

**Czech University of Life Sciences Prague**  
**Faculty of Economics and Management**  
**Department of Economics**



**Bachelor Thesis**  
**Tobacco Industry Analysis in Chosen State**

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**CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE**

Department of Economics

Faculty of Economics and Management

# **BACHELOR THESIS ASSIGNMENT**

**Zhaanbaev Nurbek**

Economics and Management

Thesis title

**Tabacco Industry Analysis in Chosen State**

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## **Objectives of thesis**

- i) analysis of tobacco industry in Kyrgyzstan
- ii) analysis of states restrictions - excise tax
- iii) development of tobacco industry
- iv) market shares of companies in the tobacco industry
- v) foreign trade tobacco products

## **Methodology**

- documents studying
- basic statistical methods
- SWOT analysis
- comparison

## **Schedule for processing**

- Determine the objectives and methodology that would be used 02.2014-05.2014
- Literature review, theoretical part of thesis 06.2014-09.2014
- Actual work, collection of data, analitical part 10.2014-11.2014
- Actual work, evaluation of previous parts, correcting and addings. Analyzing the results 12.2014-02.2015
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**Keywords**

Tobacco Industry, Kyrgyz Republic, Smoking, Excise Tax, Cigarette

**Recommended information sources**

- Internet resources
- National statistical web page of Kyrgyz republic
- As an example of tobacco production analyzing the data from Imperial Tobacco Company
- Belyakov 3 P. Burlakina AV, Samojlenko NP, Lysenko AE, Dyachkin I. Influence of various factors on the nicotine content of tobacco raw materials. Conf. Ros. Acad. Agriculture Science. (Dokl. Agricultural Sciences). - 1997. - 7 6. P. 39-40.
- Volodarskij NI Buchinskiy AF Tobacco-growing M. : Kolos, 1979. 320 page
- GOST 51087-97 "Tobacco. Consumer information »
- Dicker GL, Kuznetsov VS Manufacture of tobacco products. M. : Food Engineering Industry, 1971 - 178 pages

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Electronic approval: October 6. 2014

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Dean

**Declaration**

I declare that I have worked on my bachelor thesis titled “Tobacco Industry Analysis in Chosen State” by myself and I have used only the sources mentioned at the end of the thesis.

In Prague on

\_\_\_\_\_  
Nurbek Zhaanbaev

### **Acknowledgement**

I would like to thank Tomas Maier for his advice and support during my work on this thesis. Also I would like to thank official distributor of company "Imperial Tobacco", Ildar Nabiev for providing the necessary documents and information.

# ANALÝZA TABÁKOVÉHO PRŮMYSLU V KYRGYZSKÉ REPUBLICE

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## TOBACCO INDUSTRY ANALYSIS IN KYRGYZ REPUBLIC

### **Souhrn**

Tato bakalářská práce se zabývá analýzou tabákového průmyslu. Teoretická část představuje tabákový průmysl, která reprezentuje obecnou charakteristiku ekonomiky a tabákové výroby v Kyrgyzské republice a po celém světě. Práce popisuje problematiku tabákového průmyslu a hledá způsoby jeho řešení. Praktická část mé práce je zaměřena na analýzu a vyhodnocení výroby a distribuce, zkoumá data skutečně existující společnosti. Byl používán dotazník pro společnosti “Imperial Tobacco” s.r.o., která poskytla data pro analytickou část mé práce. Závěrečná část je zaměřená na formulaci způsobu obnovy, rozvoje a získávání přímých zahraničních investic v tabákovém průmyslu Kyrgyzské republiky.

**Klíčová slova:** Produkce tabáku, Kyrgyzská Republika, distribuce, analýza, faktory a rozvoj.

### **Summary**

This bachelor thesis is focused on analysis of tobacco industry. Theoretical part introduces the cigarette industry followed by a general economic and tobacco production characteristics in the Kyrgyz Republic and around the world. The thesis deals with tobacco industry problems, description and seeking the ways for solving. Thereafter the thesis analyzes the industry structure and researches the reasons for solving the problems. The practical part is focused on analysis and evaluation of the production and distribution, examines on the real companies data. There is used questionnaire to the LLC “Imperial Tobacco” which gives data for analytical part of the thesis. Final part is concentrated on formulation of the ways for restoration, development, and attracting foreign direct investment in the tobacco industry of the Kyrgyz Republic.

**Key words:** Tobacco production, Kyrgyz Republic, distribution, analysis, factors, and development.

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## **Introduction**

Tobacco industry of the Kyrgyz Republic in the aggregate represents one of the major branches of agriculture sector. The significance of the tobacco industry in the economy is determined by its high specific gravity in the production of gross and food processing industry of the Kyrgyz Republic.

In the Kyrgyz Republic tobacco is grown in Osh, Jalal-Abad and Batken regions. The main areas of plantations in the country occupies with aromatic sort of tobacco "Djubek 4407".

Soil and climatic conditions allow to grow high-quality tobacco, provides high palatability, which competes with other types of tobacco and enjoys a certain demand in the CIS markets, as a result of long-term cultivation of tobacco in Osh, Jalal-Abad and Batken regions of the country there is ability to form a powerful industrial and agricultural infrastructure. Because of this, at the moment Republic has a great potential of qualified manpower, capable for providing high-quality cultivation and primary processing of tobacco.

The transition to a market economy and the ongoing reforms in the whole Kyrgyz Republic and in its agricultural sector has led to many social and economic changes. Eliminated state ownership of land, rural producers privately own about 80% of arable land. Land market development creates conditions for the improvement of land tenure and land use has established a mixed economy, which is represented by farms, collective agricultural enterprises and others. Formed a new structure of the agricultural sector combining private, collective and state forms of management. Changes in agriculture contribute to the development of private initiative and rural business, revitalization and growth of agricultural production. Kyrgyzstan is an agricultural country, agriculture and its industry remains essential in ensuring food security of the country and employment. The role of the agricultural sector, especially the processing industry must constantly increase, this is most important for the southern regions of the country - Batken, Jalal-Abad and Osh, where the share of the agricultural sector accounted for 40.4% of the gross agricultural production of the country. It is known that the southern regions of the country are the main producers of export-oriented technical crops such as cotton, tobacco, unique fruit, melons, horticulture and viticulture. They have the opportunity to significantly increase the volume of livestock and become major producers of grains, vegetables and

other agricultural products.

### **Objectives of thesis**

The main aim of this bachelor thesis is to understand the current situation of tobacco industry in the Kyrgyz Republic and the influence of the “Imperial Tobacco” LLC to the market. Not only analyze the market position and influence of the case company, but also provide the possible solutions to its problems as well as to determine the potential of the company. In order to achieve the aim of the thesis following objectives could be reached:

- The first is to analyze trends of tobacco in the world and in the Kyrgyz Republic.
- The second objective is to analyze the current status of Tobacco Industry in Kyrgyz Republic, and evaluate the distribution of concrete tobacco products in example of company “Imperial Tobacco” in the Kyrgyzstan.
- The third objective of the thesis was to determine the market share of companies in the industry. Due to limited production sales information of the main tobacco companies in Kyrgyz Republic and their privacy policy, it was unable to provide complete market share analysis of the industry. Based on the Interview the researcher tries to provide general overview of market shares of the biggest tobacco companies in the industry.
- The last objective is to formulate the probable solutions, which will help to develop the Tobacco Industry.

### **Methodology**

Qualitative and quantitative methods were chosen to conduct the research for purposes of this bachelor thesis. To follow one of the objectives of thesis, interview and questionnaire was used.

- Interview - a great deal of qualitative material comes from talking with people whether it could be through formal interviews or casual conversations. If interviews are going to tap into the depths of reality of the situation and discover subjects' meanings and understandings, it is essential for the researcher.
- Questionnaire – the method was used to collect the empirical data from the distributor of “Imperial Tobacco”. One of the advantages of this method is that it can be done in distance, without personal present.

- SWOT analysis - is an extremely useful tool for understanding and decision-making for all sorts of situations in business and organizations. In thesis this analysis will be used in order to get a clear assessment of the forces and the situation on the tobacco market

- PEST analysis - is an acronym for Political, Economic, Social and Technological. This analysis is used to assess these four external factors in relation to your business situation.

Basically, a PEST analysis helps you determine how these factors will affect the performance and activities of your business in the long-term.

- Porter Five - rather old and well-known model to determine the attractiveness of the current industry to the company. You can use it to identify potential dangers and challenges that will face us.

## **Chapter 1. Theoretical substantiation of system analysis of the tobacco industry in the Kyrgyz Republic**

### **1.1. The overall analysis of the characteristics of the Kyrgyz economy**

Kyrgyz Republic promotes a (convergent) economic system, the basic principles of which are: free enterprise, free pricing system, free competition, but government regulation.

Kyrgyzstan's economy is vulnerable to shocks in the global markets, especially in food and raw and largely independent of changes in the economic situation in Russia, Kazakhstan and China - major trading partners.

Economic performance in 2013 showed overall improvement of the economic situation in Kyrgyzstan, the development of the industrial sector mainly due to the power industry, ferrous metallurgy, light and food industries.

However, considering the economic development of Kyrgyzstan in 2013, it is clear that the potential of the Kyrgyz economy, based on the extensive development of agriculture, reloading the old production facilities and cheap labor, almost exhausted. In recent years developed processing enterprises for delivery of products to Kazakhstan, Russia. But their power is small, which prevents the acquisition of expensive and modern equipment for the modernization of the industry.<sup>1</sup>

The main problem of the economy of Kyrgyzstan is its industrialization. In addition to restoring the industry should be carried out its modernization, purchase of new equipment and training of specialists to work on it, in addition, the unreliability of the results achieved by the fact that the national economy continues to be heavily influenced by external factors, weakly dependent on the efforts of employers and the state. We are talking about external financial dependence on foreign investment. If the favorable external environment is violated, the economy will once again be in a difficult situation, including the threat of inability to pay its debts, reducing opportunities to fulfill social obligations of the state, the fall of the Som (National currency of Kyrgyz Republic) etc. Therefore it is necessary to get rid of a threatening external dependence. One of the possible methods could be to improve the competitiveness of national production, especially in the field of

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<sup>1</sup>Alymkulov K. Gusev K.B., Musakozhiev Sh. On urgent measures to improve the health of the economy of the Kyrgyz Republic //Economics and Statistics. Bishkek, 1999, № 3.

recycling. Therefore comes to the fore not only economic growth, but its quality.<sup>2</sup>

Prospects for the development of the economy of the republic should be directed to priority areas in specific investment projects. In the first place in the mining industry in the energy sector, in the construction of industrial enterprises of building materials in large enterprises processing agricultural products.

Great importance for the development of the economy has been formed at all levels of the Kyrgyz authorities decided to join the Customs Union and the implementation of the signed in September 2012 agreement on the construction and operation of the Upper Naryn cascade and Kambarata.<sup>3</sup>

Figure2: Map of Kyrgyzstan



Source: [http://www.knews.kg/society/28216\\_v\\_kyrgyzstan\\_dostavlena\\_grajdanka\\_evakuir\\_ovannaya\\_iz\\_sirii](http://www.knews.kg/society/28216_v_kyrgyzstan_dostavlena_grajdanka_evakuir_ovannaya_iz_sirii).

### GDP dynamics

Gross domestic product, calculated by production method, according to preliminary estimates, in 2013 amounted to 7.19 billion US dollars and in comparison with 2012 increased by 10.5 percent. Excluding enterprises developing a deposit "Kumtor", real GDP growth was 5.8 percent. In per capita GDP amounted to 1,240 US dollars and compared with the previous year increased by 8.3 percent.

<sup>2</sup>Anikeyev V.V. Economic mechanism of foreign economic activity: the transition problems // RAS. Institute of Economics. M., 1991.

<sup>3</sup>Andrianov V. State regulation and self-regulatory mechanisms in a market economy // Problems of Economics, 1996, № 9.

**Table2. GDP dynamics**

Indicators/period (years)		2009	2010	2011	2012	2013
GDP	USD billion dollars	4,58	4,61	5,8	6,5	7,19
GDP per capita, US dollars.		888,2	890,0	1067,0	1145,0	1240,0

*Source: According National Statistical Committee.*

### **Priority sectors**

The priority sectors of the economy of Kyrgyzstan are hydropower, nonferrous metallurgy, mining, light and food industries, and tourism.

Promising direction of development of the economy of Kyrgyzstan is the development of hydropower resources: construction and operation of Kambarata-1 construction and operation of the Upper Naryn cascade in order to ensure domestic needs for electricity supply and for export.

The Kyrgyz Republic has considerable deposits of minerals such as mercury (1/5 of world reserves), gold (12 major fields, including the "Kumtor", one of the ten largest in the world), and coal (the third largest reserves in the CIS). Bowels of the republic for colored and rare earth metals, platinum.<sup>4</sup>

Most of the non-ferrous metallurgy is located in the south (Osh region).

Light industry - it is primarily export-oriented garment manufacturing. As part of the National Strategy for Sustainable Development, Government of the Republic is actively working to establish in Kyrgyzstan Techno polis textile and garment production.

The largest enterprises of light industry (knitting, sewing, worsted cloth factory) were developed mainly in the north of the country.

Food industry in Kyrgyzstan - is the production of agricultural products and by-products, such as meat, butter and cheese, sugar, vegetable oil, tobacco, etc. Almost completely run on local agricultural raw materials.

Environmentally friendly agricultural products supplied to Russia, Kazakhstan, China and other countries.

Unique natural conditions Kyrgyzstan create a favorable basis for the developments

<sup>4</sup> <http://stat.kg/images/stories/docs/tematika/sns/National%20accounts%20public.2008-2012.pdf>

of different types of tourism are:

- Up market tourism, including hunting tours, national hunting with a falcon or eagle, alpine skiing;
- Cultural and recreational tourism - a combination of tourism and rest on the shore of Lake Issyk-Kul, with its extensive network of boarding houses, holiday homes, resorts etc.
- Mountain climbing and adventure tourism.

On the territory of Kyrgyzstan are more than five thousand historical and cultural monuments of bygone times and peoples: the cave of prehistoric man, unique runic inscriptions on boulders, stone sculptures, remains of ancient settlements, medieval fortresses, affecting its inaccessibility and rationality.

### **Major commodity markets**

Kyrgyzstan in the world markets appears supplier of electricity, gold, cotton and cotton products, wool and woolen goods, leather, tobacco, gold, antimony, mercury.

Purchases in foreign markets: petroleum, natural gas, coal, fertilizers and other chemical products, machinery, vehicles and spare parts, consumer electronics.

Current directions of the market in Kyrgyzstan are the following:

- In the energy sector;
- In the electricity sector;
- Oil and gas industry;
- In the field of mineral resource base and mining;
- In the field of industry;
- In the field of agriculture;
- In the field of transport;
- In the financial and banking sectors;
- In the field of tourism.

## **The role and place of the Kyrgyz Republic economy in the world economy, promising areas of foreign economic cooperation with Russia.**

Kyrgyz Republic member of more than 120 international organizations, including the UN, OSCE, ECO, the Organization of the Islamic Conference, WTO, IMF, World Bank, EBRD, Islamic Development Bank, Asian Development Bank, the IAEA. The Kyrgyz Republic is also a member of the CIS, EurAsEC, CSTO, and the SCO.

As for the current period, Kyrgyzstan is a member of international organizations such as the United Nations, the World Trade Organization, the Organization for Security and Cooperation in Europe. Republic has a permanent representative to the UN and other international organizations in the cities of New York (USA) and Geneva (Switzerland).

Is a member of the largest economic and financial organizations in the world - the Asian Development Bank, World Bank, Islamic Development Bank, the International Monetary Fund, and Participates in the work as a member of the International Organization for Migration, the International Labor Organization, the World Health Organization, the World Intellectual Property Organization, the Organization "Islamic Conference" and others.

Kyrgyzstan plays a special role for its participation in the Commonwealth of Independent States, the Shanghai Cooperation Organization.<sup>5</sup>

The most active regional cooperation is carried out within the framework of the Eurasian Economic Community. In mutual trade with the countries - members of the Eurasian Economic Community to remove all tariffs and quantitative restrictions; there is a regime of free movement of natural persons and legal entities.

Trading operations with virtually all countries - members of the SCO are also carried out in the free trade regime, and with China - in the framework of the WTO.

Kyrgyzstan's membership to the WTO creates stable and liberal conditions for access to the markets of WTO members in the form of MFN and national treatment for exports. This means a total guarantee that WTO Members will perform general accepted rules of trade and not to impose restrictive measures in the form of quotas and prohibitions. The presence in the European Union stringent requirements of international standards and noncompliance of Kyrgyz law is today a barrier to the development of trade with these

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<sup>5</sup> [http://kyrgyzembassy.ru/?page\\_id=447](http://kyrgyzembassy.ru/?page_id=447)



countries.

Kyrgyzstan is actively using the potential of the ECO, which also includes Turkey, Pakistan, Afghanistan and Iran, to increase the volume of foreign trade with these countries.

The Russian Federation and the Kyrgyz Republic are interested in developing trade and economic ties, expanding and deepening mutually beneficial cooperation in all sectors of the economy.<sup>6</sup>

Promising areas for the development of trade and economic ties between Russia and Kyrgyzstan in the sphere of economic and investment cooperation are: Energy, electricity, oil and gas, mineral resources base and mining, industry, agriculture, transport, finance and banking.

In 2013 the Kyrgyzstan energy sector, power generation, oil and gas industry and others launched a large-scale joint Russian-Kyrgyz projects, "geologic exploration of areas of the Kyrgyz Republic" Kugart "and" Eastern Mailu-IV »; "The modernization project of" Kirgizgaz"; "Construction and operation of Kambarata-1"; "Construction and operation of the Upper Naryn cascade"; Creation of a logistics center on the basis of international airport "Manas"; "The increase in deliveries of Russian engineering products."<sup>7</sup>

Successful implementation of the 2013 projects in the financial and credit sector allowed to open in Kyrgyzstan "Russian Investment Bank" and two insurance companies, "Capital Insurance Company" and "Insurance Company" Arsenal-Kyrgyzstan", which will contribute to the further integration of financial institutions of the two countries and stimulation of Russian-Kyrgyz foreign economic relations.

In 2013 the agricultural sector launched the project "Establishment of the commodity supply chain of agricultural products from the Kyrgyz Republic to the Russian Federation." Implementation of this project will contribute to food security and better integration of the economies of Russia and Kyrgyzstan.

Work continues on the supply of Russian agricultural machinery and equipment in the Kyrgyz Republic. Important role in this is played by holding the annual International Agricultural Exhibition "Aiyl-Agro", organized by the Russian Association of Agricultural

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<sup>6</sup>The Kyrgyz Republic and regions.2000 / National Statistical Committee of the Kyrgyz Republic.Bishkek, 2001.

<sup>7</sup> <http://www.kg.spinform.ru/ekonomics.html>

Machinery "Rosagromash" with the assistance of the Trade Mission.

In the transport sector a project for the construction of the railway "North-South". This project will connect the north and the south of Kyrgyzstan in terms of key economic units, including resolving the issues of cargo delivery to the Kambarata-1.

In 2013, matters related to the joint work in the mining sector. State Corporation "Rosatom" embarked on a project in the Kyrgyz Republic "Reclamation territories of EurAsEC member states exposed to uranium production."

In 2013, the continued implementation of projects for delivery to the Kyrgyz Republic Russian trolleybuses, buses, road machinery, is lifting equipment, municipal vehicles and others.

## **1.2. The Global Tobacco Industry**

The world market for tobacco is one of the fastest growing markets in spite of the efforts made by the governments of various countries to reduce tobacco consumption. According to the "British American Tobacco" worldwide annually produces more than 5.5 billion cigarettes worth nearly \$ 600 billion US dollars.

Although tobacco manufacturers are faced with increasing competition, legislative regulation of the industry, including in the form of graphic health warnings on packages of more stringent restrictions on smoking in indoor public places and bans on certain points of sale of tobacco products, the total volume of production and sales in the world the market continues to grow. According to analysts «British American Tobacco», although in the coming years, some smokers will consume fewer cigarettes, and the proportion of smokers reduced, but population growth and increased revenue can be predictive of sales growth in the world. In this regard, more attention is paid to emerging markets, particularly in Asia, Africa and the Middle East with high demographic rates.

One of the distinguishing features of the global tobacco market is its significant consolidation. Four international tobacco companies - "Philip Morris International" (15%), "British American Tobacco" (13%), "Imperial Tobacco" (5%), "Dzhepen Tobacco International" (10%) - in 2011 accounted for about 45% of the world market, or about three-quarters of the market outside China. According to experts of "British American Tobacco" in 2011 the largest market, where the industry is state-owned is China remained with about 350 million smokers who were more than 40% of the global total. Other major

countries - tobacco users are Japan, Italy, France, Spain, Germany, Great Britain, Holland, the United States, Singapore, Indonesia, Russia, India, Turkey and Brazil.

Leader of the world tobacco market - the company "Philip Morris International" became an independent company in 2008 after separating from the parent company «Altria». At present, the producer owns 7 of the top 15 tobacco brands, including the best selling «Marlboro».

Second place in the world by sales volume occupied by the company "British American Tobacco" with brands «Pall Mall», «Viceroy», «Dunhill», «Lucky Strike», «Vogue». More than 70% of sales of the manufacturer of tobacco products accounted for emerging markets, the largest of which are India and Indonesia.

Third place among international companies - manufacturers of tobacco belongs to the "Dzhepen Tobacco International", which owns such brands as «Mild Seven», «Winston», «Camel» (the latter two products the company sells outside the US), «Sobranie», «LD», «Benson & Hedges» and others.

As for the "Imperial Tobacco", in recent years the company has become the object of attention of three major competitors, attracting them with its strong position in the UK market, Spain, France, Germany and Morocco.

An activity of a number of tobacco companies is predominantly national character: they work mostly in local markets, almost without selling products to other countries. These include «Eastern tobacco» (Egypt), «Monopoly Tobacco» (Thailand), «National Tobacco Corporation» (Vietnam), «Tobacco & liquor corp.» (Taiwan), «Iranian Tobacco Company» (Iran).

In the harsh conditions of competition on the world market and public pressure in connection with the fight against tobacco smoking, manufacturing companies are turning to innovation. Thus, the "British American Tobacco" launched on sale «Kent HD» and «Kent Surround» with the new design of the filter, which added an additional plate. Manufacturers are actively using the topic of alcohol. In the spring of 2009 "American Cigarette Tobacco Company" has expanded its mid-priced cigarettes «Brent» version «Brent Rum & Cherry» - with the aroma of rum and cherry.

Interesting development began cigarettes Mild Seven LSS Company JTI, created by new technology Less Smoke Smell (less odor of tobacco smoke). The invention of Japanese scientists has allowed weakening tobacco smell, maintaining palatability of

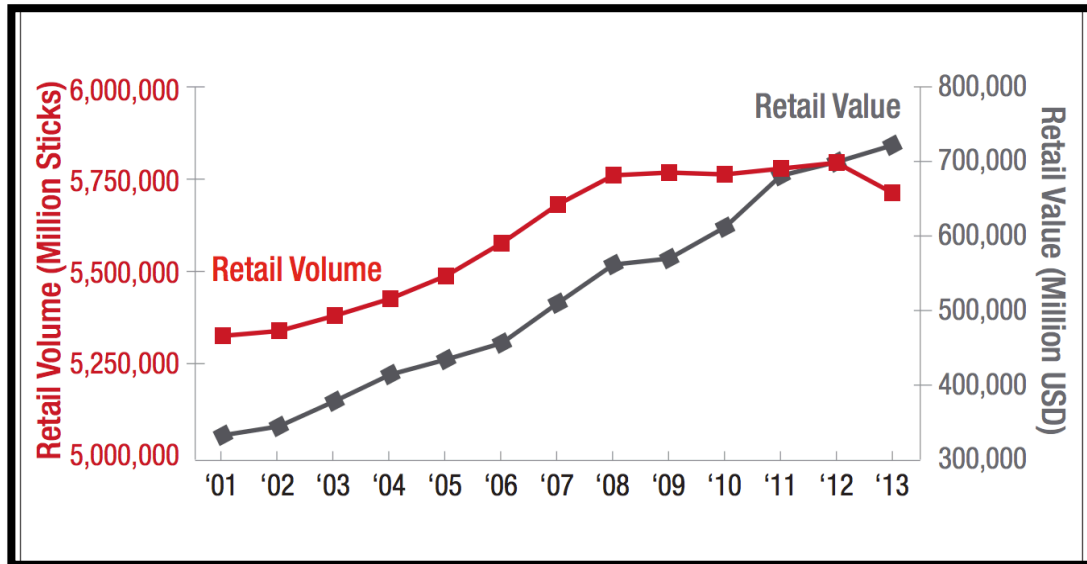
cigarettes. The effect is based on the use of special paper helps reduce odor while smoking that delivers less disturbing others. Launch of new products indicates that corporations are not going to give up and take positions in the global market.

With regard to such a measure, as a sharp increase in taxes in markets where tobacco prices are already quite high, analysts say the company is the leading part of consumers to opt for cheaper brands or smuggled tobacco products, but not out consumption.

The global cigarette industry is one of the most profitable industries in the world.

- Cigarette retail values in 2013 were worth \$722 billion.
- In 2013, over 5.7 trillion cigarettes were sold to more than one billion smokers worldwide.<sup>8</sup>
- Between 2001 and 2013, global cigarette volume sales increased by 7% while retail values increased 117%. Industry analysts predict that over the next five years the global cigarette industry will continue to grow: volumes are predicted to increase by 4% and value by 29%.<sup>9</sup>

Figure 2. Global Cigarette Market: Historic Retail Volume and Value (2001-2013)



Source: EuroMonitor International, 2013.

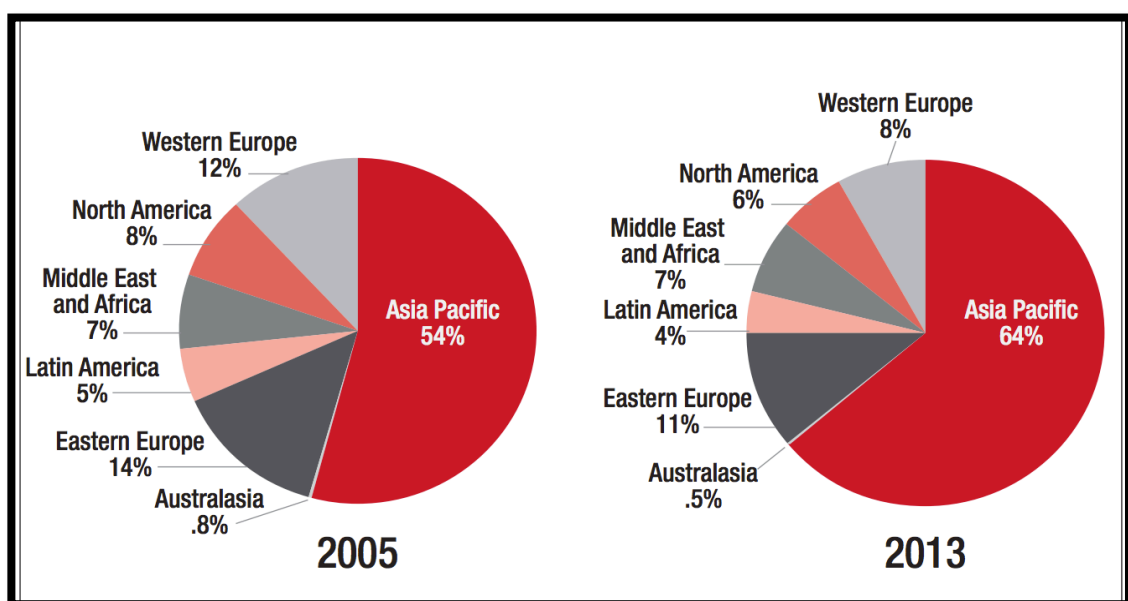
<sup>8</sup>World Health Organization (WHO). WHO Report on the global tobacco epidemic, 2008: The MPOWER package. Geneva: WHO; 2008. Available from [www.who.int/entity/tobacco/mpower/mpower\\_report\\_full\\_2008.pdf](http://www.who.int/entity/tobacco/mpower/mpower_report_full_2008.pdf).

<sup>9</sup>Euromonitor International [database on the Internet]. Cigarettes: Global. Euromonitor International. c 2014

**Globally, cigarette consumption is growing in low- and middle income countries and decreasing in high-income countries.**

- Sales are shifting from developed markets, like those in Western Europe where smoking prevalence is declining and where tobacco company operations are more restricted by government policies, to emerging markets like those in Asia and Africa where tobacco companies take full advantage of lax regulatory environments, growing populations and increasing incomes.
- Between 2005 and 2013, cigarette sales in the Asian Pacific and in the Middle East and Africa region have increased while all other regions have experienced declining sales <sup>10</sup>(Figure 3).

Figure 3. Global Cigarette Market By Regions



Source: *EuroMonitor International, 2013*

More than 80% of the world’s smokers live in low- and middle-income countries, and the tobacco industry is increasingly targeting these emerging markets. If current

<sup>10</sup>. Euromonitor International [database on the Internet]. Cigarettes: Global. Euromonitor International. c 2014.

consumption trends continue, approximately one billion people will die from tobacco use during the twenty-first century.

### LARGEST CIGARETTE MARKETS: TOBACCO INDUSTRY TARGETS

The five largest cigarette consuming nations — China, Russia, U.S., Japan and Indonesia — account for 60% of the volume of all cigarettes sold in 2013. Seven of the ten largest cigarette markets in 2013 were emerging markets, four of which are Asian Pacific countries Figure 4.

Figure 4. Top 10 Cigarette Markets, by Volume

COUNTRY	RETAIL VOLUME, 2013 (MN STICKS)
China	2,517,769.8
Russia	347,233.6
USA	285,150.7
Indonesia*	221,173.3
Japan	195,037.8
India	100,901.7
Turkey	92,247.5
South Korea	88,455.6
Philippines	86,652.3
Vietnam	85,301.4

\*excluding hand-rolled kreteks

Source: *EuroMonitor International, 2013.*

**China** is the largest cigarette market in the world. The retail value of China’s cigarette market in 2013 was \$205 billion. By comparison, the retail value of the next largest cigarette market, Russia, was \$27 billion in 2013. Volume growth in China drives the global market — between 2012 and 2013, the global cigarette market decreased by 1.4% but when excluding China’s volume gains, the global market declined even more (3.8%).<sup>11</sup> Cigarette sales by volume have been declining in **Russia** since 2008 — down 12% between 2008 and 2013. However, over the same time period, retail values have increased

<sup>11</sup>Euromonitor International. Cigarettes — China. London: Euromonitor International; 2014.

61% from \$17 billion to \$27 billion. JTI is the market leader in Russia (36% share), but PMI, BAT and Imperial also have a presence.<sup>12</sup>

**The Indonesia** cigarette market is unique because sales are dominated by clove-flavored cigarettes. Between 2012 and 2013, the Indonesian cigarette market grew nearly 9%. Leading Tobacco Company Sampoerna — acquired by PMI in 2005 — has steadily been gaining market share in Indonesia, outperforming domestically owned companies and other TTCs trying to make a profit in Indonesia.<sup>13</sup>

**India's** tobacco market is dominated by smokeless tobacco sales (75%). 20% of tobacco users smoke hand-rolled bides and only 5% of the market is made up of cigarettes. The cigarette market is, however, growing (3% volume growth between 2008 and 2013) and given India's large population, the country continues to be a target of tobacco companies.<sup>14</sup>

### **Establishment of business contacts**

Despite the demonstrated rates of annual growth, the market of tobacco is one of the most difficult markets to develop - major manufacturers annually send a huge amount of advertising products, despite the tightening of regulation on advertising of tobacco products worldwide. According to Ministry of Economic Development of the Russian Federation, the only Russian producers of tobacco in 2011 spent on advertising their products more than 1 billion rubles (3.31 million USD).

It should also be noted that in the last decade, international tobacco companies for the purpose of development of the national markets of developing countries and the former Soviet Union carried out the transfer of licenses for the production of branded products. For example, in 2002 «Iranian Tobacco Company» has signed formal contracts with "Dzhepen Tobacco International" (brand "Winston") and "British American Tobacco" ("Kent"). This has contributed to the consolidation of the taste preferences of consumers for Western brands are considered more high-quality products, and the old Iranian brands ("Bachmann", "Farvardin", "Ordibehesh", "Tyre") instantly lost a significant market share.

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<sup>12</sup>Euromonitor International [database on the Internet]. Cigarettes: Russia. Euromonitor International. c 2014.

<sup>13</sup>April 15. Available from [www.thejakartapost.com/news/2013/04/15/cigarette-makers-blame-costs-lower-profits.html](http://www.thejakartapost.com/news/2013/04/15/cigarette-makers-blame-costs-lower-profits.html).

<sup>14</sup>Euromonitor International [database on the Internet]. Cigarettes: India. Euromonitor International. c 2014.

### **1.3. Tobacco market in Kyrgyzstan and its prospects**

In the Kyrgyz Republic, the tobacco industry is focused on the production of fermented tobacco. Due to the lack of existing tobacco factories, with the exception of the Bishkek Tobacco Factory (JSC Reemtsma Kyrgyzstan), fermented tobacco exported to CIS countries. This generally reduces the profitability of the tobacco industry and increases the import of smoking articles, the results of which are reflected in the country's economy.

Currently, much attention was paid to the development of agriculture, particularly tobacco processing and manufacturing of smoking articles. Established in our republic State Joint Stock Corporation "Kyrgyztamekisi", whose function is to regulate and control of the State Development and improvement of technology tobacco industry.

The main objectives of the SJC "Kyrgyztamekisi" - is to achieve sustainable agricultural production of tobacco, reliable supply of the country's smoking articles, improving the quality of manufactured goods, and others.

To successfully achieve the objectives in the tobacco industry should ensure uninterrupted supply of tobacco production with high incense and technological qualities.

To meet the needs of this population in smoking products at the lowest cost of labor in the production of this type of product, you must have a mechanized company, equipped with the latest technology. It is necessary to introduce a more rational and cost-effective processing of raw materials, that is, in turn, will make it possible to prepare the necessary properties of tobacco.<sup>15</sup>

In the area of smoking articles and technical progress regards tobacco plants, as today produced and processing raw tobacco in the south of our country are mainly exported to the Middle abroad or processed at a tobacco factory Reemtsma Kyrgyzstan JSC. Therefore, the goals build a new tobacco factory in the south of Kyrgyzstan. This reduces transportation costs, training will be improved and the production of tobacco smoking products, because of the quality of its processing depends on the efficiency of the process equipment; especially pay attention to the mechanization of transport operations and automation of production processes.

As is well known, tobacco in any of its production state is a material having

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<sup>15</sup>The Kyrgyz Republic in international economic associations. Monitoring, Issue 5 / Center for Economic and Social Reforms under the Ministry of Finance of the Kyrgyz Republic. Bishkek, 2001.



hygroscopic that is responsive to changes in the ambient air. Therefore, knowledge of the nature of moisture absorption of tobacco and factors included in this process is one of the important tasks of the technology of its industrial processing, as it allows to make a choice of the most appropriate time and moisture regimes for different stereotypes and commercial varieties of tobacco and determines the rational design of humidifier equipment.

Active and persistent efforts in this direction will help to ensure a clear uninterrupted production, and to ensure positive changes in the economy.

One of the most promising directions in the manufacture of smoking products is the use of bulk tobacco, allowing saving raw tobacco. To this end, studies and used the release of cigarettes using tobacco at the projected bulk plant.

Recently in the manufacture of cigarettes, in some cases blended tobacco and the bulk usually in amounts of 5 - 25% depending on the desired properties and quality of the smoking articles. Weight decrease of cigarettes, i.e. reduced consumption of tobacco in their production. The economic effect of the use of tobacco is mainly produced by saving tobacco. If we consider that the optimal process parameters using bulk tobacco can save 10 - 15% of raw tobacco only by reducing the mass of cigarettes, which ultimately gives it a significant economic impact.

## **Chapter 2. Analysis of the current status of tobacco industry in the Kyrgyz Republic**

### **2.1. Analysis and evaluation of the tobacco market of the Kyrgyz Republic**

The local market is highly concentrated with cigarette products, where there is a low of competition.

JSC "Reemtsma-Kyrgyzstan" experiencing some difficulties in selling their products, both in foreign and domestic market. Market of the Kyrgyz Republic tightly covered with imported cigarettes, because of the lack of state control. In this connection, our manufacturers now produce virtually average 2.5 billion cigarettes per year that for 2011 only made public 2,443,500,000 cigarettes, or 35% of the needs of the country. The result is that the demand for domestic cigarettes is satisfied only to the extent of 35-40%. However, the lack of market in tobacco products is experiencing. Fills the void imports from other countries and the CIS, including Russia, Kazakhstan and Uzbekistan. Imports of the Kyrgyz Republic increased three times that, starting in 2007, ahead of the local production. The main flows of imports - more than 64% of the total - are from neighboring Kazakhstan.

Due to the high base rate for categorical excise tax, which adversely affect the domestic producer and give an advantage to companies engaged in the import of expensive cigarettes. Because of this and the lack of state control, the existing rates of increase in prices for most chassis cigarette products 2-3 Som (0.03-0.04 USD), which resulted in a decline in demand from the average consumer and, therefore reduced production at JSC "Reemtsma-Kyrgyzstan".

At the same time, many countries are adopting combined systems (floating and fixed rates) and thus achieving a steady increase in the budget, allowing for a wide corridor of retail prices, and maintaining official sales at a high level (for example: the whole European Union, Ukraine, Russia).

To raise the economy is necessary to protect domestic producers by varying benefits, tax, customs, and other, giving them priority in all. Only in this way can guarantee the development of the country and ensure a comfortable future of its citizens. All economically developed countries do so. Countries such as Germany, Switzerland and others, very tight control of their market and make every effort to prevent him foreign producers. In the US, for example rigidly defined strategic direction of the economy. And

the US market in these areas is open only to selected importers. But even in non-strategic sectors in the United States are hard accounting and control of incoming goods: where it came from, when, what quality.

## **2.2. Illegal tobacco**

From the above mentioned data show that on average 2.0 billion. Substandard cigarettes that are not certified, without excise stamps or excise stamps of other countries, is not marked in the national language annually imported into the Republic of smuggled avoiding taxation. When this does not take steps to identify each fact of the offense, not the acquisition of established sources of illegal goods, not enhanced border control and is not monitored for detours. And this at a time when the state budget is always in a fragile state. **All this creates unequal market conditions legitimate domestic producers. The situation on the market is not in favor of domestic producers and the economy of the Kyrgyz Republic.**

In connection with the situation around the imports may remain idle thousands of farm families and employees of the tobacco industry.

**To reduce losses from cigarette smuggling, we consider it necessary:**

- The introduction of state regulation through licensing to implementation of cigarettes in quantity and quality;
- An increase in penalties, the requirement for excise stamps on tobacco products and specialty packaging, labeling, indicating its duty-free status.

The goal is to create a clear distinction between legal and illegal goods to the smuggled goods are easily detectable, as well as at the same time could be reduced import of cigarettes with an increased content of heavy metals, ie harmful substances and thus reduce the negative effects of cigarettes on the health of citizens.

A positive solution to this issue will significantly increase the volume of domestic production of cigarettes in the country, and the volumes will increase income tax due to the growth of production.

### 2.3. Dynamics of sown acreage of tobacco

More than 95% of farmers for tobacco grown raw tobacco under the contracts directly to investors in the face of “Suneli Tobacco” Tobacco farmers and factories in the face of "Kyzyl-Kiya CPR" and JSC "Osh-Djubek." These contracts are concluded before the spring fieldwork, which provide for the issuance of free seeds advancing material and money and guarantee the subsequent purchase of raw tobacco at a decent price, creating the conditions for others to purchase tobacco to increase prices. Thereby increasing farmers' incomes, which is a very positive factor in tobacco than the government of the Kyrgyz Republic and the SJC “Kyrgyztamekisi”.

The dynamics of sown acreage of tobacco shown in Table 2.

**Table2. The dynamics of sown acreage of tobacco.**

Name	Unit.	2009	2010	2011	2012	2013 (Forecast)	2014 (Forecast)	2015 (Forecast)
The cleaning area:								
- According the national statistical office	Ha	4838	4037	4109	3442	5500	6000	6500
- According the SJC	Ha	3774	3257	2010	2064	5500	6000	6500

*Source: based on data from the SJC "Kyrgyztamekisi",*

*[http://stat.kg/index.php?option=com\\_frontpage&Itemid=1](http://stat.kg/index.php?option=com_frontpage&Itemid=1).*

***The data show that the actual crops less than those for crops National Statistical Committee of the Kyrgyz Republic for the same period.***

In order to increase the crops of tobacco and address issues related to the spring-field works SJC "Kyrgyztamekisi" are held annually:

- To work with investors to attract investment;
- Conduct seminars on compliance agronomic standards cultivation, post-harvest handling and improve the quality of tobacco.
- Carried out in conjunction with the enterprises inspection of crops and for grading tobacco plantations;
- To facilitate the work of farmers and the quality of its tobacco planting, increase

productivity, and reduce the use of child labor, prepared by the planters in the amount of 30 pieces, as well as to make an experiment on tobacco packaging of raw corrugated box with a capacity of 40-50 kg in replacing compression raw tobacco bale;

After prolonged use of corporations, investors, state and district administrations tobacco factory farms, reached the following important items:

- Contracts with farmers for the production and the guaranteed purchase of raw tobacco;
- Provision of agricultural raw tobacco seeds free of charge;
- Interest-free loans spring field work in the form of providing fuel and lubricants, fertilizers, film, twine and funds, etc.
- Holding a large work of CJSC "Suneli Tobacco-installation of artesian wells, repair and installation of transformers at the pumping stations, as there is a lack systematic irrigation water;
- Creation of pilot demonstration plots on areas up to 1 hectare, based on which will include seminars on all counts of cultivation of this crop profitability, improve the quality of raw tobacco and agronomic standards compliance;
- Hanging on all tobacco sowing areas containing posters with the price, the yield on grades and purchasing quantities of tobacco, in addition brings to farmers through television and the media in the form of advertising;
- Organize telecast via satellite on its work on tobacco growing stock companies "Osh-Djubek" and "Kyzyl-Kiya CPR."

In order to support agricultural producers of tobacco purchase prices of raw tobacco varieties such as "Djubek-4407" increases every year.

### Dynamic of the purchase price.

**Table3. The dynamics of the purchase price.**

<b>Tobacco "Djubek- 4407"</b>	<b>Unit.</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Grade 1</b>	<b>som/kg</b>	35	36	40	50	55	65	78
<b>Grade 2</b>	<b>som/kg</b>	32	33	35	45	50	60	68
<b>Grade 3</b>	<b>som/kg</b>	26	27	30	40	45	55	61
<b>Grade 4</b>	<b>som/kg</b>	20	21	24	29	34	44	49

*Source: based on data from the SJC "Kyrgyztamekisi", <http://cbd.minjust.gov.kg/>.*

On the criteria for establishing the grades of raw tobacco depends on the quality of the crop at a certain season of tobacco growing, post-harvest processing and are determined by the customers, and purchases are made in accordance with GOST 8073-77, as is common throughout the country of the CIS.

Because of the lack of control tobacco began exporting from the Republic in its raw form, without processing with resulting from this situation is not up to the transfer of budget and insurance premiums.

### Regulation of tobacco leaf production

One of the important issues of the tobacco industry of the Kyrgyz Republic is the production of the amount of tobacco in the manufacture of tobacco, which would be sold at a decent price. To do this by analyzing the situation in the tobacco market far, the near abroad and from the experience of harvests 2011 - 2012 years when instead of 10.9 thousand tons indicative plan was made only 4-4.5 thousand tons which led to a decline in tobacco processing and disruption of fermented tobacco previous agreements, while global production of oriental tobacco growing.

"Kyrgyztamekisi" repeatedly tried to take measures to increase the volume of tobacco growing local authorities, but, unfortunately, our efforts have not led to positive results. At the same time the leaders of districts, regions and local governments currently take no responsibility for the economic development of areas, regions and local governments. In connection with this offer with each appoints the head of the state

administration to conclude employment contracts that specify the amount and percentage reduction in budget subsidies through the effective use of public lands, development of small and medium-sized businesses, etc. This event will entail overall development of the economy in all directions, as well as reducing unemployment in rural areas.

In this regard, the State Joint Stock Corporation "Kyrgyztamekisi" recommended in the country annually in the amount of 25-30 thousand tons of quality tobacco, while paying special attention to the varietal purity of tobacco plantations, zoning planting tobacco in locations best growth, excluding the regions with vulnerable soil climatic conditions.

### **Production of fermented tobacco**

Currently in the fermentation of raw tobacco involved "Osh-Djubek", JSC "Kyzyl-Kiya CPR" with a total annual production capacity of 30 thousand tons of tobacco per year, includes JSC "Kyzyl-Kiya CPR" - 20 thousand tons, JSC "Osh-Djubek" - 10 thousand tons.

On tobacco fermentation plants: JSC "Osh-Djubek", JSC "Kyzyl-Kiya CPR", during the operation of the SJC "Kyrgyztamekisi" established production lines postharvest processing of tobacco (manipulation line), where processing and packaging technology, the quality, the size of the packaged products meet the requirements of customers of fermented tobacco.

In order to timely and quality fermentation yields of raw tobacco in subordinated corporate enterprises in the home repair and annually holds a large amount of work to improve the fermentation process cycle, reconstruction, modernization of heating equipment and roof repair.

To date, as a result of improving the quality of the fermentation of raw tobacco industry has regained the trust of consumers.

At existing facilities for the production of fermented tobacco, fermented tobacco is able to provide the whole country and exported their products.

**Table4. Production of fermented tobacco data.**

Name	Unit	2005	2006	2007	2008	2009	2010	2011	2012 (forecast)
tobacco fermented	Tons	8144,1	8267	7748,9	8110,1	7343	8251	7479	5000

*Source: based on data from the SJC "Kyrgyztamekisi", <http://cbd.minjust.gov.kg/>, <http://stat.kg/images/stories/docs/tematika/prom/prom.gotov.pdf>.*

JSC "Osh-Djubek" and JSC "Kyzyl-Kiya CPR" as a result of the lack of sufficient funds, work on fermentation conditions unmanufactured raw products. When tolling, the republic loses considerable funds in the form of budgetary allocations, as well as due to the difference declared value of tobacco and the actual cost of sales for export in the form of customs duty.

Currently, the main consumer of tobacco Kyrgyz is Russia, where updated production technology of smoking articles, and therefore, there was a need to update the technology of fermented tobacco in the tobacco factory farms of the republic, which greatly improves the quality indicators of fermented tobacco in accordance with international standards.

Tobacco fermentation plants are currently in need of investment for modernization, working capital for seasonal harvesting tobacco. However, financial institutions, loans to agriculture, have restrictions on the financing of certain activities in agriculture and agribusiness. One such limitation is the prohibition of lending to companies involved in the production, processing, and harvesting tobacco products. This raises the need to introduce special conditions for lending tobacco farmer plants, in order to support domestic producers with the state stake.

Today, tobacco farmers and producers of tobacco plants directly dependent on foreign investors who work in the tobacco market in Kyrgyzstan within their interest and financial capabilities.

**Today, it is necessary to solve the issues that will contribute and maintenance the tobacco industry:**

- Ban on the export of raw tobacco;
- Debt forgiveness of past years subordinate tobacco farming plants;
- Concessional lending plants in order to create competition for the purchase of other investors and raise the price of raw tobacco.

#### **2.4. Analysis of the production of tobacco products**

At present, the potential capacity of our domestic market of tobacco products according to experts in the range of 350-400 million packs or 7-8 billion per year in Kyrgyzstan, there is only one cigarette factory in the Bishkek city.



At existing facilities for the production of cigarettes in the amount of 12.5 billion cigarettes per year, JSC "Reemtsma-Kyrgyzstan" is able to provide smoking articles the whole country in cigarettes with and without filter and to supply for export.

Domestic cigarettes is equal to the competition of imported products and the quality and assortment. If at the time of the creation of "Reemtsma-Kyrgyzstan" in the domestic market volume of domestic cigarette occupied 14%, it is now more than 50%.

Production and economic indicators of cigarette factory "Reemtsma-Kyrgyzstan" for the years 2007-2012:

**Table5. Production and economic indicators of cigarette factory "Reemtsma-Kyrgyzstan" for the years 2007-2012**

Idicators	Unit.	2007	2008	2009	2010	2011	2012 (forecast)
Cigarettes production	mil. pcs.	3086,2	2996,8	3586,6	3649,3	2443,5	1469
Commercial products	Ths. som	962879	980981	1251547	1305825	1012231	519000
Tax deductions budget	mil. som	337,1	340,3	345,0	391	576	400

*Source: based on data from the "Reemtsma-Kyrgyzstan".*

## 2.5. Distribution analysis of tobacco production

Basically, for the manufacture of cigarettes in the world use tobacco skeleton (variety "Virginia", "Burley"), which are grown in Brazil, America, Zimbabwe, India and other countries, which is the main component in cigarettes. To give an aromatic flavor cigarette, as the second component used aromatic tobaccos oriental type, including "Basma", "Izmir", which are grown in Turkey, Greece, Macedonia and other countries, they are treated and cultured in Kyrgyzstan grade "Djubek -4407 ". This kind of tobacco is mainly used in the manufacture of non-filter cigarettes, and in smaller quantities in low and middle-class filter cigarettes. The approximate ratio of tobacco in cigarettes is - sort of tobacco skeleton - 70-95% aromatic grade - 30.5%. The big problem is the quality of the Kyrgyz tobacco varieties and heterogeneity of the mixture in the tobacco fields, which resulted in a net "Djubek-4407" began to degenerate, giving the deviations in all major indicators, and the yield of high-grade tobacco leaves is only 15%.

Due to the fact that in Russia, more than 80% of cigarette factories are now owned by international companies, "Philip Morris", "ABC", "Zhupal tobacco", "Gallagher",

"Reemtsma" that cigarettes manufactured by American technology called "American blend" of the above apply only to tobacco leaves premium grades of the "Basma", "Izmir", treated for manipulating lines. In Russia, sharply reduced production of cigarettes without filter, so, according to the analysis in the 1998 edition of unfiltered cigarettes was 40.5%, while in 2004 decreased to 24.6% and the forecast 2011 will be 12.7%. These data suggest that the need for varieties such as "Djubek-4407" will be reduced, and the need for oriental varieties "Basma", "Izmir" will increase.

Analysis of the use of tobacco Kyrgyz above-mentioned companies shows:

- Company "Philip Morris", which produces 20.4% of cigarettes Russia mainly uses tobacco, grown them in Kazakhstan;
- Company "BAT" produces 13.8% of cigarettes in Russia, uses mainly tobacco, grown them in Uzbekistan;
- Company "Gallagher", which produces 13.7% of Russian cigarettes using tobacco, Oriental varieties from Italy;
- Company "Zhapal tobacco" produces 15.8% of cigarettes in Russia, partly uses Kyrgyz tobacco;
- Company "Reemtsma" produces 5.1% of cigarettes in Russia, Kyrgyz tobacco use;
- Russian and Ukrainian companies that produce slightly more than 30% of cigarettes in Russia, a partially Kyrgyz tobacco.

The analysis shows that the use of Kyrgyz tobacco in cigarette production is reduced. In addition, the above-mentioned companies use mostly fermented tobacco treated only manipulative lines, resulting in a sharp drop in demand for fermented tobacco in bales of raw peasant on manipulative lines. This fact proves once again that if we do not maintain state regulation of the production of fermented tobacco and will not process raw tobacco in the manipulation lines, it will not achieve a good quality of Kyrgyz tobacco, which is necessary for its sales for decent prices.

Exit the current situation is that it is necessary to improve the varieties of "Djubek-4407" to be used in cigarettes and the average of the highest quality and grow the world's best high-quality varieties of oriental tobacco varieties "Izmir" and "Basma" having a high specific gravity and richness of the organic composition, which are used in the manufacture of high quality cigarettes. This is the task of the republic tobacco growers and SJC "Kyrgyztamekisi".

## 2.6. Interview with the regional distributor of LLC „Imperial Tobacco“

Based on interview respondent was made the tobacco distribution analysis of the LLC “Imperial Tobacco” company. The table shows the results of the sale of cigarettes in 2011-2012 for all seven regions of the Kyrgyz Republic. The following table shows the implementation of the following types of cigarettes.

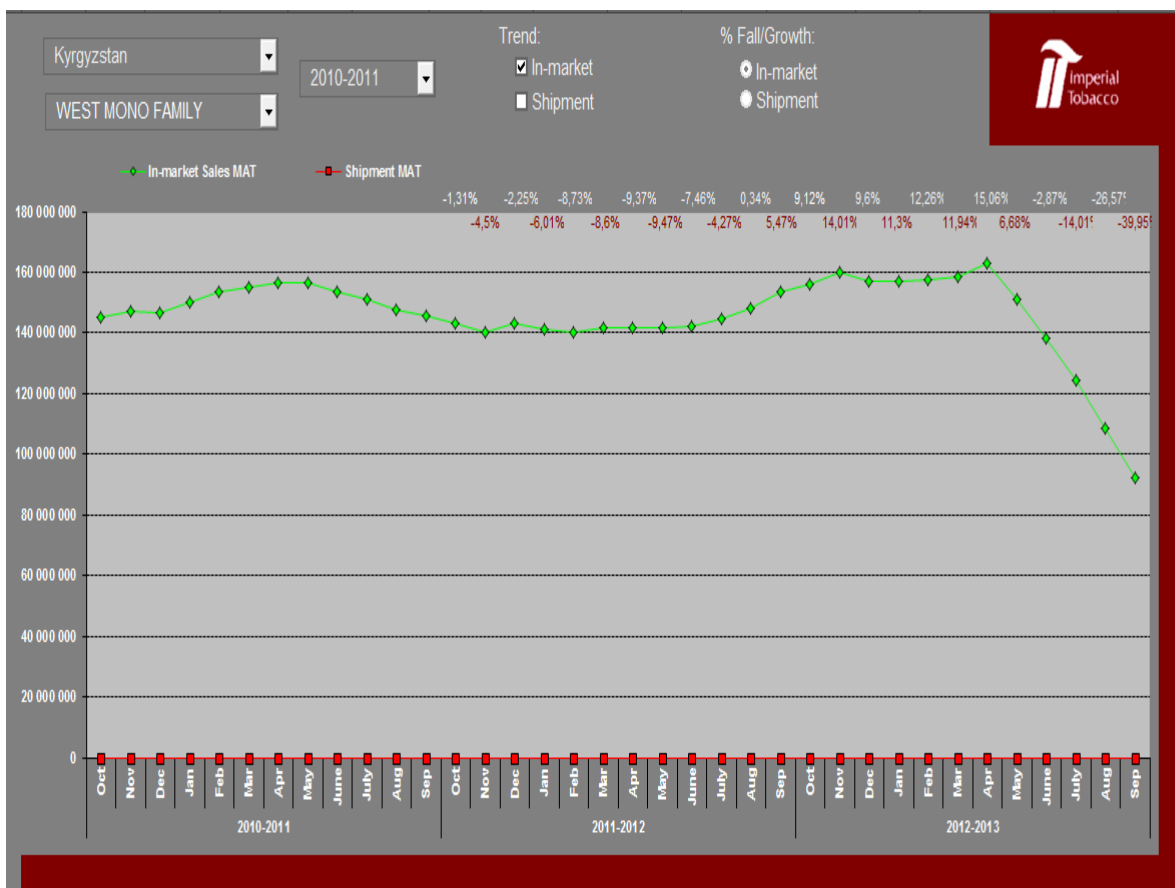
**Table6. Types of cigarettes that company provides "Imperial Tobacco".**

Altay Oval	Classic Red	Pol Opt Gold	Polo Slims Li
Polyot Oval	Classic Blue	Pol Opt Family	Polo Slims Me
Polyot 83	Classic Family	Boss Red	Polo Slims Family
Oval Family	Classic Gold RC	Boss Gold	Royal Legent FF
Rodeo Gold	Classic Silver RC	Boss Family	Royal Legent Li
Rodeo Blue	Classic Red RC	Polo Blue	Royal Legend Family
Rodeo Family	Classic Blue RC	Polo Me	West ST FF
Polyot Box FF	Classic Family RC	Polo Family	West ST Li
Polyot Box Gold	Classic Gold	West Red	West ST UL
Polyot FF SP	Kyrgyzstan	West Silver	West ST Family
Pol Filter Family	Kyrgyzstan RC	West Rich Blue	Dav Cl
Classic Red SP	Maxim Red	West Ice	Dav Cold
Classic Blue SP	Maxim Silver	West White	Dav Gold Sl
Classic SP Family	Maxim Family	West Silver World Cup	Dav Blue
Classic Silver	West RC Red	West Mono Family	West RC Silver

Source: „Imperial Tobacco LLC“.

Figure 6 shows the shift of the sale of goods company "Imperial Tobacco" for a period of 3 years from 2010-2013 the "West Family", which includes 10 types of cigarettes. The graph shows that the state of sales of the family "West Family" from the period October 2011 to September 2012 compared to the same year 2010-2011, the average fell to 4.68%. But from October 2012 to May 2012, we see significant growth in sales, growth was associated with the normalization of political and economic situation in the country after the 2010 crisis. In 2012-2013 the average growth until May cigarette sales compared to the same last year increased to 11.3%. But after the end of 2012 sales fell to 39.95% for the match against the September 2011-2012.

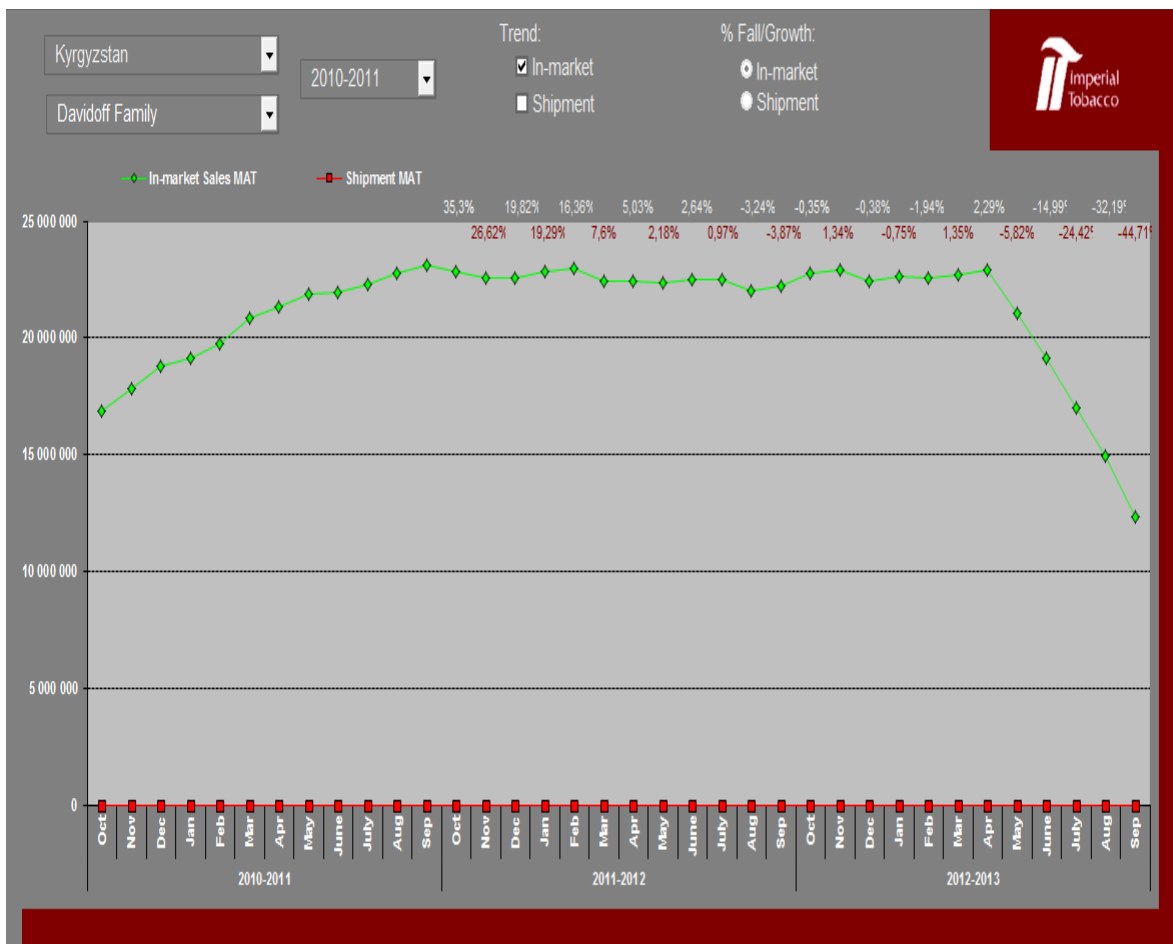
**Figure 6. Moving annual total "West family" in market period 2010-2013.**



Source: "Imperial Tobacco LLC".

Davidoff family in the company of "Imperial Tobacco" is one of the most profitable products in the sale. Sale analysis of the family in the Kyrgyz Republic for the period from October 2010 to September 2012 as a whole shows a steady increase in sales of this family. October 2011 compared with October 2010 soared by 35.3%. This growth has been observed for a long time until May 2012, which was an increase of 6.55% over 19 months. However Davidoff family refer to the premium class cigarettes in comparison with other lower class tobacco products, their price above the average price, and after the introduction of the new tax policy and economic crisis, the price of these products became not permissible for the buyer, which leads for sales decreasing

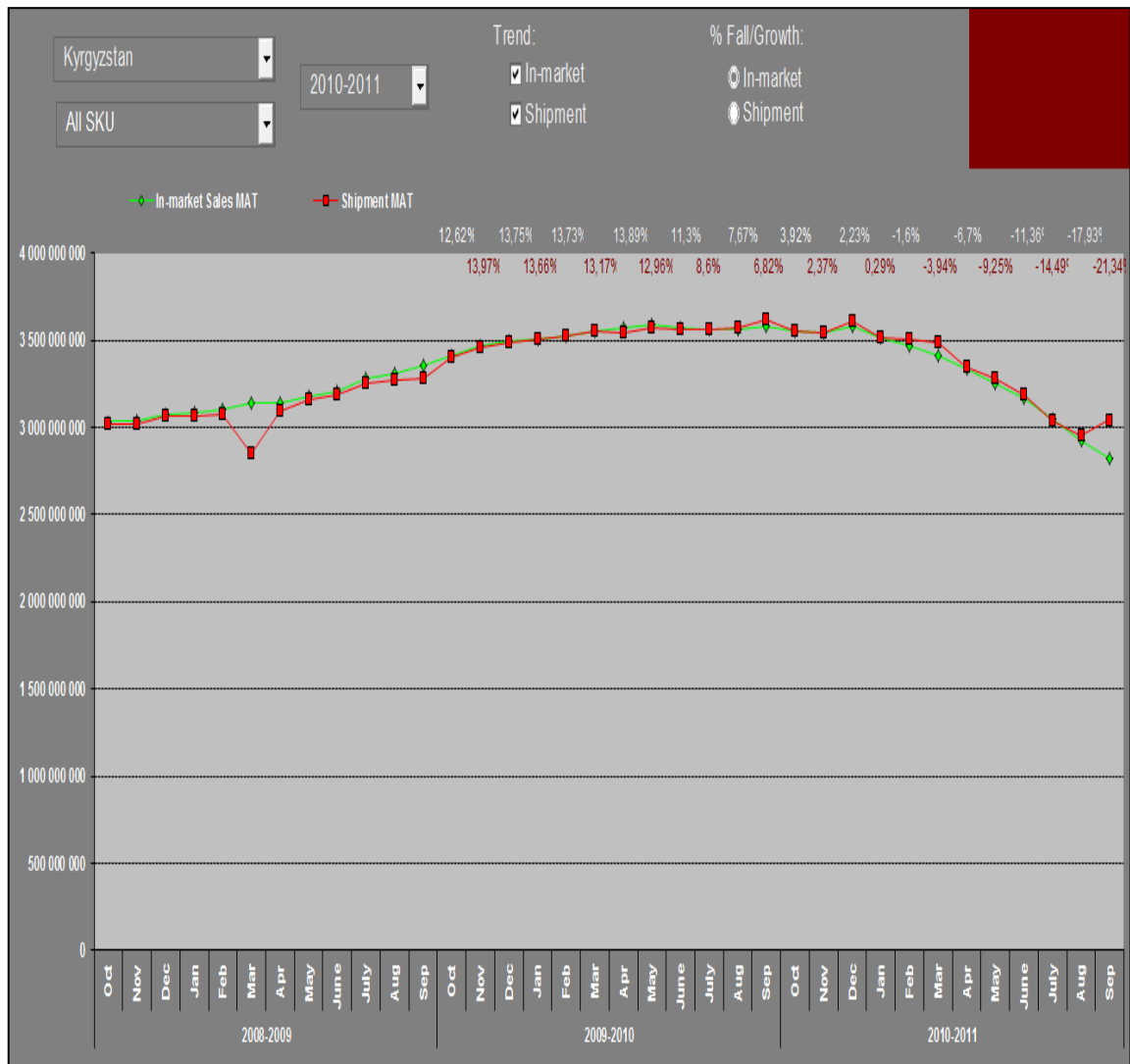
**Figure7.Total Sale of Davidoff family product for the year 2010-2013.**



Source: "Imperial Tobacco LLC".

The analysis of sales of all brands of cigarettes available in company "Imperial Tobacco" in period of 3 years, distribution began to fall steadily. Compared to in July 2010, it sold 3,000 mil. cigarettes and a half year, sales have fallen by half to 1,250 mil. pieces.

**Figure 8. Annual sales moving in total 2008-2011**



Source: "Imperial Tobacco LLC".

In conclusion, I can say that within last 3 years company „Imperial Tobacco“ is rapidly beginning to reduce the level of sales, especially Premium cigarettes, from which company receive highest profit. The reasons for this could be following factors:

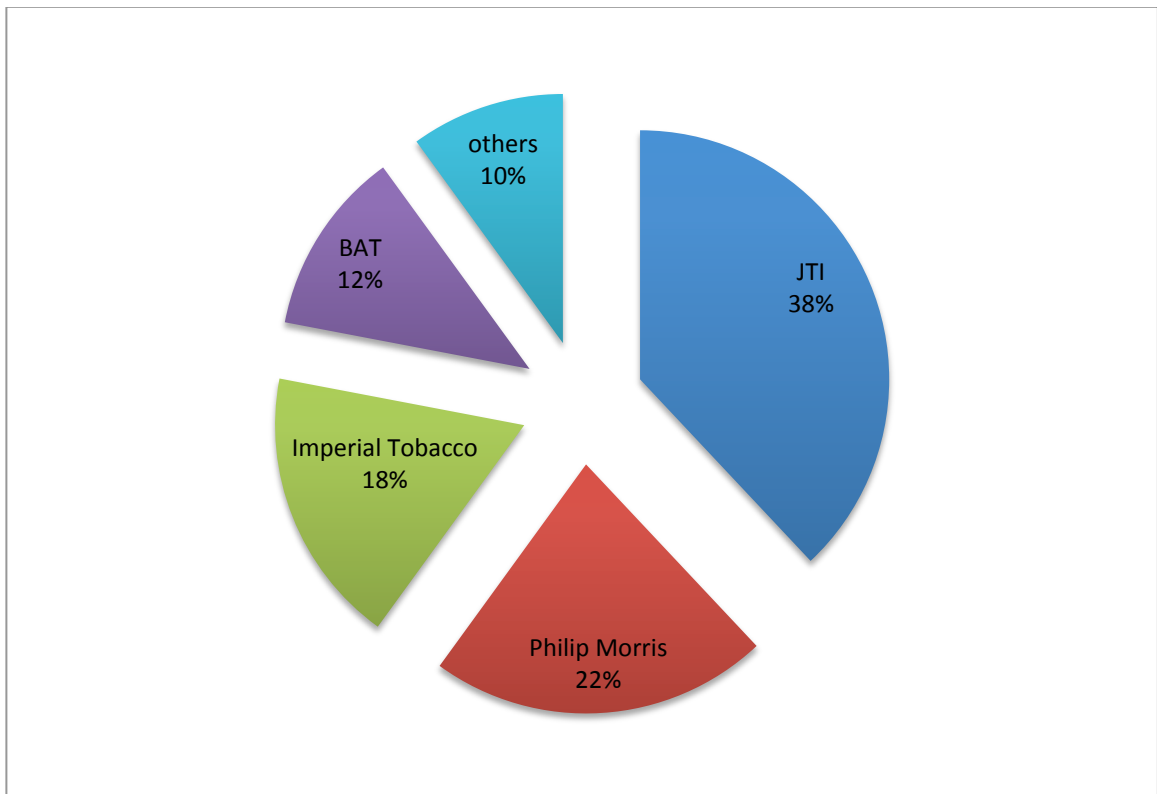
- Increase the state tax and excise stamps on tobacco products
- The ongoing political instability in the country

- The economic and financial crisis, which has touched the Russian our most important partners and suppliers.

### Market share

Based on the interview with regional distributor of “Imperial Tobacco” LLC, was provided the general overview of market share in the tobacco industry according to the companies own resources.

Figure 9. Current market share of the industry.



Source: “Imperial Tobacco” LLC

### 2.8. SWOT, PEST and Porter five forces analysis.

Based on the interview of the respondent the researched made the SWOT, PEST and Porter five forces analysis to provide the market situation of the „Imperial Tobacco LLC”.

Business is an endless succession of small and large battles. If before the battle the company does not appreciate their strengths and weaknesses identify market opportunities and threats, its chances of success dramatically reduced. In order to get a clear assessment of the forces and the situation on the market, there is a SWOT-analysis. Indeed, today the

interest in the problems of strategic management exacerbates unexpected changes in the external environment that require quick and adequate reaction of the company to maintain and strengthen its competitiveness. The external environment in which companies have to operate, it is qualitatively different: increased competition in a saturated market leads to higher degree of uncertainty and, therefore, appears unpredictable risk factors. Obviously, the priorities of control are displaced with changes in the operating area. That is why the topic is really relevant. The purpose of this paper is to set out the practical implementation of the principles and methodology of the SWOT-analysis on the example of the company «Imperial Tobacco».

Strength:

- Strong logistic distribution of goods
- A large number of outlets.
- Convenient compact product
- Well-recognized products
- Large and established a database of customers
- The wide availability of products
- Extensive advertising budget
- There is a monthly, a clear business plan that identifies the strategic goals and objectives
- Reliable suppliers of tobacco products.

Weaknesses:

- Often old technical equipment
- Decreasing market share
- low efficiency of tasks implementation
- Small amount of exclusive contracts
- Price policy
- Not always correct allocation of organizational resources

Opportunities:

- The opportunity to take up new markets
- Possibility of continuous product improvement, by rebranding in example.
- Possibility to receive the additional investments



- Mergers, joint ventures and strategic alliances

Threats:

- Unstable economic and political situation in the country
- Often changes in tax system
- Social and Cultural changes in the market
- Legal changes in the tobacco industry by parliament

PEST – analysis of the factors of long-range environment; acronym for political, economic, social and technological factors that have an impact on business development. This analysis is used to diagnose the macro; useful tool for understanding the market, the company's position, potential and direction of the business<sup>16</sup>.

PEST/STEP-analysis can be considered as a variant of the system analysis, as factors that are relevant to the above four aspects, usually closely linked and characterize the different hierarchical levels of society as a system. PEST- analysis of a company, "Imperial Tobacco" is presented in Table 7.

**Table 7. PEST analysis**

Factors	Probability	Influence	Responsiveness
1. Political: 1.1 Amendments to the legislation of Kyrgyzstan regarding simplification of taxation.	High (1-3 years)	Guaranteeing the inflow of foreign investments	Cooperation with foreign tobacco industry
1.2 The introduction of excise duties on tobacco production	Hight (1-5 years)	Restriction of freedom of action factories, reduced production	Maintaining the current level of demand, the revision of the sales network
2. Economic: 2.1 Raising the price of tobacco products	Hight (1-2 years)	Decline in demand	Carrying out new advertising campaigns and promotions

<sup>16</sup> <http://powerbranding.ru/biznes-analiz/pest/example/>.

2.2 Good harvest tobacco	Hight (1-2 years)	Increasing of the production	Search for new market
3. Socio-Cultural: 3.1. Demographic crisis	Hight ( 1- 20 years)	The drop in demand in the long term	Concentration distribution network in the most populated parts of the country.
3.2 Urbanization	Hight (1-20 years)	Reducing the demand for cheap cigarettes of lower quality.	Concentration distribution network in the cities, reducing the production of cheap cigarettes.
3.3 The fall of the educational level of the population and the liberation of morals.	Hight (1-20 years)	The increase in tobacco consumption among young people - an increase in demand.	Increase production.
4. TECHNOLOGICAL: 4.1 Scientific and technological progress	High (1-10 year)	Reduction of the production cycle, increase product quality	Search for fundings.

Porter Five forces analysis – rather old and well-known model to determine the attractiveness of the current industry to the company. You can use it to identify potential dangers and challenges that will face us.

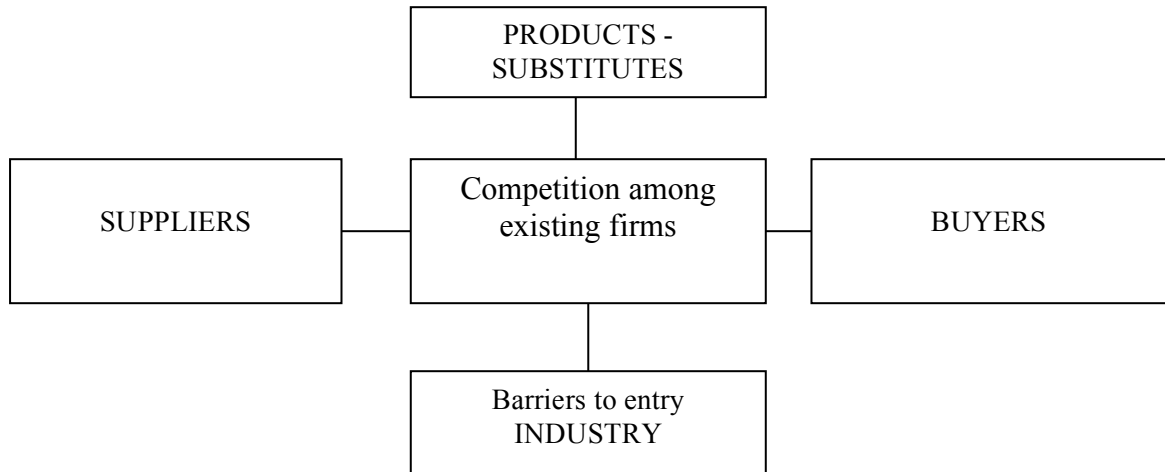
Porter five forces analysis - a technique for analyzing industries and the development of business strategy, developed by Michael Porter at Harvard Business School in 1979.

Porter's five forces include:

- analysis of the threat of substitute products
- analysis of the threat of new entrants
- analysis of market power by suppliers
- analysis of market power consumers
- analysis of the level of competition

Matrix M. Porter to analyze the competitive forces is shown in Figure 10.

Figure 10. Matrix M. Porter to analyze the competitive forces



1. Goods - substitutes

In the tobacco industry, there are next substitutes:

- Cigars, cheroots, cigarillos (thin cigars) and cigarettes, of tobacco substitutes
- «homogenized" or "reconstituted" tobacco
- Chewing and snuff
- Electronic Cigarettes
- Snus
- Hookah

2. Buyers

The main consumers - companies and organizations and individuals with an income above average, respectively, their demands on the quality of the acquired products are also high.

Buyers are divided into two groups. The first group - a wholesale buyers participating in further distribution system. There is not a lot of buyers, they are well versed in the product, the level of demand for it in the end-user who acquire and require the lowest possible prices. The quality of the products for them is an important parameter. With this group of buyers working companies who have chosen this strategy and have no retail sales networks.

The company "Imperial Tobacco" focuses on this group of consumers, as well as part of the production is sold to customers sredneoptovym. In this segment, the power of the buyer is insignificant and almost disappears in the formation of the brand.

3. Barriers to entry in the industry

The main barriers that are faced by new companies, may include the following:

1. Access to distribution channels. Sales of products in the markets of tobacco products is carried out either by the company or network of small dealers.
2. The need for capital. When deciding on entering the market of tobacco products need to invest a relatively large sum of money in the purchase of equipment and training facilities.

## **2.7. Export of cigarettes**

The increase in production due to a sale on the domestic market is not economically feasible. In this context, the possibility of increasing capacity utilization should be considered only in connection with the development of the domestic cigarette exports products to the markets of neighboring Central Asian republics (Kazakhstan, Uzbekistan, Tajikistan and Turkmenistan), as well as China and Mongolia.

Several years worked with China, signed an agreement, sent a trial batch, but the deal fell through because of the way of delivery, as the offer was only by sea, which is very expensive and unprofitable to the Kyrgyz side. Until 2011, Kazakhstan, protecting local manufacturer, has introduced higher excise tax on imported cigarettes. It was only in 2011 for local products and imported products have become the same rate on filter cigarettes per 1,000 in 1000 (5.39 USD) tenge, unfiltered cigarettes 600 (3.23 USD) tenge. In Uzbekistan, there continues to be a difference in the local production and import, local filter cigarettes \$ 5 without filter 2 for \$ 1 thousand. Pieces, and all importiruemye10 \$ ;. Thus, Uzbekistan protect the local market. As for Turkmenistan, the rates for local and imported cigarettes are the same, but on tobacco products introduced quotas, which are difficult to obtain. JSC "Reemtsma-Kyrgyzstan" has a large production capacity. As for Mongolia, the supply pipe tobacco JSC "Reemtsma-Kyrgyzstan" is the leader, delivering more than 400 tons per year, but 2011 raised the excise tax on tobacco by 300% (\$ 0.30 to \$ 0.90), and imports of cigarettes by 200%, which also inhibits the import into the State. Tries of "Reemtsma-Kyrgyzstan to build trade relations with Tajikistan, betting on local production and imported products and the same amount to \$ 0.09 per 1000shtuk, but there is a vast problem of contraband market, which hinders the implementation in the State of Kyrgyz cigarettes.

*An important event in the market of smoking products was the introduction of*

*licensing for import of tobacco products. Introduction licensing enabled to take account of the subjects involved in the importation of cigarettes and other tobacco products in the country to organize their activities and to monitor the accuracy of the import transactions conducted on tobacco products, their registration with the tax authorities and timely payment of taxes, and most importantly, to prevent the importation of contraband and counterfeit products.*

Questions whose solution will increase the production of cigarettes:

- Remove discriminatory attitudes on the Kyrgyz side of exported tobacco products in the above-mentioned countries;
- Creation of equal conditions for manufacturers and importers of tobacco products through the implementation of a specific system of taxation of tobacco products in the Kyrgyz Republic on analogue countries of Germany, Russia and Ukraine;
- Management licensing for implementation of cigarettes.

## **2.8. Work with Investors**

In the Kyrgyz Republic efforts HOOK "Kyrgyztamekisi" through negotiations involved a major investment for the purchase, processing of raw tobacco and modernization of tobacco fermentation plants, old tobacco factory in Bishkek, as well as to build a new cigarette factory.

The above investments were made possible by the development of promising programs developed by the tobacco industry of the Kyrgyz Republic until 2002 between the SJC "Kyrgyztamekisi" and a strategic investor, which was approved by Decree of the Government of the Kyrgyz Republic on April 30, 1997. In one of the items of software, including the condition of investors in tobacco fermentation only meet all the regulatory, technical, sanitary requirements for this type of production.

Investors have implemented an investment program for the modernization of "Osh-Djubek" and JSC "Kyzyl-Kiya CPR" at 3.5 million US dollars, which currently employs high-performance manipulation line postharvest processing of tobacco, which allows increasing the quality of fermented tobacco to the world level.

To date, the improvement of the quality of raw tobacco fermentation by processing in the manipulation lines allowed starting exporting tobacco to foreign countries and the

implementation of the international cigarette companies.

Currently used technology for processing of tobacco on tobacco fermentation plants that do not meet the standards that represent consumers such as international company "Philip Morris" (USA), Bath (England), "Gallagher" (USA), "Reemtsma" (Germany). In this regard, the SJC "Kyrgyztamekisi" take urgent measures to modernize tobacco fermentation plants through the introduction of new technologies for processing tobacco. Currently, the tobacco industry of the country except the CJSC "Suneli Tobacco" in the tobacco market of the country there is no other entities for the purchase of raw tobacco prices and volumes. As part of the agreement JSC "Tobacco Suneli" buys all tobacco produced in the Republic.

Purchase prices for raw tobacco in the country are free, due to the fact that the company has a dominant position on the market of tobacco independently establishes the purchase price of raw tobacco on grades from rural producers and, respectively, of this company depends on the well-being of hundreds of thousands of peasants. It is therefore necessary to create a competitive environment in the Republic of tobacco to compete with each other investors in all matters. To address this issue, we are attracting foreign investors "Missirian" (Greece) to increase the production of tobacco. Parent company "Missirian", headquartered in Greece, ranked countries in Greece, Bulgaria, Macedonia, Armenia, on the harvesting and processing of tobacco, has a spotless reputation, and about 15 states in which it operates, this company is considered an honor joint cooperation.

September 12, 2012 with the Director General of "Missirian" represented Tzoimas Nikos from Greece, negotiations were held with the participation of First Deputy Prime Minister of the Kyrgyz Republic Otorbaev J. of intent on growing the company, purchasing and processing, as well as installation of equipment for tobacco-fermentation plant in addressing issues with the Kyrgyz side of the state guarantee.

This will certainly effect on improving the competitive environment and increase sales Kyrgyz tobaccos.

As for the cigarette production, through attracting foreign investments put into operation a modern cigarette production capacity of 12.5 billion. Per year JSC "Reemtsma-Kyrgyzstan" is able to provide smoking articles the whole country in cigarettes with and without filter and to supply for export.

All of these agreements were signed with investors taking into account that in the

republic and the state regulation of the tobacco industry, there are state guarantees to foreign investment.

One of the conditions for investment in the world's largest tobacco companies was to demand the introduction of state regulation on the tobacco industry of the country in order to eliminate the black market tobacco products.

Well-known international experts noted that the CIS only Kyrgyz Republic could be integrated in the global tobacco market by improving the quality of tobacco, improving the legal framework.

In order to ensure the effective operation of foreign and domestic companies on storage, export of tobacco and manufacture of tobacco products is necessary to conduct state regulation and state guarantees for foreign investment needed when working in Kyrgyzstan. If we remove all the problems hindering the efficient operation of foreign and domestic companies engaged in the procurement, export of tobacco and manufacture of tobacco products, it will further attract foreign investment in the tobacco industry of the Kyrgyz Republic.

### Chapter 3. Solution for improvement and development of the tobacco industry

Advised measures which implementation will help to reconstruct, develop and develop foreign investment in the tobacco industry of the Kyrgyz Republic for period from

№	Name	Execution time range 2015-2018	Ministries and departments whose participation is necessary for the solution of the issues raised and responsible performers	Expected results
<b>Cultivation and processing of tobacco</b>				
1.	Enter into preliminary agreements between investors and farmers indicating advancing spring fieldwork and purchase prices for tobacco Variety.	Annually, Early in the year	SJC «Kyrgyztamekisi», JSC «Osh-Djubek» and JSC «Kyzyl-Kiya CPR» foreign and domestic investors	Guaranteed sale of raw materials and lending spring fieldwork. Creating a competitive environment, the increase in number of areas and purchasing prices for raw tobacco.
2.	A gradual increase in purchase prices for raw tobacco, by improving its quality	Annually, Early in the year	SJC “Kyrgyztamekisi”, JSC “Osh-Djubek” and JSC “Kyzyl-Kiya CPR” foreign and domestic investors	Increase farmers’ incomes raw tobacco, increase in number of areas
3.	Work with investors to allocate tobacco farmers interest-free loans of money and material resources	Annually, Early in the year	SJC «Kyrgyztamekisi», JSC «Osh-Djubek» and JSC «Kyzyl-Kiya CPR» foreign and domestic investors	Creating a competitive environment, the increase in number of areas of tobacco leaf
12	To work on the mechanization of tobacco cultivation to facilitate the work of farmers tobacco	Annually	Ministry of Agriculture and the Plenipotentiary Representative of the Government of the Kyrgyz Republic in village areas, SJC «Kyrgyztamekisi», investors	Increase productivity and quality of work, as well as reducing the use of child labor



14	To work on the debts of previous years, tobacco companies subordinate factories budget loans Ministry of Finance of the Kyrgyz Republic and the Agency for Bank Reorganization and Debt Restructuring for decommissioning and rehabilitation of economic, financial condition tobacco factory farms	2015	Parliament of the KR, the Government of the Kyrgyz Republic, Ministry of Finance of the Kyrgyz Republic, the Ministry of Agriculture and CDM MEAP, fugues under the Government of the Kyrgyz Republic, Agency for Bank Reorganization and Debt Restructuring, SJC «Kyrgyztamekisi».	Improving the financial situation of plants.
15	The introduction of the world's best production of oriental varieties of tobacco	2015	Ministry of Agriculture, the Plenipotentiary Representative of the Government of the Kyrgyz Republic, SJC "Kyrgyztamekisi", JSC "Osh-Djubek" and JSC "Kyzyl-Kiya CPR" foreign and domestic investors	Improve quality and increase farmers' incomes raw tobacco.
16	Informing the media, television and radio for the ongoing work related to the tobacco industry of the country.	Annually	Ministry of Agriculture, Regional district state administrations, c / a, SJC «Kyrgyztamekisi», JSC «Osh-Djubek» and JSC «Kyzyl-Kiya CPR» foreign and domestic investors.	Awareness of tobacco producers about the ongoing work on the purchase price, to provide assistance and other aspects of the industry

**Investments**

1.	Attracting new	Annually	The Government of	Creating a competitive
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	investors to the tobacco market of the Republic, by negotiation		the Kyrgyz Republic, the Parliament of the Kyrgyz Republic, Ministry of Agriculture, the Government of the Kyrgyz Republic, SJC "Kyrgyztamekisi"	environment, the increase in purchase prices and assist in the raw tobacco
2.	Attracting investment to modernize tobacco fermentation plant with the installation of a new generation of production lines	2015-2018	The Government of the Kyrgyz Republic, the Parliament of the Kyrgyz Republic, Ministry of Agriculture, State Property Management of the Government of the Kyrgyz Republic, SJC "Kyrgyztamekisi"	Improving the quality indicators of fermented tobacco.
<b>Cigarette production</b>				
1.	The annual increase in production of smoking products by 10%, by creating favorable conditions for exports and reduce imports.	Annually	The Government of the Kyrgyz Republic, the Parliament of the Kyrgyz Republic, Ministry of Agriculture, under the Government of the Kyrgyz Republic, SJC "Kyrgyztamekisi" JSC "Reemtsma-Kyrgyzstan"	Ensuring the competitiveness of smoking products, reducing import dependence and increase the export potential of tobacco products.
2.	Expanding the range of tobacco products, by creating productive capacity in the south by attracting investors	2015-2018	The Government of the Kyrgyz Republic, the Parliament of the Kyrgyz Republic, Ministry of Agriculture, Ministry of Economy and antimonopoly Policy, Fund for	Providing labor employment, competitiveness smoking products, reducing import dependence.

			State Property Management under the Government of the Kyrgyz Republic, SJC "Kyrgyztamekisi"	
3.	Consider creating a level playing field for manufacturers and importers of tobacco products in the Kyrgyz Republic through the implementation of a specific system of taxation of tobacco products in the Kyrgyz Republic on analogue countries of Germany, Russia and Ukraine	2015	The Government of the Kyrgyz Republic, the Parliament of the Kyrgyz Republic, Ministry of Agriculture, Ministry of Economy and antimonopoly Policy, Fund for State Property Management under the Government of the Kyrgyz Republic, SJC "Kyrgyztamekisi" JSC "Reemtsma-Kyrgyzstan"	Increased productivity, increased tax payments to the budget of the republic, improving the quality and stabilization of the tobacco market.
4.	Export domestic cigarette products to China and other Central Asian states.	2015 – 2018	The Government of the Kyrgyz Republic, the Parliament of the Kyrgyz Republic, Ministry of Agriculture, Ministry of Economy and antimonopoly Policy, Fund for State Property Management under the Government of the Kyrgyz Republic, SJC "Kyrgyztamekisi" JSC "Reemtsma-Kyrgyzstan"	Increased productivity, increased tax payments to the budget of the republic, increase of export potential of tobacco products.
<b>Measures to improve the quality and increase the export potential of the Kyrgyz tobacco</b>				

1.	The introduction of state regulation through licensing sale of tobacco products	2015	The Government of the Kyrgyz Republic, the Parliament of the Kyrgyz Republic, Ministry of Agriculture, Ministry of Economy and antimonopoly Policy, Fund for State Property Management under the Government of the Kyrgyz Republic, SJC "Kyrgyztamekisi"	Improving the quality and stabilization of the tobacco market.
2.	Allocation of money from the republican budget in the amount of 100 million som to tobacco factory farms with state stake for cultivation, purchase and processing of tobacco.	2015	The Government of the Kyrgyz Republic, the Parliament of the Kyrgyz Republic, Ministry of Agriculture, Ministry of Economy and antimonopoly Policy, Fund for State Property Management under the Government of the Kyrgyz Republic, SJC "Kyrgyztamekisi"	Creating a competitive environment, ensuring the employment of the population, an increase in productivity, an increase in tax payments to the budget of the Republic.
3.	Creating the necessary conditions for success, both for domestic and international companies investing purchase and processing of tobacco.	Annually	The Government of the Kyrgyz Republic, the Parliament of the Kyrgyz Republic, Ministry of Agriculture, Ministry of Economy and antimonopoly Policy, Fund for State Property Management under	Ensuring competitiveness

			the Government of the Kyrgyz Republic, SJC "Kyrgyztamekisi"	
4.	Taking steps to identify identical customs duties (excise) on the import of tobacco products from the Kyrgyz Republic and Uzbekistan and others.	2015	The Government of the Kyrgyz Republic, the Parliament of the Kyrgyz Republic, Ministry of Agriculture, Ministry of Economy and antimonopoly Policy, Fund for State Property Management under the Government of the Kyrgyz Republic, SJC "Kyrgyztamekisi"	Increase the export potential of tobacco products.
5.	Adoption of measures to prohibit the export of raw unfermented tobacco	2015	The Government of the Kyrgyz Republic, the Parliament of the Kyrgyz Republic, Ministry of Agriculture, Ministry of Economy and antimonopoly Policy, Fund for State Property Management under the Government of the Kyrgyz Republic, SJC "Kyrgyztamekisi"	The increase in the budget, ensuring the employment of the rural population

## **Conclusion**

The main objective of the thesis research was to investigate the current situation of tobacco industry in the Kyrgyz Republic, to find out the role of "Imperial Tobacco" LLC in the market and the trend behavior of tobacco distribution based on the analysis of the case company.

In the theoretical part the researcher tried to analyze trends of tobacco in the world and in the Kyrgyz Republic, which shows that the global cigarette industry is one of the most profitable industries in the world, which can be observed by increasing values and increasing number of consumers.

The second objective shows that according to the analyzed data, the tobacco production is very promising and perspective area, but there is a lack of clearly identified national strategy to support domestic producers, which operates in the territory of the Kyrgyz Republic. A case company "Imperial Tobacco" who shares 18% of tobacco market in Kyrgyzstan has all the features to increase the volumes of tobacco sales, but now there is problems with products distribution. Considered statistical and corporate data from the company of the last 3 years have shown a slight regression of product distribution and sales. By SWOT and PEST analysis researcher tried to show a case company's current market position, potential and direction of the business in tobacco industry. Based on the interview the same issue have been observed in other leading companies. The main reasons of this problem are affected by inflation, political, economic instability of the country and significant increase of taxes.

Previously formulated by researcher the probable specific steps and measures, which implementation will help to reconstruct and improve the situation in tobacco industry in the Kyrgyz Republic.

Finally, many unsolved problems was accumulated for 20 years, invited a lot of development and reconstruction programs from the state authorities and by private sector, but at the moment none of them has yielded significant results to improve the industry. We possess all resources and capacity to change the situation, now it is important to have patience and to elaborate the management system to follow them.

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# **Appendix**

## **1. Glossary**

CIS- The Commonwealth of Independent States.

“Djubek 4407”- sort of aromatic tobacco

UN- United Nations

OSCE- Organization for Security and Co-operation in Europe

WTO- World Trade Organization

IMF- International Monetary Fund Organization

EBRD- European Bank for Reconstruction and Development

EURASEC- Eurasian Economic Community

CSTO- Collective Security Organization

SCO- Shanghai Cooperation Organization

JTI- Japan Tobacco International Company

BAT- British American Tobacco

HS code 2402- according to the International Trade Centre, the tobacco product identified by this code.

SJC- State Joint Stock Corporation

LLC- Limited Liability Company

Som- National currency of Kyrgyz Republic

USD- United State Dollars

US- United States

GOST- Government Standard Number

All SKU- All tobacco family which sales by "Imperial Tobacco"

## **2. Interview questions**

- What features has your company, which allowing you to be competitive in the market?
- For what period of time you are able to predict the market of tobacco?
- In which areas the company provide sufficient amount of financial support?
- In which areas, your company does not have sufficient funding?
- Do you have any special sale methodology or tool, which allows you to win the competition?
- When were introduced new tobacco products in the market?
- Are there any production facilities, which become obsolete?
- How do you plan to expand the consumer audience of your products?
- Are there any areas of your company where your employees are not keeping pace with the company tempo?
- Is there any simplified regulation system by the public authorities, which makes favorable conditions for business?
- What requirements or laws by regulatory authorities hinder the development of your company?
- How the economic crisis and recession affect to your company?
- What are the necessary strategic changes your company is not yet ready to finance?
- How changing demographic situation may somehow affect to the sales of your products?
- Can you please describe your market position and share of your company with comparison to other main competitors?

### 3. List of figures

Figure 5. Types of cigarettes that offers “Imperial Tobacco”



Source: search in google.kg for the above cigarettes types