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*на тему:*

**«Позитивний та негативний вплив глобалізації на діяльність суб'єктів  
міжнародного бізнесу»**

(на матеріалах «Unilever Group»)

зі спеціальності 292 Міжнародні економічні відносини  
освітня програма «Міжнародні економічні відносини»  
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## MASTER'S THESIS

**«Positive and negative influence of globalization on international business actors'  
 activity»**

(on materials of Unilever Group)

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## INTRODUCTION

**Actuality of the research.** Unilever is a British-Dutch multinational, one of the world leaders in the consumer goods and headquartered in England and Rotterdam. In 2019, Unilever's corporate structure consisted of 155,000 employees worldwide with a global revenue of 51.98 billion euros generated in 2019. The business activities of Unilever have an important contribution to make to the economic developments in developing countries. This contribution is significant because the volume of private capital flows exceeds that of development assistance. Unilever owns over 400 brands with a turnover of 53.7 billion euros and is the second largest in the world in terms of sales as of 2020. Unilever's operation over the years is into four categories: Beauty and Personal care products, Food, Refreshment and Home care products. The beauty and personal care is Unilever's biggest segment, containing five of the company's multi-billion dollar brands such as Dove shampoo, Rexona, Axe body spray, Lux and Sun silk with a turnover of 20.6 billion euros in 2018. In the 20<sup>th</sup> year of participating in the Dow Jones Sustainability Index, Unilever was named as the leader in the Personal care industry which means Unilever continues to be included in a global investment index which tracks leading sustainable companies and has achieved industry best scores in a number of areas including innovation management, brand management and packaging. Kantar World panel has also revealed that Unilever is the company with the highest number of brands in its index because people will want to buy from companies and brands that not only have great products at the right price, but also fit with their values. Unilever top selling brands in Kantar World panel top 50 are Lifebuoy, Sun silk, Dove, Lux, Sunlight, Rexona, Close Up and Lipton.

**Analysis of research and publications.** In the literature, the problems of influence of globalization on international business are researched in the works of Bailey [2], Chowdhury [5], Erixon [10], Hoang [15] and others. However, the topic has not been studied enough. There is a certain lag in the field of globalization

factors of influence on international business. Thus, all of the above led to the choice of the topic of the master's thesis and its relevance.

**The aim of diploma project** is to research positive and negative influence of globalization on the activity of international business of Unilever Group. According to the purpose of the diploma project, the following **tasks** are set:

- to analyze the essence of globalization, its positive and negative impact on the state of the world food market;
- to explore the competitive environment of the world food market in conditions of economic globalization;
- to determine the positive and negative impact of globalization on the investment climate and investment attractiveness of countries;
- to analyze the economic and managerial performance of Unilever Group in the global market;
- to find out the influence of globalization process on Unilever Group international competitiveness;
- to analyze the investment potential of Unilever;
- to forecast the prospects of implementation of investment projects of the company Unilever Group taking into account the factors of globalization;
- to elaborate the main direction of increasing the competitiveness of Unilever Group in the global market.

The **object** of the research is influence of globalization on international business actors' activity.

The **subject** of the project is activity of Unilever Group.

**Research methods:** While writing the diploma project, the following methods were used: analysis and synthesis, comparison, research, statistical and graphical methods, logical generalization of results in the formulation of conclusion and others.

**Research's database** is a set of specialized publications, annual reports of Unilever Company, periodical articles and internet resources that evaluate managerial effectiveness at Unilever Group.

**Research results implementation.** *The significance of research for practical purposes* is confirmed with «Довідка про впровадження результатів дослідження за темою дипломної магістерської роботи» and is as follows: a) apply the author's analyzed approaches of the researched company to minimize production costs, reflected in the strategic plan for further development of the enterprise; b) focus on the development of new markets or emerging markets in order to reduce costs and efforts to compete;

*The significance of research for educational purposes* is that the main findings of the research are confirmed with «Довідка про рекомендації щодо впровадження та використання результатів дослідження по магістерській роботі в освітньому процесі Вищого навчального закладу Укоопспілки «Полтавський університет економіки і торгівлі» and is as follows: in teaching the discipline «Management of international competitiveness of companies», the ways of improving the pricing strategy of Unilever Group proposed by the author are taken into account; they are also used in practical classes.

**Academic programs, plans and themes correlation.** The thesis paper has been created as a part of the scientific research in «Contemporary globalization processes: driving forces, megatrends and contradictions» (0113U006220) investigated by International Economics Department. The author's contribution is an original approach to using cross-market subsidization in international activity of Unilever Group.

**Diploma thesis results approbation.** The most significant research results were presented at scientific conference of students and young scientists majoring in «International Economic Relations» «Актуальні проблеми розвитку науки та забезпечення якості освіти у XXI столітті» (Poltava, April 7-8th, 2020).

**Publication:** Кроку, О. Influence of globalization on the world food market / О. Кроку // Актуальні проблеми розвитку науки та забезпечення якості освіти у XXI столітті : матеріали міжнародної наукової студентської конференції (м. Полтава, 7-8 квітня 2020 року) – Полтава : ПУЕТ, 2020. – С. 217 [55].

# CHAPTER 1

## ACTIVITIES OF INTERNATIONAL COMPANIES IN CONDITIONS OF GLOBALIZATION

### **1.1. The essence of globalization, its positive and negative impact on the state of the world food market**

Globalization is a process by which economies interact and integrate among government, companies, people and cultures worldwide. Globalization as a complex phenomenon is considered by some as a form of capitalist expansion which entails the integration of local and national economies into a global, unregulated market economy. Globalization has grown due to advances in transportation and communication technology. It has allowed businesses and countries to specialize in producing goods and services where they have a comparative advantage. Specialization and trade enables a gain in economic welfare, for example lower prices for goods and services has led to an increase in the real incomes of consumers [63].

In economic terms, it is a process of interaction and integration that is associated with the social and cultural aspect of an economy and interdependence of nations around the globe fostered through free trade. It raises the standard of living in poor and less developed countries by providing job opportunities, modernization, and improved access to goods and services. Globalization motives are idealistic, as well as opportunistic because the development of a global free market across the world has benefited large corporations based in the world. Its impact remains mixed for workers, cultures, and small businesses around the globe, in both developed and emerging nations. Corporations have gained a competitive advantage on multiple front through globalization and countries have built economic partnership to facilitate these movements over many



years. With the many technological advances, globalization has benefited the society as a whole and has gained access to millions of new consumers. Globalization is a social, cultural, political, and legal phenomenon. Socially, it leads to greater interaction among various individuals and economies across the world. Culturally, globalization represents the exchange of ideas, values, and expression among different cultures in the world. Politically, globalization has shifted attention to intergovernmental organizations like the United Nation (UN) and the World Trade Organization (WTO). Legally, globalization has altered how international law is created and enforced on various countries across the world. Globalization has moved at an unprecedented speed, with public policy changes and communications technology innovations cited as the two main driving factors. The International Monetary Fund identified four basic aspects of globalization: trade and transaction, capital and investment, migration and movement of people and dissemination of information and knowledge. Globalizing processes affects and are affected by organization, socio-cultural resources, business and the natural environment. The migration and movement of people is also a prominent feature of the globalization process. As economic integration intensified, workers moved to areas with higher wages and most of the developing world oriented toward the international market economy [64].

The increasing pace and speed of globalization and how it affects the environment has been a major global concern. Although it has brought contrasting results across the globe, there are many who believe strongly that increased globalization has been harmful to the environment. A large number of scientist and environmentalist who supports this view base their arguments on the premise that globalization leads to an increase in global demand, resulting to an increase in production. This indirectly has contributed to the exploitation of the environment and the depletion of natural resources. Globalization does not just entail the movement of manufactured goods but also the transfer of intermediate, capital goods and technologies across the world. This has helped multinational corporations with clean state of art technologies to transfer their green know-how

to countries with a lower environmental standards. It's widely recognized that multinational firms use cleaner types of energy than local firms, and therefore have more energy-efficient production processes. The rise of anti-globalization forces also means less specialization in sectors in which countries have comparative advantage. This can create an inefficient allocation of resources that leads to the dissipation of scarce economic and natural resources since some countries have weaker environmental standards than others. If every country has to produce to meet its domestic demand, it could result in the duplication of the production processes and therefore an increase in local emission. A good example of this is Iran. As a result of import bans of crude oil on Iran, it started refining its own crude oil that contains 10 times the level of pollutants of the oil it used to import. Iran has been slapped with economic sanctions, making the country less integrated in the world economy. Globalization has also been at the forefront of creating public awareness about labor and environmental standards through the platforms of international activities such as International Fair trade. Globalization achieved through multilateral negotiation such as the World Trade Organization has also demonstrated that although environmental protection is not part of their core mandate, it has spurred enthusiasm within its member countries for sustainable development and environmental friendly trade policies. For instance, the green provisions of the World Trade Organization has directed countries to protect their human, animal and plant life and conserve their exhaustible natural resources. Many countries including Canada and those in the European Union, have developed national policies that stipulates that prior to signing any trade agreement, environmental impact assessments must be carried out. That means that any countries that signs trade agreements with those countries must automatically sign environmental cooperation deals. Apart from the World Trade Organization, Regional Trade Agreements are also another feature of globalization that promotes and embraces environmental cooperation agreements and sustainable policies that promotes the natural resources and environment from deteriorating [65].

In addition to driving the spread of fast food across the world, globalization

has led to an increase in large multinational supermarkets, which are displacing fresh food into the market and increasing access to packaged and processed foods. Globalization is the major driver that has triggered a fast moving world and the fast food industry is not exempted. Fast food is becoming people's option due to its availability, convenience and cheap price tags compared to natural food. The other reason that contributes to fast food dominating the food culture is that technology has advanced, advertising the fast food industry across the world and increasing the natural food culture. McDonald's and Kentucky Fried chicken is one of the leading restaurant chains in the world. MacDonald's and Kentucky Fried chicken foods are popular in many countries as a result of media and internet advertisement. Eating fast foods has been linked to a higher risk of obesity, depression, digestive issues and heart disease. The success of McDonald's is attributed to the fact that they developed strong, efficient processes and procedures and remained consistent to develop consumer confidence in their brand.

Over the past two decades, the epidemic is spreading to the developing countries; hence, becoming a global concern. The food industry is to be blamed for this disaster because it has embraced globalization by improving peoples' living conditions. Though cases of filling lawsuits against the "big food" companies like McDonalds are arising, the concerned parties should broaden their horizons and realize that globalization plays a major role in the pandemic. This is a fact because economic globalization triggers cheap prices, while social globalization triggers lifestyle habits and a fast food culture. Therefore, despite that social globalization contributes a higher percentage in promoting obesity, the Big food companies play the role of distribution to the final consumer; hence, the consumers should play the major part of curbing obesity by consuming healthy food. Globalization is an advocate of speed, an aspect that accelerates urbanization, transport system, technology and the food industry. The transformation of food industry keeps transforming due to changing lifestyles, expanding incomes and educational levels, which has triggered an increase in consumer demands for quality, variety and safety of food. However, despite its positivity in modifying life, it has also brought

along damaging effects like the presence of big food companies that end up offering fast food that promote health complications. Despite the presence of anti-fast food movements like the slow food movement, people are yet to embrace natural lifestyles and healthy eating.

This leads to the conclusion that the food industry has one remaining transformation phase of learning and embracing nutrition. Though this phase will negatively affect many big food companies, the obesity pandemic will reduce at a higher percentage. Therefore, the concerned parties should utilize the availability of modern information technology to educate the world on the importance of eating healthy [2].

Globalization has brought benefits in developed countries as well as negative effects. The positive effects include a number of factors which are education, trade, technology, competition, investments and capital flows, The main benefit of globalization in the food industry is the sharing of agricultural and production tools to governments, organizations and individuals across the world. The sharing of farming techniques and machinery has enabled the world to largely feed a significantly increasing population and ensuring the fight to ensure food security and global human health. Advances in the transportation and communication technology have contributed significantly to the growing globalization of the food and multinational industry. Companies such as McDonalds and Coca-Cola have grown from national brands to worldwide icons through globalization. The global reach of the food and multinational industry has presented businesses with unprecedented opportunities.

However these new markets have their share of challenges. Large companies have been able to expand their own resources to enter the global market through globalization while the food and multinational industries have developed various strategies to get their products into the global market. This has allowed them to maintain control of their product quality and presentation. Globalization has offered lots of benefits to suppliers and customers in the food industry. Suppliers have the opportunity to present their products into new markets, while customers

have the chance to try new products. For instance, MacDonald's benefits from opening stores in a large market in China. MacDonald franchise owners in China make profits from selling their products to their Chinese customers who have not been exposed to their products.

Most successful emerging markets in developed countries are as a result of privatization of state owned industries. In order for these industries to increase consumer demand many of them are attempting to expand and extend their value chain to an international level. Multinational corporations is a result of globalization, they occupy a central role within the process of globalization as evidenced through global foreign direct investment inflows. Their concentrations within Europe in western economies has led to size constraints, therefore there is a need for new geographical areas to operate whereby they will face a lot of competition in the market. Through this they will enlarge their market and enjoy economies of scale as globalization facilitates time space compression, economies compete at all levels including that of attracting investors. Globalization has created and expanded foreign trade in the world.

Things that were only found in developed countries can now be found in other countries across the world. These countries which export goods get comparative advantages. Through Globalization World trade organizations has emerged as one of the most powerful international organization capable of effectively influencing individual governments to follow international trade rules, copyrights, and policies on subsidies, taxes and tariffs. Nations cannot break rules without facing economic consequences. The number of nations that are dependent on trade, foreign capital, and the world financial markets has increased greatly. Countries engaged in foreign trade enjoy comparative advantage.

Developed countries prefer to provide work to developing countries where costs are cheap. Work such as customer support, software development, accounting, marketing and insurance are given to developing countries such as India. It has given opportunities for companies and industries to invest in the emerging markets and tap up the talent which is available there. In developing

countries, there is often a lack of capital which hinders the growth of domestic companies and hence, employment. In such cases, due to global nature of the businesses, people of developing countries too can obtain gainful employment opportunities. This is a powerful force that drives the world toward a converging commonality. As multinationals establish subsidiaries in new locations, they transfer know how from the parent to the local operation.

Knowledge flows from one unit to another as a whole organization benefits from development activity. It has increased the access of higher education and reduced the knowledge gap in developing countries. From a point of view it has brought more positive effects to developing countries through increasing access to higher learning institutions. Today you can move in search of the best educational facilities in the world including developing countries without any hindrance. This is due to increased output from the greater participation of women in higher education, a growing private sector demand for graduates, and the exorbitant costs of acquiring education in foreign countries. Despite having negative effects of globalization, it has a good side too. One of the most significant effect it has brought to developing countries is Trade. Before people used to exchange goods for goods or services for services but now people can trade goods for money. This is mostly through International trade whereby people exports and imports goods within countries. Globalization has led to reduction of costs in trade within the globe. It has led to reduction of tax of importation of goods.

According to economic theory, foreign trade is in principle, beneficial to any country engaged. The international division of labor allocates the resources more efficient whereby it increases the economic welfare of all countries engaged in foreign trade in the long run. Foreign investment is a direct result of globalization. Foreign investment is always welcomed as it provides resources, capital and technology to a country that will support economic development of the host country. This improves employment and increases exports of a country. Developing countries can use general or specific industrial and trade policies to be more or less welcoming to foreign direct investments, capital and foreign tourist

services. They can directly and indirectly shape their participation in the economic activities across the world. Globalization of markets in developing countries is growing so fast. It is a tool that benefits all sections of mankind. We cannot ignore the negative effects it has in developing world. Globalization is a blame to world's unemployment situation though it brought some jobs opportunities.

Despite the fact that it brought jobs opportunities to the global world, it is still a blame to the current situation. "It is true that global economic integration have led to an increase in competitiveness at the national and enterprise levels, forcing producers to find ways to cut costs, improve efficiency, and raise productivity". On the other hand, countries with employment laws, regulations, and policies experienced higher level of employment because they were not able to attract and retain as many new jobs". For example, Indonesia faced unemployment and poverty that grew to levels not experienced in two decades, health conditions worsened, and the natural environment degraded. Fast foods chain is growing very fast. Most people prefer to buy fast foods because it's cheap and quick.

This has replaced home cooked food enjoyed with family and friends. Traditional diets are yielding to sodas, burgers, and other highly processed and standardized items that have a lot of fat, sugar, and salt resulting in a global epidemic of diabetes, obesity, and other chronic diseases. Meanwhile, fast food producers require farmers to raise uniform fields of crops and herds of livestock for easy processing, eliminating agricultural diversity. Globalization has led to the spread of western culture and influence at the expense of local culture in developing countries like Africa. Most people now in developing countries copy what people in developed countries do. So, it's like they ignore their own culture and practice western culture. For example dressing styles, language and eating habits can affect management in one way or another. Trade policy continues to be an important aspect in globalization at least in some of the lower income developing countries. Widespread use of computers, faxes and mobile phones, introduction of the internet and e-commerce, and quicker and cheaper means of transportation in some cases offered opportunities to developing countries, but in

many cases deepened the gap between global firms and traditional industries. Globalization opened up new opportunities for developing countries to create jobs and expand exports. In practice, many developing countries competing for foreign investors offered longer tax holidays, costly subsidies, and various incentives for multinationals. The competition among developing nations reduced positive net effects of globalization or, at best, delayed them [50].

In recent years, major multinational food companies such as Nestle, Kraft Heinz Company, Danone SA and Unilever have worked within the International Food and Beverage Alliance to increase their commitments to the health and nutritional needs of their clients, promoting healthy lifestyles and public private partnerships. Some of the top food and beverage companies across the world have moved up at least one place, based on annual sales. Revenues from these companies summed up to 450 billion USD. Unilever dropped seven places and lost the most in terms of revenue, from 26.06 billion last year to 17.1 billion this year. The owner of Lipton tea and Magnum ice cream was hit by adverse currency impacts and the divestiture of its spread business.

The world's top food and beverage companies recorded significant changes from some of the industry's biggest players. The global food and beverage industry is now worth over 8 trillion USD, representing more than 10% of the world's GDP. Despite the sluggish and plunging economy, food and beverage prices have experienced some of the major markets over recent years, the overall global food and beverage industry is still growing at a steady pace, led by some of the world's largest and beverage companies such as Unilever, Kraft Heinz Company and Nestle. The Kraft Heinz, An American Company is one of the largest producer of processed food and beverages. Kraft Heinz is the third-largest food and Beverage Company in North America and the fifth-largest in the world with 26.2 billion USD in annual sales as at 2018. The Company's leading products include condiments and sauce, cheese and dairy, frozen and chilled meals. Danone SA is a French food world major player of dairy product and other food products. The main activities of the company are dairy products, baby nutrition and some other



food products. The company's revenue for 2017 increased by 2.5% compared to the previous year to 24.7 billion. Nestle has dominated the global food and beverage industry for nearly three consecutive years. In 2017, the world-famous chocolate and sweets manufacturer Nestle led the list of world's largest food and beverage companies, exceeding 90 billion USD in revenue and 8.6 billion USD in profits during that year. The food industry encompasses several categories of food including dairy, fish and sea food, eggs, cereal based products fruits and vegetables, organic food, meat and poultry products. The world food industry has evolved greatly over the years thanks to technological advances, keeping pace with growing demand for convenience foods. Unilever adopted a simplified structure involving two major product division: foods and home personal care of which the food division has been renamed as Unilever Best food. Unilever touches on 800 million consumers every year with sales in 180 different countries providing them with fast moving consumer goods with the aim of improving the health and well-being of their clients [12] (see fig. 1.1.).

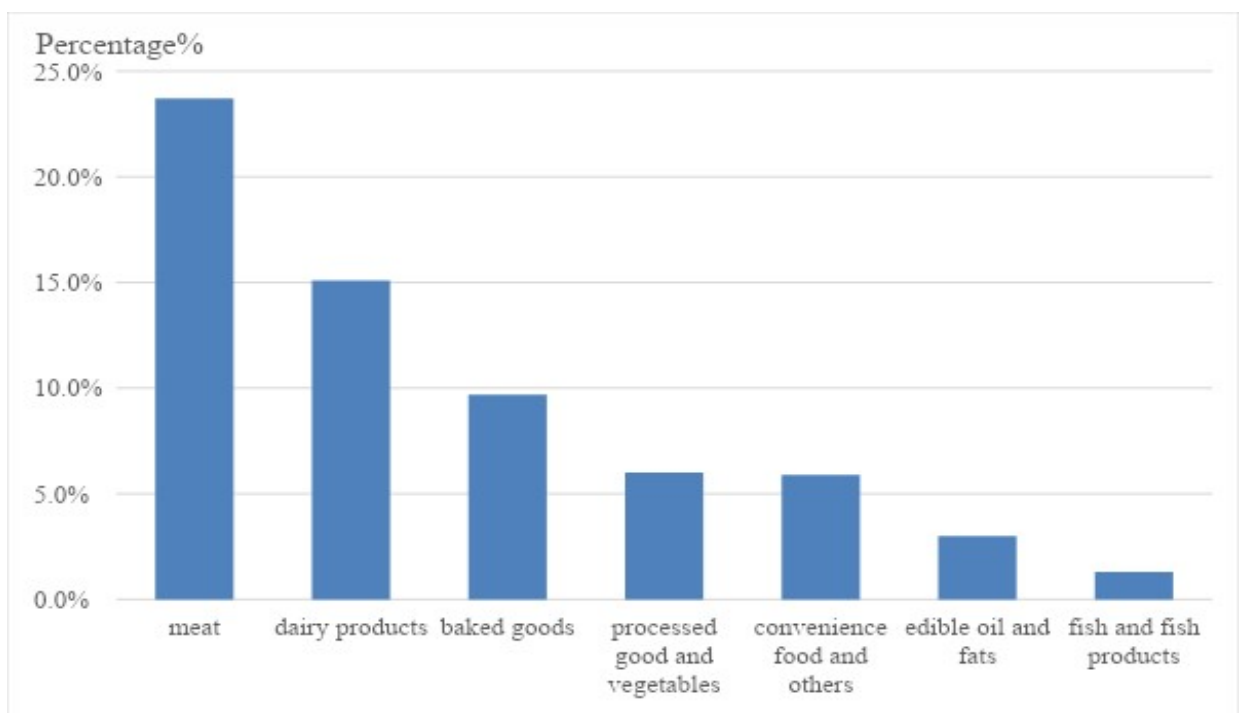


Figure 1.1 – Production value of the German food beverage industry by segment 2018 in percentage

Source: [13].

The diagram illustrates the production value of the German food beverage by segment.

Largest sector sub-segments in 2018: Meat (23.7%), Dairy (15.1%), Baked Goods (9.7%), processed goods (6.4%), Convenience products (5.1%). The demand for food and beverage products have grown steadily in the European market. Germany is one of Europe's largest food industry and the food & beverage industry represents the fourth largest industry sector. From the table above we realized that the Largest -sector sub-segment in 2018 was meat and dairy products because recent consumer trends have been influenced by a number of far reaching changes in culture and society due to the taste and preferences of consumers. Demand for food and beverage products alone has established Germany as a European Leader, with the food and beverage segment experiencing a growth of 5.5 percent in sales reaching 11 Billion Euro in 2018. More consumers have improved upon their sense of well-being, health and even their performance levels through the consumption of food and beverage products. With around 83 million inhabitants, Germany represents a very receptive market for national and international food and beverage products. Exports of processed foods and agricultural commodities in 2018 generated a sales of 71.5 Billion, making Germany the third largest exporter of food and beverages worldwide [13].

So, globalization as a process has helped in the interaction and integration among government, people, economies, companies and cultures worldwide. Globalization has helped companies across the world to specialize in producing goods and services where they have a competitive advantage and has grown steadily over the years due to advances in the transportation and communication technology. It has raised the standards of people in the developed countries by providing them with opportunities and improved access to goods and services. Globalization has led to an increase in large multinational supermarkets and spread of fast food chain companies across the world and they are popular in many countries as a result of their unique marketing strategy and advertisement. Globalization has brought some positive benefits to developed countries as well as

some negative effects. The positive benefits includes a number of factors such as Education, Trade, Technology, investments and capital flows. The main benefit of globalization in the food industry is that it has shared agricultural and production tools to governments organization and individuals across the world. Advances in the transportation and communication technology have contributed significantly to the growing of the food industry. Companies such as Unilever, MacDonald's and Coca-Cola have grown from national brands to worldwide icons through Globalization. Through Globalization World Trade Organization has emerged as one of the most powerful International Organization that has influenced individual government effectively to follow International trade roles, policies on subsidies and taxes.

On the other hand nutrition in the rapid rise of obesity and diet- related chronic diseases across the world is rooted in the process of globalization. It has also brought along damaging effects like the presence of big food companies that end up offering fast food that promote health complications. Multinational food companies such as Nestle, Kraft Heinz and Unilever have worked within the International food and beverage Alliance to increase their commitments to the health and nutritional needs of their clients, promoting healthy lifestyles and public private partnerships. The world's top food and beverage companies recorded significant changes from some of the industry's biggest players such as Unilever and Nestle. Unilever touches 800 million consumers every year with sales in 180 countries providing them with fast moving consumer goods with the aim of improving the health and well-being of their clients. The world food Industry has evolved greatly over the years thanks to technological advances, keeping pace with demands in the food Industry. Large companies have been able to expand their own resources to enter the global market through globalization while the food and multinational industries have developed various strategies to get their products into the global market.

This has allowed them to maintain control of their product quality and presentation. Globalization has offered lots of benefits to suppliers and customers

in the food industry. Most successful emerging markets in developed countries are as a result of privatization of state owned industries. In order for these industries to increase consumer demand many of them are attempting to expand and extend their value chain to an international level. Multinational corporations is a result of globalization, they occupy a central role within the process of globalization as evidenced through global foreign direct investment inflows.

## **1.2. Competitive environment of the world food market in the conditions of economic globalization**

The food industry comprises a complex network of activities related to the supply, consumption, and catering of food products and services. It plays a significant role in the economic development of any nation. It is one of the world's most dynamic economic sectors. The food industry including food service and food retailing supplied about 1.46 trillion USD worth of food in 2014 and out of this total 731 billion USD was supplied by food processing companies and fast food chains. The food industry includes agriculture: raising livestock, crops and sea foods, food processing: preparation of fresh products for the market and manufacturing of prepared food products, marketing: promotion of generic products, advertising marketing campaigns, packaging and public relations, wholesale and food distribution which includes logistics and transportation, food service which includes catering and warehousing. On average, 83% of the food consumed by humans is produced using terrestrial agriculture with other food sources including aquaculture and fishing. A number of factors such as population levels, wealth distribution, health awareness and some types of consumer lifestyles have heighten the demand for food products in the global food industry. The food industry as a share of employment has revealed the relative importance of this industry in some countries and states with

smaller population. The food industry over the years has employed a number of skilled and unskilled workers globally and across the world. The food industry over the years has played an essential role in the US economy, accounting for about 5 percent of gross domestic product, 10% of total employment in the United States with top key companies. The food industry is present in almost every country and has provided a significant and a major contribution to the economy of most countries and states across the world. Four broad types of companies that are strongly involved in the food production, processing and distribution are (i) Large food retailers or Supermarkets such as (Wal-Mart, Tesco, Metro), (ii) Large food processing companies (such as Nestle, Unilever, Danone, Sysco), (iii) Large fast-food chains such as MacDonal'd's, KFC, Starbucks and Subway). The food industry over the years have responded to the dynamics of consumer demand and food retailing by introducing new product offering into the global market that meet the growing and healthy demands of their customers across the world. The global food Industry retail market size is expected to reach 12.24 trillion USD by 2020 according to a report by Grand View Research. The global industry has grown steadily in recent years, a trend that looks set to continue over the forecast period. Growth in this industry is mainly driven by countries in the Asia region. Countries such as China and India have witnessed prominent growth due to an increase in the number of modern outlets [12].

Historically the markets for the food market industry has developed rapidly across the world and globe with companies in the food industry having high expectations for quality food products that meets the taste and preference of their consumer's health and nutritional needs. The food industry consist of a global network of producers, wholesalers, distributors and retailers serving the ever-growing demand of their customers around the global world. Each player in the food industry has a specific role to play, including specific sources of supply and specific customers to serve in the food industry. Farmers rely heavily on seed or existing livestock to produce crops or animal-based foods for each harvest and cultivate, harvest and sell everything from dairy product to cereals. The world's

largest food specialist such as Nestle, Kraft and Unilever are the key players in the food industry that focus on segments such as snacks, dairy, breakfast, cereals and sauces. They also keep track of the different channels of getting products to the market, strategies that can lead them to compete effectively and efficiently in the global market. Unilever has adapted to a growing demand of producing healthy and nutritional products to their customers while Nestle has pursued a series of divestments in order to improve profitability across the world with each employing thousands and making billions of dollars every year as revenue. These companies are so powerful that their policies have had a major impact on the diets and working conditions of people worldwide as well as on the environment. Food safety globally is a big concern, as a result regulation has played a big role in ensuring that the right processes are followed and adhered to before they get to the final consumer. Regulatory bodies such as the food and drugs administration as well as some local and regional agencies have ensured that the right processes are followed according to the law in relation to food safety. These agencies work together independently to create the complex set of food safety standards that govern how food is manufactured, distributed and handled around the world because the food industry relies on a complex web of players, regulations and technologies to ensure that food reaches customers safely [17].

The International food product market comprises of companies that operate by manufacturing, producing, packaging, retailing and distribution of food products in various forms across the world. The international food industry has evolved greatly over the past two decades thanks to technological advances, keeping pace with the growing demand for products in the international market. The international food market encompasses several categories of food including: dairy, sea food, eggs, fruits and vegetables, packaged food and cereal based products. Major players in the international food market include Nestle, Kraft, Unilever, and Mondelez International. Supermarkets and hypermarkets represents the biggest market share in terms of sales. Food manufacturers have developed specialized product lines competitive with 50 leading food manufacturers

representing less than 20% of the global packaged food sales in the international market. International market which ensures and encourages free trade among countries has benefited lot of countries but some powerful interest within some countries have placed certain obstacles such as tariff barriers, quotas, voluntary export restraints which involves agreements made by countries to limit the amount of goods that are exported to the importing country. Major players within the international market that specializes on one process often become more effective in the international market. KFC prides itself on the slogan of processing and packaging only chicken. It is possible for players within the international market that specialize only on one product to gain considerable economies of scale, including considerable bargaining power because of large quantities purchased. KFC can also spread research and development in their specialized product and can afford to invest in technology and research that allows superior quality and performance. Foods such as chicken, cheese and soft drinks have experienced significant growth in the international market in recent years. For some goods, the total market for consumption has increased because of taste and preference of consumers in the international market.

For example, while many Americans have reduced their intake of pork due to concerns about obesity, the overall per capita consumption of pork has increase in the United States. According to a survey it has been realized that food prices in the United States is lower as compared to most industrialized countries. Americans, on the average are estimated to spend 7 to 11% of their income on food as compared to Japan who spend close to 18% on food because foods are expensive. The international food industry faces numerous marketing decisions. Most players within the international industry invest in brand building through advertising and other forms of promotion to increase their quantities demand or the price consumers are willing to pay for their product.

Unilever, for example, spends a great deal of money both on perfecting their formula and on promoting their brand. This allows Unilever to charge more in the international market as compared to other companies. Firms invest in their product

by using high quality ingredients or through extensive research and development to improve their technological advancement. Both McDonald's and Burger King, for example, have literally spend millions of dollars within the international market to perfect their fries in the market. Certain products such as turkeys, pumpkin pie, and cranberries are demanded mostly during selected periods of the year. Other products – such as oranges for orange juice are demanded more uniformly year-round, but are available in larger quantities during the season. Fresh peaches, for example, are abundantly available in the United States during the summer, but usually need to be imported at high costs during the winter season. Scientific and technological advancements have also enabled farmers to produce more crops on a given amount of land which has dramatically increased the supply of certain products in the international market, often more than the increase in population and export markets. This has made markets more competitive over the years in the international market [17] (see fig. 1.2). The diagram illustrates the brand value of the most valuable fast food brands worldwide.

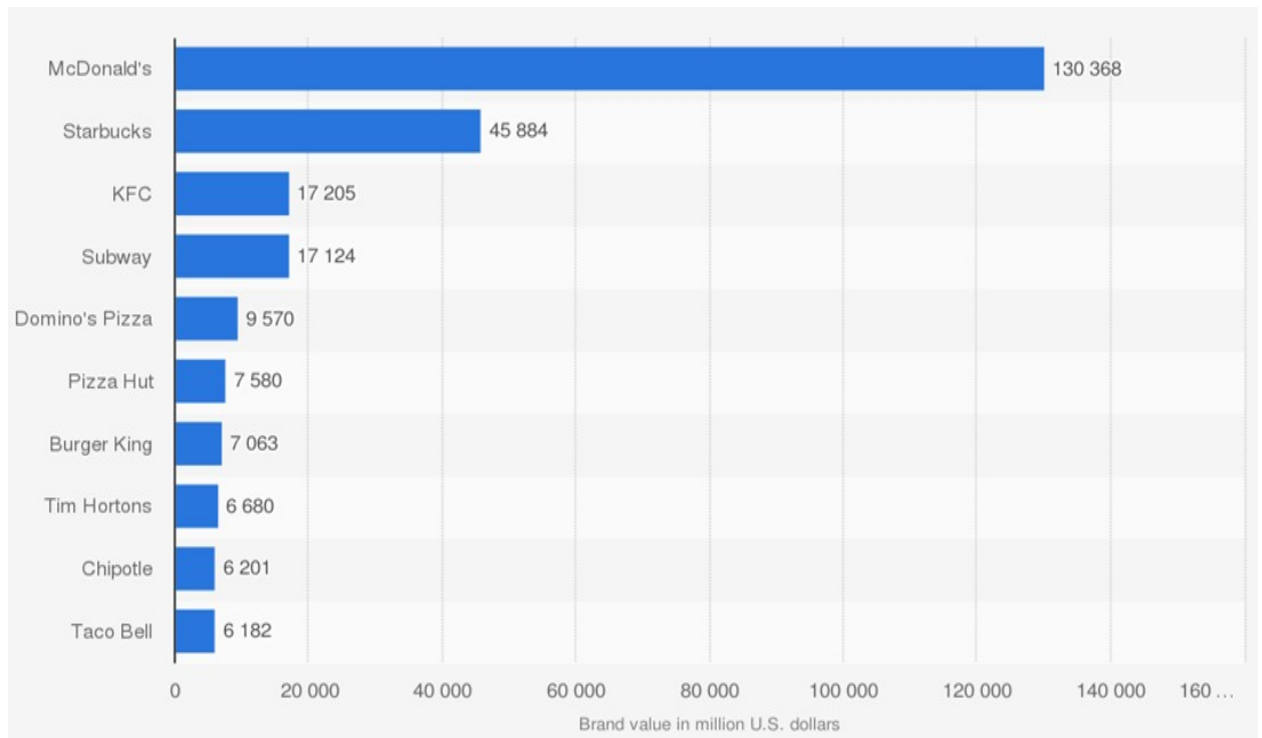


Figure 1.2 – Brand value of the 10 most valuable fast food brands worldwide in million USD

Source: [12].



The fast food industry over the years has grown from over 6 billion USD to over 100 billion USD today employing over 4 million workers across the world. From the table above we could realize that among the most top most valuable fast food chain brands in the world MacDonald's emerged first or leading the market. MacDonald's innovation over the years has created a better business and control system in the food industry which has allowed them to lower cost and sell their products cheaper to the public, allowing them to grow and be more profitable as compared to other multinational companies. MacDonald's has led the market over the years as compared to other fast food companies because they have a unique marketing strategy where they promote, brand, package and advertise their products in a unique and special way as compared to other fast food companies. Advertising, as a marketing tool, is an important factor in the sales and promotion of fast food products to consumers and can also be used to depict a lifestyle that consumers hope to achieve. MacDonald's has become the premier example of the business model because it is first class in all aspects of its operations and has grown to a network of over 35,000 locations in more than 100 countries globally. It doesn't matter if you visiting Macdonald in America or Australia you are going to have the same experience wherever you are because they pride themselves on delivering only the highest levels of quality, service and cleanliness to all of its customers in each and every restaurant across the world.

The food industry is an extremely competitive industry where manufacturers compete to develop similar alternative products for consumers. Companies also feel dual pressure from both consumers and competitors, which makes manufactures lower their prices in order not to make loss at the long run. Food companies compete with other local, regional and global manufacturers, with considerable differences within and between regions.

Competition tends to be more concentrated in developed markets, where the biggest manufacturers control most of the spaces in the shelf. The rise of private labels, and many small companies carving out niche markets in fast growing segments has further reinforced competition in recent years. Staying competitive is

another reason food companies must advertise because competition in the food industry is crucial and a key factor in determining the impact and effectiveness of government policies aimed at promoting food security in countries. How retailers compete in the food industry may also have an effect on the overall functioning of the food supply chain. For example, the increased penetration of private label products can affect how retailers and food manufacturers interact and also have an impact on product innovation.

Regardless of what you choose to do, your competitors, other restaurants and fast food establishments will be advertising to your customers so if you don't establish a good presence in the food market, consumers might assume your lack of advertising in the international market indicates that you are less successful than your competitors, meaning your restaurant has less to offer in the food industry. Advertising also can help you develop important aspects of your reputation in the food industry. For example, suppose a regional food company depends on tourists for a substantial portion of its income they can get more tourists online by advertising in travel websites using creative advertisements that highlight its history. Similarly, a high-end food company can attract big spenders by advertising on its pedigree. In both cases, advertising brings in individuals and customers by developing the business reputation of the food company in the community [55].

Thus, the food industry over the years has been beneficial because it has met the needs of about 100 million consumers overseas by managing food supplies from widely dispersed farms that produce once in the year. The food industry over the years has been stable in terms of employment and labor than other industries around the world because it has employed over 200 million workers globally and across the world. The food industry is currently present in almost all countries providing a major contribution to the economies of these countries and has also contributed to the growth of exports in most countries expanding sales in the international and global market. The food industry consists of a global network of producers, wholesalers, distributors and retailers serving the growing demand of their customers globally and across the international market. The world largest

food specialist such as Nestle, Kraft and Unilever are the key players in the food industry that focus on dairy products, cereals and sauces.

These companies are so powerful that their policies have had a major impact on the diets and working conditions of people across the world as well as the environment. Unilever has adapted to a growing demand of producing healthy and nutritional products to their customers while Nestle has pursued series of divestments in order to improve their profit margins in the international market. The food industry is an extremely competitive industry where manufacturers compete to develop similar alternative products for consumers.

Competition tends to be more concentrated in developed markets where food companies compete with other local, regional and global manufacturers with considerable differences within the regions. The international food industry has evolved greatly over the past two decades thanks to technological advances that has kept pace with the growing demand for products in the international market. Food companies compete with other local, regional and global manufacturers, with considerable differences within and between regions. Competition tends to be more concentrated in developed markets, where the biggest manufacturers control most of the spaces in the shelf. The rise of private labels, and many small companies carving out niche markets in fast growing segments has further reinforced competition in recent years. Staying competitive is another reason food companies must advertise because competition in the food industry is crucial and a key factor in determining the impact and effectiveness of government policies aimed at promoting food security in countries.

How retailers compete in the food industry may also have an effect on the overall functioning of the food supply chain. For example, the increased penetration of private label products can affect how retailers and food manufacturers interact and also have an impact on product innovation. Regardless of what you choose to do, your competitors, other restaurants and fast food establishments will be advertising to your customers so if you don't establish a good presence in the food market, consumers might assume your lack of

advertising in the international market indicates that you are less successful than your competitors, meaning your restaurant has less to offer in the food industry.

### **1.3. Influence of globalization process on investment climate and investment attractiveness of countries**

Investment climate refers to the economic, socio political and financial conditions in a country that affect whether individuals, banks, and institutions are willing to lend money and acquire to invest in businesses operating in their country. Investment climate is affected by many factors, such as poverty, crime, infrastructure, workforce participation, national security, political instability, regime uncertainty, taxes, property rights, government regulations, government transparency and government accountability. Some key drivers of investment climate are the economic activity, including GDP and expected GDP growth, depth of capital markets including IPO activity and financial market sophistication, taxation including incentives for entrepreneurs, investor's protection and corporate governance including legal protections. A number of nonprofit organization have been established for the purpose of improving the investment climate and driving the economic development of these countries. Also, some investors are willing to take on the high level of risk and volatility associated with investing in an unfavorable climate because of the potential that the high risk will be awarded with high returns.

Investors are now more concerned about financial and political risk when seeking for business opportunities across the world with a focus on a stable and predictable business environments. An unfavorable investment climate is one of the main hindrances faced by underdeveloped countries which may be as a result of the political instability in the country. For individuals, banks, and institutions to feel comfortable investing in a given investment climate, they need to have a

reasonable expectation for conditions that will allow their investments to thrive and expand. There are also different kinds of governance, from political governance (the type of political system, constitutional set-up, relations between state and society), economic governance (state institutions that regulate the economy, competition, property and contract rights) and corporate governance (national and company laws and practices that determine corporate conduct, shareholder rights, disclosure and transparency, accounting standard).

One difficult aspect of understanding and judging the investment climate of a country or region is that governance is a broad concept that can be practiced effectively in different ways. In places where the state does not provide certain essential public business infrastructure such as a healthy and fair regulation, market supporting laws that are implemented fairly by well-trained systems and a transparent procurement system, a comprehensive approach must be used to address the legal and regulatory administrative barriers affecting all levels of the business life cycle. The state helps countries to establish a competitive investment climate that is favorable for enhancing, stimulating business investment and enhancing market competition.

Governments are turning to the World Bank now for advice on policies to enable link foreign and domestic private sector with the dynamism generated by cross border trade and investment patterns because for the past two decades, the private sector has been at the forefront of leading economic growth, job creation, and poverty reduction in most developed and developing countries. Integration with global markets has also enhanced private sector competitiveness and contributed to the unprecedented growth of many economies such as China, Vietnam and Costa Rica [4].

The role and importance of investments for the economic development of countries are considered the main key indices of assessment for analyzing the investment attractiveness of countries, regions, industries and enterprises. The concept of a country's attractiveness has been used over the years to measure the characteristics of a country with regards to its markets which includes industries,

businesses and foreign direct investments that has attracted international investors such as multinational enterprises and transnational corporation. The importance of investment is based not only on new workplaces and capital injection. It involves the inflow of new technologies and know-how where outmoded devices and machines are replaced by new ones, better management methods are introduced where the level of labor culture increases as well as the effectiveness and efficiency of companies and whole sectors of the economy. Foreign direct investment is an important method of technology transfer that stimulates domestic investment and facilitates improvements in human capital and institutions. It is often seen as an important catalyst for the economic growth of host countries.

Quantitative data and benchmarking is also one useful tool that can be used in stimulating policy debate and action, both by exposing potential challenges and by identifying where policy makers might look for lessons and good practices. Indicators can also be used as a basis for analyzing how different policy approaches and different policy reforms contribute to broader desired outcomes for foreign direct investment, competitiveness and growth. Investors have been attracted to the European Union due to its large market size, the high degree of stability and the skilled labor force. With low capital stocks and growing demand, the return to investments in some countries is likely to be higher than in the European Union countries with poor growth and high policy prospects. Recent investment policies main aim is to make the European Union and some other countries more attractive by: extending and deepening the single market, ensuring an open and competitive markets inside and outside Europe, improving European and national regulation, expanding and upgrading Europe's infrastructure and its scientific base across the world. The foreign direct investment attractiveness scoreboard rated foreign direct investment attractiveness of 44 countries from 2009 to 2014 and is measured by 18 key indicators. In the construction of the index, the main focus was on foreign direct investment drivers that policy maker's uses to influence in the short and medium term and that can be integrated into their investment policies and strategies.

The indicators according to the survey are grouped under four headings:

- political, regulatory and legal environment;
- infrastructure and market access;
- knowledge and innovation capacity;
- cost competitiveness [4].

Globalization and international investment are tied together and lead into one another as it has led countries and companies to act internationally by increasing their international investment out of mutual interest and the need to stay international competitive. Globalization has compelled connected economies and companies to continue to invest in each other to protect their economic health and acquire new profits both locally and internationally. International investments has increased over the years as a direct result of globalization and this has pulled more economies and companies into globalization, further increasing international investments across the world.

Globalization has shown an active presence over the years in the economic, political, cultural and technological fields. In this respect it has largely brought free movement of goods and services, transportation and advances in manufacturing and political developments and has also revived capital flows, trade, investment and movement of labor between economies and companies over the last few years. Through globalization investment climate has played a key role in attracting and retaining domestic and foreign investment in both the developed and developing countries. It has also helped countries to employ good marketing and promotional strategies that has helped them to raise their global public awareness of their image to stakeholders including companies, tourists and highly-skilled migrants. It has also helped public administration researchers and policy makers to take into account the concept of a country's climate and attractiveness, the core element of a country's soft power, as it has played a key role in enhancing the success of the strategies and policies of countries in the field of international competition. This has ushered in economic transformation by boosting the development and competitiveness of the private sector by creating jobs for its citizens and deepening

trade integration among the developing and developed countries. Globalization has also ensured a stable and transparent political environment for countries, it has provided a sound foundation for economic development that makes it less risky to invest and has reduced the cost of establishing and running a business. Health crises in a country, natural disasters are some of the risk related to unstable political environments that pose threats to security and prevents investors from other countries from investing because of the inability to deal with natural calamities or labor unrest.

Globalization has also ensured favorable business climate among most developed and developing countries and this has helped them to attract foreign direct investment and has also helped them to develop their small and medium enterprises in their countries respectively because the state of a country's business and investment climate is a key factor in that country's ability to attract foreign investment and develop small and medium enterprises since most developed countries and enterprises prefer to invest in economies with a healthy business climate where the cost, delay and risk are minimized. In situation where there is a poor investment climate through taxes, fees, fines or corruption, an investor may look elsewhere even though labor, transport and energy cost may be competitive and in situations where the initial cost and delays are not a factor but the investor is worried about political upheaval, seizure of assets or legislative changes that could diminish the return, he may be compelled to accept a less attractive return in a different destination in order to minimize risk.

On the other hand if a country's government is highly bureaucratic and corrupt, if government's own regulation of infrastructure and financial services is inefficient so that firms cannot get reliable services then returns on potential investment will be low and uncertain and that will make it difficult for foreign investors to locate into your country to make investments in response to potential export opportunities when the investment climate in your country is poor [4].

Globalization has both positive and negative effects on the environment, countries and in business. But for the poor and developing countries the negative



effects seems to be very large. Economically, politically and social unification were expected from globalization, but strong and developed economies has continued to exploit underdeveloped and developing countries in the name of business sharing. Dumping has emerged as one of the big problem in front of developing countries. By dumping, the developed countries have exploited the market in the developing countries by charging low prices for its products and services. In this way the developed and advanced countries get a large share of market for their products competition.

To globalize economies, countries must open their market for foreign companies because these companies use high technologies in the international market. Many domestic companies will not be able to compete with these multinational companies in the international market so they end up closing their business because competitions in the market becomes strong and great. Diseases have spread speedily across the world due to globalization. When people move from one country to another country they are exposed to all kinds of health issues and problems due to the changes in environment. Price instability is also another significant factor that has an adverse effect of globalization on business.

No matter how the World Trade Organization has tried to control price fluctuations, their efforts have not been successful since some companies reach out to their consumers using modern technology and successful businesses are only for those who can find a competitive advantage and especially sell their high quality products at a lower price. The impact of globalization on the financial service industry is not equal in all the countries and regions. Where in some countries it is intensively used, in some other countries the financial services is still at the infant stage. Globalization provides a double-edged sword when it comes to jobs. It creates jobs for people in developing countries who provide cheaper manufacturing jobs. For example many companies have been set up in India and China because the wages and manufacturing jobs in these countries are cheaper as compared to countries in the developed countries.

For the past decade, globalization has helped the private sector of most

economies to be at the forefront of leading economic growth, job creation and has enhanced the competitiveness of the private sector of most economies across the world. Nevertheless, a large number of developing countries around the world are yet to fully harness their economic potential. Globalization has helped most countries to establish a competitive investment climate that is favorable for enhancing market competition and stimulating investment for business-led growth across the world. It has unlock the private sector of most economies to enable them establish a regulatory framework that will help both the local and foreign firms to invest and grow both locally and internationally and has ensured that all economies both in the developing and developed economies benefit from a healthy and effective competition at the national and regional levels. Globalization is a leading concept which has become one of the vital factors in business life during the last few decades and has improved upon the prospects of most developing economies to catch up economically with industrialized countries. This phenomenon has affected the economy, business life, society and environment in different ways, and almost all economies have been affected by these changes. Technology has played a vital role in enhancing business by promoting their business on the media, web and many other sources that technology created over the last two decades.

Technology has enabled most companies in the world to establish branches across the world with companies finding employees with high skills and capabilities. Technology has added various new techniques of promoting businesses and is adding up new skills and techniques daily on our social media sites. Businesses across the world have generated profits from these technological methods and it has helped businesses to progress speedily over the years and they use the latest technology for increasing their sales and product quality in the global market. With the introduction of globalization, countries have opened their own capital market and it has helped companies and industries across the world to open their own capital market. It has also helped to attract foreign investors to invest in their capital market. In the era of globalization when it became very difficult for

people to operate in multiple countries due to different requirements of regulation, globalization felt the need of easing regulation and agreed for common market regulation. Now most countries because of globalization use accounting and tax standards for their normal business operation. Opportunities provided by globalization, the demand of the new economic activity has caused social change in most countries and has prepared them to better pursue their industrial activity. The society becomes a developed nation as its workforce begins to attract the investment activities of most companies across the world to create the social and economic change necessary to produce a modern industrialized economy. This process is as a result of the international investment that characterizes globalization. The competitive nature of globalization ultimately has a social and economic impact that transforms economies in pursuit of investment and greater economic activity. This knits economies into each other and has resulted in an increased in international investment in most countries.

### **Conclusions for chapter 1**

Thus, globalization as a process has helped in the interaction and integration among government, people, economies, companies and cultures worldwide. Globalization has helped companies across the world to specialize in producing goods and services where they have a competitive advantage and has grown steadily over the years due to advances in the transportation and communication technology. Globalization has led to an increase in large multinational supermarkets and spread of fast food chain companies across the world and they are popular in many countries as a result of their unique marketing strategy and advertisement. Globalization has brought some positive benefits to developed countries as well as some negative effects. The positive benefits includes a number of factors such as education, trade, technology, investments and capital flows. The

main benefit of globalization in the food industry is that it has shared agricultural and production tools to governments organization and individuals across the world.

Advances in the transportation and communication technology have contributed significantly to the growing of the food industry. Companies such as Unilever, MacDonald's and Coca-Cola have grown from national brands to worldwide icons through globalization. Through globalization world trade organization has emerged as one of the most powerful international organization that has influenced individual government effectively to follow international trade roles, policies on subsidies and taxes. On the other hand nutrition in the rapid rise of obesity and diet- related chronic diseases across the world is rooted in the process of globalization. It has also brought along damaging effects like the presence of big food companies that end up offering fast food that promote health complications. Multinational food companies such as Nestle, Kraft Heinz and Unilever have worked within the international food and beverage alliance to increase their commitments to the health and nutritional needs of their clients, promoting healthy lifestyles and public private partnerships. The world's top food and beverage companies recorded significant changes from some of the industry's biggest players such as Unilever and Nestle.

The world food industry has evolved greatly over the years thanks to technological advances, keeping pace with demands in the food Industry. The food industry is currently present in almost all countries providing a major contribution to the economies of these countries and has also contributed to the growth of exports in most countries expanding sales in the international and global market. The world largest food specialist such as Nestle, Kraft and Unilever are the key players in the food industry that focus on dairy products, cereals and sauces. These companies are so powerful that their policies have had a major impact on the diets and working conditions of people across the world as well as the environment. Unilever has adapted to a growing demand of producing healthy and nutritional products to their customers in order to improve their profit margins in the

international market.

The food industry is an extremely competitive industry where manufacturers compete to develop similar alternative products for consumers. Competition tends to be more concentrated in developed markets where food companies compete with other local, regional and global manufacturers with considerable differences within the regions. MacDonald's over the years has been one of the top most valuable fast food chain brands in the world leading the market because they have a unique business system and control and that has allowed them to grow and be more profitable in the international market as compared to other multinational companies.

Investment climate refers to the economic, socio political and financial conditions in a country that affect whether individuals, banks, and institutions are willing to lend money and acquire to invest in businesses operating in their country. Globalization and international investment are tied together and lead into one another as it has led countries and companies to act internationally by increasing their international investment out of mutual interest and the need to stay international competitive.

Globalization has compelled connected economies and companies to continue to invest in each other to protect their economic health and acquire new profits both locally and internationally. International investments has increased over the years as a direct result of globalization and this has pulled more economies and companies into globalization, further increasing international investments across the world. For the past decade, globalization has helped the private sector of most economies to be at the forefront of leading economic growth, job creation and has enhanced the competitiveness of the private sector of most economies across the world.

Nevertheless, a large number of developing countries around the world are yet to fully harness their economic potential. Globalization has helped most countries to establish a competitive investment climate that is favorable for enhancing market competition and stimulating investment for business-led growth across the

world. It has unlock the private sector of most economies to enable them establish a regulatory framework that will help both the local and foreign firms to invest and grow both locally and internationally and has ensured that all economies both in the developing and developed economies benefit from a healthy and effective competition at the national and regional levels.

## **CHAPTER 2**

### **ACTIVITY OF UNILEVER GROUP ON THE WORLD FOOD MARKET IN GLOBALIZING ENVIRONMENT**

#### **2.1. Analysis of the economic and managerial performance of Unilever Group in the global market**

Unilever is a British-Dutch transnational consumer goods company in many countries across the world. The company was founded in 1930 by William Lever, Samuel Van Den and Sing rose. It has its headquarters in London, United Kingdom and another head office in Rotterdam in the Netherlands. It owns over 400 brands, with a turnover of 53.7 billion Euro in 2017 and thirteen brands with sales of over one billion euros. Unilever is a multinational company with its operations across the globe selling consumer goods including foods, beverages, cleaning and personal care products. With this wide operational network, it is expected that the company has the capacity to develop huge financial resources, competencies and operational leverage. Unilever works with brands that are well loved around the world and improves the lives of their consumers around the world. Unilever over the years has developed as one of the most significant multinational and a worldwide pioneer that offers large consumer goods and possesses a broad international network in more than 190 countries. The operations and managements of these countries are usually run by local people, since they have a good idea about the market operations in their region. Unilever all over the world has a workforce of more than 169,000 people, they promote innovation both small and big to ensure a smooth and an effective run of their business in the global world. Unilever is well established in influencing new ventures in rising economies and has been making outstanding commitments to the financial developments of both the developed and developing nations with brands that improves the daily

livelihoods of their customers across the world. In 2016, Unilever's annual turnover was more than 50 billion euros. Out of the total revenue that Unilever earned, 57% of that revenue was derived from the emerging markets across the global market and world with thirteen of the 400 brands having sales of more than 1 billion euros in the emerging market. They also provide opportunities for both male and females with 46% of Unilever managers globally being women. The company has a sustainable business plan with sustainable growth being the principal model of their business operations globally. Unilever has a sustainable living plan that helps more than 1 billion people to improve their health, enhance the livelihood of people and sourcing 100% agricultural raw materials in developing countries across the world. Apart from a sustainable business, Unilever has also worked with different organization and departments to improve the livelihoods of their customers. The growth of developing countries is an opportunity for Unilever to grow radically across the world and in the food industry. With the rise and advent of technology, Unilever can latch onto new technologies and automate its system by cutting down the cost with the help of technology. The company has reduced its cost of manufacturing and operating expenses marginally which has shown a positive impact on the overall performance of the company because it has its products in almost all aspects of the world and most countries in the world are using its products. Unilever has ensured financial stability in its business operations across the global market and world and has improved its performance over the years with their brands improving the health and livelihoods of their customers across the world [34].

Unilever's corporate structure is responsible for ensuring adequate support for product innovation in the firm's global business. At present, the company maintains a structure that addresses corporate needs in terms of managing product types across the world. As a leading consumer goods firm, Unilever has an organizational structure that suitably supports diversified global operations. Unilever has a well-coordinated chain of command and plan of control that is done through an effective relationship with the various stakeholders and members of



staff. Unilever being a partnership kind of business provides the opportunity for diversity in innovation and policy formulation and in the event of losses the cost is shared among all the shareholders based on their shares. The span of control of the business is done through a hierarchy that is based on the organizational structure of the company. For instance, subordinates reports to their various assistant managers who then relay information to their senior for appropriate actions to be taken based on a given situation or problem. The chief executive officer also forwards information that requires the intervention of top management to the board of directors for appropriate direction and effective decision making towards the business operations of the company. The managing director also works in collaborations with the chief executive officer in making sure that the production and distribution process of products are well coordinated. Unilever has undergone various organizational structure changes since its inception. Unilever started with a decentralized structure and it gave the company an advantage as they had the flexibility to change according to local consumer demand. Decentralization led Unilever not to have a common corporate culture and led to duplicate their products resulting in high cost. Moreover they had less focus on globalization and couldn't create local brands. Unilever started to operate with matrix structure with multiple lines of authority based on product, regional and functional divisions because they had problems. This management structure gave all the top managements in Unilever greater accountability and better leadership. It also helped them to eliminate duplication, taking faster decisions on specific products and capturing the local and global market [21].

Unilever implemented an ambitious strategy which they believe have achieved a lot in terms of their brand focus, global buying, operating margins and capital efficiency. Unilever develops their products to keep pace with changes in their consumer lifestyles and to appeal to their customers at all income levels because brands and innovations of their products is one of the vital factor the company considers in their daily and business operations. Unilever has worked on improving their product branding and has significantly moved to increase the brand

image of the company over the years, since success to Unilever means getting a bigger and better innovations into the market with the best marketing strategy to enable advertise their brands and products effectively and efficiently across the world and the global market. Unilever delivered bigger and better innovations, rolled out faster to more markets across the world and food industry. For example, the Dove deodorant and shampoo was rolled out across 37 markets in the global market. Unilever has financially performed considerably well over the years, However the profits have slightly declined over the last three years due to the global economic recession. Unilever's success over the years is attributed to strategies that have worked out very successfully for the company. The first strategy is their high quality product diversification across the world. Some customers in the world will choose Unilever products a million times because their products have developed a special bond with these customers and they cannot survive a day without these products. Unilever deals with thousands of products which provides the consumer with a wide range of options to choose from. Moreover, its market has expanded and grown steadily due to its highly rated products across the world that speaks for themselves. This has also helped the company to reduce their prices across the global market to enable attract more customers globally and across the world. The second strategy is technology based on its innovativeness. Unilever over the years has applied scientific capabilities and consumer contributions and insights that has helped them to make tremendous advances in the nutrition, health and well-being of their customers across the global world. It also has a research and development center across the world that assist in quick response to changing the needs, trends and taste and preference of their customers. The third strategy is their long-term sustainability plan and responsible business practice across the world and the global market. Unilever has successfully drawn sustainability plans in the areas of agriculture, biodiversity, climate change, economic development, education, the environment, health and nutrition of its employees and customers across the world. Through highly committed, qualified and visionary leaders, Unilever has endeavored in making the

world a better place for its customers all over the world [26].

Unilever has delivered a consistent growth within 2019 with accelerating growth remaining their top priority. As one of the strong and healthy companies in the world with many successful brands, Unilever has the opportunity to expand into the foreign markets in order to gain access to customers around the world supported by global brands such as Dove, Sun-silk, Rexona and Lux. Unilever firstly entered in the foreign markets to compete internationally by entering just one or few foreign markets. Unilever is one of the leading multinational company that focus on customer satisfaction, best quality products and are ready to give their products the best position in the global market. Unilever is one of the world's most successful company in the world because their core concept regarding brand value is customer satisfaction and providing the best products to their customers all the time because they believe that customer satisfaction is the backbone for every business performance. Growth in skin cleansing was supported by innovations such as Dove shower foam, a new format that has delivered an improved sensorial experience, which is now available in North America, Europe and Japan. Dove is one of the leading brand in Malaysia in terms of soap and shampoo. With their fragrant smell, attractive logo and powerful marketing strategies most women across the world are using these products for a softer and smoother skin. Dove products come in various shapes and sizes, there are Dove pink soap, Dove shampoo, Dove chocolate and Dove almonds. Dove has been known in its story as a beauty bar which moisturizes the skin and leaves a fragrant smell to your body after a shower. Dove has a community outreach where customers get free products if they introduce relatives and friends to purchase the Dove products. Dove's promotional strategy is one of the strongest in the market because customers admire these products because of their smell and price alone. Advertising columns and copies of past customer's testimonials are marketing tools used to attract more buyers.

Their strongest promotion strategy involves magazine advertisements. Their advertisements shows how skin can be soft, smooth creating a vivid picture of a

comfort and fragrant smell in the mind of their customers. It has proven that Unilever over the years has successfully achieved customer satisfaction by offering reliable, trustworthy and top brands to their customers across the world. Unilever success globally is linked to their high national flexibility and low economic integration strategy they exhibited and the way they remain close to customers in the local market by allowing regional managers to have authority to make decision in the geographic areas [5].

Unilever market is based on every single individual in the market. These consumers can be from babies to the elderly where everyone benefits from the product. Unilever has its products in almost all aspects of the world and they are expanding their marketing wider to cover more consumers. With over 130 years of experience, Unilever has been able to know what products and population best corresponds to each other because segmenting products according to population has been one of Unilever's advantage over the years. Unilever has improved its business by enhancing its web existence in order to improve their communication brands and markets as well as making transaction across the world much more convenient along the chain. With their largest consuming market in Asia, Unilever has maintained its social cultural environment as they have worked endlessly to improve their hygiene and providing better nutrition for their customers globally especially in Africa and Asia and they have built an exclusive culture that has promoted the demand for their products in the developing and emerging markets across the world and globe.

Unilever has employed over 100 nationalities and this has ensured a diversified working environment for employees and consumers across the world. Unilever brands and innovation are at the heart of everything they do and they develop their products to keep pace with changes in the consumer lifestyles of their customers across the world. A recent campaign for Lynx for men, one of Unilever's men's deodorant resulted in a 56% increase in brand awareness in the United Kingdom.

This campaign was done through mobile marketing. Not only are Unilever

working on improving product branding, they have also gained trust and loyalty in relation to their products in the global industry. In an industry as competitive as the processed and packaged goods industry, where the extent of competitive rivalry is very high, brand awareness is vital and a good source of achieving and sustaining competitive advantage in the food industry. Unilever has tremendously gained brand image for most of their products across the world with effective marketing strategies that has generated trust and loyalty among clients globally (see table 2.1). The chart below illustrates the divisions of products in Unilever for the year 2019. This is because in the industry that Unilever operates in and with the kind of products it offers buyers have high bargaining powers to increase the company's brand image [5].

**Table 2.1 – Divisions of products in Unilever, 2019**

	Turnover, bln Euro	USG %	UVG %	UPG %	Turnover bln Euro	USG %	UVG, %	UPG %	Change in underly- ing operat- ing margin
Unilever	13.7	3.5%	1.2%	2.3%	26.0	3.3%	1.2%	2.1%	50
Beauty& Personal Care	5.5	3.5%	1.6%	1.9%	10.7	3.3%	1.7%	1.6%	100
Home Care	2.7	8.9%	4.5%	4.3%	5.4	7.4%	2.8%	4.5%	120
Food &Refreshment	5.5	1.0%	(0.6)%	1.6	10.0	1.3%	(0.1)%	1.4%	(40)

Source: [11].

Where: Underlying sales growth (USG) means the increase in turnover for the period, excluding any change in turnover resulting from acquisitions, disposals, changes in currency and price growth of economies. Underlying price growth (UPG) means the increase in turnover to changes in prices during that period. Underlying price growth therefore excludes the impact to underlying sales growth due to the volume of products sold and the composition of products sold during that period.

Underlying volume growth (UVG) means for the applicable period, the

increase in turnover is calculated as the sum of increase in turnover attributable to the volume of products sold and the increase in turnover attributable to the composition of products sold during such period.

In the emerging markets Unilever experienced a good momentum especially in China and South East Asia because growth in the market was mixed. Emerging markets grew by 6.2 % which saw broad-based geographic growth over that region. From the table we could realize that during the first half the personal care product had the highest turnover with 10.7 billion because it was driven by higher growth expectation as well as a shift in consumer behavior but during the second quarter of 2019 it dropped because customer's expectations dropped during that period. Beauty and personal care is the largest of Unilever's greatest category. It includes Unilever's brands such as Dove, Rexona, Axe, lux and Sun-silk. Many of Unilever's personal care brands have enjoyed success over the years with sales growing at a fast rate. Dove, one of Unilever's biggest brand has delivered strong performance, driven by double digit growth in deodorants and consistent performance in skin cleansing over the years. Deodorants and Rexona products performed so well in the market while Dove bath as well as Dove foaming hand wash got so much sales during that year. Oral care returned to growth in the second quarter by innovations from close up natural whitening brands while hair care only saw a modest growth during that period. China saw good performance with the home care products while in Indonesia, Unilever's home care products grew well and were used to run the mosque cleaning program during Ramadan. Home care underlying sales grew by 7.4%, with improvements in gross margin as well as efficiencies in brand and marketing investment and overheads [25] (see table 2.2). The chart below illustrates the financial performance of Unilever for the year 2017 to 2019.

As we can see from table 2.2, basic economic indices witness shows that during the years 2017-2019 return on assets of Unilever increased. This means these years were solid years for Unilever, with good volume growth and high quality margin progression. It also shows that there was a strong performance in the emerging

markets during that period and profitability was good with a healthy operating margin, strong free cash flow and cash flow from operating activities during that period (see table 2.3). The chart below illustrates the economic performance of Unilever for the year 2018 to 2019.

**Table 2.2 – Financial performance of Unilever, 2017-2019**

	<b>2017</b>	<b>2018</b>	<b>2019</b>
Turnover growth	1.9%	(5.1%)	2.0%
Underlying sales growth	2.8%	3.2%	2.9%
Underlying volume growth	0.8%	1.9%	1.2%
Operating margin	16.7%	24.8%	16.8%
Underlying operating margin	17.7%	18.6%	19.1%
Free Cash Flow	5.8 bln Euro	5.4 bln Euro	6.1 bln Euro
Cash flow from operating activities	10.0 bln Euro	9.6 bln Euro	10.6 bln Euro
Cash flow (used in)/from investing activities	(5.9 bln Euro)	4.6 bln Euro	(2.2 bln Euro)
Cash flow (used in)/from financing activities	(2.0 bln Euro)	(12.1 bln Euro)	(4.7 bln Euro)

Source: [11].

As we can see from table 2.3, basic economic indices witness shows that during the year 2017-2019 return on assets of Unilever increased or experienced a strong economic performance during this period.

**Table 2.3 – Economic performance of Unilever, 2018-2019**

	<b>2018</b>	<b>2019</b>
Turnover (million Euro)	50,982	51,980
Underlying sales growth (%)	3.2	2.9
Underlying volume growth (%)	1.9	1.2
Underlying price growth (%)	1.2	1.6
Operating profit (million Euro)	12,639	8,708
Underlying operating profit (million Euro n)	9,463	9,947
Operating margin (%)	24.8	16.8
Underlying operating margin (%)	18.6	19.1
Return on assets (%)	82	89

Source: [11].

This means that during that period Unilever delivered a strong profitable growth with strong margin progression. Unilever delivered underlying sales growth, strong free cash flow and experienced a solid revenue growth with good profitability and cash flow delivery. These years were solid years for Unilever because they experienced good volume growth and high quality margin

progression (see fig. 2.1). The chart below illustrates the organizational structure of Unilever Limited.

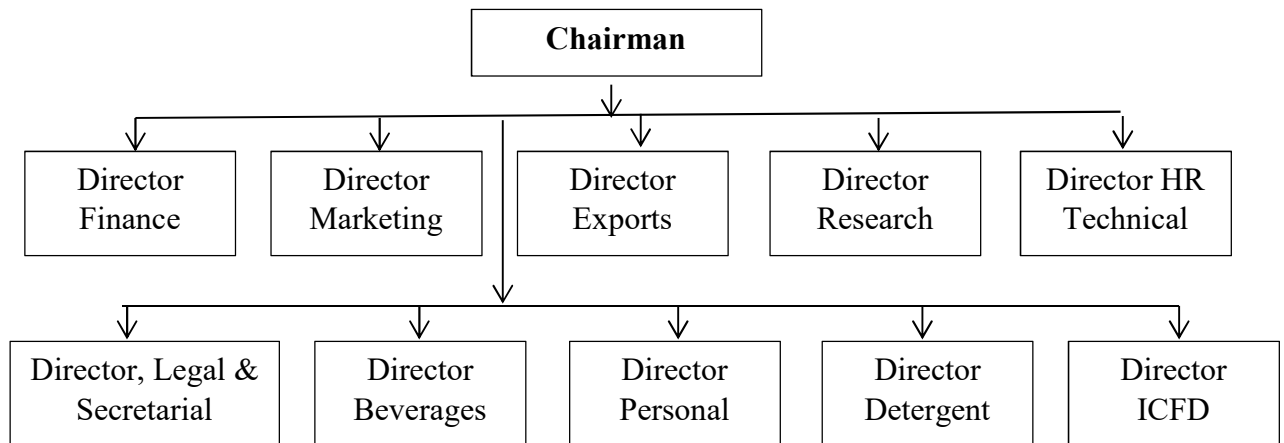


Figure 2.1 – Organization structure of Unilever Limited

Source: [34].

According to Unilever, they believe that this organizational structure gives them a suitable balance between corporate governance and organizational flexibility. Each level within the hierarchy serves a different function allowing the other levels of the organization to concentrate on their core roles. The Executive is responsible for managing profit and loss, while the senior corporate officers are responsible for ensuring that the board of Unilever have all the necessary information to make prudent corporate decisions on both strategic and operational basis. The senior corporate officers are also tasked with ensuring that the structure and framework of Unilever is giving suitable management information on which to base important and critical decisions.

So, Unilever over the years has developed as one of the most significant multinational and a worldwide pioneer that offers large consumer goods and possesses a broad international network in more than 190 countries. Unilever works with brands that are well loved around the world and improves the lives of their consumers around the world. The company has reduced its cost of manufacturing and operating expenses marginally which has shown a positive impact on the overall performance of the company because it has its products in almost all aspects of the world and most countries in the world are using its



products. Unilever develops their products to keep pace with changes in their consumer lifestyles and to appeal to their customers at all income levels because brands and innovations of their products is one of the vital factor the company considers in their daily and business operations. Unilever delivered bigger and better innovations, rolled out faster to more markets in the food industry globally. For example, the Dove deodorant and shampoo was rolled out across 37 markets in the global market.

Unilever has financially performed considerably well over the years. Unilever success over the years is attributed to strategies that have worked out very successfully for the company. The first strategy is their high quality product diversification across the world. Some customers in the world will choose Unilever products a million times because customers around the world have developed a special bond with these products and cannot survive a day without these products. Unilever deals with thousands of products which provides the consumer with a wide range of options to choose from.

Moreover, its market has expanded and grown steadily due to its highly rated products across the world that speaks for themselves. With over 130 years of experience, Unilever has been able to know what products and population best corresponds to each other because segmenting products according to population has been one of Unilever's advantage over the years. Unilever's market is based on every single individual in the market. These consumers can be from babies to the elderly where everyone benefits from the product. Unilever has employed over 100 nationalities and this has ensured a diversified working environment for employees and consumers across the world. Unilever brands and innovation are at the heart of everything they do and they develop their products to keep pace with changes in the consumer lifestyles of their customers across the world.

Unilever company has done well in the market by providing quality services to all groups of people however, the business sometimes experience challenges of delayed decision making, frequent disagreements between the partners and lack of cooperation from all members towards corporate management. Nonetheless, the

industry has been able to resolve matters overtime and has achieved efficiency in running the business operations of the company. For instance decision making has been made effective through a mutual consent where a majority of the members can make key decisions without involving all the other members.

## **2.2. Influence of globalization process on Unilever Group international competitiveness**

International competitiveness is the degree to which a nation or a company under free trade and fair market conditions, produce goods and services which meets the test of international markets while simultaneously maintaining and expanding the real income of its people over the long term. International competitiveness is the ability of a state or organization to achieve high rates of economic growth, ensure a steady increase in real wages, promotion of domestic firms on the world market represented by high performance that improves the quality of products and services and the creation of new jobs and technology.

This competitive ability to adapt to changes occurring in the global market is based on economic factors such as investment volume, innovation ability and some manufacturing facilities. International competitiveness measures the relative cost and value of a countries exports. As globalization has increased intense competition among multinational organization, it has helped Unilever to seek competitive advantage by producing products with more valued features such as product quality and product flexibility in the food industry.

For example, if the United Kingdom goods and services become more expensive than its competitors, then the United Kingdom would see a decline in its international competitiveness. International competitiveness is determined by short run factors such as inflation and exchange rates and long run factors such as education, good health care, macroeconomic environment that determine the

productivity and quality of goods that firms purchase. International competitiveness depends on the shareholder and customer values, financial strength which determines the ability to act and react within the competitive environment and the potential of people and technology in implementing the appropriate strategies. Global competition has brought about technological changes whereby customers are demanding for superior quality products with lower prices. This has led to Unilever placing more emphasis on their organizational competencies and creation of competitive advantage which is believed to have given them an edge over their competitors [7].

Through globalization, Unilever has declared the goal of decoupling its environment impact from its growth by halving the environment footprint of its products over the next 10 years helping 1 billion people improve their health and well-being and sourcing all of its agricultural raw materials sustainably. In the financial year ended 31 December 2016, Unilever had a total turnover of 49.7 billion Euro of which 36% was from personal care, 27% from foods, 19% from refreshments and 18% from home care. Unilever has gained a strong commitment to the development of the societies where it operates because its mission is to add vitality to the life of its clients across the world.

Globalization has enabled Unilever to meet their customer's daily needs for nutrition, hygiene and personal care with brands that have helped people to feel good, look good and get more out of life. The company is determined to build a successful and reputable business with profitable growth, long term value creation for consumers, employees, partners and shareholders. Unilever has been recognized as one of the foremost transnational and successful foreign invested companies in relations to its business performance and community support activities over the years. Different stakeholders may have different impressions of the company, but all share a positive view of the company.

Consumers may think of Unilever as a producer of quality goods at a reasonable price and more importantly catering for the needs of various income groups, consumers brings their views as citizens into play when making buying

decisions, often demanding more from the companies behind their brands. Unilever believes that its heritage of good governance, quality products and significant experience of working with communities has given them a strong base across the world and in the food industry. Unilever aims to build on this by taking the next steps in terms of transparency and accountability. Job creation along the value chain, human capital improvements and non-pecuniary benefits are among the greatest social impacts of Unilever and it has been able to generate up to 8000 indirect jobs throughout its extended value chain. Unilever applies high standards of corporate behavior towards employees, including non-discrimination, diversity, gender balance and localization. To a large extent these positive are a direct result of globalization and the company's policies and practices regarding its human resource. Through globalization, Unilever has been able to establish itself as one of the top five most preferred employers across the world and has been able to form a diverse network of partnership with local suppliers and manufacturers over the years.

The impact of Unilever on these manufacturers and suppliers through backward linkages are of particular importance because they provide a means of diffusing valuable knowledge and skills through direct flows to the partnered firms. These linkages has helped to improve Unilever's dynamism and competitiveness, resulting in an increased output, employment, income and improved production efficiency. Through globalization Unilever has provided various types of support such as technical advice and technology transfer, human resource development, information sharing about products and facilitation of access to capital to their local partners. The major impacts of Unilever on its suppliers and manufacturers include business opportunities for local suppliers, economic and social impacts. Surveyed partners believe that the partnership and linkages with Unilever and the assistance that they receive from the company are important for them in upgrading skills, accumulating experience and improving their performance in the industry. The partnership with these local partners offers a win-win situations where Unilever also benefits.

The benefits include increased flexibility and specialization, lower asset base and better use of resources through enhanced access to local tangible and intangible assets, effective adaptation of technologies and products to local environments. Through globalization, Unilever has been able to establish a strong and great impact with their customers. The link between Unilever and its customers are deep and far reaching. Through its wide range of household, personal-care and food products Unilever has generated a positive and social impact on consumers, making hygiene and personal care practices easier as well as helping to improve nutrition.

Unilever has constantly strived to improve the whole supply chain and distribution network to serve an increasingly wider spectrum of the population, from the highest income groups to the lowest income groups. With good quality, affordable prices through the far-reaching distribution network, Unilever products are available to consumers across the country, including those with very low incomes in effective and flexible ways. Through globalization Unilever has made enormous efforts to understand consumer needs, habits, lifestyle, consumption patterns, taste and preference in order to create products for them. Despite its leading position in the market, Unilever does not abuse its market power to adversely affect their customers. Technology on the other hand has helped Unilever to improve upon productivity and quality of their products and finding suitable ways to improve their products in the competitive market. Globalization has increased telecommunication technology and has reduced trade barriers allowing Unilever to operate effectively and efficiently across the world [25].

Globalization has helped Unilever to improve upon their product quality due to global competition and that has compelled Unilever to raise their standards and customer satisfaction levels in order to survive in the global market. Unilever derives its competitive advantage from its global footprint and its track record of enhancing value for their consumers around the world. These are some of the competitive advantages of Unilever:

1. Unilever has a deep and broad portfolio of brands and a diversified product

range, which makes it easy for them to position and tap into the changing consumer preferences across the world.

2. Unilever also has a competitive advantage over its nearest competitors because of its flexible pricing and expertise in distribution channels that manage to reach almost every aspect of the world.
3. The company also finds its strengths in leveraging the economies of scale arising from its operations as well as synergies between its manufacturing facilities across the world.

Through globalization, Unilever has provided job opportunities for people in different countries and has given Unilever the opportunity to invest and tap up on talents in the emerging markets. This helped Unilever to gain efficient technology management and efficient management. Technology has often led to fewer blue collar jobs because machines and automated procedures have replaced employees at a fraction of cost and this has led to unemployment in some countries. Globalization over the decades has led to an increase in competition among companies and industries across the world and this has helped Unilever to pioneer some innovations about their products in the food industry and that is the main reason why Unilever's quality of goods and services have improved over the years. Globalization over the years has played a vital role in the development of Unilever but it has also had a negative impact on its business.

Globalization on the other hand has also allowed Unilever to increase the consumption of processed foods, planting crops using chemicals to minimize the duration of growth to enable them make more profits within a short period in the food industry. In order to make more profits at the fast possible time, animals such as cows are fed with chemicals that makes them to produce a lot of milk or increase weight to enable them make more sales in the food industry at the shortest possible time. Due to the increased ingestion of chemicals from foods, chronic diseases and mortality rate has increased and there is a reduction in the lifespan of individuals in the developing countries. On the other hand greater income disparities have risen due to globalization and technology [25] (see fig. 2.2). The

table illustrates Unilever's market share in beauty and personal care.

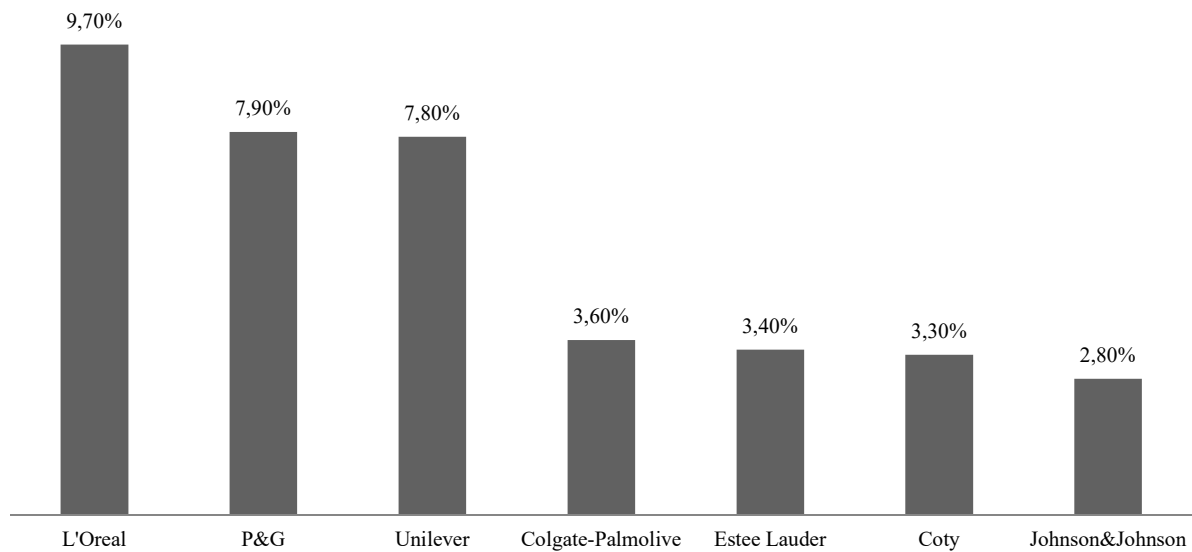


Figure 2.2 - Unilever's market share in beauty and personal care, 2017

Source: [5].

According to Women's Wear Daily, Unilever is the second-largest player in the beauty market with 21.5 bln USD revenue in 2017. This puts it behind L'Oréal's 29.4 bln USD revenue. In the broader beauty and personal care market as described from table 2.1 Unilever is in third place with a 7.8% share of the market. L'Oréal has the leading share at 9.7% and Procter &Gamble is in the second place with a 7.9% share. Unilever as one of the major players in the beauty and personal care market generates 42% revenue and is the group most profitable division (see fig. 2.3). The figure illustrates the International players that dominate the beauty and personal care market in India.

The top three international players as described from table 2.3 in the Indian market are Unilever, Colgate-Palmolive and L'Oréal. The cosmetics and personal care industry is one of the fastest growing consumer products sectors in India with a strong potential for foreign international players.

As we can see from table 2.3, basic economic indices witness shows that Unilever is one of the international players that dominated the Indian market with a market share of 25.3% during that year because Unilever has a long legacy of

doing business in India with a well-entrenched distribution system.

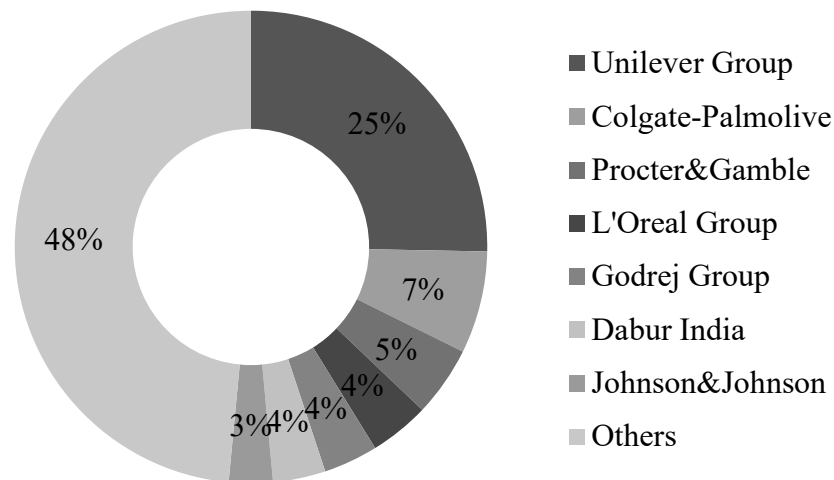


Figure 2.3 – International players that dominated on the Indian market by share (%), 2016

Source: [42].

They also kept pace with changing times, consumer preferences and also delivered consistent response growth and competitive products into the market. SWOT analysis is a structured planning tool that can be used by Unilever managers to do a situational analysis of the company. It is an important technique to map out the present strengths, weaknesses, opportunities and threats Unilever is facing in its current business environment (see table 2.4). The table below illustrates the SWOT Analysis of Unilever.

The main strength of Unilever are the following:

**Strong brands.** Unilever has some of the strongest brands in the consumer goods industry. These strength enables the company to penetrate markets and effectively compete against firms.

**Broad product mix.** This shows the extent of Unilever's business growth. For example Unilever has increased its product portfolio through years of mergers and acquisition leading to organizational growth and corresponding increase in revenues.



**Table 2.4 – SWOT analysis of Unilever activity**

<b>Strengths</b>	<b>Opportunities</b>
<ul style="list-style-type: none"> <li>• Strong brands</li> <li>• Broad product mix</li> <li>• Economies of scale</li> <li>• Strong global market presence</li> </ul>	<ul style="list-style-type: none"> <li>• Business diversification</li> <li>• Product innovation for health</li> <li>• Market development</li> </ul>
<b>Weaknesses</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Limited business diversification</li> <li>• Imitable products</li> <li>• Dependence on retailers</li> </ul>	<ul style="list-style-type: none"> <li>• Tough competitive rivalry</li> <li>• Product imitation</li> <li>• Increasing popularity of retailers house brands</li> </ul>

Source: developed by the author using [36].

Economies of scale. This supports production efficiency necessary for competitive pricing strategies in the market.

Strong global market presence. Through years of international expansion, Unilever has increased its market presence which is a strength that reinforces brand popularity.

The main weakness of Unilever are the following:

Imitable products. One of Unilever's weakness is the imitable nature of its products. For example, even though the company heavily invest in its product development processes other firms can imitate Dove and Rexona products.

Dependence on retailers. Unilever lacks direct strong influence on consumers considering that retailers are the ones who directly affect buyers. Thus based on the internal factors in the SWOT analysis of Unilever, the weaknesses emphasizes on the importance of diversification, innovation and enhanced marketing efforts

The main opportunities of Unilever:

Business diversification. Unilever has opportunities to diversify by entering businesses outside the consumer goods industry. Diversification reduces market based risk and improves business resilience.

Product innovation for health. Product innovation increases Unilever's product attractiveness by addressing the needs of increasingly health conscious consumers.

Market development. This helps Unilever's business by increasing revenues from the sale of its current products in new market segments. For example, Unilever can market its Lipton products as health drinks for consumers with special diets.

The main threats of Unilever:

Tough competitive rivalry. Unilever faces tough competition which is a threat based on the strength of other firms in the industry. Competitors threaten to reduce Unilever's market share and corresponding financial performance.

· Product imitation. This is also a major threat against Unilever. For example, local firms develop products highly similar to Unilever's.

Unilever's SWOT analysis indicates that the company possesses major strengths that can be used to effectively address organizational weaknesses. The SWOT analysis of Unilever highlights a number of internal and external strategic factors that managers must include in strategy development. For example, the weakness of the imitable nature of products are significant because they influence business stability and performance. In this regards, recommendation is to diversify Unilever's business through the acquisition of related firms, Unilever also needs to consider product innovation as an opportunity to boost business performance. I recommend that Unilever uses its strength such as economies of scale and strong brands to address competition and the threat of imitation.

So, international competitiveness is the ability of a state or organization to achieve high rates of economic growth, ensure a steady increase in real wages, promotion of domestic firms on the world market represented by high performance that improves the quality of products and services and the creation of new jobs and technology. This competitive ability to adapt to changes occurring in the global market is based on economic factors such as investment volume, innovation ability and some manufacturing facilities. International competitiveness measures the

relative cost and value of a countries exports. As globalization has increased intense competition among multinational organization, it has helped Unilever to seek competitive advantage by producing products with more valued features such as product quality and product flexibility in the food industry. Unilever has gained a strong commitment to the development of the societies where it operates because its mission is to add vitality to the life of its clients across the world.

Globalization has enabled Unilever to meet their customer's daily needs for nutrition, hygiene and personal care with brands that have helped people to feel good, look good and get more out of life. Through globalization, Unilever has been able to establish itself as one of the top five most preferred employers across the world and has been able to form a diverse network of partnership with local suppliers and manufacturers over the years. Globalization over the decades has led to an increase in competition among companies and industries across the world and this has helped Unilever to pioneer some innovations about their products in the food industry and is the main reason why Unilever's quality of goods and services have improved over the years.

Globalization over the years has played a vital role in the development of Unilever but it has also had a negative impact on its business. Globalization on the other hand has allowed Unilever to increase the consumption of processed foods, planting crops using chemicals to minimize the duration of growth to enable them make more profits within a short period in the food industry. In order to make more profits at the fast possible time, animals such as cows are fed with chemicals that makes them to produce a lot of milk or increase weight to enable them make more sales in the food industry at the shortest possible time. Due to the increased ingestion of chemicals from foods, chronic diseases and mortality rate has increased and there is a reduction in the lifespan of individuals in the developed and developing countries across the world.

SWOT analysis is a structured planning tool that can be used by Unilever managers to do a situational analysis of the company. It is an important technique to map out the present strengths, weaknesses, opportunities and threats Unilever is

facing in its current business environment. Unilever's organizational strengths are the internal strategic factors based on the company's condition. Unilever has some of the strongest brands in the consumer goods industry. This strength enables the company to penetrate markets and effectively compete against firms. On the other hand, economies of scale support production efficiency necessary for competitive pricing strategies.

Through years of international expansion, Unilever has also increased its market presence, which is a strength that reinforces brand popularity. The internal strategic factors of Unilever's SWOT analysis shows strengths that Unilever can use to sustain global growth and success in the consumer goods market. Unilever has opportunities to diversify by entering businesses outside the consumer goods industry. On the other hand, product innovation can increase Unilever's product attractiveness by addressing the needs of increasingly health-conscious consumers. Unilever has the opportunity to make its business more sustainable and environmentally friendly to attract and retain environmentally conscious consumers. Despite its strong market position, Unilever has weaknesses that limit its potential growth. One of Unilever's weaknesses is the imitable nature of its products. For example, even though the company heavily invests in its products development processes, other firms can imitate Dove and Rexona products. A variety of external factors can also limit or reduce Unilever's business performance.

The SWOT analysis model considers these external factors as threats that the company must tackle strategically. Unilever faces tough competition, which is a threat based on the strengths of other firms in the industry. Competitors threaten to reduce the company's market share and corresponding financial performance. Unilever's SWOT analysis indicates that the company possesses major strengths that can be used to effectively address organizational weaknesses.

The SWOT analysis of Unilever highlights a number of internal and external strategic factors that managers must include in strategy development. For example, the weaknesses of the imitable nature of products are significant because they

influence business stability and performance. In this regards, I recommend that Unilever uses its strength such as economies of scale and strong brands to address competition and the threat of imitation.

### **2.3. Investment potential and investment attractiveness of Unilever group**

Unilever has 786 institutional investors that have filed with the Securities Exchange Commission. These institutions hold a total of 138,362,420 shares. Largest of these shareholders include Wellington Management, BlackRock Incorporated, Aristotle Capital Management, State Farm Mutual Automobile and Vanguard Wellesley Income Fund. Wellington management offers comprehensive investment management capabilities on all segments of the global capital markets. They are one of the world's largest independent investment management firms with over 1.1 trillion USD in client sales and serves as a trusted advisor to clients in over 60 countries. Aristotle capital management is also a privately owned and registered advisor that specializes in equity portfolio management for institutional and individual clients worldwide. Blackrock Incorporated on the other hand also provide investment management services to institutional clients and retail investors through various investment plans. Unilever's ownership structure show the current positions in the company by institutions and funds, as well as the latest changes in positions. Major shareholders includes individual investors, mutual funds, hedge funds or institutions. As well as Unilever's ongoing interest in their performance and growth, they have been having mutual conversations with shareholders around their acquisition and disposal strategy, corporate structure and reflecting on the growing interest of sustainability issues.

Unilever speaks directly to their shareholders through investor events on a broad range of issues and shareholder feedback particularly on dividends, corporate structure and acquisitions of strategy forms part of boardroom

conversations and the chief executive officer shares feedback with the board after each quarterly market update. As well as expecting consistent financial returns, shareholders are interested in the environment, social and governance aspect of business that are so essential to delivering good results and are determined to show that their approach to business fuels strong performance in the market. Over the years Unilever has seen significant growth from their brands with a good purpose and that is why they ensuring that each of their brands has a clear purpose. Unilever company's investments has generated equitable wealth and jobs for individuals, improved the lives of individuals internationally and across the world through their brands, transfer technology and has helped to develop and train individuals internationally. Unilever's products are sold in more than 190 countries, generating income and employment for the retailers and distributors who bring our brands to consumers. Unilever's portfolio of innovative brands and divisions has allowed them to expand their markets, capturing growth at all points, especially in emerging markets.

Unilever community investment strategy is aligned with their business priorities and strategy in support of their brands and the Unilever sustainable living plan. Unilever contributes through taxes, which helps pay for the public goods and services that benefit the society. Total taxes borne by Unilever in 2018 was 3.7 billion USD of which 2.3 billion USD is from corporate tax. The company has over 169,000 employees globally and has 57 percent of the company's footprint in developing and emerging markets. Attaching great importance to innovation, Unilever has increased its scientific technology in relation to its products, with an annual budget of 1 billion euro earmarked for research and development. This commitment to research and development has allowed Unilever to provide high quality products to its consumers across the world and food industry.

Unilever's sustainable living Plan underpins the company's strategy and commits them to helping more than one billion people to take actions to improve their health and well-being by 2020. Unilever's products and brands are currently available across the world through the nationwide network of key stores and

consumer outlets across the globe. Unilever is open to attack from innovative companies with different ways of selling to customers such as through subscription models. This has seen Unilever respond on new products such as pure leaf loose teas, dove naturals and other vital products. Unilever has performed satisfactory in difficult markets and its 20 per cent profit margin has already been factored into analyst forecasts, which shows Unilever profits growing faster than sales. Unilever has been relatively attractive over the years because of the exposure they have in the emerging markets. As one of the oldest and largest foreign multinationals doing business internationally, the history of Unilever's investment internationally and in the global world has offered them a unique opportunity to understand the significant problems encountered by foreign firms in the global world [42].

Unilever have also contributed to a fairer and more socially inclusive world with brands that champion human rights, stand up for equality and distribute value fairly. During 2019, companies within the Unilever group purchased 1,787,000 ordinary shares representing 0.18% of the issued ordinary share capital of 143 million USD. These purchases were made to facilitate grants made in connection with Unilever's employee compensation programme. Unilever has been attractive and one of the most dependable shares to own for many years. Unilever is a global consumer goods powerhouse and a company with exceptional fundamental characteristics. It is a notable dividend-paying company with an impressive history of delivering benchmark-beating performance.

Over the past year, Unilever has grown its earnings by 55%, with its most recent figure exceeding its annual average over the last five years. In 2017 Unilever spent 14 per cent of its sales on advertising, research and development into new products and brands with its shares very volatile in 2018 and ended the year broadly unchanged. Unilever has the hallmark of a very high quality business and consistently turns its profits into cash flow and earns high operating margins and returns on capital employed. The level and stability of its profit margin is a sign that Unilever has some form of economic moat: a business that is good at fighting off competition and preserving its high rates of profitability.

Unilever believes that its products and brands are still attractive in the global market with black tea growing in several key markets and herbal tea growing in the developed areas. Thirteen of the 25 companies Unilever acquired between 2015 and 2018 have been in the beauty and personal-care space because of its attractiveness in the global market. Six of these brands including living proof and hourglass have been grouped by Unilever into a new division called the prestige group, which holds Unilever's premium beauty brands. Unilever's interest in this category stems from existing expertise and a goal to double its e-commerce business. Beauty and personal care is Unilever's largest segment, accounting for 40% of its revenue.

Unilever personal care industry is an umbrella category for a number of sub-sectors, namely skin care, hair care and fragrances. Skin care is one of the biggest of these sub-sectors and was valued at 87 billion USD in 2014. Unilever products over the years has been attractive internationally and in the global market because the premium segment in the global market account for approximately 30% of sales internationally. The global skin care market also amounted to over 26 billion USD in the global market with an increase in sales in the developed and developing countries. Premium skin care products typically includes natural-based products, personalized skin care products and products with specific benefits.

Further, the premium segment appears to be on a solid growth irrespective of the geographical region. Strong demand for premium skin care products has been reported in developed regions such as the United States and Europe despite sluggish consumer spending. In the emerging markets, demands for premium skin care products has increased rapidly due to an increase and growth of consumer awareness.

Unilever's rush towards the premium personal care segment is driven by higher growth expectation as well as a shift in the taste and preference of consumers. Unilever has made significant strides over recent years in improving their organizational agility and their ability to respond quickly to events. Unilever's strategic commitment to emerging markets continued with significant



investments in brand launches and new production facilities across the world. Unilever has also made progress in their commitment to serve a wider group of stakeholders, improving their business while reducing environmental footprint and increasing positive social impact in the environment. There is no doubt that over the long term our investors have benefited from their continued belief in Unilever, with total shareholder return increasing by a further 18% in 2014.

Unilever manufactures the majority of its products and have maintained an international network of 240 manufacturing sites. In sourcing large amounts of raw materials Unilever also have a direct impact on the environment. They protect scarce resources, ensured security of supply for their business and reduced price volatility while protecting the environment and enhancing people's lives, Unilever spends about 7 billion Euro annually on marketing, making them one of the world's biggest advertisers. This ensures that their brands and products are consumers' first choice. Unilever uses multiple media outlets to achieve success in a highly competitive and busy world. The ambition of Unilever to maintain its status as a global player represents the core part of its corporate strategy.

As a global player, Unilever diversifies its product and expands into new markets. Following a major reassessment of corporate strategy, Unilever increases focus on those product categories and regions that they believe offer the greatest potential for profitable growth. Through Unilever's presence in Myanmar, they contributed to the sustainable development of the country by activating programs focused on sustainable sourcing, enhancing livelihoods and improving health and hygiene as well as enhancing on the livelihoods of farming communities. These comprises of the freeing Myanmar kids from cavities campaign targeting 6 million school children and the lifebuoy hand wash campaign focused on 4 million school children. Unilever broke ground on the site of new manufacturing facilities in South Africa that has helped to drive sustainable growth for the company in the fast-growing developing and emerging markets. Unilever has invested R500 million in the novel, state of the art ice cream factory to increase Unilever's capacity for growth and service, increasing demand for brands like magnum and

cornetto in South Africa.

This development has complemented the additional capacity already being built in the Unilever world from Turkey to China utilizing the latest green technology to enable Unilever deliver bigger and better innovations more quickly to consumers. With investments planned across African countries such as Ghana, Kenya, Nigeria and Zimbabwe, this is an example of Unilever's multi-million investment plan for their growth in the global world. It has enabled Unilever to better serve their consumers with innovation and green technology, as well as improving their service levels to their retail customers.

The manufacturing sector has continued to play a pivotal role in ensuring that South Africa achieves higher rates of economic growth that is required in the market. Unilever has been a critical part of the process and looks forward to continuing to play a role in ensuring that South Africa becomes an even more globally competitive manufacturing location especially through increased investment in modern plant and energy efficiency. Unilever has a history of committing its investments to driving their brand operating performance. Unilever Ghana's effective and efficient cost-cutting measures helped the company to overcome the difficult business environment to achieve its 2015 target to deliver growth and profitability across the food industry. The underlying drivers for this achievement were the improvement in their portfolio mix, positive impact from their cost savings activities and improved activities.

The company's food and beverage category grew by 8.9% in 2014, Lipton tea sustained its strong market leadership by driving its revitalization benefit among its consumers while taking advantage of seasonal trend and consumption habit such as the Ramadan. Trade promotions and market developments activities as part of a platform continued to educate children on the importance of spreading blue band on their bread for daily growth and nutrition [57].

Unilever is one of the world's largest buyer of palm oil and they turn the palm oil material to their products like detergents, cosmetics and soaps. Their actions by cutting down the palm oil has slowly destroyed habitats and endangered species

across the world and led to a severe climate change over the years. Over the years Unilever employed over 25,000 children, mostly girls in cotton seed production causing child labor which most countries opposed and disagreed. They worked usually between ten and thirteen hours per day and they only got 40 USD per day, something most countries in the European countries fought and campaigned against because they saw that to be child abuse.

Unilever also operates in one of the world's toughest market places, selling premium branded products to supermarkets such as Tesco, Sainsbury and Morrison's. Besides Unilever's success, there are also some social and environmental issues that affects Unilever. There are several damages Unilever has created during their processes in manufacturing. These supermarkets are not only tough negotiators, capable of delisting brands and shrinking available shelf space but rather they are competitors too. Competition is a major force in Unilever's industry environment and there are external factors that imposes a strong force on Unilever. Unilever competes with established firms as well as new firms in the consumer goods market.

The low switching cost enable new entrants to impose a strong force example, consumers can easily decide to try new products from new firms. However, it is costly to build strong brands like Unilever's. This external factor weakens the intensity of the threat of new entrants against the company. Also, Unilever takes advantage of high economies of scale, which support competitive pricing and high organizational efficiencies that new firms typically lack. As a result, the company remains strong despite new entrants (see table 2.5). The table shows the investments and returns of Unilever's company [25].

According to table 2.5, investments and returns of 2018 are calculated considering the investment returns and indicators for that year. Cash and cash equivalents in the balance sheet includes deposits, investment in money market funds and highly liquid investments. To be classified as cash equivalent an asset must be ready convertible into cash and have a maturity period of three months or less at acquisition.

**Table 2.5 – Analysis of investments and returns of Unilever Company, 2018**

	Million USD	Million USD	Million USD
Financial assets	Current 2018	Non - current 2018	Total 2018
Cash and cash equivalents			
Cash at bank and in hand	2,174	–	2,174
Short term deposit with maturity of less than three months	1,024	–	1,024
Other cash equivalents	32	–	32
	3,230		3,230
Other financial assets			
Amortized cost	382	247	629
Financial asset through other comprehensive income	154	175	329
Derivatives	194	–	194
Loans and receivables	144	220	364
Total cost for other financial asset	874	642	1,516
Total cost for financial asset and other assets	4,104	642	4,746

Source: [36].

Cash and cash equivalents in the cash flow statements also includes bank overdrafts and they are recorded at amortized cost. Assets measured at amortized cost are those which are held to collect cash flows on the repayment of principal or interest. Current assets are all the assets of a company that are expected to be sold or used as a result of standard business over the next year and it includes cash, cash equivalents and accounts receivables. Non-current assets are assets which represents longer –term investments and cannot be converted into cash like land, properties and machinery (see table 2.6). The table illustrates Unilever product segment for beauty& personal care and food & refreshments performance for 2018-2019.

Beauty and personal care products delivered strong broad based growth supported by double digit growth from Dove with an underlying sales of 2.6%. Prestige brands continued to deliver double digit growth with strong performance brands from brands such as Dove.

**Table 2.6 – Analysis of product segment performance of Unilever investments, 2018-2019**

	Beauty& Personal Care		Foods& Refreshments	
	2019	2018	2019	2018
Turnover (million USD)	21,868	20,624	19,287	20,227
Underlying sales growth (%)	2.6	3.4	1.5	2.2
Underlying volume growth (%)	1.7	2.5	(0.2)	1.3
Underlying price volume (%)	0.9	0.9	1.7	0.9
Operating profit (million USD)	4,520	4,165	2,811	7,287
Underlying operating profit (million USD)	4,960	4,543	3,382	3,576
Operating margin (%)	20.7	20.2	14.6	36.0
Underlying operating margin (%)	22.7	22.0	17.5	17.7
Return on assets	124	117	61	58

Source: [36].

As we can see from table 2.6, basic economic indices witness shows that turnover, operating profits and underlying operating profit showed an increase in 2019 as compared to 2018. This means Unilever's prestige beauty and personal care brands registered double digit that year with good volume growth and high quality margin progression. Food and refreshment underlying sales grew to 1.5%, with volumes down 0.2% and pricing of 1.7% in 2019. Unilever has a long-established position as the biggest tea business in the world with brands such as Lipton and Brooke bond and has expanded into the premium, fruit and herbal market in recent years. However sales of traditional black tea, the largest segment of the category have been in decline in developed countries for several years due to the change in the tastes and preference of consumers (see table 2.7).

From the table 2.7, basic economic indices witness shows that goodwill, intangible assets and period end invested capital all showed an increase in 2019 as compared to 2018. This means the equity in the business increased in 2019 as compared to 2018. Return on invested capital (ROIC) is a measure of the return generated on capital invested by the Group. The measure provides a guide rail for long-term value creation and encourages compounding reinvestment within the business.

**Table 2.7 – Analysis of Unilever investment on return on invested capital, 2018-2019**

	2019, million USD	2018, million USD
Underlying operating profit before tax	9,947	9,463
Tax on underlying operating profit	(2,536)	(2,432)
Underlying operating profit after tax	7,411	7,031
Goodwill	18,067	17,341
Intangible assets	12,962	12,152
Property ,plant equipment	12,062	12,088
Net assets held for sale	81	108
Inventories	4,164	4,301
Trade and other current receivables	6,695	6,482
Trade payables and other current liabilities	(14,768)	(14,457)
Period -end invested capital	39,263	38,015
Average invested capital for the period	38,639	38,749
Return on invested capital	19.2%	18.1%

Source: [36].

Return on invested capital is calculated as underlying operating profit after tax divided by the annual average of: goodwill, intangible assets, property, plant and equipment, net assets held for sale, inventories, trade and other current receivables, and trade payables and other current liabilities.

## **Conclusions for chapter 2**

So, Unilever has 786 institutional investors that have filed with the Securities Exchange Commission. These institutions hold a total of 138,362,420 shares. Largest of these shareholders include Wellington Management, BlackRock Incorporated, Aristotle Capital Management, State Farm Mutual Automobile and Vanguard Wellesley Income Fund. Wellington management offers comprehensive investment management capabilities on all segments of the global capital markets. They are one of the world's largest independent investment management firms with over 1.1 trillion USD in client sales and serves as a trusted advisor to clients in over 60 countries. Aristotle capital management is also a privately owned and registered advisor that specializes in equity portfolio management for institutional

and individual clients worldwide. Blackrock Incorporated on the other hand also provide investment management services to institutional clients and retail investors through various investment plans. Over the years Unilever has seen significant growth from their brands with a good purpose and that is why they ensuring that each of their brands has a clear purpose. Unilever company's investments has generated equitable wealth and jobs for individuals, improved the lives of individuals internationally and across the world through their brands, transfer technology and has helped to develop and train individuals internationally. Unilever's products are sold in more than 190 countries, generating income and employment for the retailers and distributors who bring our brands to consumers. Unilever's portfolio of innovative brands and divisions has allowed them to expand their markets, capturing growth at all points, especially in emerging markets. Unilever contributes through taxes, which helps pay for the public goods and services that benefit the society. Total taxes borne by Unilever in 2018 was 3.7 billion USD of which 2.3 billion USD is from corporate tax. The company has over 169,000 employees globally and has 57 percent of the company's footprint in developing and emerging markets. Following a major reassessment of corporate strategy, Unilever increases focus on those product categories and regions that they believe offer the greatest potential for profitable growth.

Through Unilever's presence in Myanmar, they contributed to the sustainable development of the country by activating programs focused on sustainable sourcing, enhancing livelihoods and improving health and hygiene as well as enhancing on the livelihoods of farming communities. These comprises of the freeing Myanmar kids from cavities campaign targeting 6 million school children and the lifebuoy hand wash campaign focused on 4 million school children. Unilever has invested R500 million in the novel, state of the art ice cream factory to increase Unilever's capacity for growth and service, increasing demand for brands like magnum and cornetto in South Africa.

This development has complemented the additional capacity already being built in the Unilever world from Turkey to China utilizing the latest green

technology to enable Unilever deliver bigger and better innovations more quickly to consumers. With investments planned across African countries such as Ghana, Kenya, Nigeria and Zimbabwe, this is an example of Unilever's multi-million investment plan for their growth in the global world. It has enabled Unilever to better serve their consumers with innovation and green technology, as well as improving their service levels to their retail customers. Unilever has a history of committing its investments to driving their brand operating performance. The company's food and beverage category grew by 8.9% in 2014, Lipton tea sustained its strong market leadership by driving its revitalization benefit among its consumers while taking advantage of seasonal trend and consumption habit such as the Ramadan. Besides Unilever's success, there are also some social and environmental issues that affects Unilever.

There are several damages Unilever has created during their processes in manufacturing, supplying and laboring. Unilever is one of the world's largest buyer of palm oil and they turn the palm oil material to their products like detergents, cosmetics and soaps. Their actions by cutting down the palm oil has slowly destroyed habitats and endangered species across the world and led to a severe climate change over the years. Unilever also operates in one of the world's toughest market places, selling premium branded products to supermarkets such as Tesco, Sainsbury and Morrison's. These supermarkets are not only tough negotiators, capable of delisting brands and shrinking available shelf space but rather they are competitors too.



## **CHAPTER 3**

### **WAYS TO INCREASE THE ECONOMIC EFFICIENCY OF UNILEVER GROUP IN A GLOBALIZING ENVIRONMENT**

#### **3.1. Prospects of implementation of investment projects of the company Unilever Group taking into account the factors of globalization**

Unilever brings together an experiences and flexible team of investment and operational experts with a proven track record of creating a market leading consumer of products who play to their strengths and value their customers for their taste and preference across the global world. They also invest in young promising companies, accelerating growth by providing access to Unilever's global ecosystem, assets and expertise. Unilever provides access to a company with unrivalled global reach with more than 400 brands focused on the health and wellbeing of their customers across the world. The beauty of Unilever's business is that it contains hundreds of different products that consumers buy regularly throughout the year. This gives it regular and quite predictable sales and cash flows that are highly sought after by investors and corporate raiders.

Unilever has many hallmarks of a very high quality business. It consistently turns its profits into cash flow and earns high operating margins and returns on capital employed (ROCE). The level and stability of its profit margins and ROCE can be interpreted as a sign that Unilever has some form of economic moat. Unilever, one of the oldest global corporations in the world, is a one hundred percent publicly held company that operates in more than 190 countries. Unilever's Sustainable Living Plan underpins the company's strategy and commits to helping more than a billion people take action to improve their health and well-being by 2020, halving the environmental footprint and use of its products by 2030 as the company grows its business and enhancing the livelihoods of millions of people

across the world. The Unilever Sustainable Living Plan creates value by driving growth and trust eliminating cost, and reducing risks. The company's sustainable living brands are growing over 50 percent faster than the rest of the business and delivered more than 60 percent of the company's growth in 2016.

Unilever sustainable living brands have grown over 50 percent faster than the rest of the business and delivered more than 60 percent of the company's growth in 2016. Unilever has created added value in Turkey for more than 100 years with its products after its first investment in Turkey in 1952 with the Sana factory established in Istanbul. Unilever's products in Turkey include OMO, Knorr, Sunlight, Dove Men, Rexona, Lipton, Lux and Vaseline. These brands can be found in 9 out of every house in Turkey today. Unilever, the British-Dutch conglomerate that owns Vaseline, Dove and more has announced plans to halve its non-recycled plastic packaging by 2025. According to Unilever's statement, the company currently uses about 700,000 tons of plastic packaging every year and has pledged to invest in several alternatives such as reusable and refillable materials. Its goal is to reduce plastic use by 100,000 tons.

Unilever's vision is to ensure that everyone works together to ensure that plastic stays in the economy and out of the environment. Our plastic is our responsibility and so we are committed to collecting back more than we sell as part of our drive towards a circular economy. Unilever has created a strong supply chain eco-system in Konya with its suppliers and has implemented the largest factory investment of the last decade in the Turkish FMCG sector with an integrated investment value reaching EUR 350 million in total. This is also the largest investment ever made in Konya across all sectors. Unilever has performed satisfactorily in difficult markets. Its 20 per cent profit margin target for 2020 is already factored into analyst forecast which show profits growing faster than sales. With many of its brands headquartered in locations as diverse as Singapore and Brussels, Unilever is the definition of a global conglomerate.

Unilever's talent lies in buying expensive but still undervalued brands and using the company's giant operating cash flow to turn those brands worldwide.

Unilever does business in more countries than almost any company and if you had to pick one multinational to eventually be the first to do business elsewhere in the solar system, Unilever would be on the shortlist of many individuals. Unilever has made its shareholders cheerful with its improving operating performance for fiscal year 2013.

The company has managed to grow its underlying sales by 4.3%, including a 2.5% increase in volume and 1.8% rise in price. In 2013, Unilever raised its investment by 460 million Euro to strengthen the company's overall brands. The number of brands which delivered more than 1 billion Euro in turnover, has increased from 11 to 15 over the last five years. Unilever is one of the world's leading suppliers of fast moving consumer goods with strong local roots in more than 100 countries across the world and their mission is to add vitality to life by improving the health and nutritional needs of their clients [57].

Europe's leading market place for household services like home cleaning announced that it has secured an investment from Unilever. The Investment by Unilever, one of the world's largest consumer goods companies marks an important milestone in the home service industry. The investment of Unilever follows a multiple strategic partnerships between Unilever and their clients, ranging from co-branded marketing campaigns to the distribution of home care products to their customers. Unilever has created some of the strongest consumer brands worldwide to leverage their asset and expertise creating a strong brand across the world and in the global market.

Unilever ventures, which is an investment is the venture capital and private equity arm of Unilever. They invest in promising companies, accelerating growth by providing access to Unilever's global ecosystem, assets and expertise. The fund are used in the investment of the Personal Care and Digital Transformation. Key focus areas within the Digital Transformation include content creation, artificial intelligence, data analytics, mobile and video marketing in both developed and emerging markets. Unilever ventures existing investments include notably Sun Basket, Beauty and some other products. Unilever marks twenty-fifth anniversary

in Ukraine.

The Anglo-Dutch consumer goods established a Ukrainian production facility in the Kyiv region and expanded nationwide since initial arrival in Ukraine in the early 1990s. When Anglo-Dutch consumer goods giant Unilever entered the Ukrainian market in the early 1990s, the company had three staff members representing ten brands. In line with Unilever worldwide sustainable plan, the company's brands engage in a wide variety of corporate social responsibility initiatives. Social responsibilities include 2014's Lipton, an amazing project which was recognized as Ukraine's top social advertising campaign. The Lipton Park project has also won plaudits for encouraging careful consumption of natural resources and greater awareness of human impact on the environment.

The Chestnut Run supported by Rexona brought together opinion leaders, consumers and company employees in support of pediatric cardio surgery. Unilever's clear brand also teamed up with UNICEF and supported the UNICEF Football Cup. In 2014, Unilever together with UNICEF provided aid and invested in over 22,000 children who had suffered due to the conflict in the east of the country. The distinctive yellow and red branding of the company's flagship Lipton tea brand can be seen dotted throughout on playground areas, beach umbrellas and building facades.

This is all part of Unilever policy of engaging with local communities by providing communal facilities and organizing local activities. In 2016, residents of the town set a new Ukrainian record when over three thousand people took part in a tea-drinking ceremony on a lakeside beach. Through Unilever's presence in Myanmar, Unilever contributed and invested in the sustainable development of the country by activating programs focused on sustainable sourcing, enhancing livelihoods and improving health and hygiene of individuals in the community and across the world. Unilever started operations in Myanmar in 2010 and was able to commission a Hair Care factory in the Yangon region. As part of establishing business in Myanmar Unilever launched a number of programs focused on contributing towards better health and hygiene as well enhancing the livelihoods of

farming communities. These comprises of: The Freeing Myanmar Kids from Cavities' campaign targeting 6 million school children, supported by our Signal brand. The Lifebuoy hand wash campaign focused on 4 million school children. The World Food and School Feeding Program in Myanmar supported by our Knorr brand that was rolled out across the Rakhine, Chin and Shan states as well as the Magway region targeting over 200,000 children [25].

Analyzing Unilever's external environment critically using the factors of production, the basic method is PESTEL, which focuses on the change in terms of politics, economy, society, technology, environment and laws within a country. The main factors that influence Unilever's macro environment are economy and society. According to Economic factors and situation, the whole world is undergoing a revolution because the economic power has been transferred from developed countries to china and other emerging markets. With market reform, the speed of development in new emerging economies is much faster than that of the developed countries and this discrepancy is more easily to be found. In some countries where there is an increase in the GDP and employment rate like South Africa, negotiations and special treatment from government becomes an advantage for companies in the global industry. Starting inside an enterprise, core competency or resource based views mainly concentrate on evaluating what special abilities an enterprise has in adapting to the business environment and acquiring the best market opportunities to exploit in the global market. Core competence concerns the abilities that can be commonly applied by enterprises in their principal businesses and helps them create innovative products and services. Obviously, Unilever has done well in capitalizing these advantages into growth. Unilever has also shown great interest in the rural market which is most often ignored by other enterprises. The company has invested much in the rural population who are the biggest potential consumers in the global market. The economic and global economic crises also affected every nation and industry in the world including Unilever.

For political factor, when Unilever entered Chinese market for the first time it

established a joint venture on the ground of the restricted policies at that time and the company set up Shanghai Lever Ltd with local enterprises in 1986. With the development of interweaved economy, Unilever began to modify its management strategies concentrating on its advantageous products and brands. At the same time, Unilever has played a great attention combining globalization with localization. Unilever has integrated its European operation into a single entity and to the manufacture of detergents emphasizing the cost-effectiveness of several plants.

Unilever recognizes that it still maintains regional adaptation and has tried to possess the best location in production and marketing to achieve its economic objective because Unilever uses standardized packaging and advertising approaches all over the world. Unilever has developed as one of the leaders in the world's consumer product brands over the years. The company has carried out many strategies according to factors that influence business strategies across the world. Globalization and Localization has played a vital role in opening the global markets across the world. Unilever over the years is good at popularizing their products and brands across the global market and world [25].

Unilever has been described recently as one of the foremost transnational company across the world. The nature of Unilever's products requires proximity to local markets, economies of scale and the need to benefit from the creativity and experience of individuals helps in transferring information across the organization highly desirable and effective. All of these factors leads to the company's present structure: a matrix of individual managers around the world who nonetheless share a common vision and understanding of corporate strategy. While Unilever's organizational structure has developed, at least to some extent we still have a consistent and long-standing policy when it comes to one thing: the importance of managing people rather than simply analyzing problems, however, even in the early days of Unilever, the company started developing local managers and decentralized the organization. Over the course of its particular lifetime, the company has successfully weathered numerous changes. Within just the last

30 years, for example, Unilever's most important product group, the foods business, has gone through two major reorganizations. The details of how the foods business has reshaped itself in response to new market trends illustrate Unilever's overall combination of structural formality and managerial flexibility.

The company drastically reorganized responsibilities for all products, including those handled by the foods business, in its main European countries. Product groups became responsible for profits, while national managements worked in an advisory role - although in areas like industrial negotiations, local finance, and government relations. In product terms, the company has improved its position because the new strategic groups are more in line with identified consumer needs. In geographic terms, Unilever has continue to rely on the knowledge of their operating companies to judge what product expertise to use in their local markets. In short, we now have more unity and can also make better use of the many and various opportunities offered by diversity. While Unilever has certainly evolved into what is now called a transnational in academic and business policy circles, our actual progress was not made by the application of theory but through a much messier evolution of trial and error. Yet the company has focused on two consistent and related practices to underpin all structural changes: recruitment and training of high-quality managers; and the importance of linking decentralized units through a common corporate culture (see figure 3.1). The figure below illustrates Unilever business model and brands and main segments they invest their operations [25]. Unilever is one of the world's leading consumer companies that invest its operations in 190 countries with products used by 2.5 billion people every day. Unilever is a massive multi-national, multi-billion business that invest in the beauty, personal care, food and beverage sectors. Unilever invest its operations into four categories: Personal Care, Home Care, Foods and Refreshment. Personal Care is Unilever's biggest investment segment containing five of the company's multi-billion dollar brands and posting turnover of 20.6 billion euros in 2018 with its home care sector growing rapidly and deriving 80% of its sales in emerging markets (see table 3.1).

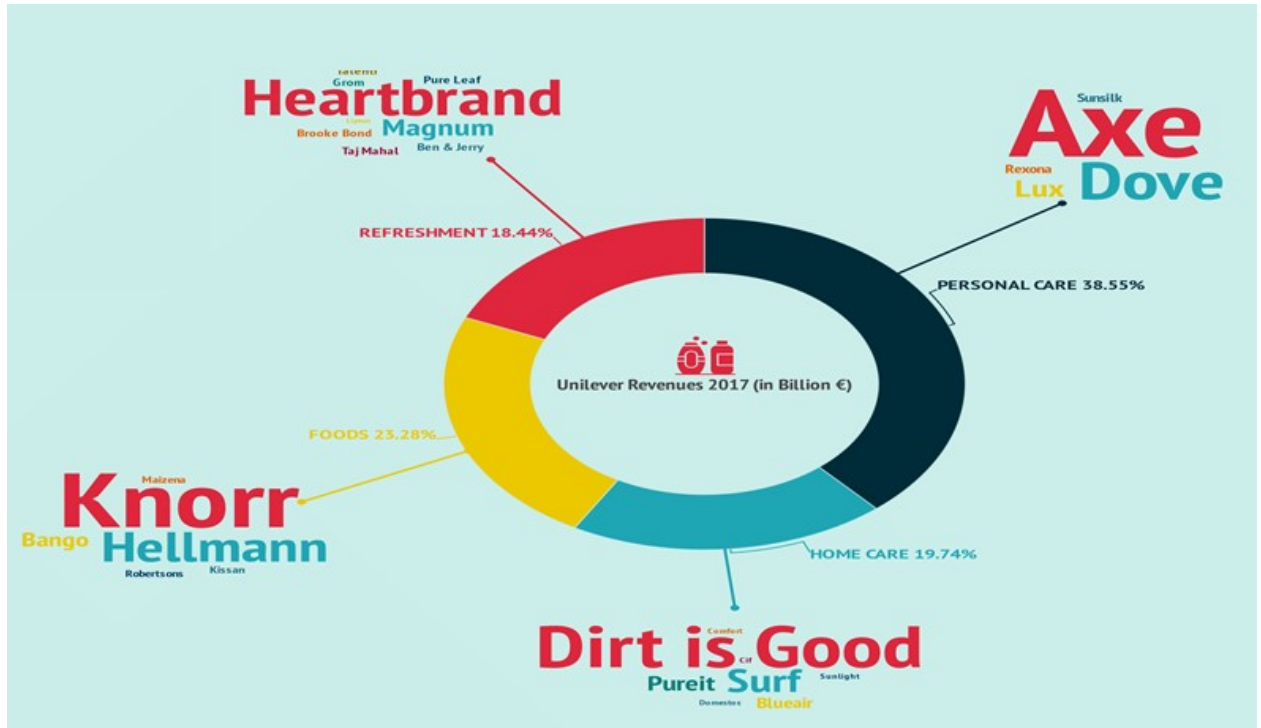


Figure 3.1 – Unilever business investment model with its main segments, 2017  
Source: [38].

The table illustrates the sales and profits of Unilever from its products and brands.

**Table 3.1 - Analysis of sales and profits of Unilever, 2018**

Product	Sales, million USD	Operating profit, million USD	Margin
Beauty& Personal Care	20.3	4.34	21.4%
Home Care	10.3	1.28	12.4%
Food & Refreshment	21.8	3.72	17.1%
Total	52.4	9.34	17.8%

Source: [47].

Unilever has more than 400 brands spread across beauty products, personal care, home care, food and refreshment with annual sales of more than \$1 billion and total sales of more than 50 billion USD with 60% of its sales from the emerging markets. The beauty and personal care business has leading market positions in hair products, deodorants and oral care and the home care business has global brands such as Surf, which has annual sales of more than 1 billion USD, as well as other prominent brands such as Sunlight. The beauty of Unilever's business is that it contains hundreds of different products that consumers buy regularly which



gives them a regular and quite predictable sales and cash flows- the type of characteristics that are highly sought after by investors and corporate raiders such as Kraft and Buffet (see table 3.2). The table below illustrates the global sustainable dividend companies across the world.

**Table 3.2 – Analysis of sustainable dividend companies, 2020**

Company	Country	Dividend Yield, %	1 year return, %	Star rating	Moat
Cisco	US	2.94	0.63	3	narrow
Johnson& Johnson	US	2.47	14	2	wide
Pepsico	US	2.65	26	2	wide
Western Union	US	2.91	48	3	wide
RELX	UK/NE	2.15	19	2	narrow
Wolters Kluwer	NE	1.48	28	1	narrow
Unilever	UK/NE	3.09	11	4	wide
Paychex	US	2.81	21	2	wide
Roche	Switzerland	2.68	24	n/a	wide
Bureau Veritas	France	2.28	27	2	narrow

Source: [52].

Unilever has made it on the global sustainable dividend list, which contains list of companies such as Cisco and Johnson& Johnson. 100 companies have made it on the investment manager Even lode’s 2020 global sustainable list and Unilever is among those the investment firm tips as the most reliable dividend companies across the world. The report shows 10 companies across the world providing steady and reliable income to their shareholders and among them Unilever which grew its dividends by 6.3% last year currently has 3.1%.The consumer goods giants is regular on our list of top FTSE dividend yields and has a strong competitive advantage due to the strength of its supply chain and the company is a favorite of fund managers such as Nick Train and has performed very strongly over a twenty year period.

So, the beauty of Unilever’s business is that it contains hundreds of different products that consumers buy regularly throughout the year. This gives it regular and quite predictable sales and cash flows that are highly sought after by investors and corporate raiders. Unilever’s vision is to ensure that everyone works together to ensure that plastic stays in the economy and out of the environment. Unilever

has performed satisfactorily in difficult markets. Its 20 per cent profit margin target for 2020 is already factored into analyst forecast which show profits growing faster than sales. With many of its brands headquartered in locations as diverse as Singapore and Brussels, Unilever is the definition of a global conglomerate.

Unilever does business in more countries than almost any company and if you had to pick one multinational to eventually be the first to do business elsewhere in the solar system, Unilever would be on the shortlist of many individuals. Unilever has created some of the strongest consumer brands worldwide to leverage their asset and expertise creating a strong brand across the world and in the global market. In line with Unilever worldwide sustainable plan, the company's brands engage in a wide variety of corporate social responsibility initiatives. Social responsibilities include 2014's Lipton, an amazing project which was recognized as Ukraine's top social advertising campaign.

The Lipton Park project has also won plaudits for encouraging careful consumption of natural resources and greater awareness of human impact on the environment. Through Unilever's presence in Myanmar, Unilever contributed and invested in the sustainable development of the country by activating programs focused on sustainable sourcing, enhancing livelihoods and improving health and hygiene of individuals in the community and across the world. While Unilever's organizational structure has developed, at least to some extent we still have a consistent and long-standing policy when it comes to one thing: the importance of managing people rather than simply analyzing problems, however, even in the early days of Unilever, the company started developing local managers and decentralized the organization. Over the course of its particular lifetime, the company has successfully weathered numerous changes.

Within just the last 30 years, for example, Unilever's most important product group, the foods business, has gone through two major reorganizations. The details of how the foods business has reshaped itself in response to new market trends illustrate Unilever's overall combination of structural formality and managerial flexibility. The company drastically reorganized responsibilities for all products,

including those handled by the foods business, in its main European countries. Product groups became responsible for profits, while national managements worked in an advisory role - although in areas like industrial negotiations, local finance, and government relations.

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### **3.2. The main directions of increasing the competitiveness of Unilever Group in the global food market**

The global food and beverage industry often gives rise to competition concerns especially due to recent trends of high and volatile prices of commodities. This chain is a complex series of inter-related markets where concentration, mergers and large multi-product retailers have a dominant role. Concerns over competition may relate not only to the issue of selling power but also of buyer power which in turn can relate vertical relations between any of the stages of the food supply chain. Unilever believes in vigorous yet fair competition and supports the development of appropriate competition laws.

Unilever conducts their operation in accordance with the principle of fair competition and all applicable regulation and co-operates fully with the competition authorities while consistently defending and robustly defending its

legitimate interest in the industry. Unilever's top competitors include Nestle, Procter& Gamble, Johnson & Johnson, Colgate Palmolive and Kimberly-Clark. Nestle is seen as one of Unilever's biggest rivals. Nestle generates 37 billion USD more revenue as compared to Unilever and is ranked as 64th in the Fortune Global 500 according to the ranking of the world largest companies in 2017. Johnson&Johnson is one of the biggest competitors of Unilever under the pharmaceutical and consumer products and ranked 37<sup>th</sup> on fortune 500 list of largest United States corporations by total revenue and drives business into three major segments: Consumer products, medical devices and pharmaceutical products. Colgate Palmolive is an American worldwide consumer product focused on the production, distribution, and provision of household, health care and personal product such as soap, detergents and oral hygiene products and one of Unilever's top rivals. Colgate Palmolive ranks 184<sup>th</sup> on the 2018 Forbes 500 list with a total revenue of 15.545 billion USD with its subsidiaries in 200 countries employing 35,900 people and publicly registered in the United States and India. Unilever bucked a trend hitting its American rivals, selling more products at higher prices during the final quarter of 2017. The results came after rival Procter& Gamble, Kimberly-Clark and Colgate-Palmolive reported weak sales as brick and mortar retailers like Walmart pushed for steep discounts as they competed with other rival competitors.

Unilever and Danone are significant competitors to Nestle in that the two are food and beverage industry giants similar to Nestle. Unilever faces a tight competition from its close rivals Nestle and Unilever is edging Nestle in terms of the quality of its products which has made them the second player in the Western European ready meals market having a market share of 8.6%, 0.3 points behind leading Nestle. In the dairy market, Unilever has a 7.7% market share with Nestle coming first and Danone third. Nestle however manages to stay on top by adopting local tastes for products thereby incurring low manufacturing cost and high local customers. Unilever, however has a large portfolio of prominent consumer brands and this has increased its shelf space even as the private brands grow and has given

them a strong advantage over its competitors who don't have strong brands. Unilever's focus on emerging markets, coupled with a portfolio of skin care products, means that Unilever has a more of a buffer from price pressures than its rivals. Unilever made 11 acquisitions in 2017 buying hair and skin care company Sundial brands in the United States organic herbal tea brand and also embarked on a companywide restructuring to become more agile to local trends and giving increased autonomy to its local managers.

Unilever has been quick to point out where its brands are doing well with personal care, despite the overall slowing growth. Personal care continued to grow the core of our brands through innovation while extending into more premium segments. In deodorants, it picked out its Rexona brand as a particular success, noting that it now retails in 40 countries. Unilever's performance across the globe has been up against various external pressures and notes it performed best in North America. Growth improved in North America further supported by strong innovation in deodorants and ice cream. Hair products performed well in a highly competitive environment while the rate of decline in spreads has slowed. Latin America also proved a successful market for Unilever with growth there ahead of its competitors, however in Asia and Europe, Unilever faced tougher market conditions and competition from local companies.

As one of the strong and healthy companies in the world with many successful brands, Unilever has the opportunity to expand into foreign markets in order to gain access to customers around the world. Supported by strengths of its key global brands such as Dove, Rexona and Lux, Unilever firstly entered into the foreign markets to compete internationally by entering into a few markets. In entering and competing in foreign markets, Unilever follows a global strategy, using essentially the same competitive strategy approach in all country markets where the company has a presence, sells much the same products everywhere, strives to build global brands and coordinate its actions worldwide. With its well established distribution network in both the traditional and modern retail outlets Unilever is in a good position to be able to capitalize on the growth forecast in these regions.

These are some of Unilever's distinct competitive advantage over its nearest competitor, Nestle, Colgate& Palmolive and Procter &Gamble.

1. **Cost Leadership Strategy:** Unilever places themselves ahead of the pack by offering flexible pricing and expertise in distribution channels that manages to reach the nook and corner of the globe. While this is effective Unilever, low pricing is seldom a desirable approach for individuals.
2. **Broad differentiation:** Unilever uses broad differentiation as its generic strategy for its competitive advantage. This emphasis on the features that makes Unilever's products stand out against its competitors. Unilever produces personal care products like Dove cream bars that are competitive because they stand out from a majority of soaps that focus more on meeting consumers taste and preference.
3. **Strong global market presence:** Through years of international expansion Unilever has increased its market presence as compared to its competitors, which is a strength that reinforces brand popularity.

Unilever disappointing third quarter sales lost in the market share to their rivals sparked a swift improvement in their performance and also blamed poor weather in Europe, hurricanes in the United States and earthquakes in Mexico for disrupting sales and also cited the growing threat from local competitors in markets such as the United States ice cream and Southeast Asian personal care, where they lost market share to Halo Top, a new low-calorie brand capitalizing on growing demand for healthier and niche products [11].

Unilever was named as the leader in the 2018 personal products industry and this means Unilever continues to be part of the global investment index and achieved industry best scores in a number of areas including innovation management, brand management, packaging and climate strategy. Unilever and its competitors such as Nestle, Colgate-Palmolive use strong national market share positions to generate revenue for international market-share battles. Unilever believes in vigorous yet fair competition and delivered profitable growth with another year of strong gross margin progression and double-digit of constant

underlying earnings per share. With so many of Unilever's brands enjoying leadership positions, they have significant opportunities to develop their markets and benefit from their deep global reach and purpose strong brands in the industry. There has been significant slowdown during 2019 in South Asia and Unilever have seen some market softening in China.

Unilever has a long-established positions as the biggest tea business in the world with brands such as Lipton and Brooke bond and this has expanded into the premium, fruit and herbal market. However, sales of traditional black tea, the largest segment of the category have been in decline in developed markets for several years due to changing consumer preferences. While parts of Latin America have been volatile there have been signs of improvements in Brazil. Unilever has pinned its hopes on a three- prolonged strategy involving portfolio optimization, changing the focus of innovation and sustainable prices. Portfolio optimization is the main pillar of Unilever's long- term growth by strengthening its positions in the premium personal care and capitalizing on digital transformation to bring higher levels of speed and strong delivery of products to improve productivity and fund growth ambitions. Unilever's personal care division is the company's largest and has grown from 23.24 billion USD in 2017 to 24.49 billion USD in 2019.

This division comprises of household brands such as Axe, Dove, Lux and Lifebuoy products. Unilever has increased focus on its personal care division over the last four years, and this has helped drive a 1.25 billion USD growth and expecting this growth to continue, taking revenue to 26 billion USD by 2021. Unilever's total revenue has dropped from 60.32 billion USD in 2017 to 58.22 billion USD in 2019 on the back of a sharp drop in the foods and refreshment revenue. Unilever withdrew its growth margin for 2020 because of the covid-19 pandemic. The consumer giants said pandemic has wreaked havoc across economies, shifting demand patterns and slowed business.

Things worsened with many large companies witnessing curbs on production and movements of goods and that has slowed down the market even before the lock down came into effect [25].

For its marketing strategy and directions to increase competitiveness in the food industry Unilever combined its strategy with social projects in many countries. Educational campaigns have been important tools for raising awareness for Unilever brands such as Dove and Close-up. Unilever's partnership with the World Dental Federation has seen it become involved in oral healthcare projects in both developed and emerging nations. Unilever also has more directly brand-related programs, including Close-up project smile in Nigeria, which used small outlets to showcase both its products and oral hygiene information, and the Dove self-esteem fund and other organizations such as the United Kingdom eating association to fund educational body talk programs in schools to improve the body related self-esteem of individuals. To enable increase competitiveness to win more customers in country market with its brand program supported by a high level of marketing and advertising activities including the media, Unilever employs cross-market subsidization.

This strategy is appropriate for Unilever and helps them to compete in multiple country markets with multiple brands and a variety of products. In entering the emerging- country market Unilever prepares to compete on the basis of low prices. Consumers in the emerging markets are often highly focused on price, which gives low cost local competitors the edge unless a company can find ways to attract buyers with bargain prices as well as better products. When it entered the market for laundry detergent in India, Unilever realized that 80% of the population could not afford the brands it was selling to affluent consumers in that region.

Therefore, to compete and increase their competitiveness in the market, Unilever came up with a low cost formula that was not harsh to the skin, constructed new low-cost production facilities, packaged the detergent in singled use amounts so that it could be sold very cheaply and crafted an economical marketing campaign that distributes its products through its own sales force, as well as independent distributors, wholesalers and a range of business-specific channels such as foodservice distributors to enable increase their competitiveness



in the market (see figure 3.2) [11]. The figure illustrates Unilever market share and sales in beauty and personal care.

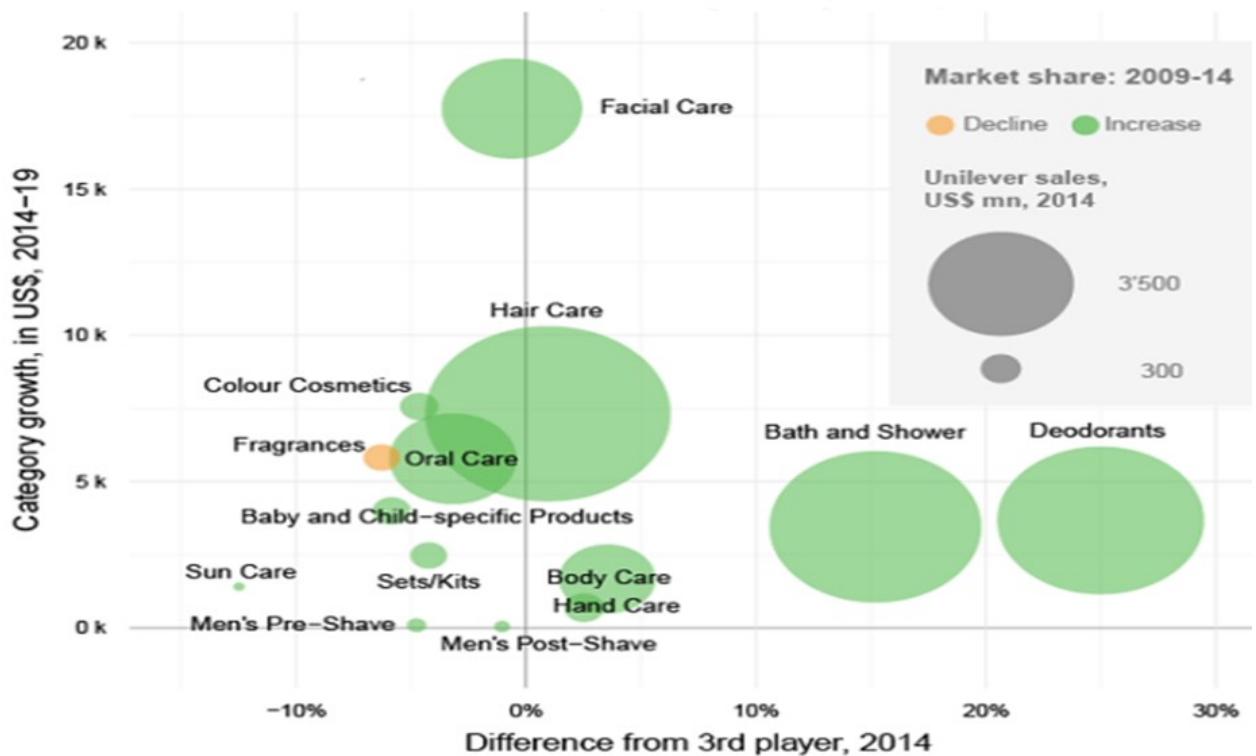


Figure 3.2 – Unilever market share and sales in beauty and personal care, 2014-2019

Source: [11].

Figure 3.2 demonstrates Unilever's market share and sales movements in personal care and beauty product segments, against the predictable developments for individual categories between the years 2014-2019. The horizontal axis determines the benefit that Unilever has over the third party leading players in terms of sales share percentage while the vertical axis shows the growth projections. The huge number of green bubbles evidently illustrates that Unilever has succeeded to gain share across all personal care and beauty product categories while the green color bubbles denotes increase of sales share market (see figure 3.3). The figure illustrates the revenue of Unilever worldwide from 2007 to 2019.

Figure 3.3 demonstrates the market share and revenue of Unilever worldwide.

Unilever operates in nearly 190 countries around the world and has been a traditional paragon of excellence in the fast moving consumer goods sector.

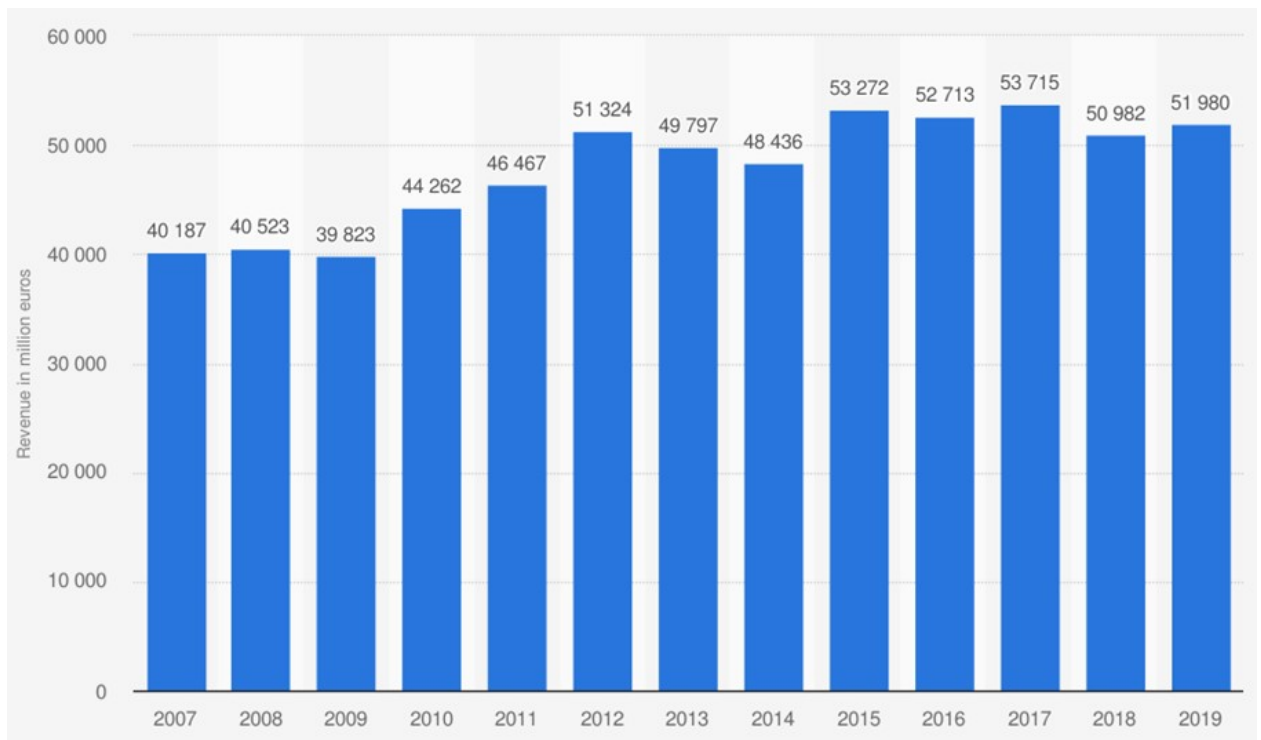


Figure 3.3 – Revenue of Unilever Group worldwide, 2007-2019, million Euro

Source: [24].

Unilever has four major product segments such as personal care products, foods, refreshment and home care products with the former generating the most shares and revenue for the company. The company derives its competitive advantage from its global footprint and its track record of enhancing value for consumers around the world. The statistics from figure 3.2 depicts the revenue of Unilever worldwide from 2007 to 2019. In 2019, the global revenue generated by Unilever group was approximately 51.98 billion Euro (see figure 3.4). The figure illustrates Unilever product Dove winning beauty segment among Walmart and target consumers.

Figure 3.4 illustrates the market share of the top five beauty brands in terms of orders placed at Amazon.com during the period of October 2017 - September 2018, according to Edison Trends. From figure 3.3 Dove was far the most popular

beauty brand in Walmart's online sales making up 41% of items ordered among the top five beauty vendors Neutrogena, L'Oréal, Garnier and Olay held the rest of the top five spots.

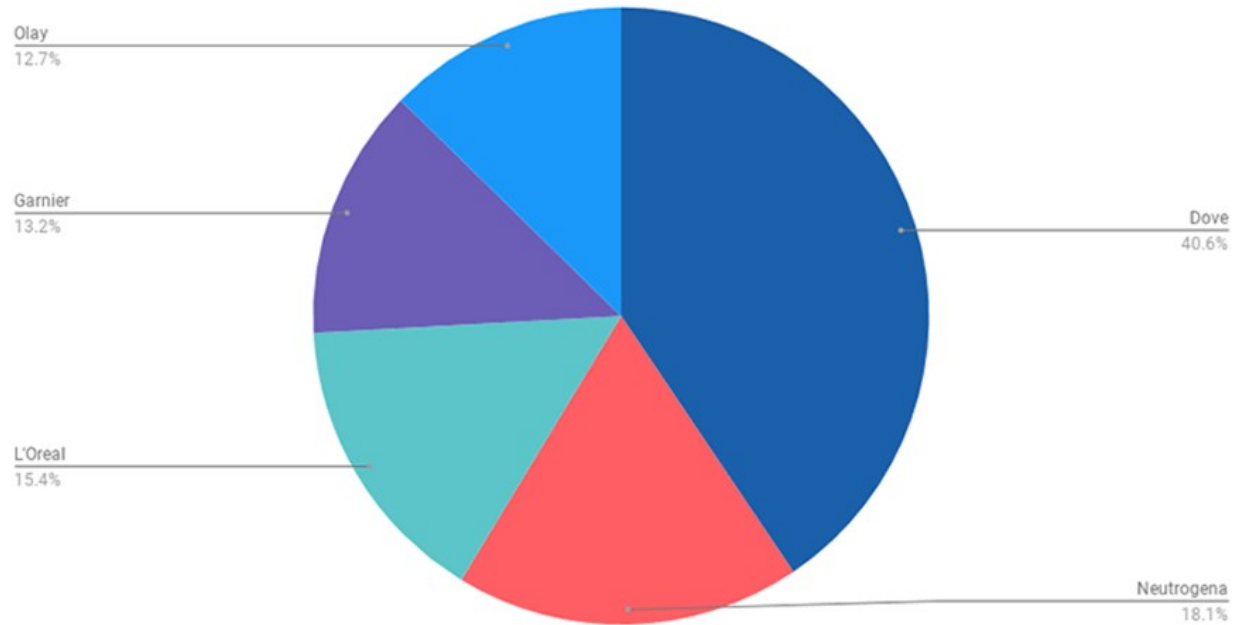


Figure 3.4 – Wal-Mart top five beauty brands, online sales, 2017-2018

Source: [9].

This shows that dove products are trusted by lots of customers because it kind, gentle and keeps the skin nourished and clean. Dove products also supports women of all shapes and sizes and it's been in the market for a long while making it a trust worthy product among customers.

### Conclusions for chapter 3

Thus, the global food and beverage industry often gives rise to competition concerns especially due to recent trends of high and volatile prices of commodities. This chain is a complex series of inter-related markets where concentration, mergers and large multi-product retailers have a dominant role. Concerns over

competition may relate not only to the issue of selling power but also of buyer power which in turn can relate vertical relations between any of the stages of the food supply chain. Unilever's top competitors include Nestle, Procter & Gamble, Johnson & Johnson, Colgate Palmolive and Kimberly-Clark. Nestle is seen as one of Unilever's biggest rivals.

Nestle generates 37 billion USD more revenue as compared to Unilever and is ranked as 64th in the Fortune Global 500 according to the ranking of the world largest companies in 2017. Johnson & Johnson is one of the biggest competitors of Unilever under the pharmaceutical and consumer products and ranked 37<sup>th</sup> on fortune 500 list of largest United States corporations by total revenue and drives business into three major segments: Consumer products, medical devices and pharmaceutical products. Colgate Palmolive is an American worldwide consumer product focused on the production, distribution, and provision of household, health care and personal product such as soap, detergents and oral hygiene products and one of Unilever's top rivals. Colgate Palmolive ranks 184<sup>th</sup> on the 2018 Forbes 500 list with a total revenue of 15.545 billion USD with its subsidiaries in 200 countries employing 35,900 people and publicly registered in the United States and India. Unilever's focus on emerging markets, coupled with a portfolio of skin care products, means that Unilever has a more of a buffer from price pressures than its rivals. Unilever made 11 acquisitions in 2017 buying hair and skin care company Sundial brands in the United States organic herbal tea brand and also embarked on a companywide restructuring to become more agile to local trends and giving increased autonomy to its local managers.

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and this has helped drive a 1.25 billion USD growth and expecting this growth to continue, taking revenue to 26 billion USD by 2021. Unilever's total revenue has dropped from 60.32 billion USD in 2017 to 58.22 billion USD in 2019 on the back of a sharp drop in the foods and refreshment revenue. Unilever withdrew its growth margin for 2020 because of the covid-19 pandemic. The consumer giants said pandemic has wreaked havoc across economies, shifting demand patterns and slowed business.

Things worsened with many large companies witnessing curbs on production and movements of goods and that has slowed down the market even before the lock down came into effect. For its marketing strategy and directions to increase competitiveness in the food industry Unilever combined its strategy with social projects in many countries. Educational campaigns have been important tools for raising awareness for Unilever brands such as Dove and Close-up. Unilever's partnership with the World Dental Federation has seen it become involved in oral healthcare projects in both developed and emerging nations. Unilever also has more directly brand-related programs, including Close-up project smile in Nigeria, which used small outlets to showcase both its products and oral hygiene information, and the Dove self-esteem fund and other organizations such as the United Kingdom eating association to fund educational body talk programs in schools to improve the body related self-esteem of individuals. To enable increase competitiveness to win more customers in country market, Unilever employed cross- market subsidization.

This strategy is appropriate for Unilever and helps them to compete in multiple country markets with multiple brands and a variety of products. In entering the emerging- country market Unilever prepared to compete on the basis of low prices. Consumers in the emerging markets are often highly focused on price, which gives low cost local competitors the edge unless a company can find ways to attract buyers with bargain prices as well as better products.

Therefore, to compete and increase their competitiveness in the market, Unilever came up with a low cost formula that was not harsh to the skin,

constructed new low-cost production facilities, packaged the detergent in singled use amounts so that it could be sold very cheaply and crafted an economical marketing campaign that distributes its products through its own sales force, as well as independent distributors, wholesalers and a range of business-specific channels such as foodservice distributors to enable them increase their competitiveness in the market.

In conclusion, Unilever must follow a strategy that will help expand their success brands such as Dove, Lux and Lipton to many other markets across the world where they have presence and where they can monitor the market conditions in respective regions by introducing products suited to the characteristics and needs of each market. Unilever must also increase their market presence as compared to their competitors, which is a strength that will reinforce their brand popularity and must promote an effective cost structure that will help them respond quickly to the changing market circumstance. Unilever must employ cross-market subsidization in order to win customers and sales away from select rivals in country markets. This strategy will help them to compete effectively in multiple markets and that will give them a strong competitive advantage over their rivals. Unilever must also be prepared to compete with their rivals on the basis of low prices because consumers in emerging markets are often highly focused on price which can give local competitors the edge to attract buyers with their quality products and that will help them increase their focus on strengthening their position in the mass and global market.

## CONCLUSIONS AND SUGGESTIONS

*In conclusion*, Unilever is one of the world's largest consumer goods companies, with operations across a wide operation of market segments. Unilever has 400 brands, including many household names such as Lipton, Knorr, Dove and Lux. Unilever engages in the production and marketing of consumer goods in the nutrition, hygiene and personal care categories. It operates through the following segments: Beauty and Personal Care, Foods and Refreshment and Home Care.

The Beauty and Personal Care segment covers the sales of skin and hair products, deodorants and oral care products. The Foods and Refreshment segment includes the sales of soups, sauces, snacks margarines and spreads.

The Home Care segment is in charge of the sales of home care products such as liquids, soap bars and a wide range of cleaning products. Unilever's revenue comes from mainly three segments: Personal Care, Home Care and Food & Refreshment. Trefis analysis shows how important the Personal care segment is to Unilever. Beauty and personal care is the largest of Unilever's greatest category. It includes Unilever's success brands such as Dove, Rexona, Axe and Lux. Many of Unilever's personal care brands have enjoyed success over the years with sales growing at a fast rate. Dove, one of Unilever's biggest brand has delivered strong performance, driven by double digit growth and consistent performance in skin cleansing over the years.

Unilever Company has the following as its great strength, Strong Brand, Strong Global Market Presence, Good Product Mix and a Good Economies of Scale. Managerial activities on the activities of international business of Unilever is influenced by many factors that has been analyzed here.

Analysis on the efficiency of financial and economic activities, Evaluation of managerial effectiveness, basic economic indices witness shows that goodwill, intangible assets and period end invested capital all showed an increase in 2019 as compared to 2018 Return of investment of Unilever Company. This means the

equity in the business increased in 2019 as compared to 2018. Return on invested capital (ROIC) is a measure of the return generated on capital invested by the Group.

The main *suggestions* for Unilever Company are the following.

1) Unilever must stick to a cost leadership strategy by offering flexible pricing and expertise in distribution channels that manages to reach the nook and corner of the globe, maximizing productivity and increasing the skilled labor level of their employees to enable them continue to thrive within a challenging and rapidly changing economy because they play a large role in developing the reputation and success of the business.

2) Unilever must promote an effective business and cost structure reforms to realize a solid management platform so that they can respond quickly to the changing market circumstances. Specifically, Unilever must maintain a streamlined structure to enable them enhance their business in established markets in developed countries.

3) Unilever must follow a strategy that will expand their success brands such as Dove, Lux and Lipton to many other markets across the world where they have presence. They should monitor the market conditions in respective regions by introducing products suited to the characteristics and needs of each market. Unilever must strive to establish a production and supply structure to enable them provide a wide range of customer services in each country and region. Unilever must also increase their market presence as compared to their competitors, which is a strength that will reinforce their brand popularity.

4) In order to win customers and sales away from select rivals in country markets, Unilever must employ cross-market subsidization. This strategy will help them to compete effectively in multiple country markets with multiple brands and wide variety of products. This will enable Unilever to have a strong competitive advantage over their rivals.

5) Finally in entering the emerging country market Unilever must be prepared to compete with their rivals on the basis of low prices. Unilever must



pursue this strategy because consumers in emerging markets are often highly focused on price which can give local competitors the edge to attract buyers with their quality products and that will help them increase their focus on strengthening their position in the mass market.

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