

Unilever organized its supply chain management



Abstract

According to the analysis of some cases of how Unilever organized its supply chain management, we found that Unilever organized their factories, regional supply chains, business groups and corporate center with strategic focus and in an operational environment. Plan-source-make-deliver is the way Unilever managed their supply chain. Simultaneously, we found that Unilever's supply chain management focus on the multi-local aspects of the business at a national or regional level and the multinational aspects.

Introduction

In today's globalised world, every company has to face strong competition. Each company has to consider many factors if they want to be successful in the market. One of important elements in this is the supply chain management, this involves the movement of materials as they flow from their source to the end customer. Unilever is a global firm and they have numerous products, as result the ways they manage the flow of their product from beginning to the consumers is vital. The question was asked: How do Unilever organize their supply chain management.

Methodology

The study was conducted by a group of four team members in Middlesex University on the pre-session program in August 2010, namely: Lam Trinh, Long Ta, Pan Zhen Zhao and Chi Doan. The instrument used in this study was secondary research. In which, individuals of the team used various resources, especially online academic directories to locate the necessary articles related to the topic " supply chain management" and take a specific

British Group, Unilever and its organising system, as an example. After the research team had read the academic textbooks, the relevant information was analyzed and noted in order to assess the main ideas. The process took two weeks. The first week involved choosing a suitable topic and company. The choices were based on individual's possibility and interest in the field of "business and management". The second week included researching resources from the school's learning resources and other reliable sources.

A total of five sources were found, of which two were theory-based online journal articles and were obtained through academic directories, and three were from media articles and company-official website.

There are some limitations with the study. One of them is that it is difficult for second language learners to understand complex articles and sophisticated arguments. Furthermore, it is a difficult task to identify and collect the best helpful and suitable information for the report amongst numerous of sources.

Literature review

Organizing supply chain management (OSCM) is one of the most important things which companies need to do to not lag behind economically in the fast-moving business world. That is why this report researches in-depth five articles: Unilever's supply chain efficiency, Unilever's supply chain vision, supply chain case study, how Unilever aligned its supply chain management, and Unilever's spotlight. According to "Supply Chain Management Review" (Monahan, Sean; Nardone, Robert, Nov2007, Vol. 11), it has been claimed that Unilever has to upgrade facets of its supply chain operations to stay

ahead in the fast-moving consumer packaged goods industry. Furthermore, Srivni (<http://www.zimbio.com/> Jun-19-07) asserted that while Unilever keeping its global branding, its strategy is to have local supply chain for local demand to minimize complexity. It seems a lucid strategy for OSCM in order to make profit and consolidate brand effectively.

Findings

In this section, author using SWOT analysis to analyze the internal and external environment of Unilever.

Figure 1

Strengths

Weaknesses

Clearly supply chain management vision

highly complex supply chain and production line

Using information technology

Local supply chain for local demand

Strong network of sales and distribution

Many products have low profit

Opportunities

Threats

Increasing in environment friendly product

Globalization

There are many competitors

Strengths

Unilever is a global company so their supply chain management seems to be very well organized. The first strength is Unilever make a clear vision for their supply chain management. IEE (www. iee. org, 2004) states five strategies on Unilever supply chain management:

‘ Clearly defined global strategy and an effective and robust strategy into action processes’.

‘ Focus on cost reduction, to be achieved through regular monitoring of a standard set of globally shared KPIs along with consistent data acquisition’.

‘ Consistent global approach to, delivery of manufacturing excellence’.

‘ Convergent organization. Clearly defined skill definitions of all supply chain roles’.

‘ Established process to enable a rapid and cost effective implementation of innovation’.

Furthermore, Unilever implement information technology (IT) in their supply chain with the purpose to manage the flow of product better. Because Unilever have many factories in the world, they use different type of supply

chain for each country so they can meet the demand of local customers.

Strong network of sale and distribution is the one more strength of Unilever.

Weaknesses

Unilever have a huge number of product brands (over 1600 brands) but 400 brands make up over 90% of Unilever's total sales ([http://www. zimbio. com](http://www.zimbio.com), Jun-19-07)good . As a consequence, the ineffective brands make them money but not very profitable and become one of their weakness point.

Opportunities

Customers focus more on the products which are friendly with environment, it is an opportunity for Unilever to follow the trend and get more customers from competitors with the strategy in greening their supply chain such as cutting emissions. The second opportunity for Unilever is globalization develop. Their supply chain will find easier to approach customers because the world without barrier.

Threats

Unilever set up factories, branches in more than 100 countries and they have numerous competitors from other global companies like P&G and Nestle and also competitors from local. Global enterprises with strong brands and experience in management while local companies understand the demand of consumers and they have support from local government lead to a threat for Unilever.

Discussion and analysis

IT solution

According to Srivni (<http://www.zimbio.com>, Jun-19-07), the first solution for Unilever to organize supply chain management is the use of information technology. Firstly, Unilever use enterprise resource planning (ERP) system to manage activities in supply chain. ERP with huge databases can access the status of supply chain such as distribution and sales. As a result they can control the flow of products well and make sure it is not interrupted. By using IT in supply chain management, company also reduce the costs and improve efficiency in the chain and bring the company closer to their consumers. Moreover, IT helps Unilever track their products better from distribution centers to stores, they will have right strategy to 'reduce the length of product runs and make other refinements to react more quickly to changes in demand' (<http://www.zimbio.com>, Jun-19-07). Finally, Unilever apply integrated supply management information system (ISIS) which help the collected information is analyzed quickly and easily by supply managers in national as well as global companies. With this system, its managers may discuss and make a decision with suppliers clearly and effectively. Therefore, both of them make benefits from this way (Sean Monahan and Robert Nardone, 2007).

Path to Growth

Based on the weakness point in SWOT analysis, Unilever make a plan name: 'Path to growth' focus on reducing non production items (NPI). Before discussing the results of this plan, this report is going to analyze the reason why they have to cut NPI. In 2000, there were over 1600 brands belong to

Unilever. However, the company recognized that the high profit brands were around four hundred and many other brands take a huge amount of money to organize their supply chain. Unilever decided to stop producing over five hundred and sell seven hundred brands and get over 16 billion euro. With this amount of money, they can invest more in supply chain management system. The goal of this plan is 'simplify the business and reducing complexity' (<http://www.zimbio.com>, Jun-19-07). This plan brings to Unilever many advantages but there are some disadvantages when Unilever apply 'Path to growth'. In 2004, their net profit lost by over 300 million dollars, and the company still focus significantly on local market lead to fragment in global market.

Conclusion

The purpose of this report is answering the question: 'How does Unilever organize their supply chain management?' The finding is based on the SWOT analysis which shows the internal (strengths and weaknesses) and the external (opportunities and threats) environmental in supply chain of Unilever. Unilever apply IT to manage their supply chain to reduce the cost and improve the effect. They also use plan path to growth to sell and stop production over one thousand ineffective brands. These strategies help Unilever to organize their supply chain better and more effectively.

Recommendations

Unilever is a strong company in global market. They have many strengths point but they have some weaknesses point. After the process of findings and analysis the information of Unilever, the company should focus more on

their supply chain of high profit products to maximize revenue and ensure their supply to customers is on time.