. Goals for reducing carbon emissions should be established, and technologies that ensure ecological innovation—such as recyclable packaging—should be implemented to minimize the environmental impact of operations.

Another solution for future sustainability practices is to enhance natural resource management by implementing efficient water management solutions and other strategies for conserving natural resources used in the production process. Transparency should be increased, with regular reports published detailing sustainability efforts and showing progress towards environmental and social objectives.

The company must continue engaging with stakeholders regarding sustainability initiatives and their impact on the environment, consumers, and the industry as a whole. Investment in innovative, sustainable products will have a reduced ecological impact and promote the shift away from traditional tobacco products. It is crucial to invest in Research and Development for creating these sustainable and innovative products.

British American Tobacco should also consider social responsibility by creating community projects, participating in education, and raising awareness through supporting initiatives aimed at reducing the consumption of traditional tobacco products.

Conclusion

British American Tobacco is a strong presence not only in the United Kingdom but across the global tobacco industry. All of its business and corporate strategies are effective and have elevated the company to a high status. The company has focused on geographic diversity, choosing to operate in emerging markets, investing significantly in Research and Development and innovations, and supporting sustainability. Transparent reports demonstrate the seriousness with which British American Tobacco addresses both consumer behavior and adaptability to the times we live in. From a competitive standpoint, British American Tobacco is strong and will remain so if it continues to practice sustainability, remains attentive to key moments, and establishes robust and strategic objectives.

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Appendix

SWOT ANALYSIS

STRENGTHS	WEAKNESSES
Geographic Diversification Robust Technological Capabilities Revenue Growth	Decline in Liquidity Position
OPPORTUNITIES	THREATS
Robust Perspectives for the Global Tobacco Market Strategic Agreements for Operational Expansion Increase in Consumer Spending in the U.S.	Influx of Counterfeit Products Fluctuations in Raw Material Costs Strict Advertising Regulations

Table 2: SWOT (Self Souce, 2024)

Porter's 5 forces - INDUSTRY ANALYSIS

Forces	IMPACT	Type
Threatening new entrants	There are barriers to entry in the tobacco industry and strict regulations.	WEAK
Power of suppliers	Investments in reduced-risk products that replace traditional tobacco and non-tobacco alternatives focusing on hemp-based products are significant.	MEDIUM
Competitive rivalry	Philip Morris International and Japan Tobacco Inc. are serious competitors in the tobacco industry.	HIGHT
Threat of replacement	If British American Tobacco does not focus on maintaining its position in the competitive market, it may be replaced.	MEDIUM
Threatening new entrants	There is also the possibility of new entrants.	WEAK

Table 3: Porter's 5 forces (Self Souce, 2024)