

THE TOBACCO INDUSTRIES OF  
BANGLADESH (ABUL KHAIR  
TOBACCO COMPANY LIMITED)



# United International University

Project Report

on

THE TOBACCO INDUSTRIES OF BANGLADESH (ABUL KHAIR TOBACCO COMPANY  
LIMITED)

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**Date of Submission: 26<sup>th</sup> March, 2022**

**Letter of Transmittal:**

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**Subject: Submission of project report on “The Tobacco Industries of Bangladesh (Abul Khair Tobacco Group)”**

Honorable Sir,

With proper admiration, I would like to inform you that, I Md. Mahitunnabi Shuvo, bearing id-111 132 247, from Bachelor of Business Administration at United International University. I completed my BBA degree on major in Marketing. It was my great pleasure that I got an opportunity to prepare a project report on the selected topic as “The Tobacco Industries of Bangladesh (Abul Khair Tobacco Company Limited)” as the mandatory requirement of my BBA program. During completion of the report, I have gathered many practical knowledge about the tobacco manufacturing process and operation. With all the information, I have prepared this report with explanations to make reader understandable.

I believe that this genuine effort and hard work make you to have a good impression on me. I will be very grateful to submit the report to you with the clarification and needed explanations. Your kind approval makes me thankful to you.

Sincerely Yours,

Md. Mahitunnabi Shuvo

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## **Acknowledgement:**

First of all, I am grateful To Allah that I have prepared my report on time by the grace of Almighty.

I am very thankful to my honorable supervisor Mohammad Tohidul Islam Miya, Assistant Professor School of Business and Economics, UIU, because with his super guidance I have completed my report. He instructs me how to improve report, where I should create more betterment. Without his kind suggestion and instruction, it was not possible for me to complete the project and make it innovative and understandable to readers.

I would like to thank my workplace, Abul Khair Tobacco Company, for giving me the permission to access the internal information which is needed for my report. I also thank to workers and employees who helped me a lot by giving the information. They also gave their valuable time by giving interview with me. Lastly, I am grateful to my fellow colleagues who helped me a lot to provide the valuable information to me. Without their kind help, I am not able to prepare the report with needed information.

Finally, I gave thanks to my family and friends from the core of my heart because with their support I am able to do everything properly on time.

## **Executive Summary:**

Abul Khair tobacco is one of the prominent names in the tobacco industries. In Bangladesh flue cured tobacco growing was started from 1968 on experimental basis in Kushtia district in Northwest part of Bangladesh. After 6 years of extensive field work & grower's participation, Bangladesh achieved self-sufficiency of tobacco in terms of Volume. Subsequently tobacco growing extended to the other areas in Bangladesh. Now there are four major tobacco growing areas in Bangladesh - Kushtia, Chittagong, Rangpur and Manikgonj.

In this report, the first chapter includes origin of report, purpose of the study, scope and limitation and methodology. The second chapter narrates global overview of Tobacco Market that includes history of tobacco, type of product, pricing and tax policies and global market view. In the third chapter, company profile of Abul Khair Tobacco was included- all the company related information like company history, company's product, export issues and so on. The next chapter is about Abul Khair Tobacco consumers, market, and competitor analysis. It also includes competitors' insight, the competitors of Abul bidi, cigarettes and smokeless cigarettes, their market share values and their consumers.

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## Chapter One: Introduction



## 1.1 Introduction:

Project is a partial requirement of graduation. It provides students the opportunity to learn new things about practical field. In project program student have to prepare a report on a certain topic and apply his own knowledge to prepare it. It also helps a student to increase their intellectual abilities. As tobacco industries are growing rapidly and their performance are excellent in the tobacco market, so it was my premier objective that after completing of my graduation to prepare the internship report based on the tobacco industry.

The internship report is based on one of the top tobacco industries in Bangladesh, named “Abul Khair Tobacco “which is operated by Abul Khair Group of Industries. It is one of the trusted industries named in Bangladesh. Form 1953, they have exported best quality tobacco in many countries of the world. It is the mother business of Abul kahir Group. The total tobacco industry has two parts- one is using the growing and the process of tobacco for domestic use and exporting in various countries. Another the manufacturing and selling of cigarettes to the domestic market. Abul khair tobacco started its business in 1988 and from then to now it occupied the leading position in the market. This research paper is prepared about Abul Khair tobacco and here writers collected all the information about the whole topics.

## 1.2 Origin of the report:

The Project report is competed as the requirement of undergraduate program of Bachelor of Business Administration (BBA). Project is three credit courses. I selected the topic as “Tobacco Industry in Bangladesh”. I made this report with my best tried and with the cooperation of my supervisor “Mohammad Tohidul Islam Miya”. I am grateful to him for guiding me in every step of the betterment of the report.

## 1.3 Objective of the study:

General Objectives: The primary aim of preparing this report is to explore how tobacco industry run their business, what facilities and limitation they face and how they conduct their whole operation process with export and import. Here reporter tries to connect the theoretical knowledge which he learns in BBA program.

Specific Objectives:

- To explore the operation system of tobacco industries
- To explore how the industry handle their export and import sector (Tobacco)

- To explore the consumption rate of tobacco in Bangladesh
- To explore the market segment, marketing strategy of tobacco
- To find out the suggestion and recommendations about the development of tobacco industry

## 1.4 Methodology:

Methodology means how and what process the report is prepared. Here writer collects several information from first and secondary data. For Primary data writer collects information from employees of selected company by survey questionnaires. For collecting secondary data writer takes the help of internet. He has to collect information from several journals, articles from the related topic.

### 1.4.1 Primary Data:

Here to prepare this report researcher collect data by his own experience while doing job in the industry. He directly notices how Abul Khair Tobacco runs their operation and how they conduct their whole business activities. Apart from that research also collected data from his fellow colleagues by asking them some open-ended questions. Research also visits their operation sector and collects information by observing the activities and discussion with employees.

### 1.4.2 Secondary Data:

- Visiting Company's websites ([www.abulkhairtobacco.com](http://www.abulkhairtobacco.com))
- Exploring annual reports and journals of several tobacco industry
- Exploring various reports on tobacco industry

## 1.5 Scope and Limitation:

### 1.5.1 Scope:

- **Supervisors Help:** The writer is grateful to his supervisor for his best guidance and support. Without his support, the researcher cannot fulfill the report without his kind help. He discusses every step of the betterment of this research paper.
- **Access to information:** Here researcher has enough access to collect information and he visits all the industry by himself and collect data by observing activities. So, he finds no limitation of collection of data.
- **Acceptance of employees and employers:** To prepare this report employer also helped researcher by giving him the access of information. Other colleagues and other employees also helped him by disclosing information which is important for preparing this report.

### *1.5.2 Limitation of the Study:*

- **Lack of information:** Some information such as market shares, production amount and regional manufacturer has not founded.

## Chapter Two: Overview of Tobacco Industries and their Products in Bangladesh

## 2.1 Introduction:

Bangladesh is one of the largest tobacco consuming countries around the world. It is estimated that there are 46.3 million adults are using this tobacco around the world. They consumed smoked, smokeless tobacco products. Since 1990, the rate of smoking has increased frequently. Bangladesh has made progress on tobacco control in recent years.

## 2.2 Tobacco Industry of Bangladesh:

There are three large tobacco manufacturing industries in Bangladesh. They supply most of the tobacco in the market places. They are given below:

- British American Tobacco Bangladesh
- Abul Khair Tobacco
- Japan Tobacco International

## 2.3 Types of Tobacco

There are three types of tobacco and they are following below;

- Bidi
- Cigarette
- E-Cigarette

### 2.3.1 Bidi

The main bidi manufactures in Bangladesh are:

- Akij Bidi
- Abul Bidi
- Karikar Bidi
- Nasir Bidi
- Hundreds of Local Bidi Manufactures in Bangladesh

In Tobacco Industry, Bidi has occupied 38% market share approximately (400 crore in sticks) and based on the research of Economic Census there were 9624 bidi manufacturers in total and of this 96% are household based.

Economic Census also predicted that 45272 people were employed in Bidi manufacturing. Of two thirds of employment in the manufacturer of Bidi was informal sector and other one third was closely and it is related to household-based establishment. In the formal sector women are employed in producing Bidi and Around 65% of those employed in household base bidi manufacturing are mostly women.

According to recent study figure out mismatches in number of Bidi factories and workers in Bangladesh, according to the study there were 117 Bidi factories in Bangladesh & 65000 workers are employed there. Some 60% to 65% workers are children or below 14 years old.

### *2.3.2 Cigarettes:*

The Key cigarette manufacturers are

- British American Tobacco Bangladesh (BATBC)
- Akij Group of Industries
- Abul Khair Tobacco Industry (AKTCL)

According to research, it seems that there are about 40% cigarettes are coming from these markets. This research also found that Derby is the most popular cigarettes brand in Bangladesh and it grabs 28% market shares. Pilot, Navy, Hollywood, Maris, Star etc. are also popular brands that is produced by those industries. Top six brands are accounted for 68% of cigarettes consumption during 2020.

The basic elements of cigarettes are tobacco, chemical additives, a filter and paper wrapping. About 1500 youth aged between 12-17 smoke this cigarette and more than 200 youth under age 12-17 becoming chain smokers. The manufacturing of cigarettes has reached up to 20000 in every minute. The procedure is started by producing one long cigarette which is called "ROD". For producing the rod, a spool of cigarettes papers up to 7000 meters long is unrolled and a line of tobacco placed on it.

### *2.3.3 Electronic Cigarette:*

An electronic cigarette is known as an electronic device that helps to tobacco smoking. It is an atomizer, a power source like battery, and a container such as a cartridge or tank. E- Cigarette

market has rising after its entrance since 2003. In 2019, there are 7 million adults use E cigarettes globally and it is rising 68 million in 2020. It is believed that E Cigarettes are less harmful than other cigarettes. China has highest E cigarette smokers. Worldwide there are lots of people using vaping. Because of coming of E cigarettes, the use of tobacco by young people has dropped 75%.

#### 2.4 Bidi price and Tax Policies:

Bidi is less expensive than cigarettes and it is very popular among poor in Bangladesh. It has occupied 75% of selling of bidi in the whole Bangladesh. According to the report of GATS Bangladesh, the average price of per packet 25 bidi sticks is 6.2 BDT. One single bidi price is about one sixth price of a cigarettes.

Tax paid on bidi is lower than the tax paid on cigarettes. Tax is given approximately half of the actual retail price and the tax is imposed according to the instruction given by government. In one packet there are 20 sticks or less but in Bangladesh one non filtered bidi packets sold with 25 sticks.

#### 2.5 Cigarette Price and Tax Policies:

The price of cigarette is higher than bidi price. Star filter kings is the most selling brands in Bangladesh. The average price of 20 cigarettes is 28 BDT regarding the lowest brand and 50 BDT for the most selling brand. The low level of price suggests the need for the rising taxes significantly to increase the price and reduce demand. The tax structure if tobacco is very complex. Bangladesh is using tiered cigarettes tax structure which impose different ad valorem tax rates which is known as supplementary duty based on retail price slabs.

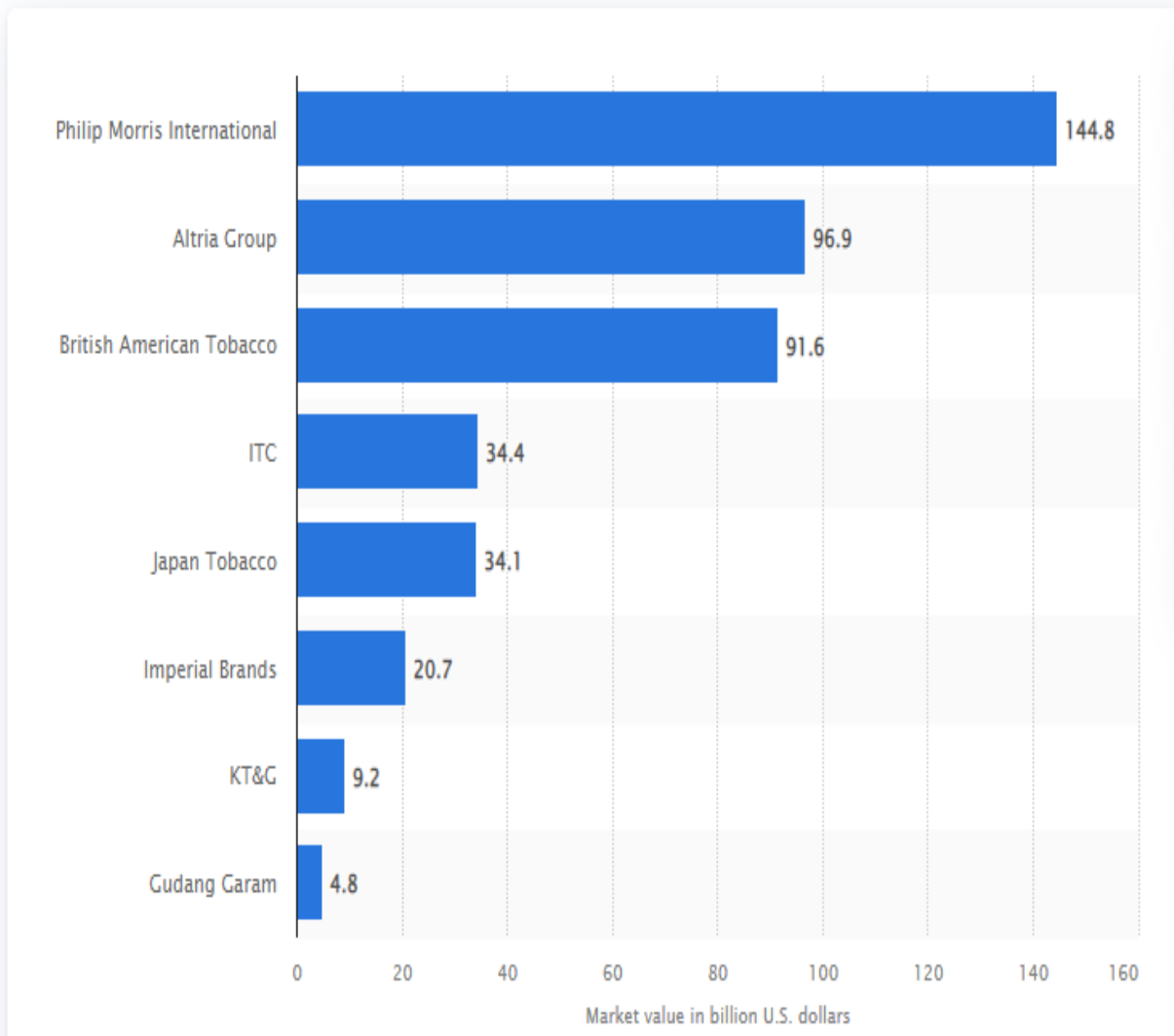
#### 2.6 Smokeless tobacco Price and Tax Policies:

Smokeless tobacco price is higher than other tobacco products. Tax structure on smokeless tobacco has complexity.

### Global Tobacco Market Size, leading companies, smoking rates:

- The Global Tobacco Market size was worth at \$183.1B in 2019 & is estimated to reach \$ 262.8B by 2027.
- The Tobacco is a plant native to Americas and was historically one of the most important crops born by America. Tobacco refers any of the plants in the genus nicotiana which are native to tropicana America widely cultivated for their leaves which are dried and processed primarily for smoking in cigarettes and cigars.
- The number of smokers worldwide is 1.1 billion in 2021 and the death of causing tobacco is 7.7 million.
- Tobacco Market has been driven by the availability of high-quality Tobacco products. It is rising average disposable income among the general public
- Revenue of tobacco products market amount to US\$12999million during 2022. The market is growing annually by 2.48%.
- The largest segment of market's is the segment cigarettes with a market volume of US\$714,144 million in 2022.
- According to the global comparison, China generates most revenue
- There is 6.5% In the tobacco products market, revenue will be generated from online sales by 2022.
- World leading tobacco Companies are given below:





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- There are 10 countries with high smoking rates, they are given below:

1. Nauru captures - 52.10%
2. Kribati captures - 52.00%
3. Tuvalu captures - 48.70%
4. Mymanmar captures - 45.50%
5. Chile captures - 44.50%

6. Lebanon captures - 42.60%
7. Serbia captures - 40.60%
8. Bangladesh captures - 39.10%
9. Greece captures - 39.10%
10. Bulgaria captures - 38.90%

### Positions Of Tobacco Companies in different Region and Country:

The China National Tobacco Co. has become the largest tobacco companies in the world, in terms of volume.

In terms of Market share the largest Tobacco Industry is Philip Morris International. Though Philip Morris International is number one in terms of global market share but in the regional tobacco market we see those different faces. Which means many players are playing in the market and we found different leaders in different market.

#### **Indian Tobacco Market:**

In India British American Tobacco has captured the Cigarette market with 79% of the total sales by Volume. Whereas Philip Morris International hold 3.5% and Japan Tobacco hold 2% respectively.

#### **Tobacco Market in Pakistan:**

In Pakistan British American Tobacco has achieved the position of the Market Leader. British American Tobacco secured 65.6% market share and Philip Morris International followed with 30%. Others are negligible.

#### **Tobacco Market in Sri Lanka:**

In Sri Lanka Tobacco Industry is controlled by Ceylon Tobacco Company.

Surprisingly 61% is the manufacturing rate out Bidi, whereas 31% Cigarettes are manufactures in Sri Lanka. Though British American Tobacco owns 84.13% shares of CTC and CTC (Ceylon Tobacco Company) manufactured 99% cigarettes in Sri Lanka.

**Tobacco Industry in Japan:**

Japan Tobacco industry is completely controlled by its domestic Company JT Group.

JT Group has captured around 40% of its operating profits and has obtained 60% market Share in the cigarettes business.

MEVIUS is the Number 1 Cigarette Brand of JT and has strong position in Japan and many other Asian countries.

**Tobacco in Bangladesh Market:**

In Bangladesh British American Tobacco is known as the Market leader in Bangladesh. In terms of sales, they have secured 66.6 percent market share in cigarette industry, JTI and AKTCL has occupied the rest of the market share.

Chapter Three: Company Profile: Abul Khair Tobacco Company Limited

### 3.1 Company Overview:

Abul Khair Tobacco is the one of the trustworthy names in the tobacco industry of Bangladesh. The company have been turning into the industry since 1953 and from then to now the industry has been exporting the best quality tobacco in many countries around the world. Abul Khair Group's mother business was Tobacco. The tobacco industry is divided into two parts. One is tobacco the growing & the processing for domestic use & export activities in various countries and the other is cigarette manufacturing & selling to the domestic market.

In 1998 Abul Khair Tobacco began its cigarette manufacturing and selling business. Abul Khair tobacco is in a leading position in low segment cigarette brand at domestic market

### 3.2 History of Tobacco

In Bangladesh flue cured tobacco growing was began from 1968 on experimental basis in Kushtia district in North West part of Bangladesh. After experiencing 6 years of extensive field work & grower's participation Bangladesh had achieved self-sufficiency of tobacco in terms of Volume. Subsequently growing of tobacco extended to the other areas in Bangladesh. Now in Bangladesh, there are four major tobacco growing areas and these are Kushtia, Chittagong, Rangpur and Manikgonj.

### 3.3 Operation Process:

In Bangladesh Abuk Khair Tobacco is a national company with manufacturing and sales facilities. Wherever we manufacture, they provide the same exacting standards to ensure the best quality in low & mid segment that smokers of our brands have come to expect. Currently they are engaged in distributing our brands to almost 8 lac outlets. They have goodwill as they have sufficient vehicle and our manpower is skilled and dedicated enough. Their day today activities is not only the making cigarettes but also thinking about the way they do business and interact with the world outside their offices both globally and locally.

### 3.4 Brands of Tobacco:

- **Cigarette Brand**

Their aim is not to encouraging people to start smoking or to smoke more, but they try to highlight those who are smoking we highlight them that our Brands are better than competitors.

- **Rally verve**

It was launched in 25<sup>th</sup> April, 2010. Rally verve is one of their supreme brands; it belongs to medium segment's brand. At present we hold 10% segment share of this segment.

- **MARISE Special Blend**

Marise was launched in 3<sup>rd</sup> July ,2006. The highest selling brand of tobacco industry in Bangladesh is MARISE Special Blend It is known as Low segment's brand. At present we hold 50% segment share of this segment.

- **MARISE White**

MARISE white was launched in 2009 and it is known as Low segment's brand. it is MARISE family's new brand.

- **Super kings White**

Super Kings white launched in 2006 and it is known as a popular brand of tobacco industry in Bangladesh; It belongs to lower segment.

- **Sun Moon**

Sun Moon was launched in 1998 and it is our first cigarette brand. In Bangladesh Sun Moon is known as very popular brand of tobacco industry; it is Low segment's brand. Presently we have a good portion of share of this segment.

- **Handmade Brand**

- **Special Abul Bidi & 42 No Abul Bidi**

42 No Bidi introduced in 1953, which was the first business of the Group. Now Special Abul Bidi. is another brand of Bidi (Handmade rolled Tobacco Smoking Product). Presently we have 7% market share of this industry.

### 3.5 Leaf-Operations

All the leaf growing areas of the Bangladesh, Abul Khair Leaf operations activities spread. They have a contractual farmer base for tobacco cultivation of about 20,000 farmers. They grow tobacco in about 45,000 acres & produce 25 million kg's of tobacco. Their field force strength is about 250 people. They have the capacity of warehouse about 35 million kg's of tobacco in the various locations

### 3.6 Exports:

They meet the needs of local markets; they have been exporting tobacco leaves to many countries of the world. They are known as renowned for producing the best quality of tobacco in Asia. They have a great range of product to meet the needs of their existing and potential buyers all around the world. Their products are widely exported in many countries of the eastern and western world

## Chapter Four: “Abul Khair Tobacco company products, consumers and competitor analysis”



#### 4.1 Bidi Consumers:

Abul Bidi Factory is one of the top sellers in Bangladesh. They have two different bidi brands which are given below;

- SAB (Special Abul Bidi)
- 42 No Abul Bidi (EAB)

Currently 5.8 million Bidi smokers prevail in Bangladesh and they are adult bidi smoker. There is a significant Change found in terms of bidi consumption in Bangladesh. Adult Bidi smokers was 23% in 2009 and in 2017 the rate is 18% based on the global adult Tobacco survey which was conducted in 2009 & 2017. Tax paid sales of bidi decreases in a significant number, besides demand of bidi has been shifted to cigarettes.

Abul Bidi Factory is located in Rangpur. Most of the Consumers of SAB & EAB bidi are rural farmers, fisherman and coastal areas people. Apart from that mostly poor, ultra-poor and not educated people smoke bidis. 5.3 million or 5% adults smoke bidis and on an average 13.7 bidis are smoked per day by them.

#### 4.2 Pricing strategy:

- SAB Bidi sold to retail outlet at 716 tk. for 1000 sticks
- EAB Bidi sold to retail outlet at 560 tk. for 1000 sticks
- Retail outlets offer 1 packet SAB bidi to consumer at 20 tk. & 1 packet 42 no Abul Bidi to 17 tk.
- Each packet contains 25 sticks.
- Recently Abul Khair Tobacco offered a limited addition 12 sticks lucrative bidi packet to consumer at 10 tk.

#### 4.3 Competitors of Abul Bidi:

The main competitor of Abul bidi is Akij Bidi, Akij Bidi is also offering the same pricing strategy to the same customer segment. Besides Akij Bidi some regional Bidi manufacturer also playing competitors role such as; Karikor Bidi, Karikor Bidi is produced in Barishal and only offered to Barishal region peoples. Another Local bidi manufacturer is Sonali Bidi, This Bidi is also available

in Noakhali district also Maya Bidi, Special bidi & Hundreds of Local bidi producers are available in this Bidi Industry

#### 4.5 Cigarette Consumers:

Previous year (2021) around 83.5 billion cigarette sticks were sold in Bangladesh. Among them 97% were retail customers and rest of them are unofficial or illegal. Among 36 countries Bangladesh's retail selling of cigarettes became the second highest in the index while topped the list and China sold around 87.5 billion sticks of cigarettes. In the study Pakistan and Indian market were also included. From retailer's Bangladeshi consumer purchased nearly three times more cigarettes in 2019 compare to the ones in India and Pakistan.

Abul Khair Tobacco Company Limited is currently offering 3 distinct Cigarette brands to consumer and also targeted to serve 3 different customer segments. Among 2 brands out of 3 brands has 3 types of Variants details are following below;

##### 4.5.1 *MARISE (Marise Special Blend):*

Marise Cigarette has started its journey in 2019. Since then, it has created a special appeal to its customers & consumers. Marise Cigarette has created a strong position to the consumer's mind. Marise cigarettes are consumed by Lower segment populations such as, Ricksha puller, Day labor, Garment workers, Vehicle drivers and small shop owners and so on.

The Market size of this low segment is 400 crore sticks. In terms of Market share Marise has acquired second position. In this segment Derby (BATBC) is Number one but in some region such as Chittagong, Noakhali, Comilla and Rangpur Marise has secured its position as a Market leader in terms of selling.

##### 4.5.2 *Pricing strategy of Marise*

- Marise Cigarettes sold to retail outlet at 3500 tk. for 1000 stick
- Retail outlets offer 1 packet Marise Cigarettes to consumer at 40 tk.
- Each packet contains 10 sticks cigarettes.

Here mentionable that 10 sticks packet is sold to retail outlets for 35 tk. but its MRP rate on the packet is 37.50 tk. They are giving waiver to their customer.

#### *4.5.3 Competitors of Marise:*

Marise cigarette Brand is facing hard completions in this segment. Some of the competitors are given below,

- Derby (BATBC)
- Sheikh (JTI)
- Pilot (BATBC)
- Holly Wood (BATBC)

Derby, Sheikh, Pilot, Hollywood both sold their 10sticks Packet cigarette at 35tk to the retail outlets.

Besides Derby & Sheikh, some Local Manufactures also participate in this segment as a competitor and they offer cigarettes with cheap rate and use low grade tobacco leaf. Such cigarettes brands are Express Cigarettes, Marbel Cigarettes and so on.

#### *4.5.4 SUN MOON*

Sun moon Cigarettes has been relaunched in January 2022 in three different variants. These variants are;

- Sun Moon Turkish variant (Aromatic Blend)
- Sun Moon Brazilin Variant (Brazilian Blend)
- Sun Moon American Variant (Virginia's Blend)

These three brands have three different taste and offered to medium segment consumers.

#### *4.5.5 Pricing Strategy:*

Sun Moon Cigarette has able to create a special appeal to its consumers both in Price as well as its taste, Especially Brazilian variant has created a buzzing among the youth consumers. Sun Moon offer quality tobacco leaf and sold to retailer at a special rate.

- Sun Moon offer it's all three Variant 10 sticks Cigarette Packet to retailer at 39 tk.
- Retail outlets sold 1 packet Sun Moon Cigarettes to consumer at 50 tk.

Here mentionable that in this lower upper segment Sun moon sold 10 sticks packet to retailers at 39 tk. but it's competitors like Royals Cigarettes (BATBC) sold it's 10 sticks packet cigarettes at 42 tk. So, the retailers who sold Sun Moon Brand gain 3-taka extra profit rather selling other brands.

Consumers of Sun Moon cigarettes are fallen in Medium lower Segment such as retail shop owners, lower class employees and garment workers.

#### *4.5.6 Competitors of Sun Moon:*

The competitor of Sun Moon Brand is Royal's Cigarette. Royal's Cigarettes is produced & offered by BATBC. Only two brand is available in the Medium lower segment.

Royals Sold 10 sticks packet cigarettes to retail outlets at 42 tk and Retailers sold 10 sticks royal's cigarettes to consumer at 50 tk.

#### *4.5.6 RALLY*

Rally Brand first launched in 2010. It's been relaunched with three new variants in 2021.

The Name of such variants are,

- Rally verve (Mint Flavor)
- Rally Ice (Menthol Flavor)
- Rally Bolt (Cloves Flavor)

Each Brand contain different taste and the target customer of Rally Brand is fallen in the medium segment.

Among the three variant Rally Bolt has created special demand in the consumer's mind.

#### *4.5.7 Pricing strategy of Rally:*

- Rally sold it's all three Variant 10 sticks Cigarette Packet to retailer at 63 tk.
- Retail outlets offer 1 packet Rally Cigarettes to consumer at 70 tk.

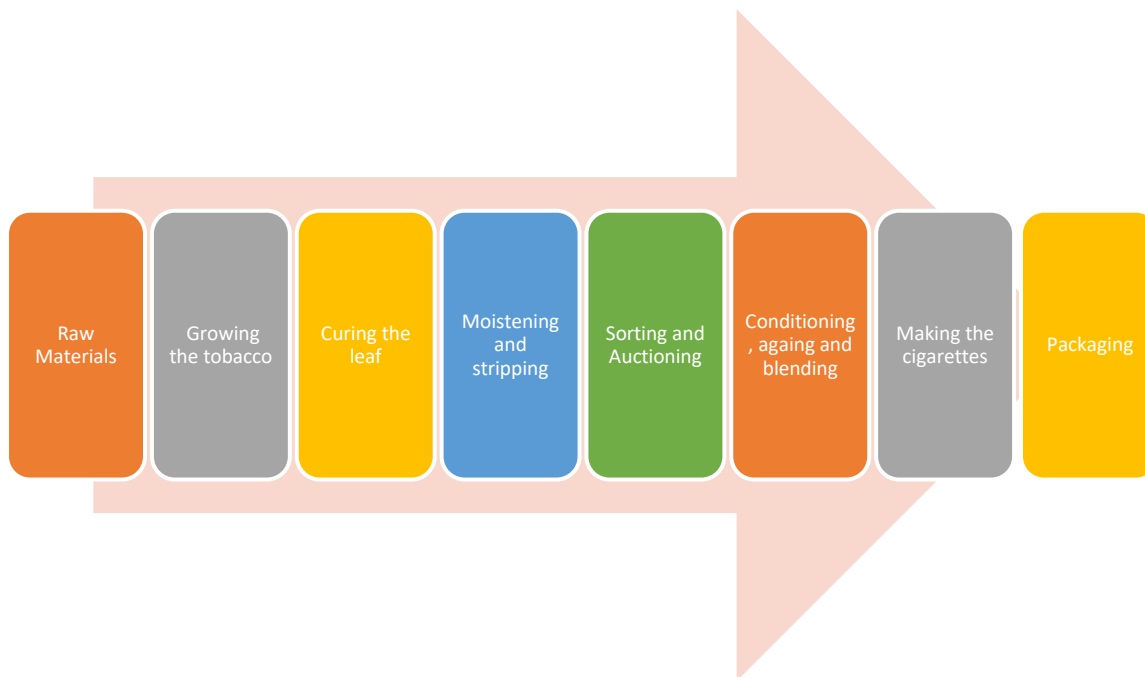
#### 4.5.8 Competitors of Rally;

Rally Brand is facing competition with Navy Option Cigarettes. Navy option is producing and offering by JTI (Japan Tobacco International). Navy Option Brand is also set the same pricing strategy that set by Abul Khair Tobacco Rally brand. 63 tk. for one packet 10 sticks cigarette to retail outlets. In this medium segment only two brand is available and competing with each other Rally & Navy but there is another brand who is not in this segment but often playing competitors role. The name of this Brand is Lucky Strike.

Lucky Strike is offered by BATBC and targeted the Higher medium segment consumers. Lucky strike sold 10 sticks packet to retailer at 89 tk. and retailers sold it consumer at 100 tk.

#### Manufacturing process of Tobacco:

Manufacturing Cigarettes can be divided in to 8 stages. It is starting from raw materials and ends to packaging. The whole manufacturing process is discussed below with explanations.



**Figure 1: Manufacturing Process of Tobacco**

### **Raw Materials:**

There are two types of Tobacco leaves and they are, Cultivated Tobacco and Wild Tobacco. The plant is cultivated in many countries such as; China, India, Brazil, Turkey & US. About one third of tobacco harvested in the US. The Tobacco plants needs a frost-free growing season of 100 to 130 days. Cigarettes rolling papers is used with seed flax mixed with paper pulp two produce thin and flammable paper. The filters are made of synthetic, cotton, light fibers that catch particles as their drawn through the length of cigarettes. The finish cigarette is packaged in hard and soft card board box.

In Bangladesh tobacco is mainly cultivated at Chakoria, Lama, Nikhonchori and some other regions such as Meherpur , Kustia, Rangpur and Lalmonirhat.

The Tobacco leaves which are cultivated at Lalmonirhat is exported to USA. These Tobacco leaves has a high demand in USA.

### **Growing The Tobacco:**

Tobacco is primarily grown in the outdoor frames which is known as seedbeds in warm region the frames are covered with the cotton top sheet and in the cooler region plastic shields are used to protect the plants. After growing the seeds up to 10 inch tall, they are planted to the fields. The Heads of the leaves are broken off as the plant grow and this process is called Topping.

### **Curing the leaf:**

- Tobacco leaves are dried in a specially constructed barn by air curing, flue curing and fire curing. This air curing utilizes natural weather conditions to dry the tobacco. In a barn, stalks are hanging with ventilators which opened or closed to handle the temperature and humidity. For 4 to 8 weeks, the stalks are hanged up.
- Flue curing is completed in small, tightly constructed barns which are heated artificially. Flue curing process takes 4 to 6 days.
- Fire curing is used for drying the tobacco with less burning wood fires and it smokes comes in direct contact with the leaves., Thus it generating smoky flavors and aroma. Naturally dry takes five days before it is fried dried for 3-40 days.

### **Moistening and Stripping:**

In order to keep them unbreak, the tobacco leaves must be conditioned in moistening chamber. After moistening, the tobacco is stripped. In order to prevent from breaking or **cracking, the leaves are sprayed with additional moisture.**

### **Sorting and Auctioning:**

In this stage tobacco is classified into grades based on size, colors and quality and tied in the bundles for shipment. Then farmers bought the tobacco to the warehouse and here it is placed

in the basket, weighted and graded once again. Finally, it takes for auctioning to the manufacturers.

### **Conditioning, aging and blending:**

After purchasing the tobacco, producers treat and age them in order to enhance its flavor. After redrying the tobacco leaves by air, they add moisture. Then packed into the barrels and aged for one to three years. In this period, it helps to develop its aroma and flavor. After it is aged, the tobacco leaves are again moistened and the stalks and other waste eliminated.

### **Making the Cigarettes:**

After blending & mixing, the tobacco leaves are pressed into cakes and mechanically shredded. To enhance additional flavor, fruit juices and menthol are added. The finished shredded tobacco is then dispersed over a continuous roll of cigarette paper. Then it is put into machine then cut it by the desired length. Modern cigarette machine produces 25 to 30 cigarettes in second.

### **Packaging:**

Final stage is packing and There 20 cigarettes into one packet. The solid or softy packs are mechanically sealed in the cellphone and hand placed in cartoons.

### **Distribution System of Abul Khair Tobacco Company Ltd:**

Distribution system of Abul Khair Tobacco Company Limited can be divided into three steps and they are following below,

- From the farm land to GLT (Green Leaf treating) workshop
- From GLT workshop to the Factory
- From the factory to Sole Depo
- From the Sole Depo to Territory office.
- From the Territory office to retail outlets

### **From the Farmland to GLT workshop:**

Abul Khair Tobacco company Farmland located at Chakoria, Lama, Naikhonchori, Kustia, Meherpur, Rangpur, Lalmonirhat and some others areas. Around 10,000 farmers working with Abul Khair Tobacco Company. From the farmland tobacco leaves go to the GLT (Green leaves treating) workshop. Tobacco leaves carried in a covered van from the farmland to reach GLT workshop. GLT factory is located in Rangpur.

In GLT factory tobacco leaves are separated according to its grade. Tobacco leaves are carefully classified by size, Texture and color. This grading process is extremely laborious. Leaves which contain high amount of nicotine are separated. Abul Khair Tobacco Company exports leaves which contain high amount of nicotine to the USA market.

#### **From GLT workshop to Factory:**

From GLT workshop tobacco leaves are shifted to the Factory. Usually Covered vans are used to carry those products. Abul Khair Tobacco Factory is located at Laksam in Cumilla.

#### **From the factory to sole depo:**

From the factory finished goods are moved to Sole depo. Abul Khair Tobacco Company has 11 sole depots which are located in different parts of the country, such as; Chittagong, Coxsbazar, Comilla, Noakhali, Coxsbazar, Rangpur, Dhaka, Kustia, Lalmonirhat, Gaibandha, Sylhet.

Sole depo is operated by Depo manager and products are kept in a decent environment. Tobacco products are kept on wooden floor and sole depo is a sealed large store building. Depo Manager follows FIFO policy to maintain the distribution system. Products are transported from Factory to sole depo by Company Owned Covered Van.

From Factory products are carried out in a carton. Each carton contains 1000 packets of cigarette. Which means 10,000 sticks of cigarettes are kept in a carton.

#### **From the Sole Depo to Territory Office:**

From Sole Depo products are sent to Territory office. Divisional Sales Managers give indent to the Distribution In charge and Distribution In charge sends the requirements to the Depo Manager. According to the requirements of Distribution In charge Depo Manager sends products to the respective territories. Divisional Manager gets the product requirements from the TSO (Territory Sales Officer).

Covered van or Truck is used to deliver products to Territory Office. If Truck is used for product delivery purpose, then the truck is fully covered by plastic paper or Jute bag. In every Territory there is a store room where products are kept under the supervision of Territory store manager.

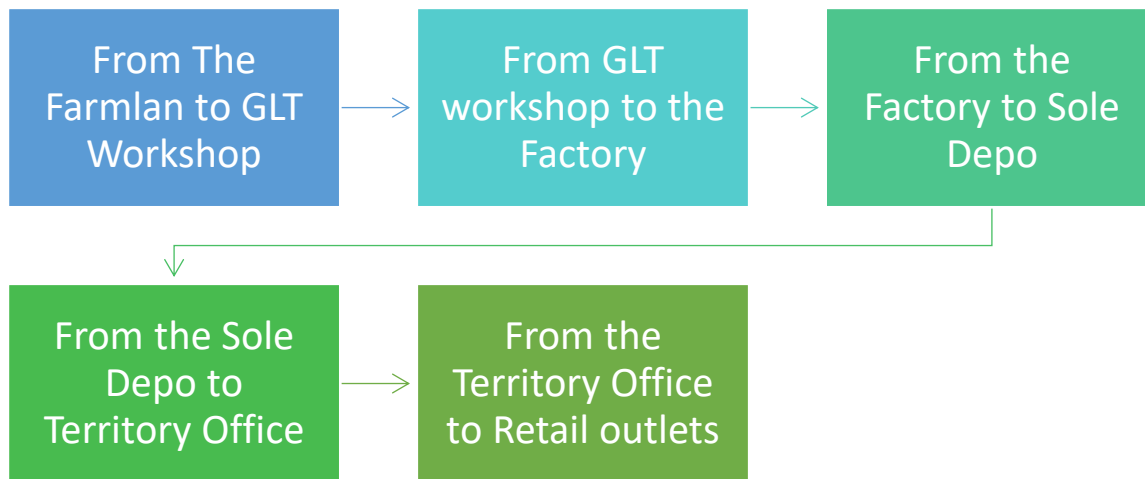
#### **From Territory office to Retail outlets:**

Every morning TSO gives the route wise distribution chart to territory store manager. TSO develops this chart after analyzing the average daily sales of each route or each sales unit. After receiving the route wise product allocation chart, Store manager gives the products to the Sales



representative according to the distribution chart given by the Tso. Store manager maintain the product lifting quantity and also maintain the record of every incoming and outgoing products which he distributed in the morning sales out time and what he received in the evening at the time of sales closing. Store Manager Maintain some registers copy and also kept those record to his computer.

Sales representative (SR) receive the products from the store manager and kept it inside the mini rickshaw van. In every territory there are some mini ricksha van which is owned by the company used to carry products from Territory Office to route wise retail outlets. Retail outlets purchase products from the Sales representative and sold products to the consumer.



**Figure 2: Distribution Flow Chart of Abul Khair Tobacco Company Ltd.**

## Conclusion:

This report is completed on the researcher's own experience, Interviewing employees and colleagues. The report is included with the topic related information. The report is based on Abul Khair Tobacco Company Ltd. Which is one of the trustworthy names in Bangladeshi Tobacco Industry. Abul Khair Tobacco has established a strong position in the Low segment of Tobacco Market after BATBC. In some region study found that Abul Tobacco company is ahead of BATBC in the low segment tobacco market. Now a days Tobacco industry in Bangladesh has grown rapidly. Previous year Bangladeshi Tobacco consumers purchased more than three times higher in compare to Indian and Pakistani consumer. In this report Global view of Tobacco are included in order to get a complete picture of entire Tobacco market.

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