

LCBB4004-Marketing Fundamentals

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Introduction

When people hear the word marketing, they think it is just a synonym for advertising or sales. But ads in sales are just a component of the marketing process. Marketing is the process of determining the needs and wants of customers and delivering the desired benefits more effectively and efficiently than competitors (Armstrong and Kotler, 2022). So, marketing is the process of generating, communicating, assimilating, supplying, and trading offers that are valuable to customers clients, the community as well as society (Dibb and Simkin, 2013). In the business sector, Unilever is the largest global consumer goods selling company. It is one of the oldest multinational companies. During COVID-19, the demand for products and consumer behaviour both are changed. The company has presented a great positive impact during this situation. The purpose of the study is to describe and gain knowledge about the overview of Unilever, its internal and external analysis, the impact of COVID-19, and the recommendations.

A brief overview of Unilever

Unilever is a British Multinational Consumer goods manufacturer which was founded on 2nd September 1929 (Unilever Global, 2022). The headquarter of this company is situated in London, England, and owns over 400 brands available in 190 countries around the world. Unilever offers its products like minerals, ice cream, wellbeing vitamins, foods, beauty products, tea, water, and air purifiers, pet food, condiments, coffee, cleaning agents, personal care, toothpaste, etc.

Unilever started with a British soap-maker company named Lever Brothers. Introducing Sunlight Soap in the 1890s was their revolutionary move in business. The idea was introduced by William Hesketh Lever who is the founder of Lever Brothers. In 1930, the Lever Brothers and Margarine Unie found similarities in their visions and decided to start their business together (Tien, 2019). Eventually, the merge of the companies created the name of 'Unilever'. Unilever NV and Unilever PLC are two major branches of Unilever. Brands like Dove, Lifebuoy, Pepsodent, Axe, Lipton, Brook Bond, Pond, Vaseline, RexonaBen and Jerry, Knorr, Surf, Sun, Lux, Sunsilk, etc. are included and the annual sales of each brand are over one billion dollars. During COVID-19 Pandemic, it took steps to show support and harmony (Unilever Global, 2022). Though the pandemic situation had an impact on their business, clients, global communities, it tried its best to take it positively and worked for the betterment of all by taking necessary steps as well as focusing on alternative strategies.

Internal analysis of Unilever

Unilever is one of the largest companies in the consumer goods sector. Despite the pandemic, the company created 51 billion euros in revenue in 2020. COVID-19 pandemic dramatically modified consumer behaviour (Unilever Global, 2022).

SWOT Analysis of Unilever

SWOT analysis mainly stands for strengths, weaknesses, opportunities, and threats. If the organization has opportunities, it must be tried to capitalize on the opportunities (Florez-Lopez, Marante and Picon, 2015). Now the SWOT analysis of Unilever is described below:

- **Strength:** The strength of Unilever is the aspects that assist the company to keep its uniqueness in the consumer goods sector (Heizer, Render and Munson, 2018). Global distribution networks are considered the biggest strength of Unilever. Again, industry leaders such as from the Beauty and Personal Care, Foods and Refreshment and Home Care section, about 50 billion euros have been gathered per year for last 3 years, strong brand portfolio, global presence, marketing efforts, etc. are considered as strengths of Unilever (Tien, 2019).
- **Weakness:** In the consumer goods sector, Proctor and Gamble are one of the biggest competitors of Unilever. In 2020 during the COVID-19 Proctor and Gamble surpassed Unilever by almost 10 billion. Despite the epidemic, PandG's net revenue sales grew 4.8% whereas Unilever witnessed a 2.4% decline in total turnover. 2020 has seen a big shift in demand across the product segment. Unilever predicts that the ongoing impact of COVID-19 and the consequent global downturn would create enthusiasm in demand due to variations in consumer behaviour (Heizer, Render and Munson, 2018). As a result, Unilever would need to grow its ability to identify and respond to such needs with increasing dexterity. However, lockdown and social distance rules have accelerated the transition to online shopping. Online sales grew 61% per year in 2020. And online sales marked for only 9% of Unilever's revenue. As the company expands its business in online platforms also, security risks are a concerning issue for Unilever.



Figure 1: SWOT Analysis of Unilever

Source: (Heizer, Render and Munson, 2018)

- **Opportunities:** Though consumer behaviour is hard to control, Unilever always responds to the change to control consumer behaviours. Enhancing online platforms is considered an opportunity for the company (Armstrong and Kotler, 2022). Until the pandemic, Unilever relied on its extensive retail network to deliver the products. However, the COVID-19 has prompted the main shift in consumer behaviour like a drastic change in online stores. So, if Unilever succeeds in creating a pure-play or universal e-commerce distribution channel. It can capitalize on the trend of online shopping. Again, enhancing shopper ideas, strong customer relationships, increasing markets, etc. are also considered as opportunities for Unilever during the pandemic.
- **Threats:** One of the major threats for Unilever is this ongoing COVID-19 pandemic. Purchasing, delivering, manufacturing has been affected by this COVID -19 pandemic (Armstrong and Kotler, 2022). Though sell figures do not reflect the extent of the impact, the pandemic has sparked major central modification in Unilever's way of doing business. The global health crisis is leading the world to stagflation. In 2020, the major market currencies contributed to a 2.4% per year turnover decline. Political and economic instability are also marked as a threat to the profitability of the organization. Transferring to consumer choice is also marked as a threat.

Values Chain Analysis of Unilever

The value chain is a process by which a company includes values to an article along with the provision of production, marketing, and after sells service (Dibb and Simkin, 2013). The value chain intends to accelerate the value of a product or service. Value chains integrate a variety of supply chain activities throughout the product or service lifecycle. Such as determination of customer needs production distribution, marketing, and selling services. There are mainly two different types of activities. As -

1) Primary Activities: It is covered the job of creating and delivering products of Unilever.

- **Inbound Logistics:** It is primarily concerned with storing, receiving, distributing the inputs of products (McDaniel, Lamb and Hair, 2013). It shows how the materials are

collected, preserved, how they can be used when it is necessary. It also focuses on availability. Its abundance with manufacturer returns, shipments schedules, material handling, supply control as well as deals with the time to use the materials, process the material when it is needed, ability, distribution facilities, etc.

- **Operations:** It mainly focuses on systematic ways to mitigate, gives an extra eye on managing and justifying the quality, prepares the orders in time, deals with the customers, focuses on the satisfaction of the customers, tries to solve if there is any complaint (Dibb and Simkin, 2013).

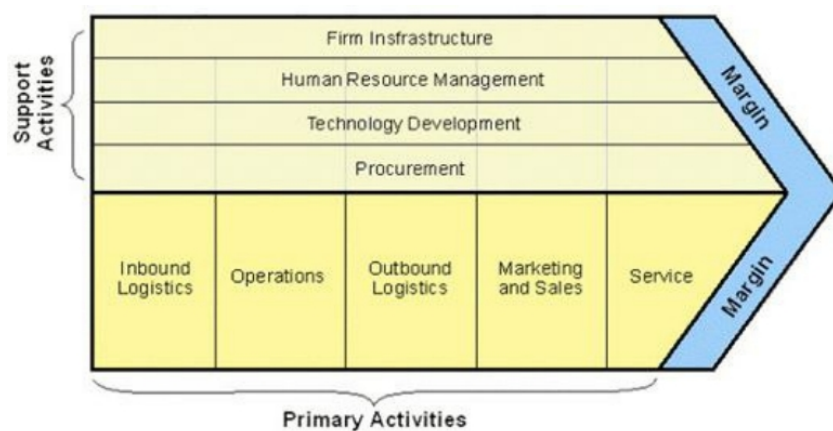


Figure 2: Value Chain of Unilever

Source: (Planellas and Muni, 2020)

- **Outbound logistics:** It concerns the delivery of the products on time, completing the order, audit, devising for emergencies, business management, etc.
- **Marketing and Sales:** Here pricing, cost analysis, considering the products value, products need, promotion and advertisements, target groups, etc. are dealt with in this sector (McDaniel, Lamb and Hair, 2013). Unilever spends around 7 billion euros in marketing and sales.
- **Service:** Immediate response to the customer, 24/7 service availability, call centres, sufficient training, skilled staffing, etc. are focused on this sector.

2) Supportive Activities: These activities are not involved or directly engaged with the production but can enlarge or develop the effectiveness of an organization.

- **Infrastructure:** The board of Unilever is the main authority for the promotion of the values, accoutered the process, handling with a legal officer if the violation is found, dealing legal issues, and managing senior management day to day activities (Dibb and Simkin, 2013).
- **Human Resource Management:** Unilever launches a program for personal development and skilled build in 2019 the company organized a program named 'Talent and Organization Preparation' to train people to be skilled in the right way. Again, in 2011, it launched Unilever Leadership Development Program (Planellas and Muni, 2020).
- **Technology Development:** Unilever expends around 1 billion euros on its research project and development.
- **Procurement:** Unilever maintains a good relationship with its suppliers, focuses on reducing the cost of the materials, etc.



Figure 3: Value Chain of Unilever

Source: (Wilson, 2013)

Again, Unilever is concerned about the greenhouse gas impact and it is trying to reduce the environmental impact to ensure sustainability.

External Analysis of Unilever

PESTEL Analysis of Unilever

PESTEL generally means political, social, economic, technological, environmental and legal factors. PESTEL analysis or PESTLE analysis identifies the opportunities and threats and the way of identification (Marshall and Johnston, 2011). These opportunities and threats depend on six external factors. PESTEL Analysis of Unilever analyses the business strategy of the brand. In a nutshell, it scrutinizes a variety of external factors that influence its business. Various external factors that impact the business of the organization are given below:

Political Factors:

Unilever is contingent on the regulatory restrictions and protocols promulgated in the United States by the European Commission and the Food and Drug Administration. Even in the other foreign countries, where it is set up, laws are needed to be followed. So, the company operates on personal products and unveils itself to a variety of political systems and environmental risks (Marshall and Johnston, 2011). The factors which are studied here -

- Political and government stability.
- Taxation Policy.
- Levels of Corruption.
- Rule of majority.
- Trade regulations.
- Legal framework for contract enforcement.

So, within 2021, the political situation and international environment were relatively peaceful during the pandemic, political instability was not the concerning issue for the development of Unilever.

Economic Factors:

The PESTEL analysis indicates the effects of economic conditions based on their remote environments (McDaniel, Lamb and Hair, 2013). Economic factors that should be considered in PESTEL analysis are -

- Stage of the business cycle.
- Type of economic system.
- Labour costs and their productivity.
- Changes in the economic environment.
- The rates of economic growth, unemployment, inflation, interest, and exchange.

A recession in the global economic situation, as well as the COVID-19 pandemic, has caused a worldwide outbreak (Marshall and Johnston, 2011). Unilever is also affected by this pandemic situation. The economic downturn and Unilever's six-month posting sales were around 25.7 billion euros which declined 1.6% from the previous. At the same time, its outbreak has occurred. Some local consumer goods companies have come to the verge of bankruptcy, which is a great opportunity for the takeover of Unilever. Unilever has rushed to disinfect Products to meet the growing market demand for Disinfection products.



Figure 4: PESTEL Analysis of Unilever

Source: (Planellas and Muni, 2020)

Social Factors:

Unilever emphasizes the socio-cultural factors. Society's norms, values, cultures impact the progress and growth of the company. Unilever tries to understand the customers by sharing the beliefs and attitudes of the population. During the pandemic situation, people emphasize their health issues, washing hands, bodies are also facts for consideration (Tooze, 2021). Social factors that should be analyzed for PESTEL analysis are-

- Demographic characteristics and population trends.
- Culture and attitudes.
- Economic Disparity.
- Gender and Ethnic diversity.
- Education and Health level.
- Social mobility.

Technological Factors:

New technology and using new inventions are to boost production, enhance the quality of products, and develop digital marketing (Tooze, 2021). So, Unilever focuses on the IT sector, especially in the area of business. Technological factors are-

- Impact of emerging technologies.
- Technological development.
- Impact of technology transfer.
- Technological diffusion.

Environmental Factors:

Ecological trends, conditions, different norms and environmental standards of different markets impact the profitability of the company. So, before opening a new business, environmental standards should be evaluated (Tooze, 2021). The environmental factors that impact Unilever are-

- Impact of Climate change.

- Weather.
- Increasing business efforts on Sustainability.
- Recycling.
- Laws regulating environmental pollution.

Legal Factors:

As a Consumer goods company Unilever must satisfy many laws and regulations to decrease barriers to its business. The location of each brand and store is subject to compliance with copyright, product safety, the health of employee safety laws and international-regional taxes (Washington and Eve, 2018).

PESTEL analysis of Unilever can help in identifying significant changes in the various external factors and help to formulate better strategic action planning.

Porter's Five Forces Model of Unilever

Michael porter's model of five forces is used to determine industry attractiveness (McDaniel, 2011). Michael Porter's model of five forces is used to resolved industry engagement. This model has mainly described the details of how the external factors influence the production of the industry. Mainly five forces affect the performances of Unilever.

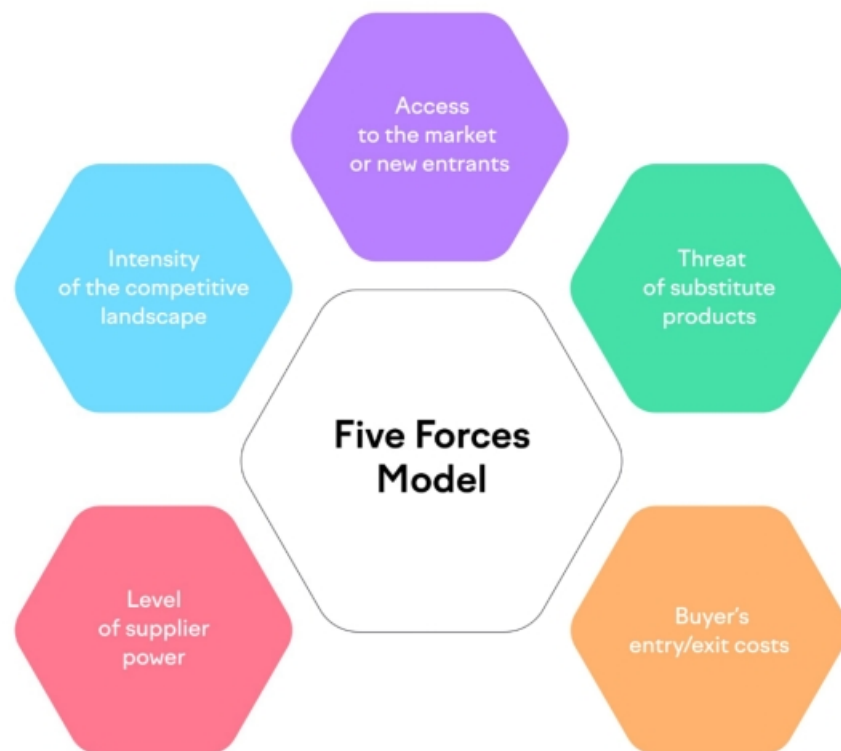


Figure 5: Porter Five Forces Model

Source: (Planellas and Muni, 2020)

1. Competitive rivalry or competition: Competitive rivalry or as well as competition is considered a major force in this model (McDaniel, 2011). This model of five forces recognizes the outer factors that display the effect of the firms on each other (Washington and Eve, 2018). The major force of competitive rivalry against Unilever depends on some external factors and these are given below:

- A high number of enterprises
- High antagonism of firms or enterprises
- Low shifting costs.

It mainly focuses on the dynamics that are changeable through the competition. In this model, the outer factor inducts a powerful force on Unilever (Tooze, 2021). In addition, these firms are combative. Because of low shifting costs, Unilever experiences resilient competition.

2. Buyer's entry or exits costs: The buyers mainly want to pay less and get more. Unilever wants to make a profit. A different dilemma is created between the company and the buyers. Unilever influences the buyers and continues to hold the stability of its business (Tooze, 2021). When Unilever products transfer from one company to another, the low shifting costs play a vital role to construct it easier. This external factor devotes to the strong intensity of the negotiating power of buyers. Nowadays, buyers can differentiate the products based on the online platform or other information.

3. Negotiating power of supplier or suppliers: Suppliers mainly want to give delivery less and get paid more (McDaniel, 2011). The supplier provides the material to produce the products. The company on the other side tries to influence the suppliers to get the benefit. It is also considered a moderate force. During COVID-19, this factor has faced some difficulties because of the lockdown (Valentin, 2015). Unilever's industry environment is affected by suppliers by impacting the level of stock accessible to the enterprises. The external factor inducts a medium surroundings force on the consumer goods industry surroundings. So, in this segment of the five forces analysis of Unilever, the negotiating power of suppliers is a very important but middling consideration in the consumer goods industry surroundings.

4. Threat of substitute products: There are many other substitutes in every industrial section (Saraf, 2014). Substitutes can decrease Unilever's dividends and the durability of firms. The effect of substitution is resolved in this division of the five forces analysis though it is considered as a weak force. Because of the low availability of substitutes, the effect of the alternative is depleted. So, it is one of the slight issues in the business (Marshall and Johnston, 2011).

5. Access to the market of new entrants: Consumers can effortlessly determine to attempt new commodities from new firms. It is costly to construct strong brands like Unilever (Guharajan, 2018). Unilever takes assets, favours of high economies of scale, adaptabilities. So, the company remains strong despite new aspirants. So, a new entry is a minor consideration in Unilever's industry environment.

Impact Of Covid-19 On Unilever

COVID-19 pandemic has an unprecedented on people and economies worldwide. Unilever is not exceptional. The spread of COVID -19 has led to extensive changes in the global markets. Consumer behaviours are seen to be changed. That makes a significant impact on the business of the company. During the first phase of COVID-19 in China, the Chinese market slowed down at that time. On the other hand, Europe and North America have witnessed a positive impact during this pandemic. Underlying sales growth was around 0.0% with 0.2% from volume and a decline of 0.2% from the price (Ullah, 2021). E-commerce online platforms have gained more attention and customers have moved from offline shopping to online. So, Unilever gives attention to the online business strategy. Through this, around 61% sales growth are witnessed during the COVID-19 lockdown (Unilever Global, 2022). But overall turnover falls for around 2.4% from the previous year. According to the annual report, 9% of Unilever's turnover came from e-commerce, although it declined from the previous year (Ullah, 2021). Currency fluctuations and profitability decreased enlarged supply chain and COVID-19 costs. The latest years, the strongest sales of Unilever come from hygiene products such as soap and food refreshments. Unilever has presented flexibility and agility throughout the pandemic. During the pandemic, this company has responded in five areas giving help assistance to the people, protecting its supply, serving demand, contributing to society, and holding financial stability. As the customers are the main priority of the company. It tries to ensure the workforce, job sectors, and incomes. It has been facing challenges to keep the factories and making the trust of the people that new capabilities are built (Unilever Global, 2022). As the demand patterns are not the same as the previous like using hygiene products are in the market's demand whether COVID-19 has an impact on the Ice-cream business. During this situation, Unilever also does not neglect the climate crisis. Though most of the products are from well-known brands and are demandable for daily life, the company has faced a downturn compared to the competitor's company. Some products have made benefit during this situation, some have witnessed the loss. A lot of people change their behaviour to buy other items (Shimizu, 2012). The products that are slightly affected by the global pandemic. But Unilever has successfully gained and increased the livelihoods of millions of people through the global pandemic.

Conclusion

In the marketing sector, Unilever's popularity is expanding. It is proven that it is not only focused on profit but also focuses on the remote areas disadvantaged consumers and business clients. Unilever ensures better products and obtains the trust of the customers (Watkins, 2013). There are some limitations, difficulties during the COVID-19 pandemic, the company has tried its best to overcome the difficulties, made great use of the products, increase sales. Unilever expands its business like the global web, sometimes it is hard to avoid the product of Unilever. If someone wants to change the products, he/she must know about every single product of Unilever which is quite tough. It is one of the strengths of its business. Unilever has forced loss but compared to its benefit, it is nothing. So, Unilever is considered as one of the top five consumers goods companies around the world and people rarely can avoid its products. Eliminating the threats and capitalizing on the opportunities will enhance the company's strength and bring the expected profit as well as sustainability.

Recommendations

Based on the discussion and analysis made above on the impact of COVID-19 on the business operations of Unilever it can be said that the organization can follow some strategies for the betterment of their operations. Firstly, the organization can focus highly on the online business platforms such as social media platforms i.e., Facebook, Instagram, Twitter, YouTube, etc. along with the websites, email, etc. for business operations (Washington and Eve, 2018). Along with that, the marketing activities of the organization can be done through online platforms too. And in the case of offline business operations, the organization should highly follow the health safety and security for the customers.

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