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Extended abstract of Bachelor Thesis

Tobacco Industry

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Abstract

The main objective of this study is to analyze the context, the structure and functioning of the tobacco market on the basis of two global leading corporations Altria Group Inc. and British American tobacco. Some of the issues highlighted in the study include the structure of the tobacco industry, the nature of the competitive process, the regulatory framework and the regulatory institutions. The thesis consists of four chapters. The first chapter deals with the methodological aspects, bibliography and general description of the thesis. The second is called Theoretical framework and deals with the overview of the global tobacco industry. The third one is Case study and it is about financial structure of tobacco market on the example of Altria Group Inc., British American tobacco. The fourth one deals with the conclusions of the research and some prediction of further evolution of the tobacco market.

Key words: tobacco industry, SWOT analysis, PEST analysis, price elasticity, evolution, excise tax.

Aim and objective of the study

The study seeks to account for current developments in the market for tobacco products and associated regulatory regimes. In order to fulfill the problems put by the following methods of prediction were used: SWOT analysis helps to determine the risks and rewards of a company, face its problems and find the most perspective new markets, PEST analysis targets to identify the external factors affecting a company. In addition, different financial reports and statistical data were examined to give the more detailed description of the financial situation of the chosen corporations.

This work consists of a description of the market of tobacco and related products in the world as well as trends and dynamics of the given markets, including description of relevant products available on market, business operators involved, trade within countries.

The main objective of this study is to analyze the context, the structure and functioning of the tobacco sector in terms of competition at various stages of the tobacco value chain.

Methodology

In order to achieve the formulated aim the following research methods are used:

Literary research: is supposed to reach the aim by reading, analyzing, and summarizing materials about the topic. Obtained results will serve as part of thesis.

Statistical research: collecting, summarizing, analyzing, and interpreting current data concerning prices, supply/demand, import/export.

Descriptive analysis: identifying the attributes present, and then rate these attributes inculcating them into thesis.

Cost analysis: comparison of costs of tobacco products (actual or during a given period with another) for the purpose of disclosing and reporting on conditions subject to improvement.

SWOT analysis: assessing strengths of tobacco industry in general and main companies as well (what they can do) and weaknesses (what they cannot do) in addition to opportunities (potential favorable conditions for them) and threats (potential unfavorable conditions).

PEST analysis: with the help of this analysis we will be able to look at how the external factors, such as political-legal (government stability, spending, taxation), economic (inflation, interest rates, unemployment), socio-cultural (demographics, education, income distribution), and technological (knowledge generation, rates of obsolescence) factors can affect a selected sphere of research and how they can be used in combination with other tools.

Predictive analysis: description of a range of analytical and statistical techniques which we will try to use for prediction of future events or behaviors.

Practical value of the thesis

On the ground of analyzed statistical data and financial reports of the main producers and companies predict the future behavior of the tobacco market and its contribution to the world economy.

Structure of the Paper

After the introduction and purpose of the study theoretical framework follows. The chapter starts with the general introduction of the tobacco sector, production of tobacco, pricing segment of the industry, international trade of tobacco products and the tobacco control legislation. Afterwards the evaluation of a case study within the manufacturing industry is carried out. And at the end general conclusions and further research are represented.

Theoretical part

The purpose of the section is to provide a framework and background as a basis for case study which is represented in the work. The global tobacco industry on the one hand has a great influence on the World's economy and on the other hand, it is the most controversial legal industry. Talking about its impact on the economy it should be mentioned that such kind of industry provides huge benefits such as revenues, profit, taxes, creation of work places and others. As for the controversy of this industry it is explained by the fact that it always battles to

conflicting viewpoints between the people involved in it and those affected by it. People who support the industry's side claim that tobacco production play a crucial part in building the World's economy and due to this industry it has billions of dollars worth of the government taxations all over the World. In contrast to them the opponents argue that a great number of tobacco smokers die of illnesses caused by tobacco products worldwide.

Case study

In the practical of my diploma thesis I am going to analyze development, strong and weak sides, also perspectives and the future of the tobacco industry by the example of some famous tobacco companies.

Conclusions and further research

Having analyzed lots of information and facts about global tobacco industry and on the basis of the obtained results I can say the following that tobacco industry will shift further and further, absorbing new regions, users, sectors crops up. But also some negative aspects in this development also should be mentioned. The illicit trading of tobacco products must not be eliminated, because to my opinion the industry, no matter how hard it tries to eradicate this phenomenon, can't get rid and won't get rid of it completely. And of course along with tobacco corporations small markets will continue existing, giving smokers an opportunity to buy tobacco products at lower price.

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