

Analysis of unilever operating in brazil



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As given in the case study, Unilever in Brazil has a strong 81% market share by means of its three brands: Omo, Minerva and Campeiro. Question at hand is whether or not to market detergents to lower income consumers in North-Eastern Brazil and how to go about it.

It was believed by many in the company itself that Unilever should not fight in the lower end of the market where even small local entrepreneurs with a lower cost structure struggled to break even. So is the opinion of Fernando Machado, category manager for detergents who believes that Unilever shouldn't divert money from their premium brands and invest in a low price brand. But since the lower income segment isn't tapped by any of the giants of the detergent industry in Brazil it provides ample opportunity to the company for growth in this segment. Also there is a need for good products matching the flagship brand Omo but something which is affordable at the same time to the Northeastern women as clearly seen by the example stated about Maria Conceição.

TREND IN BRAZIL:

As per case study it is known that Northeasterners believe bleach is a must for removal of stains, they prefer scrubbing clothes; addition of bleach for stain removal is an important factor followed by a little use of detergent powder only in order to make the clothes smell good. Thereby we can see that use of detergent is restricted only to giving a favorable smell. For the Northeasterners frequency of clothes washing is more due to more time at hand and lesser number of clothes owned. Also cleanliness is perceived as important despite of their low income survival. Cleaning of clothes for them

is also seen as a measure of dedication of the woman of the family. Hence Unilever faces the challenge of changing few of the age old perceptions and yet successfully making a mark in the lower income segment. For this Unilever will have to convert the laundry soap users into an Omo class user. This is a long term strategy but yet a feasible one[1]

WHY CHOOSE LOWER INCOME GROUP:

Enter lower income group segment before P&G penetrates there

Detergent market in this segment will always be a cash cow

Need gap analysis shows that there is an existing need for good detergents in this market

IMPLICATIONS OF MOVE:

SHORT TERM IMPLICATIONS: First mover advantage, shift of investment of money in low price brand from premium brands

LONG TERM IMPLICATIONS: Market leader in low income detergent market, without a shift in Omo customers the new brand will be able to attract lower income customers

WHAT SHOULD BE DONE?

There are various options with Unilever. Namely,

Launch a new product in the market targeting the lower income consumer without cannibalizing its own premium brands extensively –

Reposition one of its existing brands

Have a cheaper version of Omo/Minerva

Carry out an extension of one of the existing brands

I believe that Unilever in Brazil should carry out PRODUCT LINE EXTENSION.

Hereby they should introduce an additional item in the same product category. Unilever should have an extension of its brand Minerva named Minerva Progress (similar to Omo Progress which removes difficult stains without bleach and laundry soap). Minerva Progress should be positioned between Omo and Minerva

PROS:

The positioning of product between Omo and Minerva will help gain visibility

Can promote positively using Unilever's brand name

Good market penetration of Minerva as a brand[2]

CONS:

Minerva as a brand is perceived to be a medium quality brand with less Top-of-Mind-Awareness[3]

Fierce competition with P&G brands like Bold and Ace

WHY EXTENSION OF MINERVA:

Not possible to have a low cost product under the Omo brand since this would confuse the consumers about the original Omo's credibility

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Launch of a new product will not be cost effective

Having an extension of Campeiro might not be successful due to the original image of the brand as a cheap quality brand

Repositioning of any of the top brands might confuse the consumers and Unilever might lose its loyal customers

Minerva having a good market penetration can perform well if the positioning for the extended product is done appropriately. Also as per Exhibit 8 the consumers in the Northeast have good knowledge about the Minerva brand (rated second after Omo). Hence the company should capitalize on this fact and thereby build a route to tap its lower income segment by using the brand name

A MARKET RESEARCH SHOULD BE CARRIED OUT TO UNDERSTAND THE RANGE IN WHICH THE CUSTOMERS WOULD BE WILLING TO SPEND

MARKETING MIX OF MINERVA PROGRESS:

PRODUCT:

A new formula should be produced to match the requirements of the customers and at the same time not increasing the cost

Product should have attributes as per requirement of the lower income segment especially cleanliness, whitening and productivity[4]

Along with price the product should match the six key attributes important to this segment. Formulation should have more emphasis on stain removing

capability while keeping Minerva's original features intact like perfume and softness

The product should be made available in various sizes and types. This would be apt for customers who do not use a large quantity of product per month. This would also give a notional feeling to the customer of having spent less

Use of packaging other than cardboard boxes e. g. plastic sachet

PRICE:

The price of the product should be affordable for the lower income consumers

The company is increasing the cost on formulation and nullifying it by cutting down on packaging charges

The product should be such that it is priced less than Omo and Minerva itself but a little more than Campeiro

Unilever should adopt PENETRATION PRICING[5]for its product whereby the profit margin for Unilever would be less but it would maximize unit sales and increase market share in this segment

Adoption of penetration pricing would also discourage the competitors entry

Also initially Unilever can have an INTRODUCTORY PRICE for the product which would encourage people to purchase the product

SUGGESTION: Unilever can also get into backward integration to reduce its cost thereby managing to produce low priced products

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PLACE

Unilever should sell its products at all places in the Northeast

Since the big shopping malls are perceived to be expensive it should display its products at local stores

Unilever should display Minerva Progress along with Omo. This is because Omo itself has a good image that even this product will be highlighted to all the customers

PROMOTION

Product should not be advertised as a product meant only for the low income group since this might create a negative impression about the company

Medium like hoardings, radio, television should be used

Above the line promotion should be emphasized on more than below the line advertising

Sales promotion activities should also be carried out heavily which are directed at the customers

DISTRIBUTION:

Intensive distribution should be used to make the product available extensively in all the retail outlets

To target the lower income segment Unilever should adopt the Specialized Distribution method as given in Exhibit 13

POSITIONING:

FRAME OF REFERENCE: Detergents

POINT OF DIFFERENCE: Quality with affordability

POSITIONING: Attribute and benefit positioning

STATEMENT: THE MORE THE BETTER OR THE LESSER THE BETTER. WE GIVE YOU BOTH; MORE QUALITIES FOR LESSER PRICE!

PERCEPTUAL MAP:

200

OMO

MINERVA PROGRESS

200

0

100

ACE

BOLD

PERCEIVED QUALITY

PRICE INDEX

100

CAMPEIRO

POP

INVICTO

MINERVA