

CHAPTER II

THE MALAYAN TOBACCO COMPANY LIMITED

The British-American Tobacco Company Group

The Malayan Tobacco Company is one of the many members of the British-American Tobacco Company Limited Group. Members of this group are spread out in many parts of the world with the parent body known as the British-American Tobacco Company Limited in the United Kingdom. This parent company is responsible for the company policies and objectives of the members, and any such changes or modifications must be approved by the parent company.

The British-American Tobacco Company was formed in 1902 as the result of the truce between the invading American Tobacco Company and the British firms which had combined together into the Imperial Tobacco Company. The British-American Tobacco Company today owns about 20,000 trademark registrations, operates over 100 factories in more than 50 countries, and sells its numerous brands of cigarettes in practically every country in the world. It employs a global total of well over 100,000 employees and is one of the biggest tobacco companies in the world.

Brief History of the Malayan Tobacco Company

For over 50 years, the British-American Tobacco Company conducted its business in Malaya through its subsidiary Company, the Malayan Tobacco Distributor Limited, which commenced manufacturing in 1953 in a small factory in Kuala Lumpur. Three years later in 1956, the Malayan Tobacco Company Limited was incorporated as a private company and took over the business of the Malayan Tobacco Distributor Limited. A considerable number of imported brands were then locally manufactured. In 1962, it became a public company.

Its new and modern factory in Kuala Lumpur was opened in 1961 and in the same year it bought over 100% shares of the Singapore Tobacco Company Limited which became wholly its subsidiary. Since then, 85% of the sales of cigarettes has been manufactured locally with prospects of increasing domestic manufacture in the coming years. The main premises of the

Malayan Tobacco Company, covering an area of 8 acres, is at 173-3, Sungai Besi Road, Kuala Lumpur. The Company is fortunate in that it is able to draw upon the worldwide experience of the British-American Tobacco Company and its Associated Companies for technical advice and assistance in the growing and purchasing of leaf, development of manufacturing techniques, improvement of machines, training of management and technical staff.

Objectives of Company

The principal objectives are to carry on the business of manufacturing and dealing in tobacco, cigars, cigarettes, snuff and growing of tobacco leaf, and any business arising out of or in connection with any such commodities. Experiments are at the moment in progress in the Kota Bharu district of Kelantan to determine the possibility and extent of the growth of the Virginian type of tobacco.

How successful these objects have been achieved may be seen by considering briefly the following company objectives:

- (i) product objectives
- (ii) promotion objectives
- (iii) place objectives
- (iv) pricing objectives

The advertising slogan being "Leaders in quality", no efforts have been relaxed to achieve the best quality consistent with the price. The Quality Control Department has been established to ensure quality in the smoke, flavour and packing, and the ideal moisture-content and firmness in the cigarettes. Any genuine complaints received from the consumers are promptly investigated and rectified.

From the point of view of promotion, the Malayan Tobacco Company is very much a conservative company involving a lot of red-tape when taking a decision. Any promotional activities envisaged must be approved by London Head Office first, hence the time taken to communicate forward and backward, more often than not, is an inhibiting factor to prompt action at the appropriate time.

There are two schools of thought regarding advertising. One is to consider it as an investment and the other as an expenditure. The Malayan Tobacco Company belongs to the latter school. The advertising policies are therefore less aggressive but more subtle than those of, say, Rothmans'. Their aim is therefore to work slowly but surely, for example,

the film on "Benson and Hedges"¹. Perhaps by spending less on advertising, the Company is able to maintain the prices of many of its brands despite the recent introduction of the excise duty of \$1.00 per lb. of cigarettes manufactured.

The place objectives and policies form the main substance of this study, hence they will be discussed in greater detail in later chapters. Hard and aggressive selling is the general rule. Consumers and retailers must be satisfied; to use an old maxim, they are always right.

The price list and the brand category give an idea of the range of prices from the lowest category (25 cents a packet of 10s) to the highest category (\$1.20 a packet of 20s). This is an attempt to cater for the various income groups. The policy of resale price maintenance is adhered to very strictly.

Staff and Line Chart of the Malayan Tobacco Company

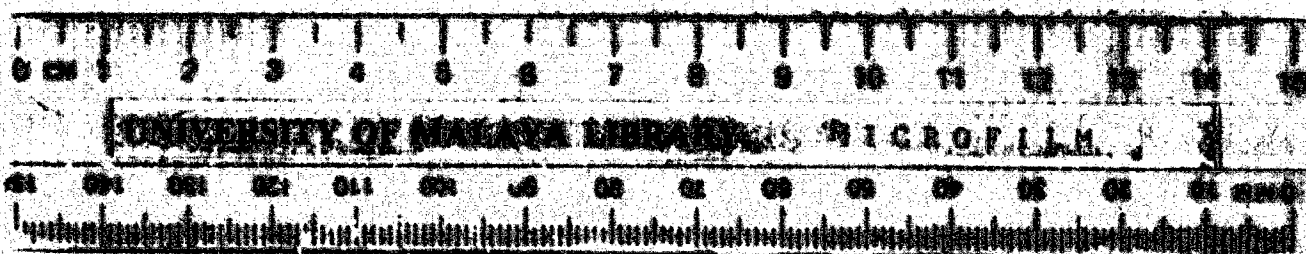
As mentioned earlier, the Singapore Tobacco Company is fully and wholly a subsidiary of the Malayan Tobacco Company, it is therefore not surprising that certain functions of the two companies, as shown in Figure 2-1, are held by the same personnel. The aim here is to describe briefly the Malayan Tobacco Company's organisation and it is only when a personnel is responsible for similar functions in the two companies that that of the Singapore Tobacco Company is shown. The chart attempts to show the functions of the different departments and the status of each personnel. While the functions are systematically spelled out, the status and seniority of the personnel has not been so precise².

The Chairman of the Board of Directors and General Manager is responsible to the British-American Tobacco Company in London for both the Malayan Tobacco Company and the Singapore Tobacco Company. Directly under him are three directors, Finance, Marketing and Production, two managers, Personnel and Leaf, and the Information Officer. The Accounting Department headed by the Director is responsible for general accounting and, working

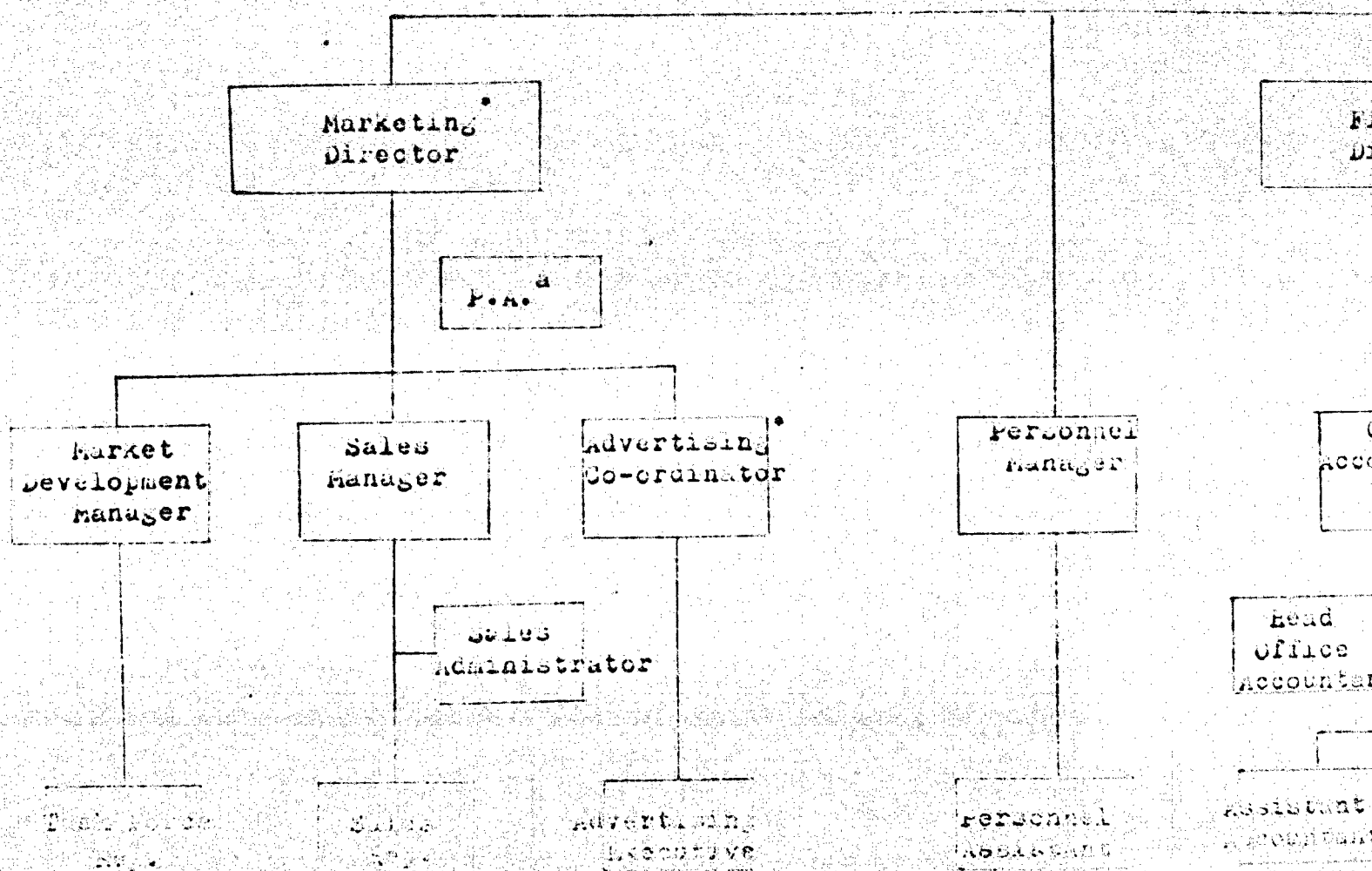
¹This film appeals to the inner emotions; pride, prestige and more refined tastes, for example, the cigarette is associated with jewelry and classical music.

²The status of the personnel has not been categorically specified by the Company; the one shown in the Chart is the results of the writer's careful study. Any misrepresentation is his sole responsibility.

LINE AND STAFF ORGANISATION OF



Chair
General



Source: Personnel Dep.

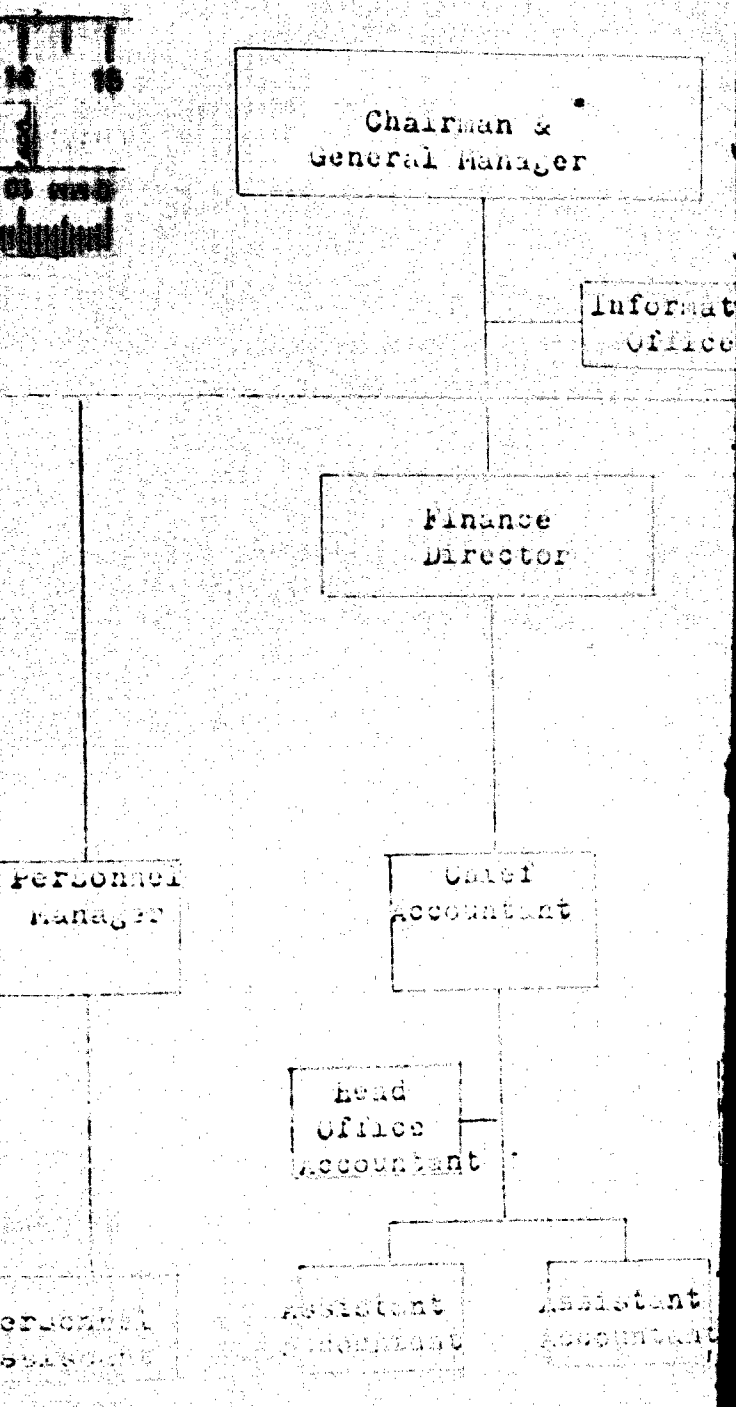
* Common to the Singapore

^a Personnel Assistant to the

^b Personnel Assistant to the

FIGURE 2-1

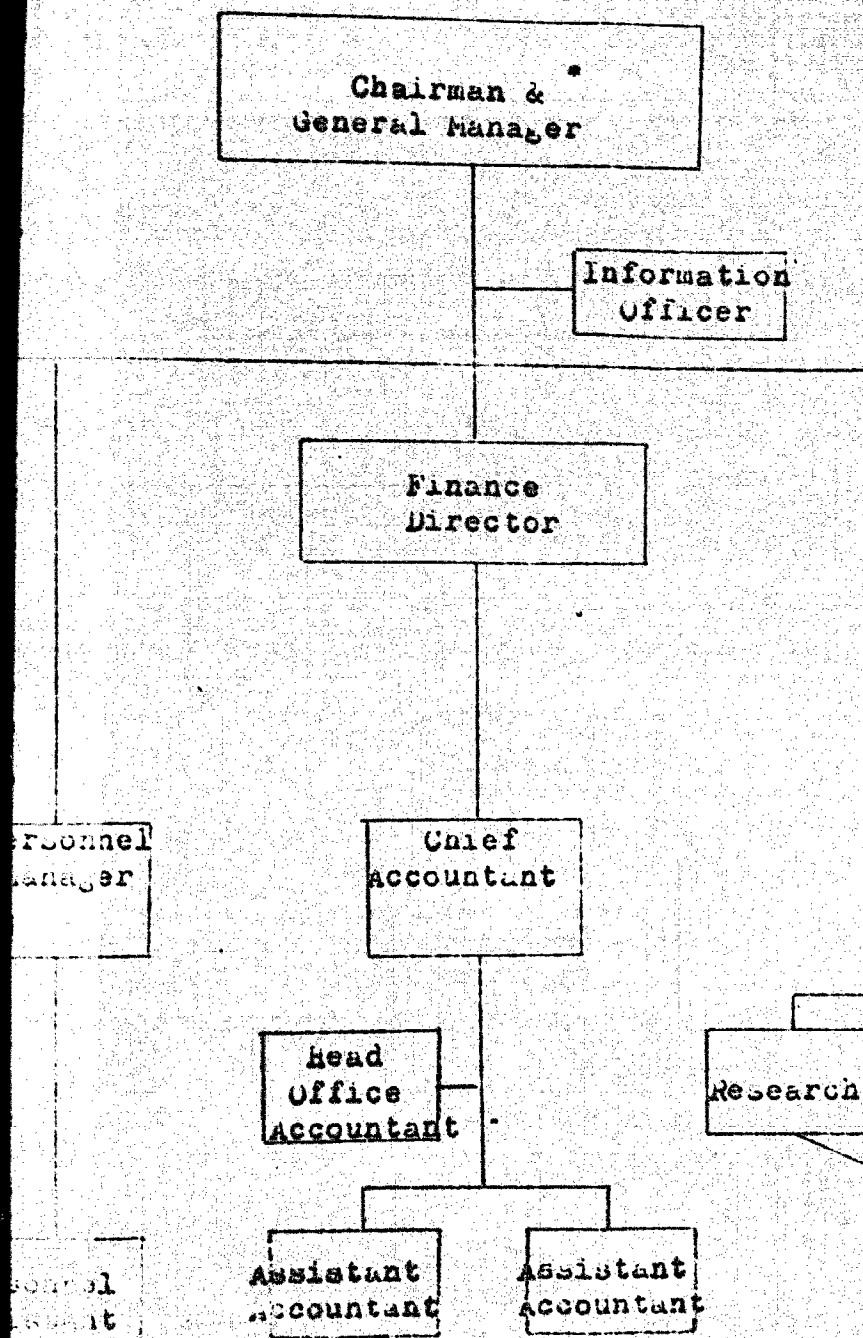
STAFF ORGANISATION OF THE MALAYAN



Source: Personnel Department, Malayan Tobacco Company
 * Common to the Singapore Tobacco Company
 * Personal Adviser to the Marketing Manager
 * Personal Adviser to the Production Director

FIGURE 2-1

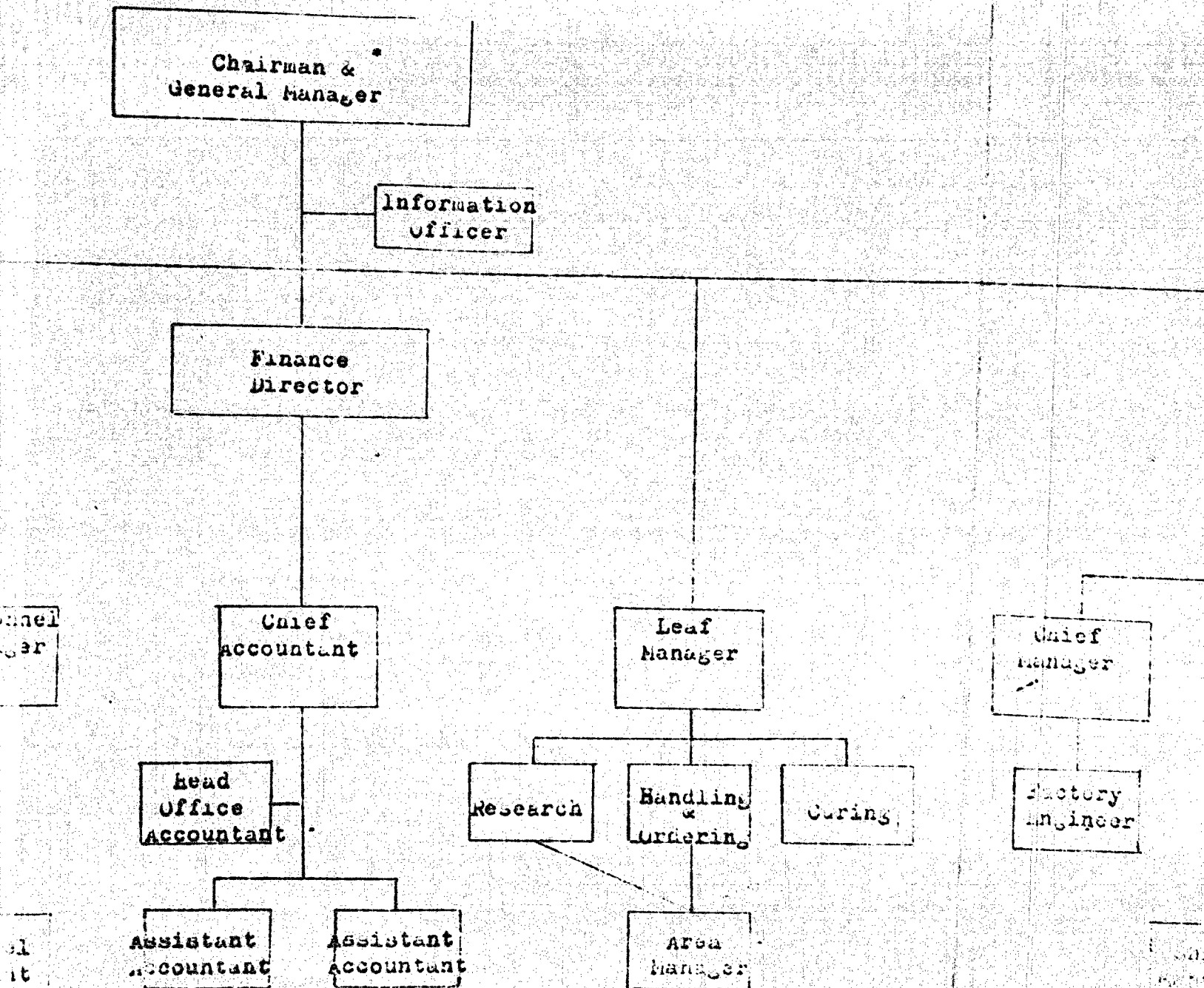
STAFF ORGANISATION OF THE MALAYAN TOBACCO



Source: Personnel Department, Malayan Tobacco Company
 * Common to the Singapore Tobacco Company
 * Personal Adviser to the Marketing Manager
 * Personal Adviser to the Production Director

FIGURE 2-1

ORGANISATION OF THE MALAYAN TOBACCO COMPANY



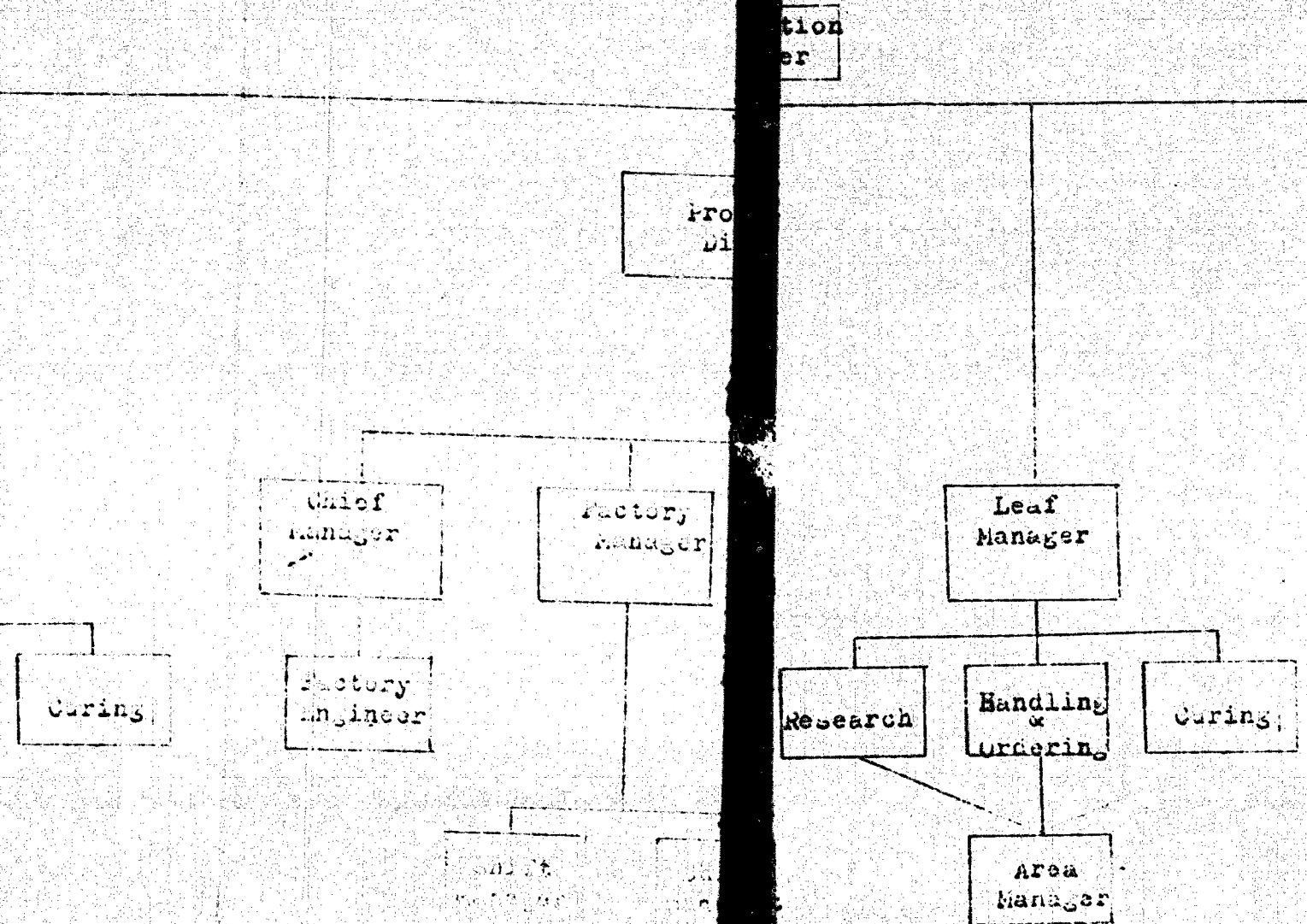
Source: Personnel Department, Malayan Tobacco Company (modified)

Report to the Singapore Tobacco Company

Personal Advisor to the Marketing Manager

Personal Advisor to the Production Director

TOBACCO COMPANY

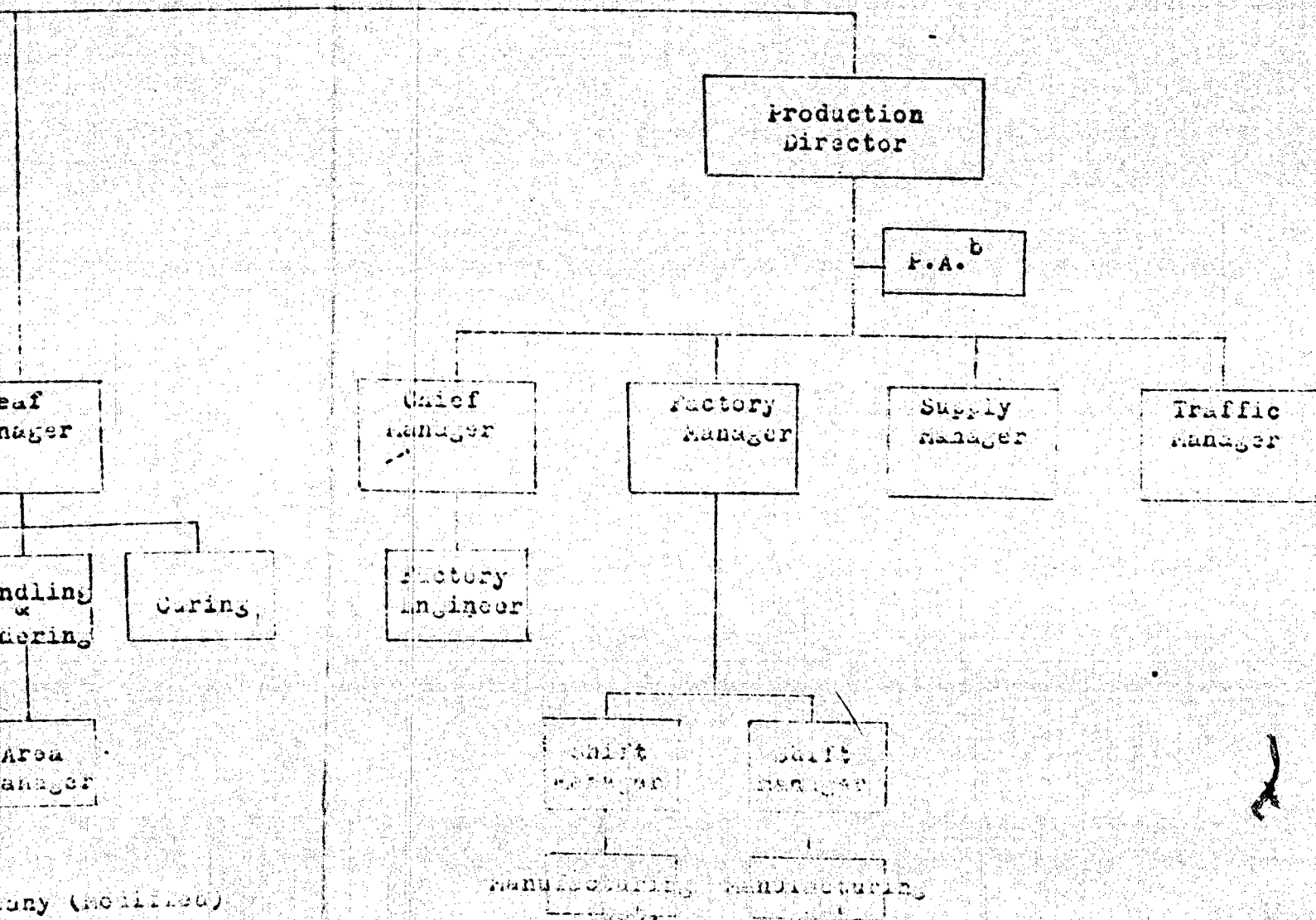


an Tobacco Company (modified)

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anager

Director



hand in hand with the other departments, for framing the Company's budgeting policies. The Marketing Director heads the Marketing Departments of Malayan Tobacco Company and Singapore Tobacco Company, each with a Sales Manager answerable to the Director for the sales of his territory. The Production Director has six men responsible to him; they are his Personal Adviser, Security Officer, Chief Engineer, Factory Manager, Supply Manager and Traffic Manager. The factory works in two shifts, each with a shift Manager and his Manufacturing Assistants. The Leaf Manager is responsible for the growing of tobacco leaf in Kelantan and its development and research. The duties of the Personnel Manager include the selection and training of staff and handling and solving their problems.

