

Company overview of unilever



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Unilever is one of the fast moving consumer goods (FMNG) in the world. They offer a wide range of products in food, beverages, personal care products and many more. The success story of Unilever can be seen in the annual turnover in the year 2009 which is €39. 8billion worldwide and employs 163, 000 employees around the world.

Company situation

Mission Statement:

Unilever main goal is to add value to the life of people. They want to reach out to the consumers by satisfying their everyday needs. By providing the needs for nutrition, hygiene, and personal care they are able to help the people to feel refresh, look good and get the most out of their life. Moving on, they want to develop a new way of making business with priority towards expanding twice the size of company while reducing environmental impact.

Below is a graph of Unilever's annual turnover:

Source: (www. unilever. com/images/ir_Charts%201996%202006_tcm13-90292. pdf)

Financial Summary:

Source : (www. unilever. co. uk/.../introductiontounilever/annual-reports/)

This graph clearly shows Unilever progress throughout the past years.

Underlying sale growth (USG) is the percentage of increase in turnover, modify for the impact of acquisitions, disposal and exchange rate

fluctuations. In the year 2009, the USG growth is 3. 5% compared to 7. 4% in

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2008. Underlying volume growth (UVG) is sales after the impact of (USG), which is 2.3% in 2009 that shows sustainable development strategy is working because Unilever manage to save in the cost of expenditure.. Operating margin for 2009 is 12.6% compared to 2008 is 17.7%, and this has save the company from net impact profit of disposal, restructuring and other on-off items.

Source: (www.unilever.co.uk/.../introductiontounilever/annual-reports/)

This graph above shows the financial review of Unilever in different region such as Asia, Africa, and Central & Eastern Europe (AAC) , America, and also Western Europe.

Asia, Africa, and Central& Eastern Europe (AAC)

In the (AAC) countries, the turnover current rate experience a growth of 2.9% after including the effects of acquisitions, disposals and exchange rate as shown in the graph above. The operating profit at current rate has increase by 13.3% in the year 2009. Despite the fact that market conditions are volatile and challenging in some region, Unilever in (AAC) countries manage to produce a remarkable underlying sales growth of 7.7%.

The Americans

Unilever in the America has suffered a 2.6% decrease in the turnover growth at current rates after the including the effects of acquisitions, disposal, and exchange rate. The Operating profit at current rates for the year 2009 has experience major lose of 37.4%

Western Europe

Unilever in the Western Europe has suffered losses as much as 6% in the year 2009, after including the effects of acquisition, disposal and exchange rate as shown in the graph above. The Operating profit in 2009 experience the most losses at current rate as high as 50. 4% in Western Europe. The factor that causes such huge losses are because of the lack confidence in the consumers towards the brand in the Western Europe, and there have been an increase in unemployment rate due to the challenging economy in many countries.

Market Share

Source: (<http://zpryme.com/blog/?p=420>)

Above shows the market share of Unilever Bestfoods NA dominating the market with 26. 3%. Lipton tea as Unilever's food segment brand has dominated the market because of their market strategy such as " Tea Can Do That" campaign to create awareness and Lipton tea has promises innovation tea flavors and at the same time providing a healthy lifestyle drinks for consumer .

Source :(<http://www.fixedincomeinvestor.co.uk/x/analysis.html?cat=Analysis%20%26%20Comment&type=Bond%20of%20the%20Week&aid=291>)

Chart above shows the market share of Unilever from 1994 to 2008, Unilever has been operating internationally and generate annual sales of €40billion and the profitable of this company has produce a relatively stable share price that does not have a major downfall even though tough competitive

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market in the Europe market with competitor like Procter & Gamble (P&G) . Unilever has also performed much better then what the dismal FTSE 100 index predicted over this decades.

Market Situation

PESTLE implications

Political Environment

Unilever being a fast moving consumer goods (FMNG) company in the world does not support any political parties whose activities is to promote the party interest, this is because they believe that the business they operate in must be behave with honesty , integrity and openness. However, the political trends still affects Unilever in the United Kingdom.

In early February 2010, Unilever has been burden by the increase of taxation by the UK government. Initially, the company is already facing economic instability because consumer are unwillingly to spend more money. Paul Polman, the chief executive said that the daily mail, " If on top of that we would get an additional regulatory or tax environment that would make us non-competitive that would be unfortunate for the UK." Mr Polman is worried with the increase of taxation , Unilever has to pay even more into for expenditure cost for research laboratories, manufacturing facilities and more.

Source : (www. unilever. com/images/ir_Charts%201996%202006_tcm13-90292. pdf)

The graph above shows from year 2000 until 2004, Unilever has been less on expenditure such as manufacturing facilities, and research and development sector. As of year 2004 onwards the cost has been increasing yearly until 1,700 (million) and with the recent increase of taxation in UK, Unilever will have to spend more on expenditure cost in the year to come.

With the increase of expenditure cost and in downfall of net profit made by Unilever, this will affect the momentum of profit generated for the company in UK, and this will cost the performance of improvement in Unilever which is a slow growth in the market business. This is why Mr Polman is concerned with the increment of corporation tax. He also added that, "We have to be sure when changes are contemplated [by the Government] that it takes into account what other countries do as well in Europe, or outside of Europe, to provide competitive corporate tax rates."

Economic environment

In the economic environment, Unilever generates wealth by adding value to raw materials, and manufacturing their product for the consumers. The parties that are involved in the economic environment are their employees, government, investors, and many more communities that benefit from the activities of the company.

Source : (www. unilever.

com/.../sd_UnileverSDReport170310_amended_tcm13-212972. pdf)

This graph shows the parties that benefit from the activities that are ventured by Unilever in UK. Despite the economic instability that happens in decades, Unilever is still able to generate an operating profit of €5,020 and <https://assignbuster.com/company-overview-of-unilever/>

sales of € 39, 823 million in 2009. This graph shows us that the employees gain the biggest share of the company which is €5. 2billion, whereas the least share is earned by the local communities which is €89million. The provider of capital obtains the 2nd highest share which is €2. 5billion and the governments gain €959million from the company in the form of corporation tax that is issued by the government.

Sociological Environment

Making a difference in society is one of Unilever's biggest aim because they want to deliver the best and to give back to the society that has been supporting the success of Unilever. Unilever will be focusing to provide nutrition information to the understanding of consumers and also improving nutrition quality of their products.

In order to improve the nutritional quality of the product and maintaining the taste, It is estimated that reduction of salt intake by 1g can reduce the chances of strokes by 5% and heart attack by 3 % reducing salt by as little 1 g. The Nutrition Enhancement Programme has come up with a strategy known as salt reduction strategy; in this strategy it states that " in 2009 we set product benchmarks to achieve a dietary intake of 6 g of salt per day by the end of 2010, with the ambition to reduce further to 5 g per day by the end of 2015"

Unilever has also extended their impact by working together with World Food Programme (WFP) where they support developing countries and improving the health and nutrition of product. In order to reach out to the people , Unilever in UK has donated €500, 00 through global partnership and with

(WFP). They also encourage people to donate through website to the Haiti's earthquake disaster relieve cost. Unilever also had donated soap and Puriet (water purifier that does not need pressured water and or electricity.

Technology Environment

In the technology sector, Unilever has been spending in the area of e-business to improve brands communication and market through internet, and also making transaction simple along chain. Unilever Technology has work together with Unilever R& D group in order to meet consumers' needs. In the year 2003, Unilever introduce the new " pallet live storage system" from Bitto Storage System Ltd. The purpose of this technology is to store frozen products.

Plans are being made to improve IT infrastructure in Unilever. For example, increment in the energy-efficiency of data centers and applying power management strategies. Tele presence video conferencing is also applied in order to reduce the impact of business travelling. Telepresence has been generated in 13 countries and plan to add another 39 countries in 2010. This technology have helped us to reduce our emission by 4, 230 tonnes and save up to €12 million in travel cost for the year 2010 .

Environmental Environment

Unilever is taking the responsibility in reducing the total environmental impact; the main problem is actually to reduce greenhouse gases from the manufacturer of their products. Unilever has been doing a wonderful job in reducing the production of CO₂ to the environment. They have achieved a 41% reduction of CO₂ emission per tonned production since 1995. Their

main goal today is to reduce CO2 production in their manufacturing operation by 25% in the year end 2012.

Source: (www. unilever. com/images/ir_Charts%201996%202006_tcm13-90292. pdf)

In this graph we can see that, in the year 2009 they manage to reduce their CO2 production by 3% per tonne of production compared to 2008. From year 2000 to 2009 we can see that Unilever is able to reduce the production of Co2 consistently. The factor for this success is because of the good manufacturing practice that they adopt in the factories. However, they have to bear a great cost in venturing into technology that will further reduce the emission of CO2.

Source : (www. unilever. com/images/ir_Charts%201996%202006_tcm13-90292. pdf)

Unilever also make approach into saving water consumption, they have been consistently reducing water use in manufacturing. Quantity of water usage per tonne of production has been reducing by 65% since the year 1995. From this graph we can study that the goal of reducing water usage is also in the right path. Every year since 2000 until 2009 the usage of water reduces per tonne of production. In the year 2009, as show in the graph water consumption was reduce by 5. 6 % per tonne of production compared to the earlier year in 2008, which is a reduction in 8. 1% in to be precise .

Legislation environment

Unilever is protected by European Commission to ensure that there is no infringement towards the brand name and product of Unilever. Unilever's business is also govern by laws and regulation to make sure that products are safely used by consumers and also that advertising and labeling are not misleading in the business world.

Unilever also has Environment Policy to follow in order to ensure safety of their products and reduce environmental footprint of their brand. Evaluation should be made at every stage, from producing the raw materials to create products to dispose usage by the consumer as the end user. Environmental management systems should be develops and improve in order to enhance the performance of environmental safety and sustainability programmes.

Encourage suppliers to develop and improve ingredients and manufacturing of Unilever products. Relationship with industry bodies, government agencies, and business partners should be strong to promote environmental care and to develop the knowledge and disseminate best practice.

Competitor's situation and SWOT analysis

Although Unilever is a fast moving consumer goods (FMNG) in the world, their standing in the world is also affected by competitor around them.

Nestle is also one of the world's largest food manufacturer, that is based In 200 countries worldwide and head quartered in Vevey, Switzerland. Their operating activities include food, beverages, pet care and also pharmaceuticals. They have 253, 000 employees around the world.

Strength

Recognition as a global company

Strong brand portfolio

Strong relationship with retailer

Economic of scales

Weaknesses

Dual leadership

Inefficient management of brands

Reduced spending on R & D

Inability to maximize acquisition

Opportunities

Changing of costumers taste

The high demand of healthy products

Responding toward global activities

Threats

Strong competition- decrease in revenue

New development of different brands

Exchange rate

Weather

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SWOT Analysis of Unilever

Strength

Global sales have topped \$ 101billion

Ranked as world's largest bottle water company

Major brands consistently supported by consumer

Weakness

Growth in organic food was flat

Breakfast cereal was claim to have posses fake health benefits

General Mills is a major brand but slow in innovation and health base products

Opportunities

Introduce more health-based products

Opened Nestle Café's to feature Nestle Products

Provide peanut free and gluten free products

Threats

Raw ingredient price of chocolate has rise

Major Competitor in chocolate such as Hershey's, Starbucks and many more

Contamination of food supply

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SWOT Analysis of Nestlé

Comparison of Unilever and Nestle SWOT analysis**Strength**

Unilever is recognizing worldwide because of the success of their products and is base in many other countries. It has an excellent management of portfolio, which includes many leading global wants with powerful category ranking such as Lipton tea. This brand has the marketing expertise to capitalize worldwide including regenerating 44% sales from the increment in D & E markets. Nestle has the attention of consumer as they have target environmental issues by ranking as the largest bottle company in the world, and Nestle is easily accessible because they are operating in more than 100 countries.

Weaknesses

Reports of replacing current CEO has raise uncertainty factor as his role in Unilever is very successful. Unilever has a wide management folio which includes their top 25 brands. There is a lack of management strategy. Some consumer brands might have stronger management compared to others in order to compete with competitors. Nestle's breakfast cereal product has been branded as false claim in providing health benefits by American Medical Association. This will cost Nestle a huge loss in the market share and also expenditure in rebranding the brand. This has give Unilever the chance to target consumer with health benefits products in their food and drinks line which is Lipton tea.

Opportunities

Unilever can improve the need for high quality food, with more nutritious ingredients or organic meal services. Consumers are concern about ingredients knowledge. Products must be different in packaging, example labeling on nutrition facts on product package. For global activities, Unilever has work in partnership with World Food Programmes (WFP) with support in the development of the health and nutrition of children in developing countries. In 2009, 17 million meals were provided for children of 80, 000 and in Kenya, Indonesia, and Colombia at least 50, 000 schools were taking part in Health and Nutrition Campaign. Nestle has come up with new strategies in order to target health benefit products such as opening Nestle Cafes that sells their products actively in all countries and also give them the chance to promote new products.

Threats

World economic instability may affect developing countries and continue to spread in the R & E markets. Rivals (FMNG) may rise to capture the market share from Unilever growth areas, as they also focus on the same market as Unilever. Brands like P & G and Nestle are also coming with new brands that are cheap and still maintain the quality of products.

Weather such as drought is also a threat to Unilever's Lipton tea brand as they might fail to produce the targeted tea amount and good quality tea. As for Nestle as they are exposure to chocolate brands such as Hershey's and Cadbury that might come up with more creative chocolate products. Food contamination is also a threat to Nestle as they are afraid it might damage

their image as a global food producer. Raw chocolate ingredients have increase in price and might cost Nestle to spend more on expenditure cost.

Objectives and assumptions

Societal objectives

Specific

Guide consumer to reduce salt intake by 6g per day

Change the hygiene behavior of people through Lifebuoy and its partner programmes

Display percentage Guideline Daily Amount (GDA) for key nutrient on the package of products

Measureable

Food portfolio has reach benchmark of 76% reduction of salt in products

Lifebuoy programmes such as has reach out to 23 countries through Global Washing Hand Programmes

Food products that are manufactured with key nutrients on packaging

Achievable

World Health Organisation has recommended 5g intake of salt per day and this will guide consumer to follow them in the path of healthy life

Hygiene education has been rolled -out towards countries like Indonesia, Pakistan, Sri Lanka and Vietnam

All food products will reduce in percentage of salt, and saturated fat but retain the taste of the products

Realistic

World Health Organisation recommended to reduce intake of salt has help Unilever to guide consumer to reduce salt intake by reducing the salt concentration in products

Millions of people has been reach in 23 countries to increase awareness on hygiene

Nutrition information helps consumer to understand how healthy is the product

Timely

In the year 2010, 5g of salt intake has been reduce. By 2015, 6 g of salt consumption will be achieved

Change the hygiene behavior of 1 billion people by the year 2015

Environmental Objectives

Specific

Reduce environmental impact while doubling size of business

All tea for Lipton tea product are from certified sustainable resources

All palm oil obtain from certified sustainable resources

Reduce CO2 from energy in manufacturing products

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Measurable

Assessed greenhouse gas, water, and waste impact of 1500 products

Around 80% of Lipton Tea Label are from certified farms

185, 000 tonnes of palm oil are purchase via certified farms

Reduce the production of Co2 energy in manufacturing sector of products

Achievable

Tea that are sold in Western Europe comes from Rainforest Alliance Certified farms

Total purchase of 15% palm oil are from Green Palm Certified farms

Achieve 41% reduction in Co2 energy from manufacturing products

Realistic

65% and 73% reduction in water and total wastage

Rainforest Alliance certified farm and Green Palm farms are main supply of tea and palm oil for Lipton tea products

Manufacturing sector strategy are able to reduce 44% of Co2 since 1995

Timely

By the year 2015, all tea that are sold is certified sustainable sources

By the year 2015, all palm oil that are sold is also from certified sustainable sources

By the year 2015, water, greenhouse gas, and waste impact is reduce by another 25%

Co2 energy reduce by 25%in manufacturing products by the year 2015

Financial Objectives

Specific

Increase sourcing from smallholder to ensure security supply

Reached 49% of sales in developing countries

Unilever top line growth in sales by 5%

Brand reduction from 1600 to 400 products

Measurable

Tea and Palm oil are obtain from certified farms

12 brands with sales of 1billion profit

Brand extension such as Knorr to increase profit sales

Achievable

Product production in small portion so that low income earners can purchase it

Realistic

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Increase consumption of products by consumers at all income level in developing product

Timely

By the year 2012, there is an increase of 5 to 6 % in profit

Assumptions

In order to prepare this marketing plan, a few assumption to be made for Unilever in the future.

Contamination of ingredients in product

Unilever takes precaution in producing new products, if the safety of certain ingredients or product that is not sure, Unilever will not put it in the market for sale. This assure consumer that all products manufactured by Unilever are safe to use.

Improve technology for better quality of products

Technology advancement has assist in finding new ingredients for products and safety precaution measures are taken to improve the new discovery. Unilever will safely exercise substitution method with the product that is already in the market as a development of product quality. Hazardous product that defects product qualities and benefits will be disposed.

Strategies

Personal care for future sales growth and profitability

Unilever has identified the key to achieve sustainable profitable growth through its personal care business segment as it generate the fastest-growing business compared to other sector such as food and beverages. Personal care business refers to the products that are self managed, such as hair shampoo and skin care products. This is because the demand for these products in the market has been increasing, as well as the existing sales from this segment is satisfying. However, Unilever's greatest rival Procter & Gamble (P&G) for many years have been more innovative and creative in introducing new products. In the previous year in the personal care sale increase only by 1.4% to €11.30 billion while overall turnover rose by 1.4% to €40.2 billion. In order for creating future sales growth, Unilever will focus more personal care segment for future sale growth and sustaining profit from increasing raw material cost. Graph below shows the revenue increment in Unilever's products line, including personal care segments.

External Pressure and Organisational Restructuring

High cost of raw material, adverse exchange rates and macroeconomic worries such as politic and regulation of countries might affect the performance of Unilever. In order to secure generation of profit and sustaining raw material cost Unilever has come up with few strategies. Unilever has to reduce 20, 000 jobs across its production division and combine its Personal Care and food sector into one category to reduce cost that will be delivered to consumer. Unilever has come up with " Path to Growth" strategy that promises improvement in its performances. This strategy will help the organisation to restructure its two global divisions, Home & Personal Care and Food into one division. This would effectively lower production costs that will be implied into price of the products and influence consumer's consumption from price aspect. Price is a crucial matter to consumers due to economy fluctuation that will affect lower spending power.

Unilever Marketing Mix

Here we will discuss the marketing mix strategy of Unilever in that might boost their sale. Unilever has wide range of brand such as Home & Personal Care products to food and drinks like Knorr and Lipton tea. We will now do the marketing mix of Sun silk because Unilever's most profitable line of product is personal care products. So below is the marketing mix of Sun silk from Unilever

Marketing mix

Explanation

Product

Sunsilk is one of Unilever's famous brands under personal care product. It targets mainly woman by portraying the 21st century woman that is confident, charismatic, and get going attitude that doesn't wait for things to happen but achieve their goals by sheer hard work. Although the main target is woman but Sunsilk is used by many people of difference class and age group. In order to satisfy the needs of their consumer, Sunsilk has developed various kinds of shampoo and conditioner that suit the different kind of hair type. Sunsilk has manage to gain loyalty of consumers because of their undying effort in producing more innovative products and maintaining its quality through extensive chemical testing until it is truly safe.

Place

In order for Sunsilk to be the number 1st choice for its consumer, they must distribute their products to all the people no matter where they are. Sunsilk has targeted retail outlets, malls, super market and any other stores as long they are easily access for consumers. The high consumer demand has shown that easy availability factor is very important to reach out to the consumers.

Price

As the market leader in personal care products, Sunsilk is freely to set the market price. In order to satisfy the main goal of Unilever which is maximise profit , increase the sales and also increase in market share the price of product is an important factors that affect all of this. The research department determines the price of the products while taking account the affordability of consumers of different income level. Unilever's main competition which is Procter & Gamble's Pantene product has also come up

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with innovative products to gain the market share of Sunsilk. Fortunately, Sunsilk has the advantage to set the price of product by being the market leader in personal care products. Sunsilk has also take inflation into account, by maintaining constant profit margins.

Promotion

Advertising and marketing strategy are the main tools for Sunsilk to push up their sales and awareness of their products. In order to promote their brands , Sunsilk has distributed flyers and free sachets at malls, retail outlets and also door to door campaigning. Hair experts are also send to schools to check the hair type of people in one region and how can they improvise their products for such consumers. Free gift hampers and free washes are also given to people to maintain the goodwill and maintain the momentum of brand loyalty. Sunsilk has also increase the awareness of people by using the growing trend of online advertising and communication network of people. Internet access has act as an online material to ensure that people does not escape the attention of Sunsilk. Television is another major communication access for consumer to keep the brand fresh in the mind of consumers and also to attract new consumers and breed interest in the usage of Sunsilk products.

Forecast sales budget

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2009 (€)million

2010(€)million

2011(€)million

2012(€)million

Turnover

39, 823

41, 814

43, 905

46, 100

Cost of Sales

20, 580

20, 992

21, 411

21, 840

Percent

51. 68%

50. 20%

48.77%

47.38%

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Operating Profit

19,243

20,823

22,493

24,260

Percent

48.32%

49.80%

51.23%

52.62%

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ã€€

Operating Expenses

14, 223

14, 934

15, 681

16, 465

Percent

35. 72%

35. 72%

35. 72%

35. 72%

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ã€€

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ã€€

Profit

5, 020

5, 888

6, 813

7, 796

Percent

12. 61%

14. 08%

15. 52%

16. 91%

The increase in profit and operating profit has shown the sales profit of product sales from Unilever's top brand. The increment in operating expenses has shown that promotion strategy has been to use to stay competitive in the market that Unilever venture into.