

6 December 1984

BATCo

PRESS CUTTINGS

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CARROLL INDUSTRIES

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INTERNATIONAL STORES/DEE CORPORATION

Marketing Week - p31 - "International's market force".

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Executive Summary - 29.11 - Bulletin No 84-59

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SMOKING DETERRENTS

Business Week - p60 - "A drug that could kill the craving for cigarettes".

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**Hurricane
short of puff?**

NO wonder Alex Higgins lost so miserably in the UK Snooker Final. He could not stave off his craving to suck on a cigarette long enough to make the winning breaks. Perhaps if he curtailed his smoking and drinking he might eventually become healthy enough to wear a tie.
—Stuart Houghton, Nelberhall, Gardens, Hampstead.

Standard - p14 - 5.12.1984

For further information, please contact Rosemary Sim, Westminster Hse, Ext 2595.

105651226

Carroll strong in second half

ON THE BACK of a significant recovery in the tobacco division in the second half, the Dublin-based Carroll Industries has produced a pre-tax profit on a LCA basis of £15.8m after allowing for £1.68m redundancy costs, compared with £67.25m in the previous year.

Shareholders benefit from the company's renewed strength with their net asset value up from 103p to 110p, and an increased dividend. There is to be a 1-for-2 scrip issue, and on the new capital a final dividend of 1.7p net will be recommended; this will make the equivalent of 5.5p for the year against 4.95p last year.

The tobacco side, picked up following an extensive restructuring of costs, a voluntary redundancy programme and the securing, once again, of export manufacturing orders. At the year end net bank borrowings were insignificant at £268,000 compared with £4.74m the year before.

Overall sales for the year rose from £232.33m to £252.44m with tobacco accounting for £194.69m (£179.66m), pharmaceuticals £83.04m (£48.74m), printing and packaging £8.73m (£8.1m), less intra-group £3.02m (£2.16m).

From these tobacco made a profit of £3.89m (£2.58m), pharmaceuticals £1.34m (£1.32m) and printing and packaging £401,000 (£208,000).

Pre-tax profit was struck after adjustments for cost of sales £2.23m (£1.87m), monetary working capital £81,000 (£243,000) and depreciation £888,000 (£993,000). Net interest receivable was £22,000, the first time in modern history that the group has been in credit on this account last year £739,000 net interest was paid. On an historical basis the pre-tax profit came to £9.8m (£9.78m).

ON THE BACK of a significant recovery in the tobacco division in the second half, the Dublin-based Carroll Industries has produced a pre-tax profit of £15.8m (£15.8m) after allowing for £1.68m redundancy costs, compared with £67.25m in the previous year.

Shareholders benefit from the company's renewed strength with their net asset value up from 103p to 110p, and an increased dividend. There is also a 10p for-2 scrip issue, and on the new capital a final dividend of 1.7p net will be recommended; this will make the equivalent of 3.5p for the year against 4.53p last year.

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From these tobacco made a profit of £3.89m (£2.54m), pharmaceuticals £1.34m (£1.32m) and printing and packaging £401,000 (£208,000).

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International's market force



Sommers: Welcome challenge

Simon Jones' "City Analysis" of the Dee takeover of International Stores (*Marketing Week*, November 30) is far too one-sided in its assessment of the prospects of the merged group. That often-quoted person "an analyst" has some ideas about grocery retailing which suggest he rarely goes in shops. Since the overall impact of Simon's article is I think damaging to International's management in general, and by its context to our marketing management in particular, I hope you will allow me to reply.

First the facts. Gateway is a very successful and aggressive competitor, they often hurt us and there are in fact more than "very few locations where the two groups compete" — read our address lists, they're published by the IGD. "The Gateway name is stronger in image terms" — we run a continuous, quantified image monitor and this is not true (admittedly our stores within a taxi ride of the City are often not our newest or best).

Simon's analyst goes on to tell us that Dee's store level controls and increasingly efficient distributions system will "push the International margin up to around three per cent from the miserable levels it has been languishing at for some years". International's control of store and distribution operations compares well with Dee and has been rapidly improving. Perhaps

More letters overleaf

that's why our margin is already at the "miserable" level of two per cent on a comparable basis having "languished" up from a substantial loss three years ago.

On the qualitative side of Simon's comments it would be expected that I would disagree with the three times repeated view that International's management is not adequate to the task of continuing to improve performance. I can only say that a team which has achieved a £15m pa profit turnaround at the same time as it has refurbished 200 stores, redirected company strategy, built 12 new stores in 1984, lined up 20 more for 1985, launched 650 lines of own label, and invested in top quality young managers — many of them recruited through your pages — should not be so lightly dismissed.

Having more than satisfied all the objectives set for us by BAT Industries in recent years, I am confident that International's managers will continue to reach the goals established for them by our new owners, indeed we look forward to the challenge. But a lot of what's happened at International over the last two years has been a model of the importance of adding value to the product — the key role the marketing man has to play. Simon's recycling of outdated attitudes to the chain and remote City views of supermarketing not only detracts from the specific achievements here, but by implication diminishes the role the marketing profession will play in this rapidly evolving industry.

Mike Sommers
Marketing director
International Stores
Bracknell
Berkshire



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International Organizations Monitoring Service*

The regulatory impact on multinational corporations

Subject: RESTRICTIVE BUSINESS PRACTICES - UNCTAD - UPDATE AND
OUTLOOK ON ACTIVITIES AFFECTING MNCs

Date: NOVEMBER 29, 1984

Bulletin Number: 84-59

Executives Affected By This Issue: General Counsel/Legal, Strategic Planner,
Government Relations/Public Affairs, International Operations

Executive Summary

1. Background. Following adoption in 1980 of the UN Conference on Trade and Development's (UNCTAD) Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices (RBPs), UNCTAD established an Intergovernmental Group of Experts on RBPs to supervise implementation of the RBP Code and discuss other UNCTAD work on RBPs. This Group met for its third session in Geneva November 7-16, 1984.
2. RBP Code Implementation. Very few governments have taken steps to implement the Code; the few that did were Western industrialized countries ("Group B"). Even so LDCs claim that the blame for poor implementation lies with Group B countries, home of most MNCs.
3. 1985 Review Conference. LDCs proposed a resolution calling on the November 1985 Review Conference on the Code to make it legally binding. They also are asking the Conference to create a new UNCTAD special committee to oversee application and implementation of a binding Code. Group B rejected this approach on grounds that insufficient experience in implementing the Code warrants waiting longer before considering changing its legal status. The resolutions will be debated again at the Group's 1985 session before the Review Conference.
4. Other Issues. The Group elected to publish and distribute a Secretariat study on collusive tendering over the objections of some Group B members. Studies on tied purchasing and RBPs used by engineering consulting firms and UNCTAD's model law were referred back for more work. The Expert Group also urged the Secretariat to prepare a handbook on RBP laws in various countries as soon as possible.
5. Outlook. The next milestone will be the fourth session of the Group, scheduled for April 1985 but more likely in July or September. Unless the views of all parties but Group B change by then, MNCs may well see an all-out push for a legally binding Code in the November Review Conference. Group B will resist such a move strongly, pointing out that if a binding Code is unlikely to improve poor national implementation of the Code by LDCs.

105651229

New Products

A DRUG THAT COULD KILL THE CRAVING FOR CIGARETTES

To quit smoking is the easiest thing I've ever done. I ought to know; I've done it thousands of times.

—Mark Twain

In the past, all that stood between cigarette smokers who wanted to kick the habit and the craving that drove them to the next cigarette was a fragile wall of willpower. And for millions of smokers, like Mark Twain, that barrier crumbled easily. Things are still pretty much the same today, but there may be hope for the future. Researchers have discovered that a drug used to treat high blood pressure may block smokers' hunger for the next cigarette.

Scientists at the New York State Psychiatric Institute and Columbia University tested a drug called clonidine on a group of 15 people who had consumed an average of two packs daily for 16 years. In separate day-long tests, the subjects abstained from smoking after taking either clonidine, a mild tranquilizer, or a placebo. The result: Their craving for a cigarette was significantly less when they were given clonidine. "This drug has unequivocal potential for short-term treatment of smoking," declares Dr. Alexander H. Glassman, an institute psychiatrist, who led the study.

MINI-INDUSTRY. The potential market for a drug that could ease ex-smokers through the first, difficult days of abstinence could be immense. In the past few years, growing pressure from antismoking forces and mounting medical evidence that smoking causes lung cancer, heart disease, and emphysema have prodded record numbers of smokers to try to conquer the habit. More than 33 million of the nation's 55 million smokers have tried to quit at least once. But only about 25% of those who try succeed for even two years. Helping smokers quit has already spawned a mini-industry of courses aimed at modifying the addictive behavior of smokers, devices that limit nicotine intake, and over-the-counter "smoking deterrents" that claim to reduce the urge for tobacco.

The size of this market is surprising even those companies that studied it carefully before jumping in. Merrell Dow Pharmaceuticals Inc., for example, introduced a chewing gum containing nicotine that allows smokers to reduce their craving for nicotine gradually without smoking. First-year sales of the

product, called Nicorette, will top \$40 million—about twice the initial projections of the Cincinnati-based Dow Chemical Co. subsidiary.

Nicorette has shown considerable promise in initial testing. From 40% to 50% of the smokers using the gum were still not smoking after more than one year. "In the past there was little success [in treating smokers] because we had not recognized that nicotine produced a drug dependency," says one Dow manager.

Nicorette's success in the marketplace has not gone unnoticed by Boehringer

Clonidine 'has
unequivocal potential
for short-term
treatment of smoking'

Ingelheim Ltd., the manufacturer of clonidine. The Ridgefield (Conn.) drug-maker says it had observed the apparent anti-addictive effect of clonidine in earlier tests but did not follow up with additional research. Now, however, the company may begin the more extensive clinical tests required to win Food & Drug Administration approval of clonidine for smokers. "Based on the results of the new studies, we may try again," says Harvey S. Sadow, president of Boehringer Ingelheim.

The New York scientists who conducted the recent experiments are eying commercial drugs as well. Although they will not confirm that they are working with a pharmaceutical company, Glassman says, "We are pursuing it."

There are also indications that the potential for clonidine to combat addiction goes beyond smoking. "The drug could potentially be useful to treat almost all types of craving," suggests Glassman. Researchers say the drug stops the urge directly by acting on those cells in the brain that are associated with addiction. Early studies show that clonidine also blocks the withdrawal symptoms associated with alcoholism and opiates. The recent study on smokers indicates that the same brain cells may be involved in all three addictions.

By Emily Smith in New York

NEW PRODUCTS