

UNILEVER Portfolio Management



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PERSPECTIVES



- **Unilever Overview**
- **Executive Management**
- **Portfolio Management**
- **Project and Program Management**
- **Operations Management**

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UNILEVER – Company Overview

1. UNILEVER Company

- Overview
- Legal structure
- Group distribution

2. Executive Management

- Vision
- Mission
- Strategic Objectives
- Strategic Plan

3. Portfolio Management

- Identification
- Categorization
- Evaluation
- Selection
- Prioritization
- Portfolio Balancing
- Authorization

4. Path to Growth

- Brand Reduction
- Brand Extension

- **Created in 1930 as result of a merger**
- **Key player in the food and household products industry**
- **Maintains dual head quarter / dual chairperson approach**
- **Launched Path to Growth strategy (2000) to revive the company**
- **Historically grew through acquisitions**

http://www.unilever.com/ourcompany/investorcentre/annual_reports/annual_report_Form.asp

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1. EXPANSION

More than 150 different countries



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UNILEVER – Legal Structure

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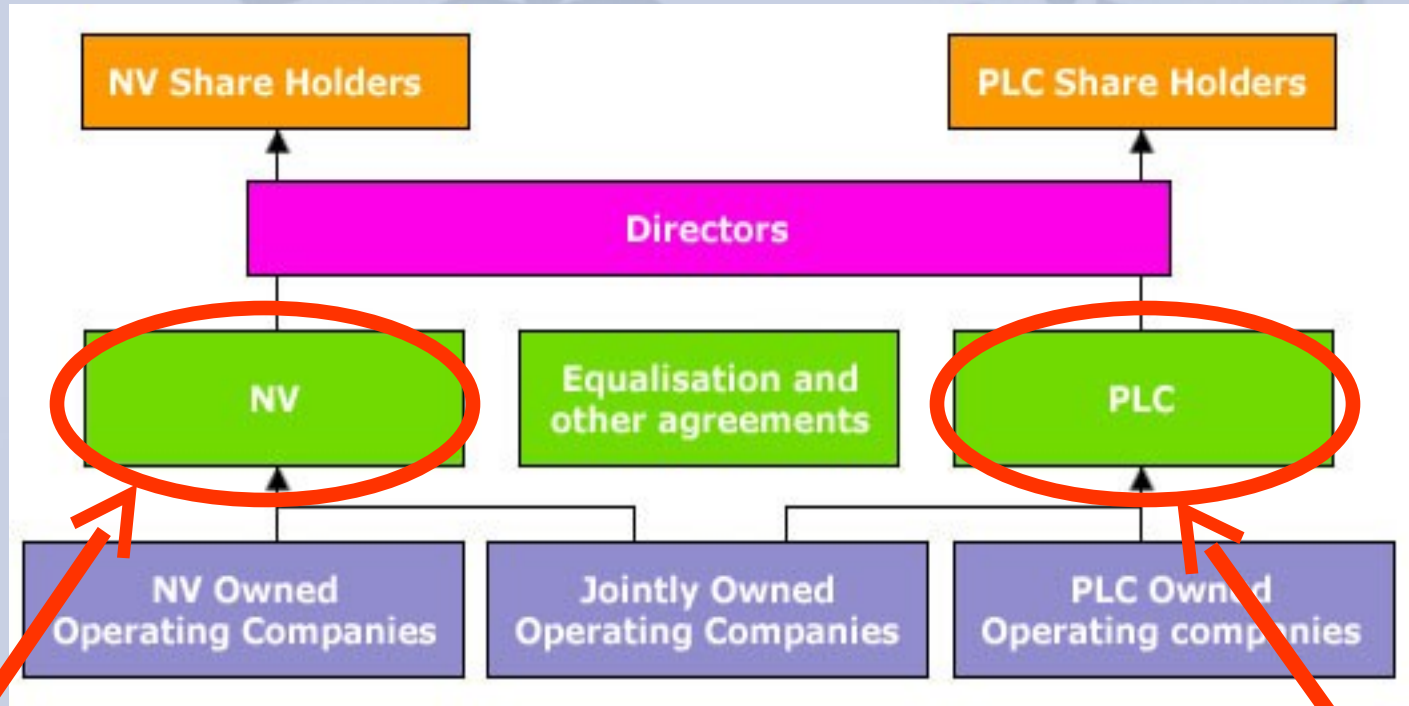
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Rotterdam

Dual-listed company

London

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UNILEVER – Regional distribution facts

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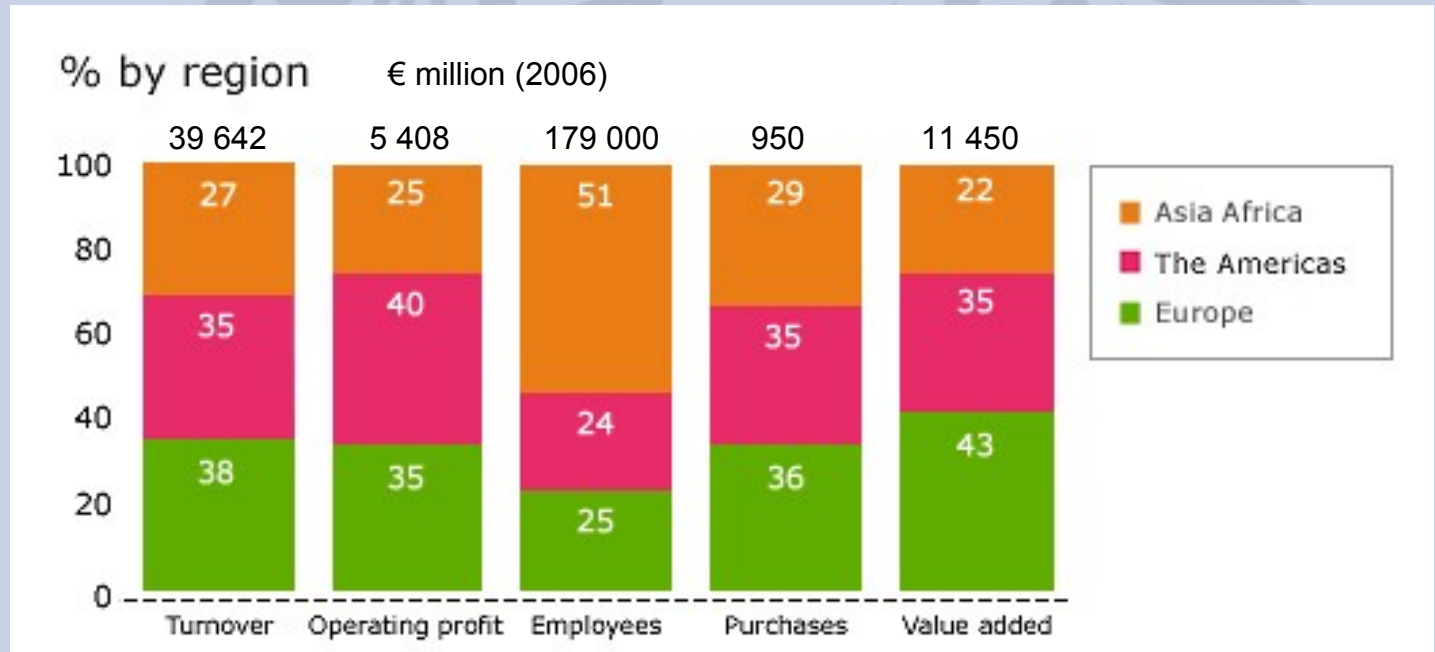
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Unilever - Competitor Comparison

| Research 2006 Bianca Cole ~ Reginald Green |  |  |  |  |
|--|---|--|---|---|
| Top Segment | CG/Foods | Consumer care | Food | Food |
| Top Brand | Dove | Tide | Mac & Cheese | Kit Kat |
| CEO | A. Burgmans | A.G. Lafley | R. Deromedi | P. Letmathe |
| Stock per share | \$66.03 | \$53.76 | \$30.70 | \$66.9 |
| Growth | 15.58% | 9.25% | 8.20% | 11.23% |
| Revenues | \$42,942 M | \$28.2 B | \$31,010 M | \$69 B |
| Revenue Growth | -11.93% | 19% | 4.30% | -1.93% |
| International | 100+ | 42 | 150+ | 86 |
| Business Segments | 3 | 5 | 5 | 6 |
| Employees | 234000 | 110000 | 10600 | 253000 |

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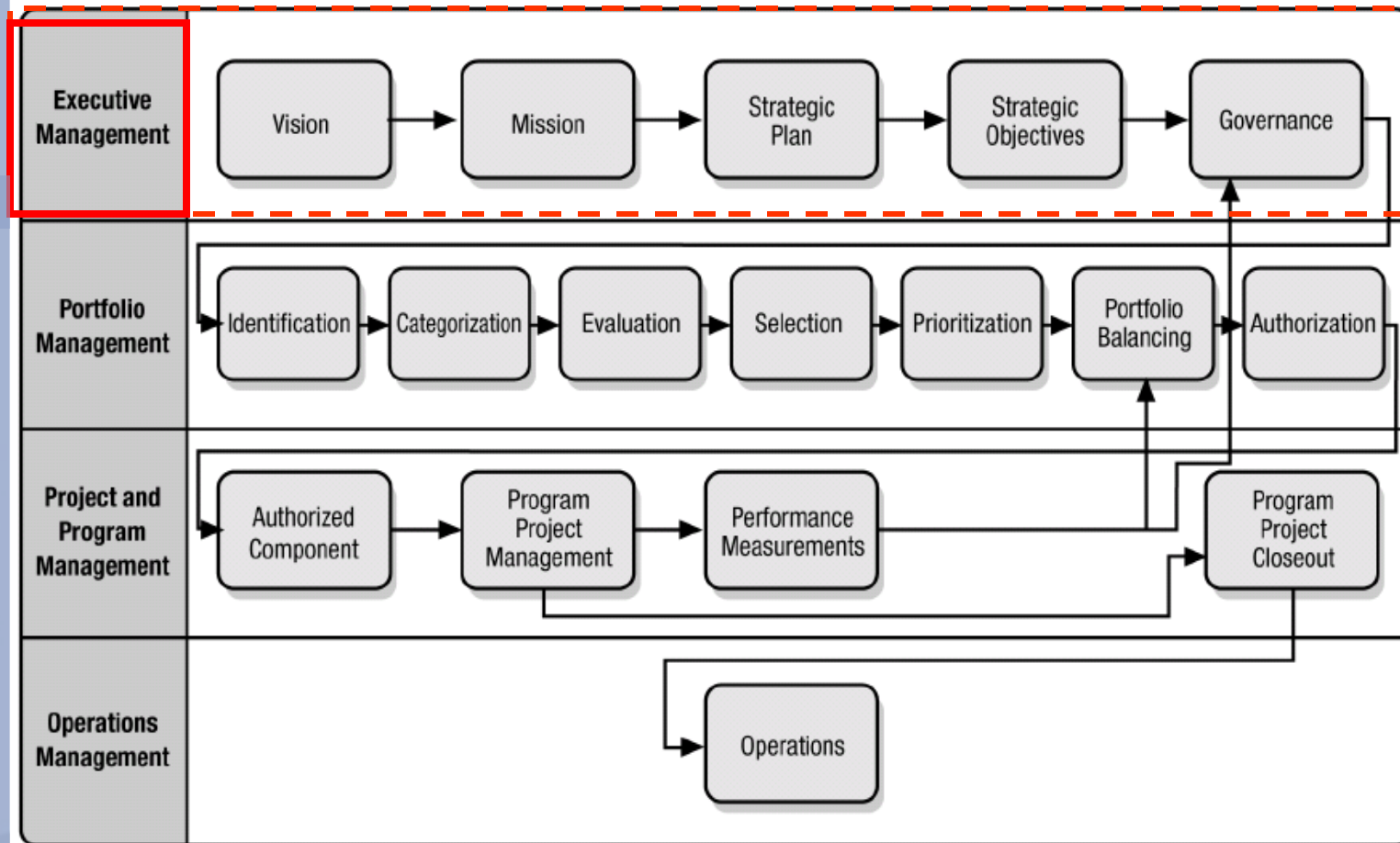
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Source: Project Management Institute, Inc.: The Standard for Portfolio Management, Pennsylvania (USA), 2006, page 9

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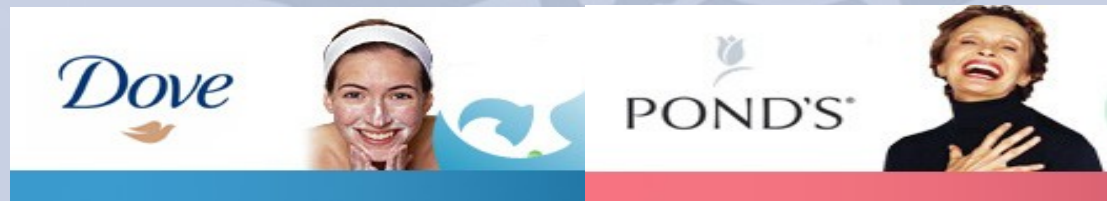
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UNILEVER – Vision

Through our **brands** we see ourselves playing an important role in contributing to **improvements in hygiene** among our **consumers around the world.**



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“Unilever's mission is to add vitality to life.”



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UNILEVER – Goals & Objectives

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- **Focus on customer care (cosmetics)**
- **Focus on path to growth**
- **Reduction in energy cost and better use of operational energy**
- **Reduction of brands**
- **Simplifying structure**
- **Focus on emerging markets**
- **Driving innovation**
- **Make supply chain smart**

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UNILEVER – Strategy

‘Path to Growth’

In 2000 Unilever unveiled its business strategy



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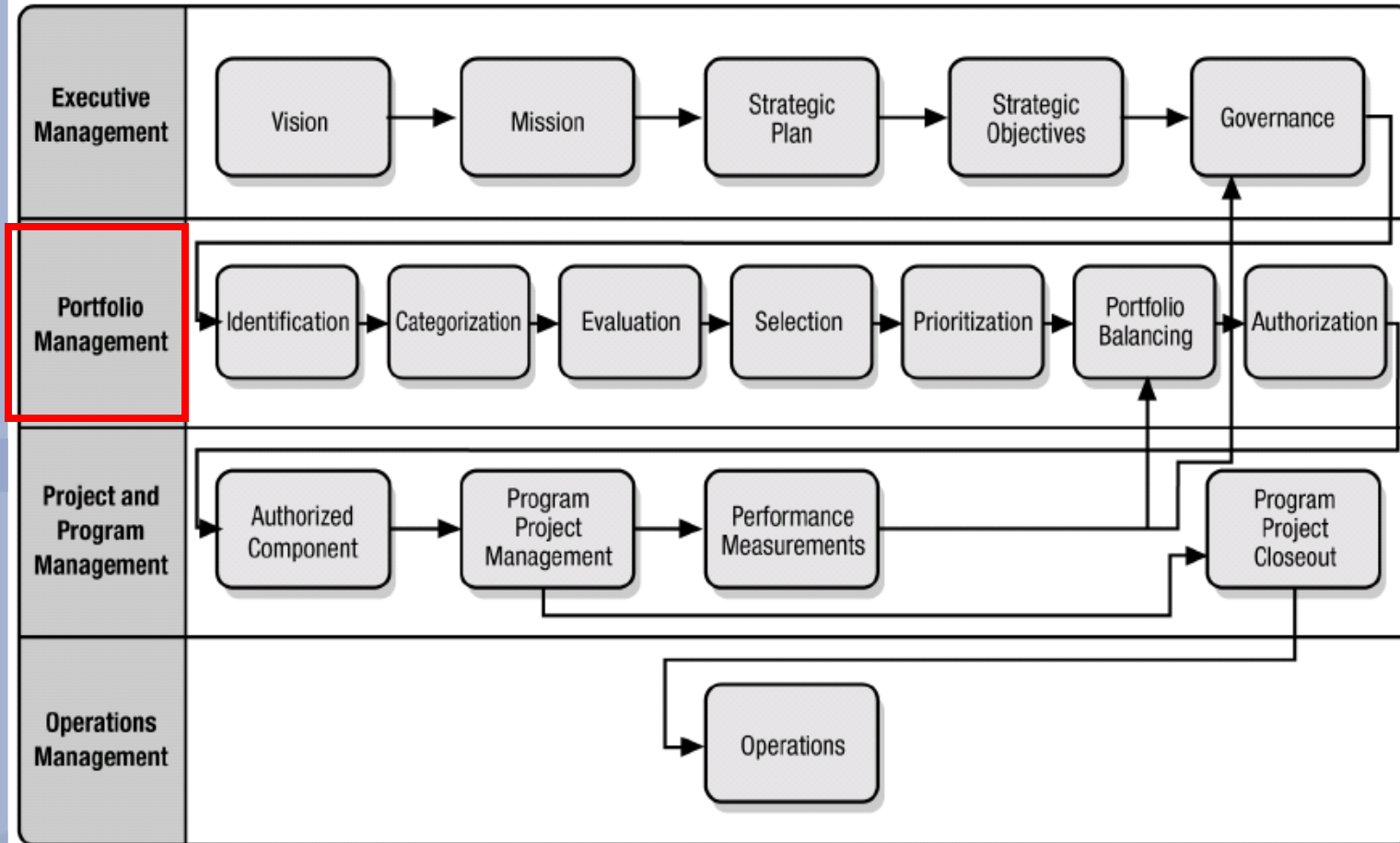
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- 2nd largest packaged consumer goods company
- 3rd largest food firm
- Portfolio of 1600 brands
- Present in 150 countries

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UNILEVER – “Path to Growth”

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- **1600 brands in 1999 – causes loss of focus**
 - **100 brands – 75% turnover**
 - **February 2000 – five-year growth strategy**
- “Path to Growth”**

| Segment | Category | Major Brands |
|------------------------------|----------------------------|----------------------------|
| Food and Beverage | Culinary Product | Ragu, Colmans, Calve |
| | Frozen Product | Findus |
| | Ice Cream | Magnum, Breyers |
| | Tea | Lipton |
| | Spreads & Cooking Products | Rama, Becel |
| Home and Personal Care (HPC) | Household Care | Domestics, Cif |
| | Laundry | Omo, Ala, Snuggle |
| | Deodorants | Axe, Rexona, Dove |
| | Hair Care | Sunsilk, Organics |
| | Personal Wash | Vaseline, Dove, Lux, Ponds |
| | Oral Care | Signal, Close-Up |
| | Fragrances | Calvin Klein |

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- **Get rid of some “non-strategic” brands**
- **Reduce the portfolio to 400 “power brands” by 2004**
- **Make the companies operation in 150 countries more efficient**
- **Reorganize its 3,000,000 workers worldwide**
- **Save \$7billion within 5 years**

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Before the power brand strategy



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UNILEVER – 1990: “The sleeping giant”

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☹ Years of slow performance

☹ Lack of sound corporate strategy

☹ Numerous low-volume brands

☹ Small global presence compared to competition

☹ Mediocre performance in emerging markets



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UNILEVER – 1994: Core Strategy

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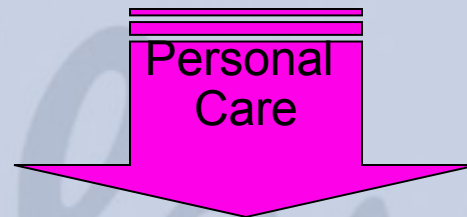
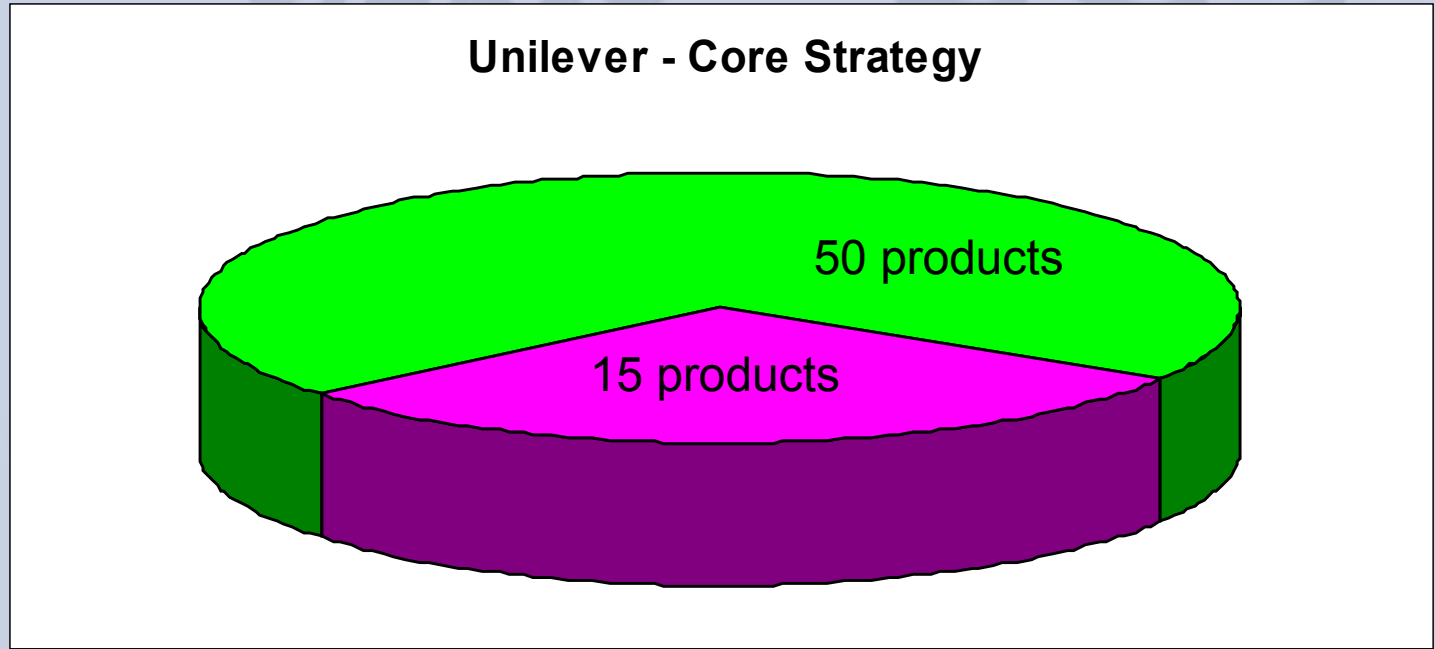
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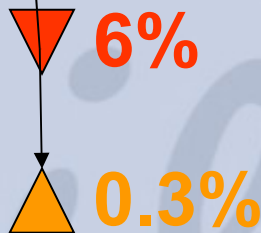
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UNILEVER – 1999

UNILEVER FINANCIALS (IN MILLION EUROS)

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Group Turnover | 40,437 | 40,977 | 47,582 | 51,514 | 48,270 | 41,817 | 40,366 |
| Total Gross Operating Profit | 4410 | 4,303 | 3,181 | 5,174 | 5,041 | 3,526 | 3,573 |
| Net Profit | 2,944 | 2,771 | 1,105 | 1,838 | 2,129 | 2,942 | 1,9 |



Source: www.unilever.com

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UNILEVER – September 1999

Fewer and stronger brands

Reduce its brand portfolio

1600 – 400 power brands

Result expected:

Unilever's top line growth to
5% - 6%

Increase the profit to 16% by
2005

Reduce the work force by
10%

Reduce operations to 110
countries from 150

Promote faster growth



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UNILEVER – Niall Fitzgerald said:

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- **“power brand” strategy was implemented successfully**
- **Unilever cut the portfolio from 1600 to 400 brands and is at the number**
- **2000 – 4 brands with sales of more than \$1bn**
- **2005 – 12 brands with sales of more than \$1bn**

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UNILEVER – Analysts say:

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- **“power brand” strategy did not reach Unilever’s expectations**
- **Sales grew only by 0.4% (targeted 5%-6%)**
- **“sometimes strong brands were more important than scale” KPN, Nivea**
- **Global companies need a hybrid approach (local and global brands in its portfolio)**

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- **Private labels like Aldi and Lidl were vital to the failure**
- **P&G are a threat to Unilever**
 - **2000 – 9 brands with sales over \$1bn**
 - **2004 – 19 brands with sales over \$1bn**
- **Traditional media fragmented – target audience more expensive to reach**

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UNILEVER – Brand Categories

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| Type of Brand | Significance |
|---------------|---|
| Power | Brands those needs to be defended ferociously and deployed juridiciously |
| Sleeper | Brands those have have the potencia to become a power brand with a little support |
| Slider | Brands which earlier was a power brand but lately lost momentum and needs immediate attention |
| Soldier | Brands those regular contribute significantly without much attention |
| Black Hole | Brands those needed excess resources without any significant contribution |
| Rocket | Brands those will get power brand status soon |
| Wallflower | priced, under marketed but had a small but loyal customer base |
| Discard | Brands that should be discarded long ago |

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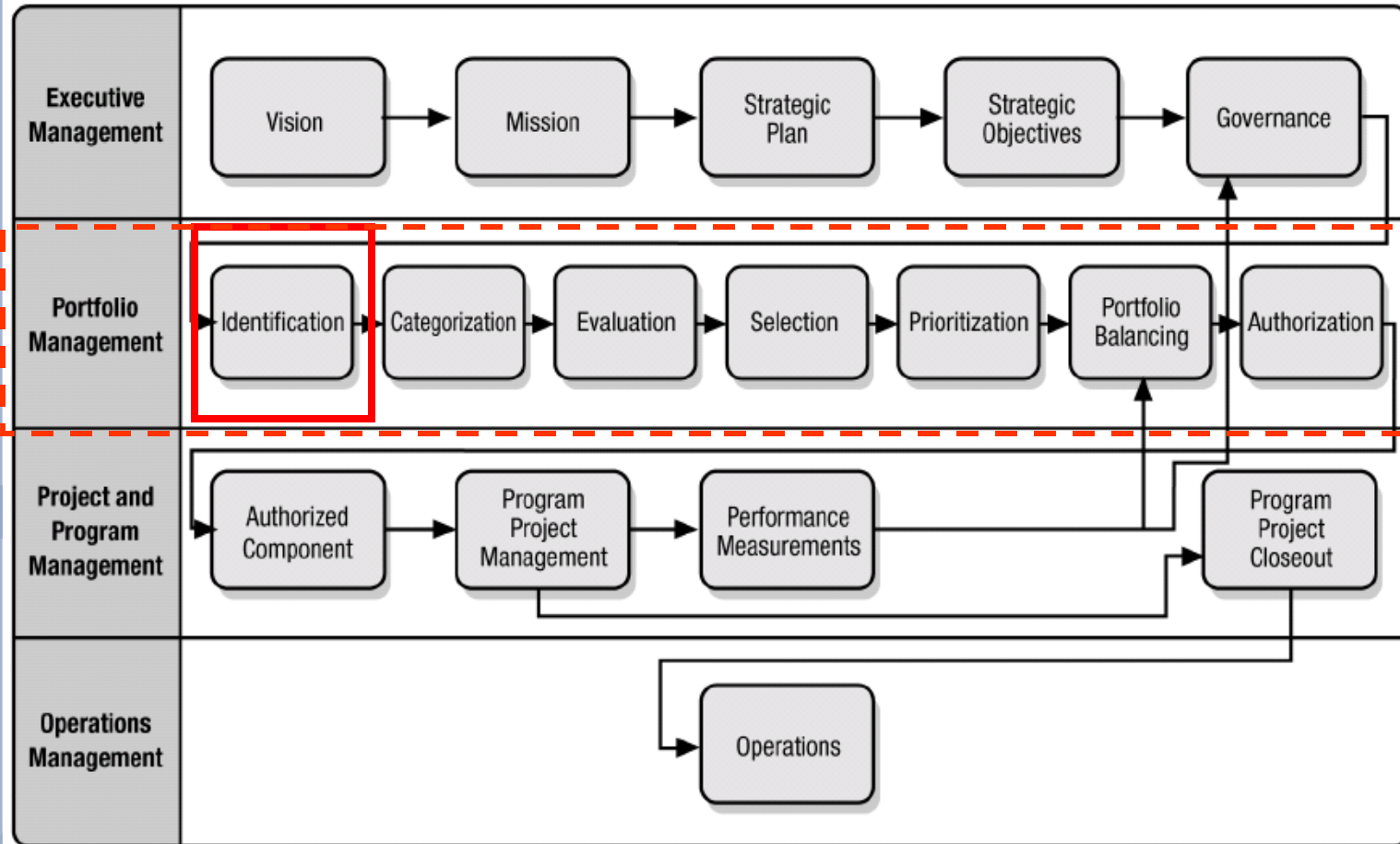


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Identify the **opportunities and challenges**, brand portfolio helped to compare all the brands,

Identify and **allocate resources** to the brand with greatest potential, taking necessary measures to prevent investments in some nonperforming brands.

Unilever appointed PriceWaterhouse Coopers to streamline its portfolio of 1600 brands and identify the 'power brands' from it.



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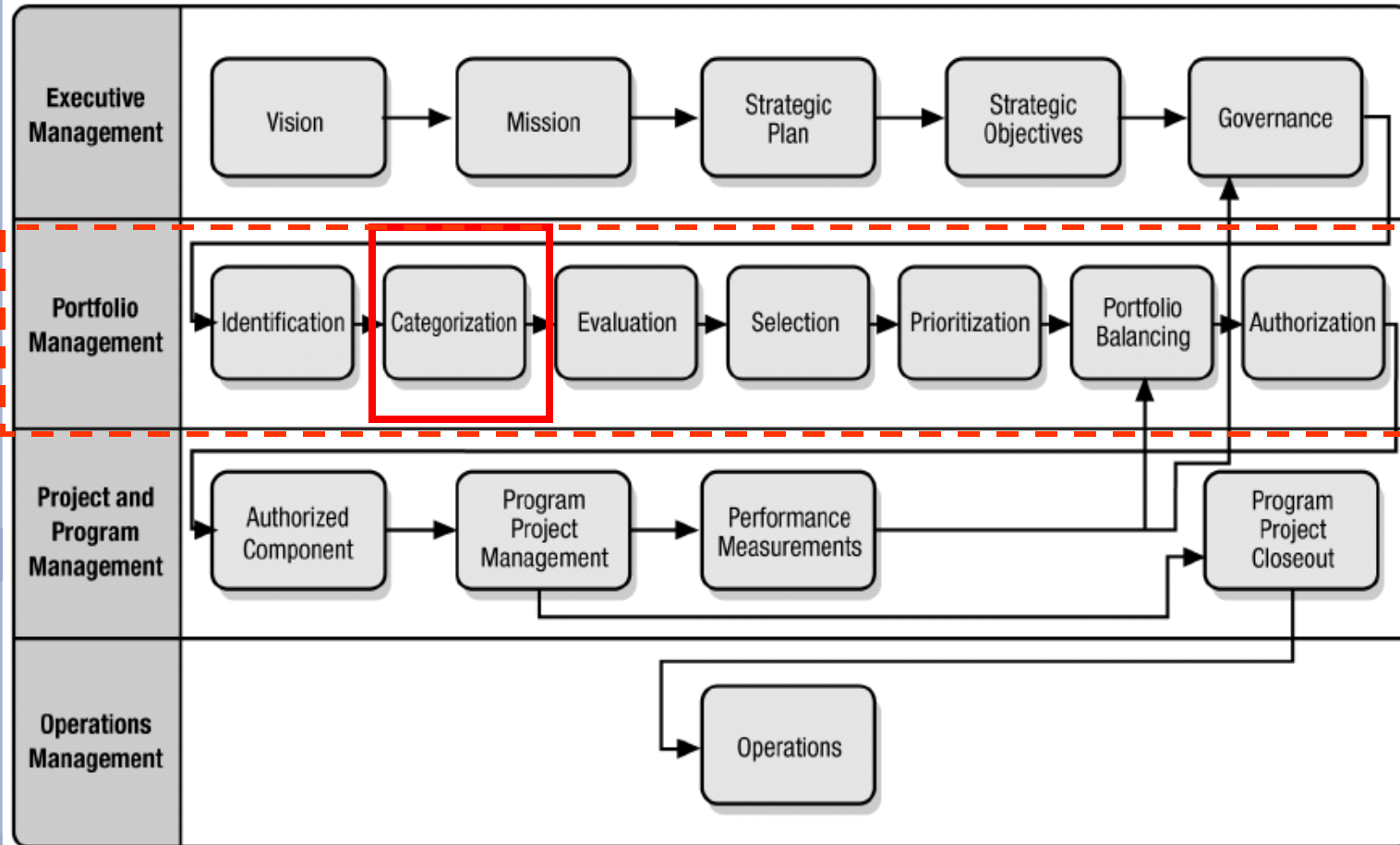
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The managers tried to understand the brand portfolio properly.



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UNILEVER – Portfolio Evaluation

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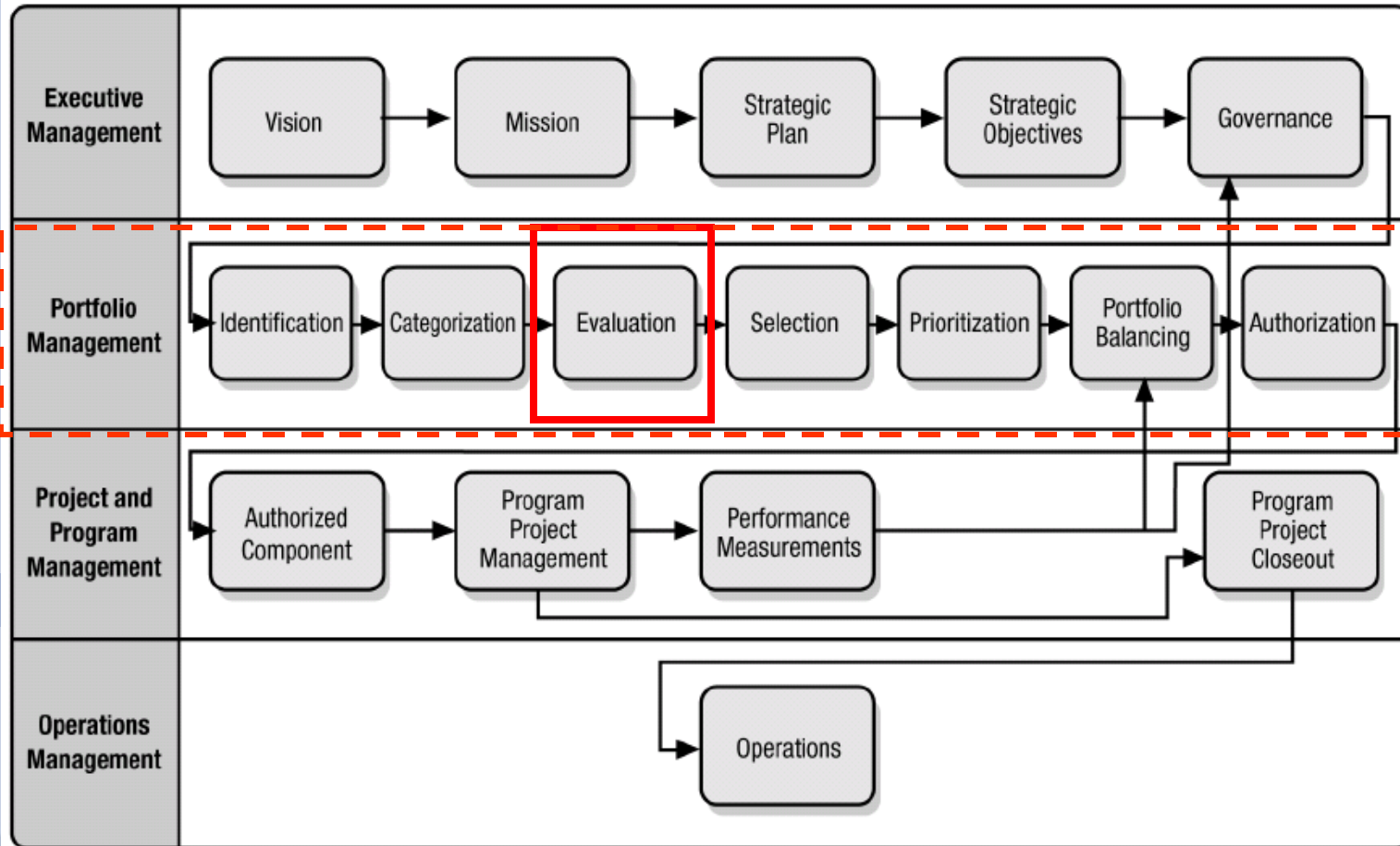
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Exhibit 3: BRAND CONTRIBUTION

| | | (In \$) | | |
|---|---|-----------|--------------|--------------|
| Annual revenues from brand | | | | |
| Less : Direct marketing expenses | | | | |
| Less : Below-the-line spending | | | | |
| Apparent Brand Contribution | | | | |
| Hidden Costs | Senior management Time Extra attention of the sales force Complex product line Customer/Trade complaints Bad public relations Staff Turnover Others | Yes | No | |
| Does this brand contribute to the profitability of other brands but not captured in P&L | Leverage with trade partners Platform for line extensions and new products | Yes | No | |
| Importance of the contribution of the brand relative to other brands | Contribution to profit Contribution to overheads | Top Third | Middle Third | Bottom Third |
| Overall contribution of the brand | | High | Medium | Low |
| How important this brand in the overall brand portfolio will be three years down the line | | More | Same | Less |

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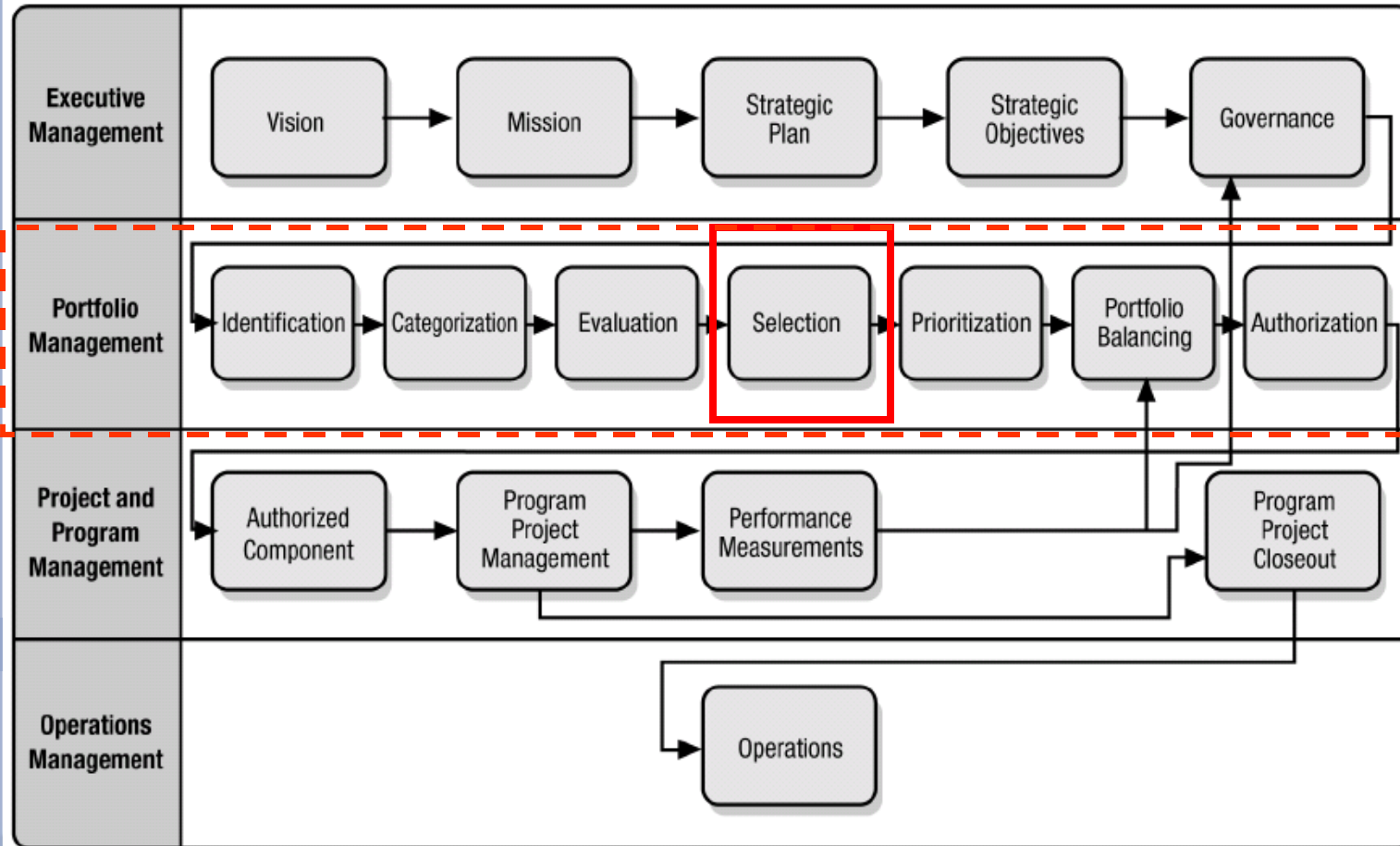
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- Identification
- Categorization
- Evaluation
- Selection

- Prioritization
- Portfolio Balancing
- Authorization

4. Path to Growth

- Brand Reduction
- Brand Extension



Source: Project Management Institute, Inc.: The Standard for Portfolio Management, Pennsylvania (USA), 2006, page 9

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UNILEVER – Portfolio Selection

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Exhibit 4: BRAND RENEWAL MATRIX

| Movement of Brand | | | Brand Renewal Imperative |
|-------------------|----------|----------|---|
| Contribution | Traction | Momentum | |
| High | High | High | Ideal power Brand |
| High | High | Low | Fast Track |
| High | Medium | Low | Solid brand but showing a declining trend |
| Medium | Medium | Medium | Maintain. Solid performer without much intervention |
| Low | Low | High | Watch this brand. It will either be a power brand or black hole |
| Low | High | Low | This brand serves a small/niche group of customers. |
| Low | Low | Low | Divest the brand |

Source: 'Achieving the ideal brand portfolio' Sam hill, Richard Ettenson and Dane Tyson, MIT Sloan Management Review (Dec 2004)

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UNILEVER – Portfolio Prioritization

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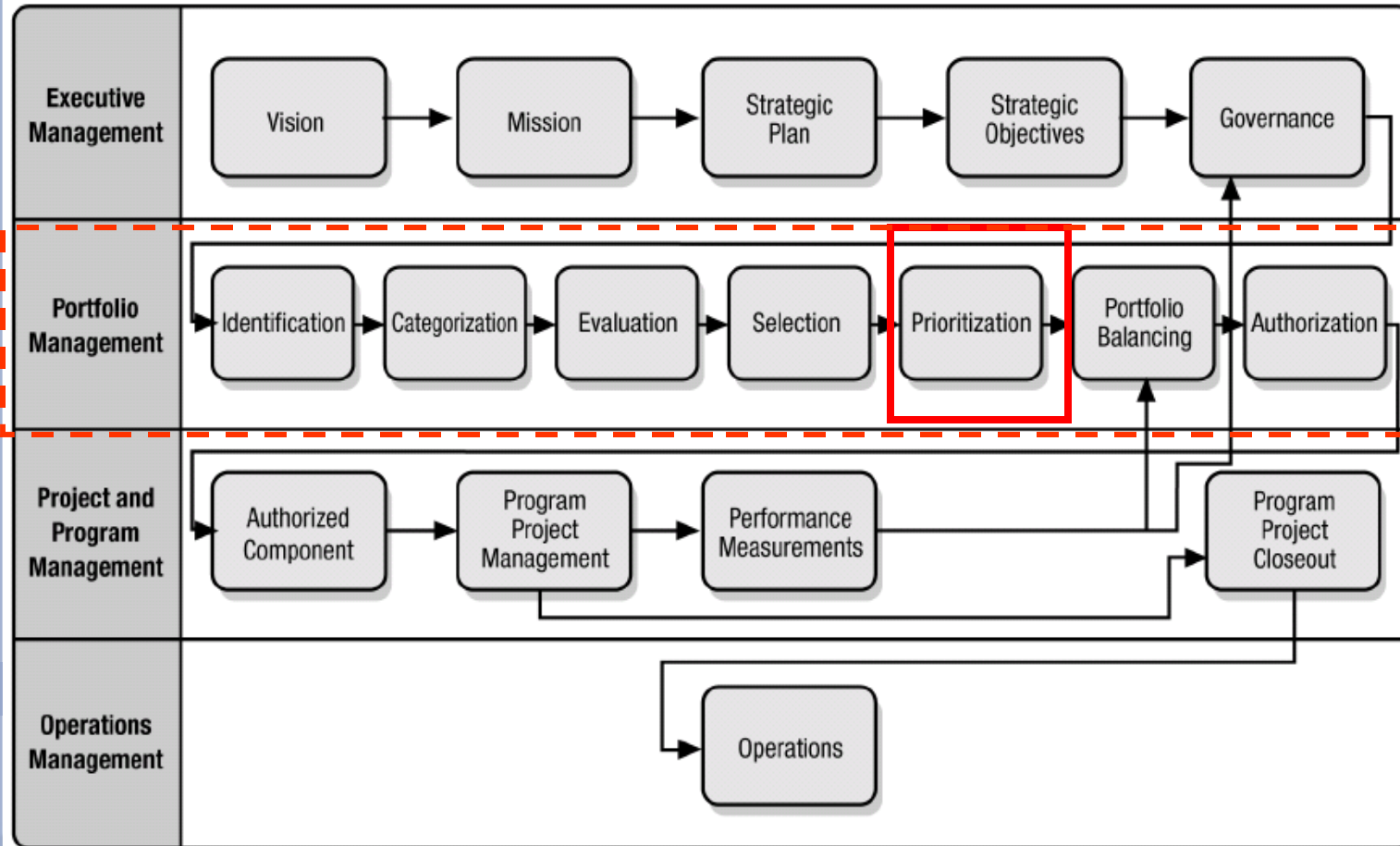
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UNILEVER – Portfolio Prioritization

Exhibit 5: CLASSIFICATION OF BRANDS

| Type of brand | Significance |
|---------------|--|
| Power | Brands those needs to be defended ferociously and deployed judiciously |
| Sleeper | Brands those have the potential to become a power brand with a little support |
| Slider | Brands which earlier was a power brand but lately lost momentum and needs immediate attention |
| Soldier | Brands those regular contribute significantly without much attention |
| Black Hole | Brands those needed excess resources without any significant contribution |
| Rocket | Brands those will get power brand status soon |
| Wallflower | Brands those were underappreciated, under priced, under marketed but had a small but loyal customer base |
| Discard | Brands that should be discarded long ago |

Source: 'Achieving the ideal brand portfolio'
Sam hill, Richard Ettenson and Dane Tyson, MIT Sloan

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UNILEVER – Portfolio Balancing

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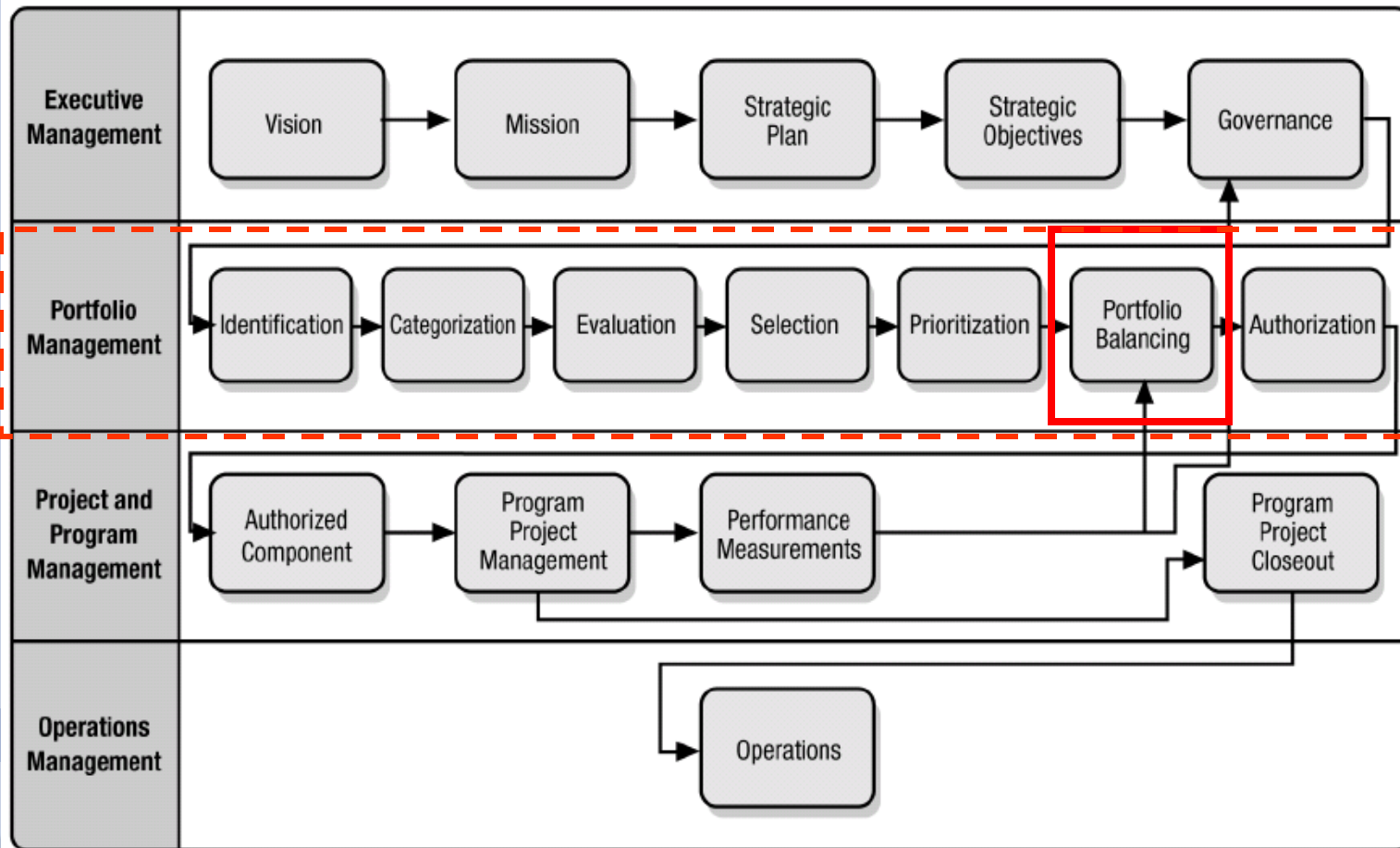
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UNILEVER – Portfolio Balancing

Exhibit 6: THE BRAND AUDIT SHEET

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| Brand | Global Market | Regional Presence | | | | | % of Sales | % of profit | Cash Status |
|-----------------|-------------------------------|-------------------|---------|---------|---------|----------------|------------|-------------|-------------|
| | | North | Latin | Asia | Western | Eastern | | | |
| | Share | America | America | Pacific | Europe | Europe | | | |
| A | 15% | | | | | | 17 | 20 | Generator |
| B | 7% | | | | | | 8 | 10 | User |
| | | | | | | | | | |
| Market Position | Brand Positioning | | | | | Cash Status | | | |
| Dominant | Quality, Value, Upscale, Fun, | | | | | | | | |
| Strong | Adventurous, Premium, Safe, | | | | | Cash Generator | | | |
| Weak | Reliable, Trustworthy, | | | | | Cash Neutral | | | |
| Not Present | Aggressive, Cheap | | | | | Cash user | | | |

Source: 'Kill a brand, keep a customer', Nirmalya Kumar, HBR (Dec 2003)

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UNILEVER – Portfolio Authorization

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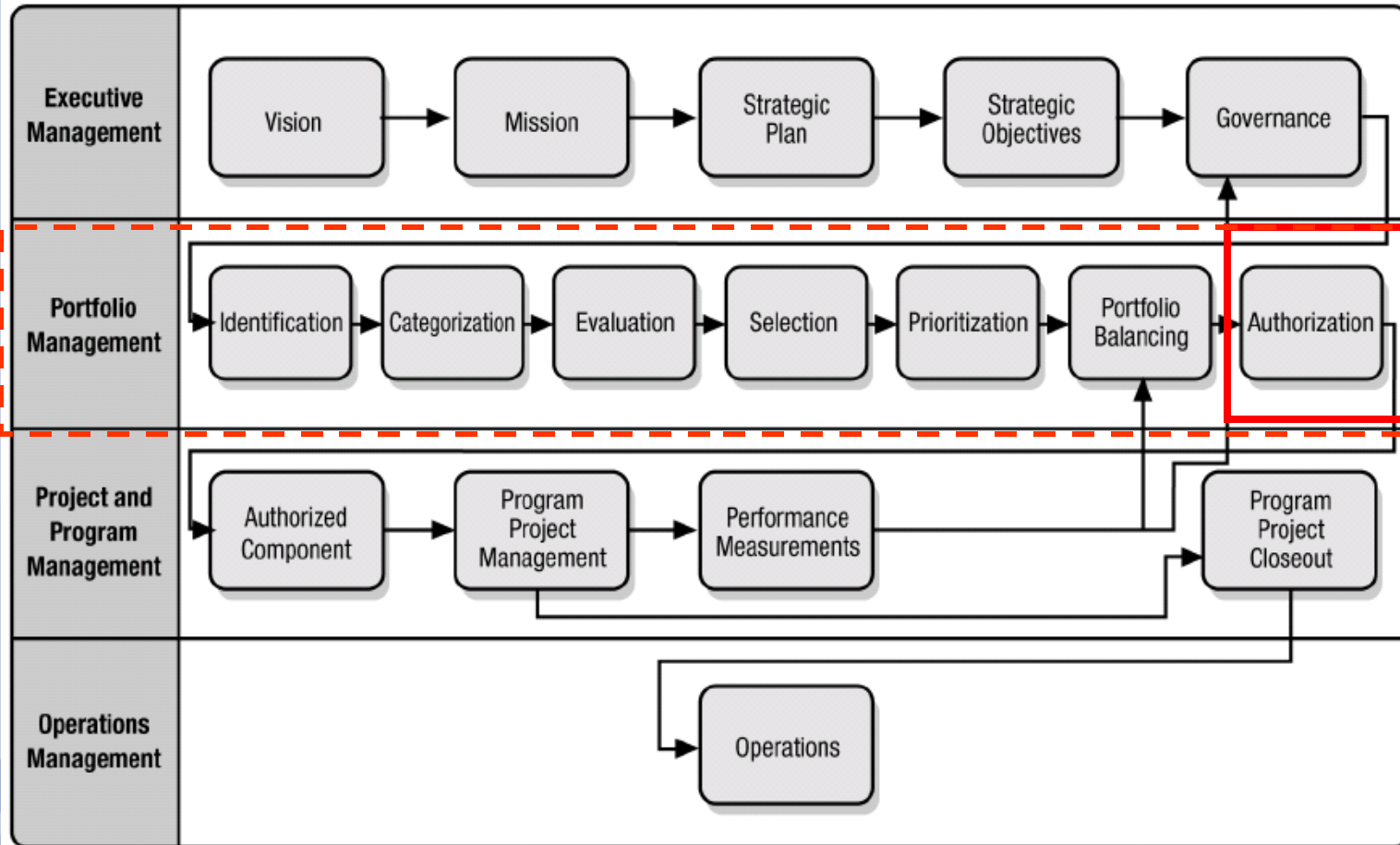
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GO!

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UNILEVER – Brand Reduction

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Dalda - डालडा



- Launched in British India in 1938.
- Overall market leader
- Net proceeds from sales are about Pak. Rs 2.05 billion.
- Selected Oils and Fats Business (SOFB) sold for Pak. Rs 1.4 billion .
- UPL had to sell its SOFB products as part of Unilever's global strategy focus on core brand and product areas.

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UNILEVER – Brand Extension



Knorr

- Knorr was founded in Germany 1838
- Unilever's leading soup brand
- 1994: SPAGHETTERIA ready-made dishes
- 1997: TASTEBREAKS Asia noodle type
- 2000: Marked as - Power brand
- 2004: Entering frozen foods sector

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Dove

- Dove soap launched in US 1955
- Mild cleansing ingredient: pH neutral
- 2000: Marked as - Power brand
- 2003: 24% of US market by 2003
- 2003: Brand Extension in hair care
- 2004: Dove Campaign for Real Beauty [\(link\)](#)

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Any Questions left?

Serdecznie dziękujemy

Много ви благодаря

Muchas Gracias

Muito Obrigado

Thank you very much



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UNILEVER – SWOT Analysis

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| Strengths | Weaknesses |
|---|--|
| <ul style="list-style-type: none"> • Recognized as a global company • Strong brand portfolio • Strong relationship with retailers • Economies of scale | <ul style="list-style-type: none"> • Dual leadership • Not connecting with customers • Inefficient management of brands • Reduced spending for R & D • Inability to maximize acquisitions • Decrease in revenues |
| Opportunities | Threats |
| <ul style="list-style-type: none"> • Changing consumer preferences • Increasing need for healthy products | <ul style="list-style-type: none"> • Strong Competition • Increasing store brands • Tougher Business Climate • Exchange rates |

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UNILEVER – Environmental Management

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http://www.unilever.com/ourcompany/investorcentre/annual_reports/annual_report_Form.asp

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UNILEVER – Distribution of cash value 06

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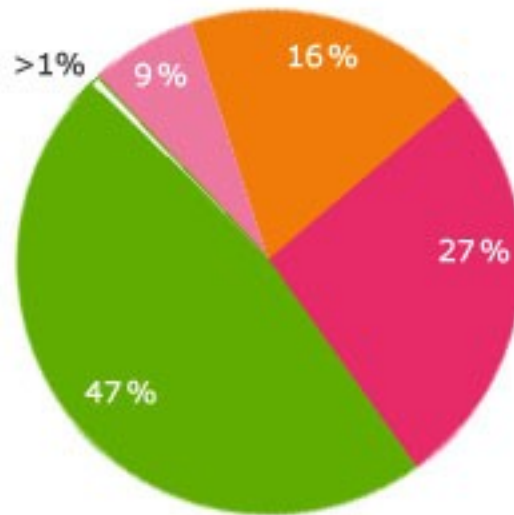
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% of total (€11 450m)



- Employees (€5 355m)
- Providers of capital (€3 144m)
- Invested in business for future growth (€1 810m)
- Governments (€1 063m)
- Local communities (€78m)

http://www.unilever.com/ourcompany/investorcentre/annual_reports/annual_report_Form.asp

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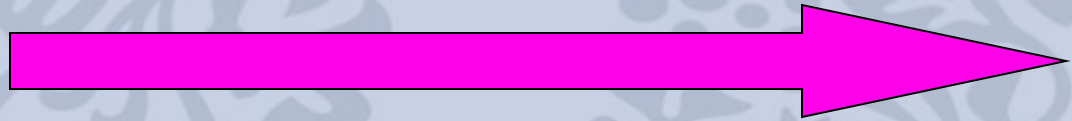
SlimFast

Ben & Jerry's

Bestfoods

Rationale

- Build strong portfolio
- Strategically attractive category



Attractive Drivers

- Strong customer reach
- 20% annual growth rate
- Strong sales and distribution network
- Opportunity for product

- Would make Unilever world's largest ice cream products maker
- Premium prices
- Strong brand equity

- 10th largest U.S. based food products companies
- History of growth in revenues and earnings
- Strong global position

Unilever contributions

- \$2.3 billion cash
- International presence

- \$326 million
- Competencies in the industry

- \$20.3 billion euro cash; assumption of net debt
- Operating efficiency
- Similar portfolios and geographic coverage

UNILEVER – Strategy Overview

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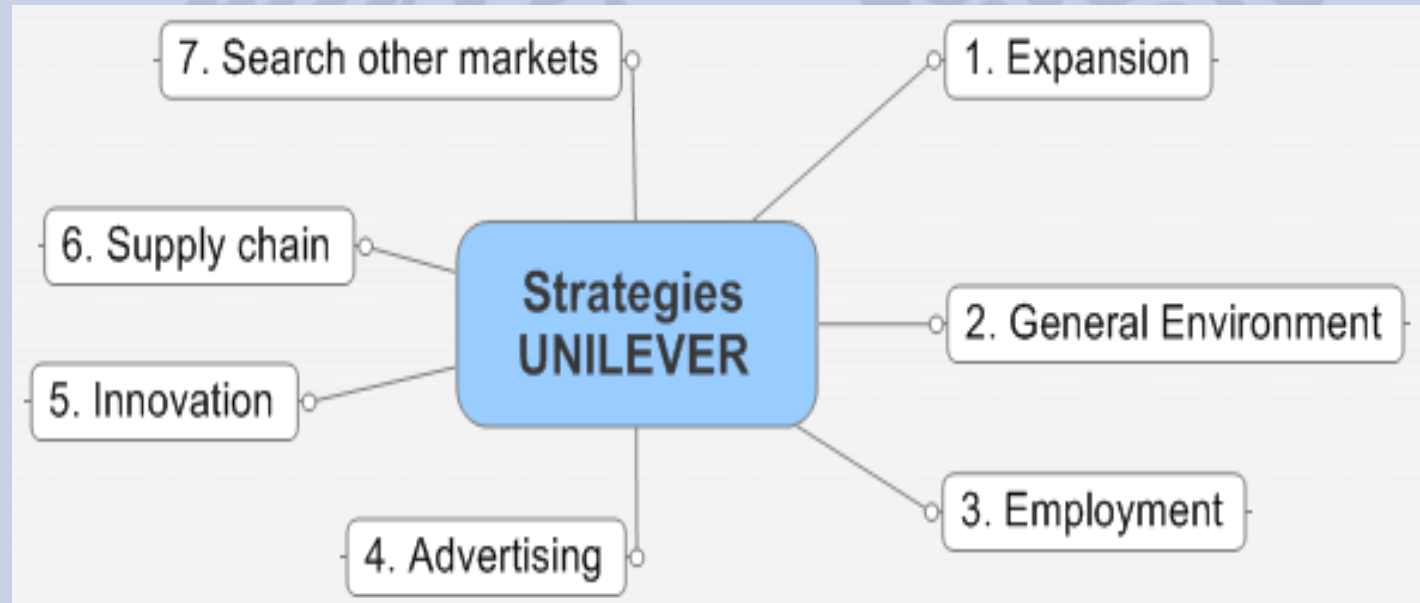
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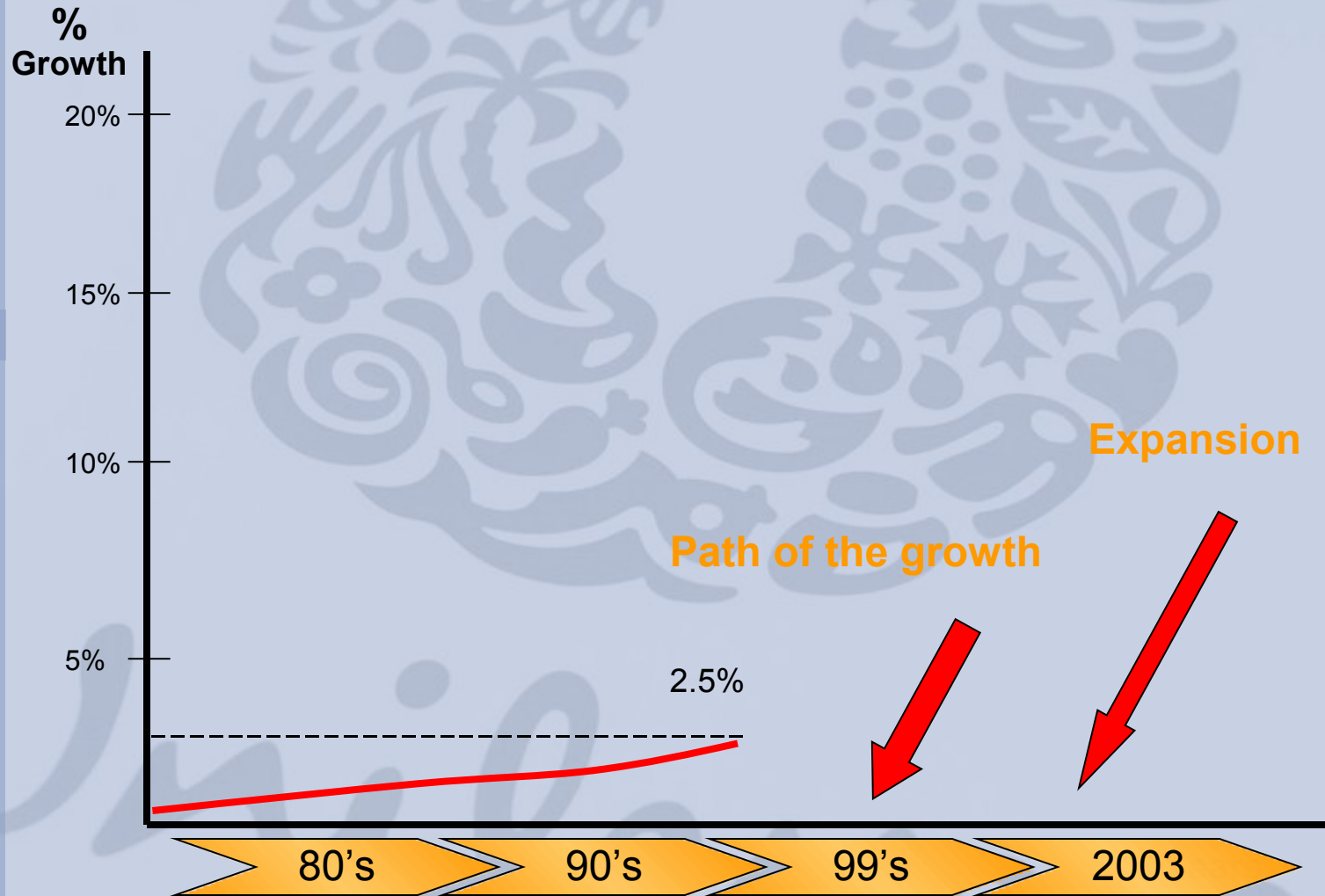
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UNILEVER – Global IT strategy

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- **Unilever Selects SAP as Standard for Global IT Strategy**

- **Unilever Information Program (UIP) – develop an infrastructure to support the path to grow strategy**

- **Data Integrator – ETL (extraction, transformation and loading) tool able to extract data, transform it into usable business information, and load it into the data warehouse**

- **Business Objects Rapid Marts – CRM (customer relationship management) and SCM (supply chain Management) applications**

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