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by Aleksandar Petrov

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LCBB5005: PROJECT MANAGEMENT

STUDENT ID: 2112978

STUDENT NAME: ALEKSANDAR PETROV

LECTURER NAME: ESSA BAH

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Introduction

Project management is an important aspect of overall business decision making as different strategic plans are implemented by initiating projects. So, ¹⁷ it is important to know about the methodologies of project management, project evaluation, and project implementation within the constraints (Charvat, J., 2013). This ¹² report discusses three different projects based on Unilever by using different financial and nonfinancial methods of project evaluation like net present value (NPV), internal rate of return (IRR), payback period, customer satisfaction level, environmental compliance, etc. In line with that advantages and disadvantages of each method are discussed. Moreover, potential sources of financing for the best project are also discussed accordingly.

A brief overview of each research topic

There are three research topics elected for this report based on the business and strategic position of Unilever PLC. The first topic is the '*Online Customer Survey Portal for Unilever PLC*' where customers' feedback through the online platform will be collected. This portal will help Unilever PLC to assess the

customer's engagement, and satisfaction level, identify the customers' expectations, primary market research. This research topic will help Unilever PLC to evaluate what excites, motivates, and frustrates customers with their products and services.

The second topic name is *'Opening a New Sales Center of Unilever PLC in London UK'*. This new sales center project will enable Unilever PLC to increase its sales amount, increase the number of customers, enhance customers' presence in store, enhance the delivery process and increase the overall organisation reputation. The third topic is *'An Advertising Campaign for Promoting Sustainable Products of Unilever PLC'*. This project will enable Unilever to promote its sustainable products such as Dove, Knorr, Omo/Persil, Rexona/Sure, Lipton, Hellmann's, and Wall's ice cream (Unilever, 2023).

Mission and vision of each project

Firstly, the mission of the online customer survey portal is to collect customers' feedback easily which may help Unilever to know the customers' expectations, opinions, engagement, etc. And the vision of the project is to make Unilever sustainable and acceptable to a large customer base around the world. Secondly, the mission of opening a sales center in London UK is to increase the sales and distribution efforts of Unilever in Greater London. And the vision of the project is to make Unilever the number one choice of UK consumers by providing sustainable products and services.

Thirdly, the mission of the advertisement campaign project is to increase sales of Unilever and increase the market share compared to the competitors. And the vision of the project is to be the number of brands within the customers by providing sustainable products and services.

Project evaluation

Project evaluation through financial methods

Project 1: Online Customer Survey Portal for Unilever PLC

There are different financial methods to determine the feasibility of the project including ¹ net present value (NPV), internal rate of return (IRR), payback period (PBP), average accounting return (AAR), profitability index (PI), etc (Charvat, J., 2013). This section provides a detailed calculation of three major financial methods to evaluate the online customer survey portal project for Unilever PLC.

The first project is to set up an online customer survey portal for Unilever PLC which will provide valuable insights to the management of Unilever in designing their products and services, getting customers feedback live, knowing the expectations of customers from Unilever, price and quality evaluation from the customers, etc (Wells, H., 2020). Moreover, the market trend regarding new products and services, changes in personal and baby care, pharmaceutical products demand, etc. can easily be known from the survey portal. The following section of the report presents the NPV, IRR, and payback period calculation for the online customer service portal for Unilever PLC-

Discount rate	8%					
Years	0	1	2	3	4	5
Initial investment	-£ 170,000					
Cash inflow ¹¹	-£ 170,000	£ 40,000	£ 50,000	£ 55,000	£ 55,000	£ 65,000
Cumulative cash flow	-£ 170,000	-£ 130,000	-£ 80,000	-£ 25,000	£ 30,000	£ 95,000
Net present value (NPV)	£ 38,229.30					
Internal rate of return (IRR)	15.58%					
Payback period (PBP)	3.55 years					

It seems that the discount rate for the project is 8% which is the weighted average cost of capital (WACC) where both the cost of equity and cost of debt are considered. It is also assumed that the project will continue for 5 years where the initial investment will be -£170,000. Based on this data the net present value (NPV) of the project is £328,229.30 which is positive, the internal rate of return is 15.58% and the payback period is 3.55 years. Here, IRR is more than the cost of capital of 8% so this project is financially feasible for Unilever.

Project 2: Opening a New Sales Center of Unilever PLC in London UK

The second project is opening a sales center of Unilever in London UK which will facilitate Unilever to attract more and more customers within the umbrella in greater London. This facility is essential for enhancing sales volume, customers visiting, and display of Unilever's products. Moreover, this project will enhance the presence of Unilever over its competitors in the consumer goods industry in the UK. The following section of the report provides financial feasibility records of the project based on NPV, IRR, and PBP calculation-

Discount rate ⁴	8%								
Years	0	1	2	3	4	5	6	7	8
Initial investment	-£ 245,000								
Cash inflow	-£ 245,000	£ 53,000	£ 52,000	£ 52,000	£ 51,000	£ 46,000	£ 45,000	£ 38,000	£ 32,000
¹ Cumulative cash flow	-£ 245,000	-£ 192,000	-£ 140,000	-£ 88,000	-£ 37,000	£ 9,000	£ 54,000	£ 92,000	£ 124,000
Net present value (NPV)	£ 26,547.19								
Internal rate of return (IRR)	11.01%								
Payback period (PBP)	4.20 years								

This project has a cost of capital of 8% like the online customer service portal project discussed earlier. It is assumed that this new sales center project will require an initial investment of £245,000 and this project will continue for 8 years. From the calculation performed by using MS Excel NPV of the project is positive which is £26,547. IRR is 11.1% which is also more than the required return of 8% and the payback period is 4.20 years. From the financial methods of project evaluation, it seems that this project is acceptable for Unilever as this project is generating positive NPV and IRR is also more than the required rate of return.

Project 3: An Advertising Campaign for Promoting Sustainable Products of Unilever PLC

The third project is to launch an advertising campaign for promoting sustainable products of Unilever. Sustainability has become an important part of the product and service delivery process as consumers are becoming concerned more about the environment and looking for environment friendly products and services (Wells, H., 2020). So, promoting sustainable and environmentally friendly products can attract a conscious and environmentally concerned customer base. Moreover, environment friendly initiatives enhance the reputation of a company by spreading the positive image of the company among the customers and consumers. The following section shows the financial methods of project evaluation for the advertising campaign of Unilever-

Discount rate	8%					
Years	0	1	2	3	4	5
Initial investment	-£ 97,000					
Cash inflow	-£ 97,000	£ 32,000	£ 29,000	£ 33,000	£ 25,000	£ 23,000
1 Cumulative cash flow	-£ 97,000	-£ 65,000	-£ 36,000	-£ 3,000	£ 22,000	£ 45,000
Net present value (NPV)	£ 17,718.08					
Internal rate of return (IRR)	15.08%					
Payback period (PBP)	3.88 years					

In this case discount rate is also 8% which is the cost of capital, initial investment for the advertisement campaign is £97,000, project lifetime is 5 years. The NPV is positive which is £17,718, the payback period is 3.88 years and IRR is also more than the required rate of return of 8%. So, this project is acceptable under both the NPV and IRR criteria.

Project evaluation through non-financial methods

Online Customer Survey Portal for Unilever PLC

There are different nonfinancial methods to evaluate a project like innovation, customer satisfaction, environmental impact, employee engagement, social impact, matching industry standards and good practices, relationship with customers and suppliers, reputation and business image etc (Petty, et al., 2015). This section provides details of two specific nonfinancial factors namely customer satisfaction and environmental impact.

Firstly, the online customer survey portal for Unilever will enhance customer satisfaction as this portal will collect information like customers' likes and dislikes, opinion regarding products and services of Unilever, new product launches, customers review, available location, new trends in the market, etc (Petty, et al., 2015). Moreover, customers can easily share their expectations from Unilever products and services. All these stages are related to customer satisfaction. It is expected that customers' satisfaction level will be 85% as Unilever emphasis on consumers' likes and dislikes regarding every product and service line.

Secondly, environmental impact will be positive as customers can share their expectations regarding environmental issues through the online customer service portal so this project will have a positive impact on the environment.

Opening a New Sales Center of Unilever PLC in London UK

Firstly, the availability of stores and the display of products is connected to customer satisfaction and this new sales center of Unilever will enable customers to visit and see the new products and services of Unilever. It is expected that this project will enable customer service to be up to 80% as the sales center is crucial for displaying new products and services to the existing and potential customers of consumer product brands like Unilever. Secondly, this sales center needs to comply with environmental issues like using renewable energy sources, proper waste management, sourcing materials from ethical producers who use good cultivation practices, no child labour issues, etc (Petty, et al., 2015).

An Advertising Campaign for Promoting Sustainable Products of Unilever PLC

Firstly, sustainability issue is becoming more and more important in recent times so an initiative to promote sustainable products at Unilever can increase customer satisfaction. The advertisement campaign will deliver issues like the use of natural ingredients, ethical production, use of good practices, promote diversity, non-racial treatment, etc (Wells, H., 2020). These issues are basic for promoting consumer brands like Unilever. Secondly, environmental issues are also relevant to this advertisement campaign as consumers are concerned about the impact of products on the environment, so it needs to maintain environmental standards.

Advantages and disadvantages of each method of evaluation of the project

Firstly, the advantages of NPV are it considers the time value of money and decision making is easy. Moreover, this method considers all the cash flows and values wealth creation rather than profit making. On the other hand, the disadvantages of NPV calculation are no set guidelines for calculating the required rate of return, cannot be compared with project of different size and there is some hidden cost (Higgins, R.C., et al., 2019). Secondly, the advantages of IRR are that it considers the time value of money, simple to interpret, has no requirement of calculating the hurdle rate, and makes a rough estimation of the required rate of return. On the other hand, some disadvantages of IRR are economic of scale is ignored, the impractical implicit assumption of reinvestment at IRR rate at the remaining period of the project, mutually exclusive projects are ignored, different terms of projects are ignored, and negative cash flows can generate multiple IRR (Wells, H., 2020).

Thirdly, the advantages of the payback period are that it is easy to apply, and decision making is easy, appropriate for small companies, and focus on the liquidity position of the project. On the other hand, some disadvantages are no consideration of the time value of money; it overlooks the cost of capital and ignores the profitability of the project (Chin, C., et al., 2018). Fourthly, customer satisfaction is a common

parameter to evaluate a project which defines how customers react to the project in the case of Unilever with its new initiatives. This method is widely used in evaluating the performance of the project as an overall customer evaluation is made through the customer's satisfaction level. On the other hand, some disadvantages of this method are that this method is a subjective measurement of viability as satisfaction varies according to the preferences and expectations of customers.

Finally, the advantage of the environmental parameter is that large organisations always consider the environmental impact, regulatory agencies also consider the environmental impact of the project, and customers and consumers give importance to the environmental issues which are also related to the acceptance of new products or services (Higgins, R.C., et al., 2019). On the other hand, some disadvantages of environmental impact are that the initiatives are costlier for some projects, investors seek return rather than environmental issues, management pressure of cutting costs, etc.

Choosing the project

Three different projects for Unilever PLC are analysed based on five specific project evaluation tools including financial and non-financial methods. The following table shows a comparative analysis of three projects-

Sl. No.	Project name	NPV	IRR	PBP	Customer Satisfaction	Environmental Impact
1	Online Customer Survey Portal for Unilever PLC	£38,229.30	15.58%	3.55 years	High	Low
2	Opening a New Sales Center of Unilever PLC in London UK	£26,547.19	11.01%	4.20 years	Medium	Medium
3	An Advertising Campaign for Promoting Sustainable Products of Unilever PLC	£17,718.08	15.08%	3.88 years	Medium	Medium

It seems that the highest NPV is generated from the online customer survey portal project which is £38,229. This project also has the highest IRR of 15.58% and the lowest payback period of 3.55 years. Moreover, it seems that customer satisfaction is high and the negative impact on the environment is

lowest in this project. After analysing all the criteria of project evaluation tools based on financial and non-financial aspects of the project. So, the management of Unilever can implement this project for strategic benefits.

Potential sources of project financing

So, it is necessary to have funds for the implementation of the online customer survey portal project. The followings are the sources of financing-

1. **Retained earnings:** The first source of financing can be retained earnings of Unilever PLC as this amount is the excess of all costs, tax, and dividend payments to the shareholders of Unilever. This source of financing has the lowest cost as this fund is shifted to the retained balance. Some advantages of using retained earnings are increasing stock value as funds are used in generating growth so share price increases (Chin, C., et al., 2018). Moreover, there is no implicit cost of financing from the retained earnings which increases the net profit amount of the company.
2. **Equity capital:** Issuing shares in terms of new stock, right issue, bonus share, or preferred share can be a source of financing for the selected project. Some advantages of equity financing are no requirement to pay outside creditors as equity is issued to the shareholder and they are the residual claimants (Higgins, R.C., et al., 2019). There is no obligation to pay dividends except to preferred shareholders and it is considered a permanent source of financing.
3. **Debt issue:** Debt issue or debt capital is the last source of financing where long-term loans or debt certificate is issued to creditors where a specific percentage of interest and principal payment is required regularly. The advantages of debt capital are it gives leverage benefits and tax benefits as interest is tax deductible (Jamal et al., 2019).

Conclusion

After a comprehensive analysis of different project management methodologies, tools, and techniques some important insights are revealed. Both the financial and nonfinancial project evaluation techniques are necessary to select the most beneficial project for Unilever PLC. The online customer survey portal for Unilever PLC is the most appropriate as it provides the highest benefits in terms of NPV, IRR, payback period, customer satisfaction, and environmental impact.

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