

# [The business of unilever nigeria plc commerce essay](https://assignbuster.com/the-business-of-unilever-nigeria-plc-commerce-essay/)

Unilever has built its business on understanding and responding to the needs of its consumer’s globally. Its corporate goal is to add value and quality to the basic aspects of its consumer’s satisfaction which adds value and srength to the consumer’s life.

Unilever Nigeria Plc, came into life as Lever Brothers (West Africa) Ltd on 11th April, 1923 by Lord Lever Hulme, but the company’s antecedents have to be traced back to his existing trading interests in Nigeria and West Africa generally, and to the fact that he had since the 19th century been greatly involved with the soap business in Britain. Unilever Nigeria started with the soap manufacturing company, and is today one of the oldest surviving manufacturing organizations in Nigeria.

## Their Products:

Unilever produces a lot of products, namely;

Food brands (e. g., Knorr, Lipton, Blue band, Beverages)

Home care brands (e. g., Shampoo, Toothpaste, Soap, Moisturising cream)

Personal care brands ( e. g., Lux, Vaseline, Sunsilk, Omo, Pears)

Nutrition

Health, hygiene and beauty

Unilever food solutions

Your suggestions

Latest brand news

The success of this business is as a result of the sound relationship which they have established with the consumers in the local cultures and markets creating products that help them transform in life. In sustaining these successes, they ensured to maintain the highest and sound standards of mutual behavior towards their employees, consumers, customers, communities and operating environment as a whole.

Talking about their brands, they produce domestic goods which they know from the onset that people would really need such goods because, it enhances the daily living of people. For this reason, they are committed to meet the everyday needs of people everywhere in Nigeria. In addition, because they are have International experience and support, it enables them to consistently develop brands, which raise the worth of life. In essence, most people in Nigeria always have their products at home.

## 1. 2 THEORETICAL FRAMEWORK

The PESTLE Analysis is an analytical tool used to evaluate and identify the Political, Economic, Social, Technological, Legal and Environmental factors in a given economy that would affect the operation of an organization.

According to Kotler (1999) PESTLE Analysis is a useful strategic tool for understanding market growth or decline, business position and direction for Operations. This Analysis also allows an Organization to have a competitive advantage over other firms in the industry.

Political Factor: This factor is always necessary to be evaluated, in order to know the favorability of the political climate to market growth and development in a particular country, such as the Government Stability, Taxation Policy, and Attitude of the Government towards foreign investment.

Economic Factor: This Economic framework is used to measure the state of an economy by considering the GDP, the wage level, interest rate, the disposable income, unemployment rate, business cycle and the economic growth in the country.

Socio Cultural Factor: This indicator is used to measure the rate and growth of population, changes in the taste and preferences of consumers, the changes in the lifestyle of consumers and the level of education of the populace which would have a great effect on the demand of the products or services provided by the organization.

Technological Factor: This Framework is used to evaluate the level of Government spending on Research and Development institutes and the efforts of government and private sector efforts towards technological advancement.

Legal Factor: This is used to know the laws and regulations that exist in the environment an organization is operating such as the employment, health and safety laws.

Environmental Factor: This is used to understand the various environmental laws, natural resources available and the prevailing weather condition in the economy.

## 1. 3 ANALYSIS

Using Porter’s models (Kippenberger, 1998; Haberberg and Rieple, 2001), but to examine it in addition to other strategic frameworks of SWOT and PEST analysis.

In trying to analyze the strategies, it will be fair to know what Business Strategy is all about.

Business strategy to my own understanding is a way in which organisations view the future, the extent to which the business is heading to, the plan, set targets, etc. The basic aim of strategy is to move the business forward, it is not all about making profit alone, but how the business can succeed eventually. In other words, it will establish strategic direction, and implement those strategies, all in an effort to satisfy key stakeholders.

Robert and Caldart (2009) view strategy as a way a firm can only hypothesize about the implications of different possible initiatives and learn more about them through interaction with other actors such as competitors, regulators, customers, suppliers, and partners in its competitive landscape. In these situations, managers face the extremely difficult problem in making decisions that demand a long-term perspective, committing the firm in the long-run within a competitive landscape that is unlikely to stand still. We call these decisions strategic decisions.

Porter E. M. (1996) Views strategy as “ being flexible, companies must be flexible to respond rapidly to competitive and market changes aggressively to gain efficiencies and achieve best practice. Strategy to him is total quality management, benchmarking, time-based competition, re-engineering, change management.” From this definition, it is believed that, for any business to grow there should be freedom, ability to initiate plans on how to move the business forward.

Ellis & Williams (1993) expressed that, “ It indicates the perspectives for business to achieve better advantages, it elaborates tactics for business to face challenges, it points out the trends and competitions around the business.” Business consists of two main aspects, namely external factor and internal factor.

From the definitions given by these scholars, it entails that, strategy is seen as a means of making business to strive and to achieve a defined goal through vision, hard work, through perseverance that will lead to transformation.

## 1. 4 Application

## IINTERNAL FACTORS:

Internal factors include information and communication as one of the internal control components. The factors are systems used to control financial, reporting and accounting systems in an organisation. Smooth flow of information and communication across and within the organisation is influenced by the nature of the working relationship within the organisation at all levels. The working relationship coordinates organisation’s activities to achieve specific goal. When effective working relationship exists in an organisation, delegation of responsibilities is achieved. The main internal factors which are considered to uphold the organisation are the managers, employees, capitals, and materials.

Managers: Since the inception of Unilever, there were constantly sound and visional managers succeeding the affairs of Unilever and respectively improving the management of Unilever.

Employees: Unilever has massive employees who perform specific duties to move the organisation forward. Unilever has the world’s top makers of packaged which has products like shampoo, deodorants, soap, Vaseline, tea, and frozen foods over the world. The company sells its goods in over 150 countries and has returns of approximately $46 billion (£31, 5bn). Unilever controls subsidiaries in at least 90 countries and employs 295, 000 (in 2000) people. Unilever is one of the world’s top three firms after Nestle and Kraft and the world’s second largest packaged consumer goods company behind Procter & Gamble.

Capital: Unilever is one of the oldest surviving manufacturing organisations in Nigeria today. The organisation is well known with its products all over the world, its food brand, home care products, Unilever food solution, personal care brands, nutrition, etc, Unilever is recognised as the world’s most valuable brand.

## THE EXTERNAL ENVIRONMENT

The word external simply means “ outside” that is the activities which takes place outside the business environment. The external environment of any organisation is a large and complex place. (Capon, 2009. P. 5) for the sake of this work, we shall take a look at PESTEL analysis of the organisation, which includes Political, Economic, Socio-cultural, Technological, Environmental,& Legal elements.

Political Environment: The government is currently focusing on encouraging the local manufacture of finished and semi-finished goods in the country. This will be a major advantage for interested local investors as it provides them with a playing ground for building their business. Currently, local manufacturers face a number of challenges including:

High Input Cost,

Lack of petrochemical plant,

High cost of production/distribution,

Customs administration and port related issues,

Common External Tariff (CET) and issue of competitiveness

Security of life & property

Weak legal framework

Although, there are various incentives in place to boost local manufacture the high transaction costs resulting from above make local manufacturing uncompetitive with the outside world.

Unilever, as a matter of policy, set a standard as to the way of tackling political issues. In the 1960s, many countries began to nationalise foreign firms which also affected Unilever. There were persistent calls for local equity participation in foreign firms; many companies were subject to local control on prices, imports, and employment of expatriate. An example is UAC, a subsidiary of Unilever, whose operation was in many African countries like Cameroun, Ghana, Ivory Coast, including Nigeria, was focused on as its profit margin and the rate of easy remittance of profit to its Anglo-Dutch parent was enormous. Nationalising UAC hampered Unilever’s control over the market where UAC operates.

## Economic Factor:

GDP – real growth rate: 3. 8% (2009 est.)

5. 3% (2008 est.)

6. 4% (2007 est.)

## Year

## GDP – real growth rate

## Rank

## Percent Change

## Date of Information

2003

3. 00 %

105

2002 est.

2004

7. 10 %

25

136. 67 %

2003 est.

2005

6. 20 %

44

-12. 68 %

2004 est.

2006

6. 90 %

43

11. 29 %

2005 est.

2007

5. 30 %

90

-23. 19 %

2006 est.

2008

6. 40 %

66

20. 75 %

2007 est.

2009

5. 30 %

78

-17. 19 %

2008 est.

2010

3. 80 %

44

-28. 30 %

2009 est.

Source: CIA World Factbook

This entry gives GDP growth on an annual basis adjusted for inflation and expressed as a percent.

GDP (purchasing power parity): $353. 2 billion (2009 est.)

$340. 3 billion (2008 est.)

$323. 1 billion (2007 est.)

note: data are in 2009 US dollars

This entry gives the gross domestic product (GDP) or value of all final goods and services produced within a nation in a given year. A nation’s GDP at purchasing power parity (PPP) exchange rates is the sum value of all goods and services produced in the country valued at prices prevailing in the United States. This is the measure most economists prefer when looking at per-capita welfare and when comparing living conditions or use of resources across countries. The measure is difficult to compute, as a US dollar value has to be assigned to all goods and services in the country regardless of whether these goods and services have a direct equivalent in the United States (for example, the value of an ox-cart or non-US military equipment); as a result, PPP estimates for some countries are based on a small and sometimes different set of goods and services. In addition, many countries do not formally participate in the World Bank’s PPP project that calculates these measures, so the resulting GDP estimates for these countries may lack precision. For many developing countries, PPP-based GDP measures are multiples of the official exchange rate (OER) measure. The differences between the OER- and PPP-denominated GDP values for most of the wealthy industrialized countries are generally much smaller (CIA World Fact book)

In Nigeria there was uncertainty about duties to be paid by companies due to inflation and fluctuation of currency. The effect on Unilever was a decrease in profit in 2005 compared to 2004, though there was increase in turnover. In 2004 and 2005 the profit after tax were = N= 2. 167 billion (naira) and = N= 1. 616 billion (naira) respectively, while in the turnover in 2004 and 2005 were = N= 28. 6 billion (naira) = N= 33. 4 billion (naira) respectively, which indicates increase in turnover but decrease in profit. Also the low per capital of people affects Unilever’s market. Over 30% of Africa population lives on less than $ 1 per day.

## Socio-cultural Factor:

Looking at the social factor of Unilever, their main focus is to “ add beauty to life”, they ensure that they meet the needs of consumer on daily basis Such needs are; nutrition, hygiene, and personal care with brands that help someone feel good, look good and get more out of life. Unilever can make products that help give children a good start and be healthy for longer time. Their brands are also involved in a number of social initiatives to promote the importance of playing sports. Unilever has a platform and ground to improve vitality worldwide through its global scale and its interactions with consumers. Every day, 150 million consumers use Unilever brands. They use them to feel really good.

## Health and Welfare

Concerning the area of health, Unilever has the credit to make people feel very healthy because they have good food that establishes their satisfaction. Soya is another plant-derived ingredient with an excellent nutritional profile. It is cholesterol-free, and a good source of protein, vitamins and omega-3 and omega-6 fatty acids. It has modest cholesterol lowering potential

## Unilever Brand

Unilever brand is superior and sound brands to help add value to the lives of people in general. Unilever Nigeria is a leading manufacturer of Oral care products such as Close up Fresh Red Toothpaste, Close-Up Extended Protection Toothpaste, Close Up Expert and Popular Toothbrushes. From the launch of Close Up Red Gel toothpaste in 1975.

## Technological Factor:

The basic aim of technological factor is that, it enhances quick awareness to the general public through the use of internet facilities, radio, television etc which promotes the marketing aspect of the business. Unilever attract people with their advertisements, another strategy they use is e-commerce. Unilever wants to step up the use of the Internet in order ‘ to improve brand communication/marketing and on-line selling & to simplify business-to-business transactions throughout the supply chain.

Legal Factor: Though Nigeria has a weak legal structure generally, it has a Parastatal called Nigeria Agency for Food & Drugs Control (NAFDAC) that regulates activities of multinational companies that are into manufacturing of consumables like foods, Beverages and Detergents. Unilever are committed to providing consumers with products that are consistent in quality, safe in use and free from adverse effects at all times.

These are achieved by:

1. Fostering a consumer safety structure throughout the company by establishing systems and processes that will guarantee the well being of their consumers.

2. Complying with all legal requirements in the management of consumer safety.

3. Implementing an effective consumer complaints mechanism, to monitor, investigate and deal with complaints from the trade.

4. With all these precautions, they are continuously ascertaining that their products and processes meet the highest standards of quality and safety.

Environmental Factor: Unilever Nigeria takes the responsibility of raising the quality of life of people in the operating environment through the quality of their brands and contributions to communities in which they operate. Talking about the environment, it explains the weather, temperature and the climatic condition of the environment which the business operates, in most cases, when the weather condition is good, it favors the business itself. Unilever is a market that is known globally and its market has been successful all over the world, due to this awareness, its brand is well appreciated.

## Porters Five Forces:

Understanding the nature of each of these forces gives organizations the necessary insights to enable them to formulate the appropriate strategies to be successful in their market (Thurlby, 1998).

Rivalry: Rivalry in any business outfit is inevitable, when a business should have its rivals, it motivates them to improve more in their products in other to attract more attention to consumers. The intensity of rivalry, which is the most obvious of the five forces in an industry, Unilever has been more dominant in market compare to Nestle.

Barriers to Entry: The threat of new entrants is usually based on the market entry barriers. In contrast, entry barriers exist whenever it is difficult or not economically feasible for an outsider to replicate the incumbents’ position (Porter, 1980b; Sanderson, 1998)

Suppliers: The threat that substitute products pose to an industry’s profitability depends on the relative price-to-performance ratios of the different types of products or services to which customers can turn to satisfy the same basic need.

Customers: Kippenberger (1998) states that it is often useful to distinguish potential buyer power from the buyer’s willingness or incentive to use that power, willingness that derives mainly from the “ risk of failure” associated with a product’s use. In any business organisation, “ Buyer Power” is a force that influence the value established by an industry.  The most important aspect of buyer power is the size and the concentration of customers. Other factors are the extent to which the buyers are informed.

Substitutes: as the name implies, substitute products are usually many in the market and vast numbers of substitutes are available, supplier power is seen as a mirror image of the buyer power. In other to convince customers to buy products at different prices in the value created for each of those buyers usually indicates that the market is characterised by high supplier power and at the same time by low buyer power (Porter, 1998). Bargaining power of suppliers exists in the following situations:

Where the switching costs are high (switching from one Internet provider to another);

High power of brands (McDonalds, British Airways, Tesco);

Possibility of forward integration of suppliers (Brewers buying bars);

Fragmentation of customers (not in clusters) with a limited bargaining power (Gas/Petrol stations in remote places).

## 4. SWOT ANALYSIS:

SWOT analysis to my own understanding is a way to analyze the Strengths, Weaknesses, Opportunities, and Threats involved in a business environment. It explains the purpose of the business and if there are any lapses or pot holes, the management is liable to provide solutions.

The table below summarises the SWOT analysis of Unilever Nigeria

Strength: Unilever Nigeria is recognised as a global company which has its products all over the world.

It has strong brand portfolio and sound relationship with retailers basically and economies of scale.

Strong roots in local markets and first-hand knowledge of the local culture.

Weakness: Unileverweakness is the dual leadership not connecting with customers and secondly,

Inefficient management for R&D the inability to maximize.

Opportunities: Unilever has the opportunity of increasing need for healthy products and changing consumer preferences by adding value to their daily needs.

Threats: Unilever encounter decrease in revenues and strong competition, increasing store brands.

They also encounter Tougher Business Climate and exchange rates.

1. Core Competences:

A core competency is a way in which a business handles the affairs of the organisation. In other words, the organisation makes advancements to the growth of its business. In core competence, it is not usually easy for competitors to imitate, take for example, in the area of branding, the Logo of a company, and their style of doing things etc it is usually difficult to imitate. The core competence of Unilever is that, it can provide competitive advantage in its strong brand portfolio, strong relationship retailers. Brand is an asset of a company, it helps to distinguish companies product just as my lecturer Mr. John rightly said, it is the brand and logo of a company that promotes the market to competing products to help sales and capture the market.

## 2. Global perspectives

Unilever is an organisation known globally and it has made impact to so many people’s lives, their products have spread abroad, they have gainfully employed millions of people and their products have been sold massively across the globe. Its global factor is achieving its growth and objectives, looking at how Unilever has pushed the business toward global approach is focused towards new opportunities, this could be traced back to how Unilever started, viewing this from the historical perspective of the company. In 2002, Unilever initiated a procurement centre in Shangai and China, this was to increase opportunities for Chinese raw materials providers. Unilever also carried out research and development to be able to ascertain new product and have basic knowledge to introduce to new market, these activities were meant to boost Unilever global business.

Another factor Unilever adopted is in the area of brand, they did this to create awareness across border synergies in manufacturing and marketing. In other to accomplish this task, it started in 1999 when it launched the “ Heart Brand” logo of ice cream product, this was meant to enhance its products. This idea was carried out to capture integration amongst subsidiaries to facilitate control centralisation.

## Conclusion:

Bye and large, the organisation is in a very good position to continue growing. The history of Unilever is really amazing because, it started with the soap production and gradually, it grew up to producing diverse products today which is really enhancing the lives of people. In this work, I established the following which include thus:

The History of Unilever Nigeria

The theoretical Framework

The Analysis, internal and external factors

The five forces (Porter)

SWOT Analysis and Core competences and finally,

Global perspectives