

Market and operations analysis of unilever



Unilever is commissioned to satisfying the domestic need of everyday people everywhere, the brands are used worldwide by millions of individuals consumer, their popular products includes Dove, Lux, Lipton, Hellman, magnum and Vaseline. Unilever has 400 companies operating in 150 countries worldwide, the company was established 1930, their brands are diverse with this they are able to satisfy their customers worldwide. Unilever was created by the merging of British Soap lever Brothers and Dutch Margarine producers they continued growing by acquiring companies in the same line of production.

For the purpose of this paper Unilever product would be examined in two regions in Brazil to highlight how Unilever products varies in these two regions and what marketing strategy they are applying to promote their products in these region

2. 1. : Operation

2. 2. Unilever aims to grow by

By purchasing local and national companies

By putting up a green field site in the country the companies are located

And also importing when possible and profitable from external sources

2. 3. Unilever classify its products into

Home and personal care: the class includes; soap, toothpaste, perfumes, cosmetic, deodorant, shampoo, fragrance, detergent for fabric e. t. c.

Food products: this class includes; tea, ice cream, fish, margarine, frozen foods, spreads, cooking oil products e. t. c.

Professional cleaning

Plantation, plant science and trading operation: tea plantation and innovation of raw materials for vegetable, tomato, edible oil and bakery.

The table below shows the countries where Unilever has high recognition and investment

Europe

United kingdom, Germany, Netherlands and France

North America

United state of America

Latin America

Brazil

South Asia

India

Asia and pacific

China, Japan, Australia, Philippine, Thailand, Indonesia

Africa and middle east

Nigeria, ivory coast, Ghana, South Africa

The countries where Unilever products are not recognized include Burma, Cuba, and Algeria.

2. 4. How they operate from the head office:

Unilever global success can be linked to the high national flexibility and low economic integration strategy they remain close to customers in the local market by allowing regional managers to have authority to make operating decision in the geographic areas.

Aggressive globalization policy: there are many ways a company could enter a local market, it could be through joint ventures, acquisition, investment, franchising e. t. c, Unilever aggressive globalization policy enable them to purchase local companies and raise the standard of the product, marketing them locally in different countries

All managers must comply with the local rules and regulation

Unilever in Northeast Brazil

Unilever started business in Northeast Brazil with the market target of low-income earners in mind to explore the opportunity in the market of detergents.

Environmental scanning: the first task for Unilever was to examine the environment and people living in Brazil, their lifestyle, aspiration, shopping and laundry habits of the low-income earners, after this research unilever was able to find out that the low-income earners would love to buy the

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unilever product detergent but due to the tight income they could not afford it.

Only 28% of the brazil population in the northeast has washing machine and 73% think that bleach is a necessity to remove tough stains, they wash their cloths using bar soap which involves the process of scrubbing which means they use more of bar soap than detergent, they mainly add detergent to their cloths to make it smell good, they also do their washing 5 times in a week due to the fact that they own fewer cloths and have more time.

The market for bar soap was easy to access than detergent in the northeast, the production cost for bas soap was low, another fact for the success of bar soap in northeast of brazil is due to the water concentration, the water in brazil is low in calcium which makes the water soft compared to the hard water in Europe, U. S and India. (refer to exhibit 3)

The northeast side of brazil people view cloth washing as one of the pleasurable activities, they often wash their cloths in a public laundry either a pond or river where they meet friends and chat, they are proud of the fact that they keep the family clean. They perceive cleanliness as an indicator of a dedicated mother of the family,

The six major consumer expectation of a detergent includes;

Cleanliness, whitening, productivity

Smell and softness

Ability to remove stain

Dissolving power

Packaging

Harm to colours

This is placed in order of importance from the top to the bottom

Unilever in Southeast of Brazil.

The southeast of Brazil is more developed area in Brazil than northeast (refer to exhibit 1), their life style is similar to the European, the cultural norms of Brazil is mixed with European and North America due to influence from the western world.

67% of family owns a washing machine in southeast and 18% believes that bleach is necessary to remove tough stains unlike the 73% in northeast. In southeast clothing washing style is similar to the Europe and North America style, they often use washing machine for clothes, mixing laundry soap and bleach to remove tough stains, they use more detergent than bar soap.

They southeast women classify cloth washing has a boring chore and are only interested in making it easier, cloth washing is done at home unlike the northeast where cloth washing is done in public places and classified as a pleasurable activity, women in southeast has little time to spend on cloth washing due to the high-life style and work.

The people in northeast and south east differs in emblematic value they attach to cloth washing and cleanness, the southeast people owns a washing

machine and has no or small interest for self esteem and social status regarding cleanness of cloth.

Unilever had little or no change to their products in southeast of Brazil due to the similarity between southeast Brazil and Europe, the southeast Brazilian often shop in big supermarket which makes product penetration easier for Unilever, all they had to do is to make the product awareness high, television commercial, and other means of commercial were used to make the product awareness high, unlike the northeast, the southeast people do not depend on the information from the sales person in the store, they would shop for the product they want and they buy high brand quality products.

The entry method for Unilever in Brazil was basically mergers and acquisition, they believed in developing local products and also inject their own product through the local companies they purchased local companies in the same line of production, one of Unilever major acquisition includes Kibon which is the largest ice cream business in Brazil this company was bought from Philip Morris

In order for Unilever to meet the demands of both northeast and southwest they had to adjust four marketing mix which includes;

Product:

Unilever has the option to produce similar products to their cheapest detergent (Camperio) but would this product meet the expectation of the consumer, or produce similar product to their most expensive detergent (Minerva) but will the consumers be able to afford it, what they did was to

create a product within the two, they had to eliminate some ingredient improve some and leave some relatively to the existing products to develop a new product called OMO.

They also had to select the right packaging and size, according to the market research they found out that the north-eastern Brazilian were attracted to the traditional cardboard packages and believed that anything not in this package is only good for second-rate product, they launched different packages and sizes to the give consumers choice.

Unilever stayed with their high quality product in southeast of Brazil, the people there could afford the product and would only shop for high quality products from major super markets.

Price:

Giving the product a price too high would make the product out of reach for the target market and also making it too low will lead to the reduction of sales of other detergent products.

Unilever picked a price that would be convenient for the target market.

The price of detergent in southeast was on the high side, the southeast people are willing to pay the price for high quality goods.

Promotion

Unilever distributed the communication expenditure for promotion to 70% for media advertising and 30% for trade promotions, event and point of purchase marketing, they also used mostly media advertising because the <https://assignbuster.com/market-and-operations-analysis-of-unilever/>

most of Brazilians are constant television watcher, they also relied on the sales point marketing.

The promotion in the southeast was more western than northeast, they used majorly Television commercial and bill board advert, the southwest cared less about the sales point marketing, they would from supermarkets having in mind the product they want buy.

Distribution

They relied on the general network of wholesalers, the low income earners rarely shop in the big supermarkets.

The southeast Brazilians shop in the big super markets.

Exhibit 1 (distribution of social classes in Brazil (southeast and northeast)

Exhibit 2 (market share of detergent in Brazil) C: UserssegzyDesktopprodct penetration. PNG

Exhibit 3(penetration and consumption of bar soap and detergent)

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Task 2

What is culture?

(Hofstede 1980) dimension of culture is the most used model for defining culture, (yoo and Donthu 1998) refers to culture as the stable and enduring characteristic of individuals in a society, these characteristics are also

subject to changes due to influence from external factors. Some researchers refers to culture as admiration of music, art, literature and good food. The anthropologist believes that culture is the full scale of ascertained human behaviour pattern. The term culture was first used by Edward B. Tylor the pioneer English anthropologist, he described culture has the “ complex whole which includes knowledge, beliefs, art, law, morals, custom and any other capabilities and habits acquired by man as a member of a society” he also argues that culture is a survival tools which humans must have to blend in, and it changes easily because it exist only in the mind.

(Tylor 1871) pointed out that there are three layers of culture; the first is the full body of culture that distinguishes people in different societies like Americans, Italians, Nigerians and Japanese. The full body of culture consist of the language they speak, traditions and beliefs which differs in different societies, the next is subculture he refers to this as the different cultures within a full body of culture, examples are within the Americans we have the Vietnamese American, African American and Mexican American, also in Nigeria there different ethnic groups such as the Yoruba, Hausa, Igbo e. t. c. all the subculture members shares related identity such as local dialect, food tradition and many other cultural traits that was passed on from their ancestral history and experience, for example the style of washing varies in the northeast and southeast of brazil(refer to appendix 3 and 3. 1) the third layer of culture is cultural universal this can be refers to as the human behaviour pattern that is shared around the world, patterns such as survival, clothing, living under a shelter, for example, unilever has companies in almost every part of the world providing the basic needs of the people in

these countries, they produce home and personal care products for all these countries the only thing that change is the production and marketing systems in each countries. As a human we also have little similarities in our culture which are survival, clothing and shelter.

According to (Shahla A. 2002) he said culture is made up from the following characteristics

Language: this is the oldest human institution that varies from one society to another, this is the way a society communicates verbally to another member of the society.

Art and science: this is another way of culture that varies in different society, this contains traditional music, traditional dance e. t. c. this is another and refined form of human expression apart from language.

Thought: this is the way we perceive, interpret and understand the world around us, there are similar symbols and signs in the world but the interpretation and meaning varies from one society to another, example is the way the northeast side of brazil perceive cleanness as a symbol of a dedicated mother to her family and the southeast cared less about cleanness

Spirituality: this is the spiritual value system of the society related to the religion such as Christianity, Muslims, Buddhist e. t. c.

Social activities: this involves activities such as festivals and other social events they way they are carried out varies in different society.

Interaction: this is another social aspect of a society which includes how negotiations are been made.

IMPACT OF CULTURE ON MARKETING STRATEGY

(Maitah 2010) Companies operating internationally are increasing every day, countries are opening their doors to new organisation for business and reducing barriers for business, an organisation would decided to go global after achieving all its aims and objective in its host country, it will be facing high competition in the global market, this will cause them to restructure their operations to be able to survive in the international market, one of the major challenges an organisation would face is cultural difference.

Culture can affect business decisions in many ways from language barriers to pricing difficulties to cultural collusion this is bound to happen especially when the organisation is just starting business internationally (Nakate 2009). For an organisation to survive in another country it has to comply with the cultural values of the country, except when the product is been standardize.

(Hofstede 1980) came up with the five different dimension of culture, he argues that all the countries belongs to one or more of the following characteristics, powered distance index(PDI), masculinity, individualism, uncertainty avoidance index, long term orientation.

(Terpstra and sarathy 2000) came up with cultural framework, for a product to be accepted in a society it must comply with the demands of culture in the society, they classified this demands into eight which will impact the decision of organisation in doing business in another country and also help the managers in making business decisions.

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An organisation needs to create awareness for its products and this is done through communication (Terpstra 2004), the local language would be used to attract more customers, an organisation must consider the cultural difference in communication process in a country, this difference can be explained as low and high context communication, context has to do with how much you know before you can communicate and other demands includes; Law and Politics, religion, education, social organisation, values and attitudes, aesthetic, technology and material culture all these attributes would influence the decision of an organisation operating in a foreign country.

(Strodbeck 1961) came up with the framework that identified 6 basic cultural dimensions, which will contribute to the success of the organization if well utilized, they include, relationship to environment, nature of people, activity orientation, focus and responsibility, conception of space.

Unilever was able to respond to the cultural demands in northwest Brazil by scanning the environment and finding out the actual need of their market target which is low income earners, they adjusted the product to the taste of the northeast Brazil, the cultural values and beliefs had an impact in the production of the detergent OMO.

(Phimister 1999) An organisation would decide to go global to expand into foreign markets with higher opportunity and higher profits, also when they are stagnant in the domestic market and when they need a large customer base to achieve economic of scale.

Unilever's major reason for going global is to achieve a high customer base which in turn will increase their profit and development.

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It is important for organisation to be aware of the manners and customs in the country, if the first impression about a product goes wrong, it would be hard to shake off the impression. Method of business in another country cannot always be the same as the host country, respecting and understanding the culture will go a long way in helping organisation to settle down in foreign countries.

After proper recognition of the culture of the country, they also have to deal with political and legal issues of the country, political decision will have a direct effect on the economy (Adrian P, Bob H. 2006) political decision has direct effects on the economic environment, social and cultural environment and the way which technology appears and are adopted through tax dispensation for research and development of technology, an organisation would have to put into consideration when going global, the political activities of the country and how save the country is politically, most business in the middle east country like Libya and Egypt are having a downtime because of the crisis in these countries.

Global Pricing

(Kottoli 2007) An organisation could decided to use market skimming and financial objectives or penetration pricing and nonfinancial objectives, market skimming price could be set on the high side to achieve financial objective including rapid recovery of cost and investment. Market skimmer is also a deliberate act of an organisation to reach specific market targets that are willing to pay premium price for a brand (the global elite). Market skimming is mostly used by organisation when there is little or no

competition, companies like Mercedes Benz use market skimming strategy for their products.

(Lowe 2001) Penetration pricing and nonfinancial object is another strategy that could be used by organisations, this strategy is used mostly when there is high competition on the product or service, companies would tend to reduce the price of their product to attract more customers.

Unilever has a market penetration pricing strategy, they tailored the price of their product to the pocket their market target, increasing the price of the product would be out of reach for the market target. (Kindly refer to appendix 3. 1. 2)

Market Segmentation

Market segmentation is another strategy used by organisation when going global, due to the large market, (Ola M. 2010) organisations would have to segment the market to increase profit, popularity in the market, better customer satisfaction, better opportunity for product sales and growth and also to enable very easy product communication.(warren J and Mark C. 2008 P. 221) identified market segmentation has the process of identifying a particular set of people on the market with the same homogeneous characteristics and give the same response to a particular products.

They are different ways an organisation could segment a market, different methods of segmenting a market includes demographic, geographic, behaviouristic and physiographic, socio economic, (Cherlie N. 2010) apart from the well know market segmentation methods he also identify some other methods which could be used for organizations they include; product

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usage, benefit sought after, some customer may prefer quality to quantity while some are vice versa, geodemographic this is the combination of geographic and demographic segmentation.

Unilever used geographic method of market segmentation for the detergent OMO this product was specially designed for the Northeaster Brazilians and also the low income earners in the area. (Kindly refer to appendix 3)

Market Entry Methods

An organisation would have to select market entry method when going global, they could enter a country through direct import which the organisation has less control over the product, or franchising, licensing, joint ventures and other methods, the selection of the entry method depends on how much risk and investment the organisation is willing to give for the product.

According to (Albaum et al 2002) market entry methods consist of entry mode and marketing plan, the entry method is what is used to penetrate the target market.

(Brouthers 2002) identified the follow as the factors that will affect the choice of entry mode; transnational cost theory, the institution context, cultural context, (Osland and Zue 2001) also pointed out that, quantity of resources, level of commitment required, level of control and level of technology are all factors that affect the decision of selecting a entry method.

Unilever used merger and acquisition, the acquired companies in the same line of production, this way, they do not have to set up new building for production, they raised the standard of the local goods and inject their own product through the acquired company (Kindly refer to appendix 3 paragraph 6).

Standardization and Adaptation

(lowe 2001) Standardization or adaptation is another decision an organisation would have to make, standardization is when the product and service is the same in all the countries the product is available,(Sullivan 1998) one of the benefit of standardization is international uniformity, the customer would have in mind they are getting the same quality of product and service when they travel to another countries, it also reinforces positive customers perception about the product if the product meets the demand of the customers, this would increase the reputation of the product which in turn will increase their customer base and loyalty, standardization is more cheaper then adaptation, producing the same product in many countries would be cheaper, the organisation would be buying the raw materials in buck which would reduce cost, standardization also help in improving product easily, people can easily be trained on improving the product since it is the same worldwide.

(lowe 2001) Adaption has to deal with localizing the product and service to the taste of the local customer. Product production varies in different countries, the products are manufactured and tailored to taste of the local consumer (hart 1983), this is much more expensive than standardization, (Anderson 1983) there are 3 main approaches to standardization and

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adaptation; polycentric here adaption is applied in every market, the organisation create different subsidiaries with their own marketing mix and strategies to satisfy the local customers, ethnocentric; the products are standardize, little or no authority is given to the managers in other countries, method of operation is been done by the head office, the last approach is geocentric where the standardization and adaptation is been used by the organisation, the organisation would standardize when possible and also adapt their product when possible.

Unilever used adaptation, their products are developed to satisfy the local customers and promotion are localized in all countries (Kindly refer to appendix 2. 4).

Marketing Mix

Marketing Mix are method organisation use to position a new product in a society (Mccarthy 1960), According to (Kotler 1998) marketing mix can be refers to set of marketing tools used by organisation to achieve its marketing objectives.

The four major factors in marketing mix which is known as the 4Ps are product, price, promotion and place (Kotler 1998). The first one is product. Product is the good or services offered to the customers to satisfy their want, Unilever product was OMO detergent which was offered to the Northeast Brazilians, the next is price, price is the amount the customers are willing to pay for the product, promotion is used to create awareness for the product, this could be done through television commercial, bill board advert, promo, sales point marketing, e. t. c, the last P is place this has to deal with having

the right product in the right place for the right people to purchase, winter cloths cannot be sold in Nigeria because of the weather.

When these 4ps are successfully managed and utilized it should be expanded by including 3 more elements which are people, physical evidence and process, all these element would have to be well managed to derive customer satisfaction (Booms and Bitner 1981).

The people in the fore mentioned 3ps can be refer to the people who plays a role in delivering the service which influences the buyer's option, physical evidence could be identified as the market place, the environment where the service are delivered and the place of interaction between the organisation and its customers, process can be refer to as the actual procedure and flows the product and service is been delivered (Zeithaml and Bitner 1996)

Unilever had to adjust these 4ps to be able to meet the demands of its customers (kindly refer to appendix 3. 1. 1 to 3. 1. 4).