Hiding Behind Novel Products

Slides from British American Tobacco’s February 17, 2021, Preliminary Results 2020 presentation, reproduced with comments

Original slides and transcript
Tobacco Control Research Group, University of Bath
— In what sets BAT apart, the company emphasized new categories (i.e., novel products), brand recognition and a brief mention of diversity of employees.

— The “better tomorrow” it promotes seems to be for the corporation—not health.
BAT emphasizes its non-combustibles...

— BAT highlighted growth of non-combustibles, yet they remain a small share of the market, even in countries BAT identifies as having strong growth (as seen in the Glo examples).

— These estimates are based on sales volumes, which does not necessarily equal number of consumers.

— BAT states: “The number of consumers of Non-Combustible products is defined as the estimated number of Legal Age (minimum 18 years, US: 21 years) consumers of the Group’s Non-Combustible products.”* This does not account for the number of potential underage users and remains only an estimate.

*See Appendix of slide deck
BAT assures investors its combustible business is in "great shape" and celebrates being a leader in the number of cigarettes sold, going against the industry narrative of so-called transformation.

"Resilient" translates to BAT still selling cigarettes despite a "challenging environment" (perhaps referring to declining smoking rates and tobacco control policies).

"Robust pricing environment" refers to BAT maintaining profitable prices, yet with no mention of the common industry argument that high prices lead to increased illicit trade.

Quote from Tadeu Marroco, BAT Finance and Transformation Director, from transcript of 2020 Preliminary Results Presentation Webcast and Q&A Conference Call
BAT seeks to addict users in LMICs with cheaper nicotine products.

— The highlighted success of Velo in this slide does not include BAT’s efforts to grow “modern oral” in low- and middle-income countries (LMICs), including selling smaller packages with fewer sachets to “make it very affordable” and “democratize the journey.”

— With evidence suggesting that Velo is sometimes targeted to young people, the “journey” BAT refers to may be the journey to addiction.

Quote from Tadeu Marroco, BAT Finance and Transformation Director, from transcript of 2020 Preliminary Results Presentation Webcast and Q&A Conference Call
— BAT claims success in maintaining nicotine addiction amidst tobacco control measures, such as menthol bans.
— BAT portrays its business as not having been affected by menthol bans, while the bans’ true impacts on business and health will likely be longer-term.
BAT needs high-income countries for revenue.

This slide suggests BAT needs high-income countries for revenue and LMICs as future investments on revenue (see next slide on market share movement).

This supports the notion that implementing strong tobacco control measures should remain a global effort.

Quotes from Tadeu Marroco, BAT Finance and Transformation Director, from transcript of 2020 Preliminary Results Presentation Webcast and Q&A Conference Call
Market share movements show BAT has its sights set on LMICs.

We are already seeing encouraging results from markets including Pakistan and Bangladesh. And we will continue to invest in its roll-out.

Quote from Tadeu Marroco, BAT Finance and Transformation Director, from transcript of 2020 Preliminary Results Presentation Webcast and Q&A Conference Call
Nothing on this slide indicates that there will be a reduction in the health impact of BAT's business.

— "A Better Tomorrow" appears to be about growing revenue, not reducing health harms.
In the end, it's still about selling cigarettes.

The price environment remains strong and we have seen no acceleration in downtrading in developed markets. And with our Revenue Growth Management tool we are now able to precision targets with the strong level pricing to further enhance combustibles value.

Tadeu Marroco, BAT Finance and Transformation Director

— Quotes from the presentation’s transcript show that BAT’s main focus is still its cigarette business.

— In other words, BAT will sell what it can, where it can and is making no meaningful commitment to stop selling combustibles.

Jack Bowles, Chief Executive
Yeah, I think that you have always to go back to what we said in terms of the way we look at the full portfolio in terms of New Categories. There are some markets where we will emphasise on one category and then reduce the investment on the other categories. Because the consumers are different from geographies, but also taxation, but also regulation.

So we will have an expanded footprint in terms of THP, but we will not put THP everywhere. We will have an expanded footprint on THP where we feel that the category has legs for the future, i.e. the current markets plus others that we determine as additional markets for THP. So it's an approach by category because we have these three categories that we can navigate.