



## PROJECT BATTALION

## OPERATIONS DRIVE TEAM

### PURCHASING: EXECUTIVE SUMMARY

#### Current situation

- BAT Tobacco clearly has enormous global scale in purchasing. Many common items are purchased throughout the global operations. However, currently, purchasing of most items is fairly decentralised, taking place at the country or operating group level.
- The Purchasing Executive Committee (PEC) has been set up to improve global co-ordination/consolidation of purchases.
- Although much progress has been made, the PEC lacks sufficient decision authority to achieve full benefits of BAT Tobacco's global scale. Frequently conflicts between local and group interests are an obstacle
- There is a strong feeling both within and outside the PEC that considerable incremental benefits are available through greater centralisation of purchasing activities. There may also be benefits to widening the scope of Purchasing, to bring other products in its umbrella

#### Emerging change options

- Concentrate decision power in Purchasing in the centre to ensure full leverage of global scale
- Increase scope of Purchasing to include other items, e.g. agricultural chemicals, capital equipment, shipping, etc

#### Core issues:

- What is the appropriate distribution of decision power within Purchasing to ensure optimal leverage of global purchasing scale?