

Unilever multinational company analysis and breakdown



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BUSTER**

Unilever is a multinational consumer product manufacturing giant operating in over hundred countries all around the globe. Unilever Bangladesh is the Bangladesh chapter of Unilever, where the company holds 60.75% share whereas the Government of Peoples Republic of Bangladesh holds 39.25% share.

Unilever's one of the most popular brand is LUX. They segments LUX.'s market according to geographical locations. It further differentiates these segments into Socio Economic Cluster (SEC) which takes into account the criteria of education and profession which ultimately measures the financial ability of consumers. The cluster is divided into five parts starting from A to E. Unilever targets the urban and sub urban upper middle class and middle class segment of the population, who falls under A to C of SEC.

Tactical marketing tools, 4P's, are extensively used by the company to market LUX. Though LUX is produced in Bangladesh, Unilever Bangladesh maintains the same standard all around the globe. The product is available in six different fragrances under three different sizes. Since the demand for beauty soap market is to a great extent oligopolistic, variations in price lead to price war which can eventually break down the company's market share. Thus Unilever cannot provide a better price than its competitors. But the price is affordable by most of the people. Unilever Bangladesh has outsourced its distribution channels to third party distributors which allow them to distribute LUX in massive bulks amounting to around ten million pieces. It undertakes the largest promotional activities in the beauty soap industry.

The beauty soap industry has a few major producers of which Unilever holds market share of slightly less than 50%. Other competing brands like Tippet, Aromatic and Keya have started to have a strong consumer base, but LUX.'s product features distribution and promotional activities have created high brand loyalty for which it is still the market leader.

Unilever, with the aid of its heavy promotional activities, has been able to penetrate the market. But the other producers in the industry are posing a threat towards Unilever's market share as they have moved towards the rural masses of the population. Therefore, Unilever Bangladesh should undertake further steps such as moving towards the rural and/or poorer segment; attract children (by making a special product for kids) and other innovative promotional activities to retain its command in the industry.

1. Introduction

Unilever is one of the world's largest and leading multinational companies; Unilever commenced their business activities on a larger scale by setting up their first factory in Netherlands, in the year of 1872. Operating in Bangladesh for over the last four decades the company is trying to significantly contribute towards the augmentation of the standard of living by bringing world class high quality products at the door step of their customers. The usage of Unilever products by over 90% of the people in Bangladesh stands a testimony to their successful operation. . Their array of products show that they produce household care, fabric cleaning, skin cleansing, skin care, oral care, hair care, personal grooming, and tea based beverage products under worldwide famous brand names Wheel, LUX,

Lifebuoy, Fair & Lovely, Pond's, Close Up, Sunsilk, Lipton, Lipton Taaza, Pepsodent, All Clear, Vim, Surf Excel, and Rexona.

2. Objective of this report:

This report is an outcome of an analysis of marketing strategies used by Unilever Bangladesh Ltd. The main purpose of the report is to find what strategies the company uses to market its world famous beauty soap, LUX, in Bangladesh; the positive and negative aspects of those strategies. The report further analyzes the position of Unilever Bangladesh Ltd. in the toiletry industry in comparison to its competitors. The report discusses the process of using market segmentation, target marketing, the product, pricing, promotional and distribution strategies and a competitive analysis.

2. 1 Methodology of this report:

For accessibility and availability of information we have chosen to work on the strategies of Unilever Bangladesh Ltd. As the company operates in the market with a huge number of products in different industries, we have decided to focus on one of their world wide successful brands, LUX. Most of the information used in this report is from primary sources. The main source of information was the focus group discussion. In addition information was also collected from websites.

3. Product Category, Market Segmentation, Target Marketing and Positioning

This chapter describes the category of the selected product. The chapter is organized into four sections. Section 1 states under which category the product falls. Section 2 describes how Unilever Bangladesh Ltd. differentiates

the population and categorizes them into different segments. Section 3 analyzes which segment the company targets and why they target that specific segment. Finally section 4 describes the process through which the company tries to capture a place in the buyers mind i. e. the product positioning method.

3. 1 Product Category:

LUX falls under the category of toiletry product as a beauty soap.

3. 2 Market Segmentation:

The company claims that LUX is the highest selling beauty soap in Bangladesh. Moreover some survey reports also reveal the same result.

Though LUX is the highest selling beauty soap in Bangladesh, it does not go for traditional mass marketing. Moreover as a beauty soap LUX does not even segment its market according to gender.

Figure 2. 1 (P-9) shows that Unilever Bangladesh Ltd. segments their market according to geographical areas. The population of the country is segmented into three parts which are urban, sub urban and rural area consumers.

The company further differentiate the geographical segments according to Socio Economic Cluster (SEC) i. e. education and Income. The Table 2. 1 (P-9) overleaf shows the Socio Economic Clusters the company uses.

The SEC divides the population in five segments starting from A to E, where A categorizes the highly educated and high income earners holders, and sequentially in descending order E categorizes the opposite.

3.3 Target Market:

Figure 2. 1 (P-9) shows that urban and sub urban middle class, and rural poor people are the largest part of Bangladesh population. A research carried out by Unilever Bangladesh reveals that urban rich people are more likely to buy imported and expensive products. Moreover rural poor people tend to buy cheap products even without evaluating its quality. However urban and sub urban upper middle and middle class people tend to buy affordable and quality products.

LUX is not a highly expensive but an affordable product. That is why the company targets urban and sub urban upper middle and middle class people who are the second highest population of segment of the country. From the segmentation of customer according to SEC they target category A, B and C, because they are assumed to be financially well-off and can afford to buy LUX.

3.4 Product Positioning:

Unilever Bangladesh Ltd obtained a good position in the buyers' mind through better product attributes, price and quality, offering the product in a different way than the competitors do. The company offers improved quality of products in the industry at an affordable price with high branding, which ultimately helps to position the product in the buyers' mind as the best quality beauty soap.

The market share of the company in the beauty soap industry is somewhere around 43%. Since in the beauty soap industry all products are of same price

Unilever cannot provide its consumers with better price but it is in a great position in reference with its packaging, fragrances and product designing.

A positioning map of the company is shown Figure 2. 2 (P-10) to describe LUX's position in the consumers mind on two dimensions, price and quality.

Figure 2. 2 (P-10) has been drawn with information gathered by conducting a consumer survey. It states that though in comparison to its competitors the pricing of LUX is same but consumers rate it as the product which gives them the highest quality. This positioning created a strong customer loyalty for LUX, for which it the market leader in the industry.

4. Using the Tactical Marketing Tools

This chapter describes the way Unilever Bangladesh Ltd. use the tactical marketing tools for marketing LUX in Bangladesh. The chapter comprises of four sections. Section 3. 1 discusses the product attributes of LUX. Section 3. 2 visualizes the price of LUX according to different size. Section 3. 3 conceptualizes the distribution channel of Unilever Bangladesh Ltd. This section includes a table that shows the location of the company's warehouses all around the country. Finally section 3. 4 discusses the promotional activities that the company undertakes for LUX.

4. 1 Product:

LUX is an internationally renowned beauty soap brand of Unilever. Though manufactured in Bangladesh for the local market by Unilever Bangladesh Ltd, as an international brand, it maintains an international quality for the product. Formula given by Research and Development departments in

foreign countries, LUX is produced in Bangladesh from imported raw materials like sodium soap, glycerol and different extracts according to flavors, coming from Unilever plants situated abroad.

LUX is offered in Bangladesh in six different flavors which are: LUX Energizing Honey, LUX Golden Glow, LUX Nature Pure, LUX Orchid Touch, LUX Almond Delight and LUX Aqua Sparkle. Taking into account the convenience of its customers, the company manufactures all flavors of LUX in three different sizes, 40gm, 80gm and 120gm.

4. 2 Price:

Though Unilever Bangladesh gives its LUX customers a lot in terms of the product itself, it cannot provide a better pricing. This is due to some constraints in the beauty soap industry. Beauty soap is a product with a vulnerable demand in Bangladesh. A change in price has a high risk of creating price war among the rivals which will eventually cause a loss of profit. Its prices are almost equal to its competitor. Table 3. 1 (p-10) compares Lux's price with its major competitor. Company carries out research on competitors' price and brand loyalty when it feels extreme necessity of changing price. The brand loyalty test is an exploratory research which is known as Brand Health Check-Up (BHCU).

4. 3 Place:

Unilever Bangladesh Ltd. has a huge distribution channel for LUX all over the country as its sales reach more than 10 million pieces a year. The company has six huge warehouses, one in each division of Bangladesh, where the

product goes after they are manufactured at Kalurghat factory. Table 3. 2 (P-10) shows the location of its six warehouses in Bangladesh.

The company does not use its own fleet of transport for distributing its product. However, it has outsourced its distribution process to various third party distributors, exclusively dedicated to Unilever Bangladesh Ltd. These distributors then supply the product all over Bangladesh to a huge number of retailers. Even though LUX targets the urban and sub urban middle and upper middle class people they are distributing their products all over Bangladesh because of a recent increase in demand of its product to all segments of the population.

4. 4 Promotion:

Unilever Bangladesh undertakes huge promotional activities to promote LUX which has topped the beauty soap industry of Bangladesh. It spends almost 20% to 25% of its Net Proceeds from Sales (NPC) of LUX for promotional activities for LUX 1

It's certain annual promotional campaigns like LUX Channel i Superstar and LUX Channel i Annual Cinema Awards has made the product a part of the glamour world. Since the 1930s, over 400 of the world's most stunning and sensuous women have been proudly associated with Lux advertisements. They do not only promote LUX in Bangladesh for the beauty conscious females, it also promotes the brand for males and the company proved that, by including world famous male celebrity Shahrukh Khan for their advertising campaign.

Unilever Bangladesh Ltd spends a huge amount of money for promoting LUX through TV commercials, newspaper advertisements and billboards.

Moreover it also undertakes small promotional campaigns at different schools, colleges, universities and recreational parks with winners of its Zonal Beauty Contests. Till now promotional activities of LUX has always been successful which has made it a household common name and helped it reach almost one billion taka sale value in the year 2004 2.

5. Analyzing the Market for LUX

For better comprehension of Unilever Bangladesh, its marketing strategy, product quality, positioning and placement, we present here a comparative analysis of its competitors. This part of the report illustrates the market share of different companies in the beauty soap industry.

5.1 Market Share:

The beauty soap industry in Bangladesh consists of only seven major producers. Unilever Bangladesh Ltd is operating in the industry with its world famous brand LUX. Out of these giant companies Unilever Bangladesh Ltd is the market leader with a share of around 43%.

Figure 4. 1 (P-11) shows the market share of all the companies in the sector. Unilever Bangladesh Ltd is leading the market. The other competitors are very competitive among themselves but they cannot put a intense competition with Unilever Bangladesh Ltd, as they have market share much less than Unilever Bangladesh Ltd.

Table 4. 1 (P-11) overleaf shows a detailed description of the major competitors in the market, their operating brand, estimated annual sales revenue and market share.

Other companies in the industry are not as big as Unilever Bangladesh Ltd but they are posing threat to the company by a tendency of a gradual increase in their market share. Kohinoor Chemicals which is operating with the brand name Tibet is an extremely famous brand to the rural segment of the population and possess a significant share in that segment which is the largest population group in Bangladesh. Moreover Keya Cosmetics Ltd operating with the brand name Keya and Marks & Allys Ltd operating with the brand name Aromatic are also uprising brands to both the rural and sub urban segment of the population.

Moreover a recent takeover of Aromatic by multinational consumer product giant MARICO who operates with famous brands in other industries like Parachute Coconut Oil is posing to be a threat to Unilever Bangladesh's market share.

6. Conclusion Recommendation

The beauty soap industry of Bangladesh consists of a few producers in the industry. The demand for this product is very much vulnerable in terms of pricing. Unilever Bangladesh is providing LUX. at a price which is affordable to most of the people in the country. Beauty soap is an uprising product in Bangladesh as a greater portion of the population, both male and female, are now getting more beauty conscious. As a multinational company Unilever

Bangladesh with heavy promotional activities, has been able to penetrate the market.

With six different fragrances, three different sizes, international standard and high quality design, as a product, LUX has been highly successful over the years. Its distribution process is highly efficient. Its promotional activities, like the beauty contest has been a milestone in attracting a huge number of customers. Overall with its marketing activities LUX has been a successful brand.

The only place where rival companies are progressing is in giving customers redemption offers. Research revealed that Bangladeshi customers are highly attracted to this sort of offers. These offers are not sustainable in the long run but still it takes away a considerable part of LUX's sale in the short run.

In this chapter the team would suggest some recommendations to Unilever Bangladesh Ltd. to adopt more successful operation in Bangladesh. Since a huge portion of the rural poor people is demanding LUX in recent days, Unilever Bangladesh Ltd should expand their target market also towards the rural people. They should also conduct different promotional activities in rural fairs and socially responsible promotional activities to attract rural consumers and social awareness . Because Lux has different skin type soap so now if they provide different types of beauty soaps for male and female soap under the same brand name i. e. LUX it might increase their sales.

Lastly, as Bangladeshi culture children have a huge say in shopping so they should also promote the product to children like their another brand " Dove".

These are the recommendations suggested by team members to Unilever

Bangladesh Ltd. to adopt for a more successful operation in Bangladesh with large market share.

7. Appendices

Urban Rich

Urban and Sub Urban Upper Middle and Middle Class

Rural Poor

(Figur2. 1): Market Segments 1.

Socio Economic Clusters

A

B

C

D

E

Income

High Income

Upper Middle Level Income

Mid Level Income

Lower Middle Income

Low Income

Education

High Level of Education

Educated Slightly Less than Cluster A

Educated Slightly Less than Cluster B

Educated Slightly Less than Cluster C

Very Low Level of Literacy

(Table 2. 1): Socio Economic Cluster Segmentation 1

(Figure 2. 2): Positioning Map

Brand

Lux

Aromatic

keya

Tibet

(Table 3. 1): Comparative scenario of soaps price

Division

Location of Warehouse

Dhaka

Dhaka City

Chittagong

Kalurghat Heavy I/A

Sylhet

Sylhet City

Rajshahi

Rajshahi City

Khulna

Khulna City

Barisal

Barisal City

(Table 3. 2): Location of Unilever Bangladesh Ltd's Divisional Warehouses 1.

(Figure 4. 1): Market Share**Sl. No.****Company****Brand Name****Yearly Market Share on Toilet Soap****1****Unilever (BD). Ltd****Lux International Beauty Soap****Tk. 312 Core****43. 33%****2****Square (Toiletries Division)****Meril Beauty Soap****48 Core****6. 66****3****Keya Cosmetics Ltd.****Keya Beauty Soap****72 Core****10. 00%****4****Aromatic Cosmetics Ltd.**

Aromatic Beauty Soap

48 Core

6. 66%

5

Lily Cosmetics Ltd.

Lily Beauty Soap

72 Core

10. 00%

6

Kohinoor Chemical Co.

Tibet Beauty Soap

72 Core

10. 00%

7

Marks & Allys Ltd.

Camelia Beauty Soap

60 Core

8. 35%

8

Others

36 Core

5. 00%

Total Market

720 Core

100%

(Table 4. 1): Estimated Annual Sales Revenue and Market Share .