UNILEVER IN EMERGING MARKETS

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Abstract

Cultural diversity may enable a firm to compete more effectively in international markets. Culturally diverse top management teams often have a greater knowledge of international markets. Unilever's success has been influenced by the major events of the day – economic boom, depression, world wars, changing consumer lifestyles and advances in technology. Today, Unilever still believes that success means acting with 'the highest standards of corporate behavior towards our employees, consumers and the societies and world in which we live'. Over the years we've launched or participated in an ever-growing range of initiatives to source sustainable supplies of raw materials, protect environments, support local communities and much more. Through this timeline, the brand portfolio has evolved. At the beginning of the 21st century, Path to Growth strategy focused on global high-potential brands with mission has taken company into a new phase of development.

***Keywords**: strategy, global strategy, international markets*

Introduction

International strategy refers to selling products in markets outside of the firm's domestic market to expand the market for their products. This is explained by Vernon's adaptation of the product life cycle concept formulated to explain internationalization. Accompanying these traditional and emerging reasons for international expansion, other opportunities available to firms through an international strategy include : increasing the size of potential markets, achieving greater returns on capital and/or investment in new product/process developments, gaining economies of scale, scope, or learning, gaining location-based competitive advantage. International strategies available to firms are business-level and corporate-level. Business-level strategy choices are generic, extending our earlier discussion of cost leadership, differentiation, focus, and integrated cost leadership/differentiation strategies. Corporate-level strategies are dependent on the complexity and scope of product and geographic diversification, and these include multi domestic, global, and transnational (hybrid) strategies. Each business must develop a competitive strategy focused on its own domestic market. International business-level strategies have some unique features. In an international business-level strategy, the home country of operation is often the most important source of competitive advantage.

In the 1890s, William Hesketh Lever, founder of Lever Bros, wrote down his ideas for Sunlight Soap – his revolutionary new product that helped popularise cleanliness and hygiene in Victorian England. It was 'to make cleanliness commonplace; to lessen work for women; to foster health and contribute to personal attractiveness, that life may be more enjoyable and rewarding for the people who use unilever's products'.

In a history that now crosses three centuries, Unilever's success has been influenced by the major events of the day – economic boom, depression, world wars, changing consumer lifestyles and advances in technology. And throughout we've created products that help people get more out of life – cutting the time spent on household chores, improving nutrition, enabling people to enjoy food and take care of their homes, their clothes and themselves.

Literature Review

The resources and capabilities established in the home country frequently allow the firm to pursue the strategy into markets located in other countries. Prahalad and Lieberthal (1998) note, in MNCs using an 'imperialist mindset' to sell existing products to established upscale markets in emerging economies. By focusing on wealthy consumers and partner organizations who participate in the formal economy, however, these firms are seeing only the tip of the proverbial iceberg.

Four interrelated national or regional factors contribute to the competitive advantage of firms competing in global industries is factor conditions or the factors of production, demand conditions, related and supporting industries and firm strategy, structure, and rivalry. Perhaps the most basic factor in the model, factor conditions or factors of production, refers to the inputs necessary to compete in any industry. These include such factors as labor, land, natural resources, capital, and infrastructure (such as highway, postal, and communications systems). As described, the four basic factors of Porter's Diamond of Advantage model emphasize the impact or influence of the environmental or structural attributes of a nation's economy that may contribute to a national advantage for its firms in specific industries. Porter(1990) concludes that the essential structural characteristic is the degree of interrelationship among competitive environments in different countries. Each firm has to devise a strategy along two key dimensions: the configuration of the activities of the firm's value chain and the coordination of those activities. Along those axes, four types can be determined. In spite of the presence of the four factors and government support, the factors leading to national advantage are likely to result in a firm achieving competitive advantage only when the firm develops and implements strategies that enable it to take advantage of country-specific factors (Ireland, 2007). Barlet (1986) takes a slightly different view taking a less structural approach. The two key dimensions are here the coordination or integration among the subsidiaries and the degree of adaption to each national milieu where the firm operates.

The type of corporate-level strategy adopted by a firm will have an impact on the selection and implementation of its international business-level strategy. Some corporate-level strategies provide individual country units with the flexibility to develop country-specific strategies, while others dictate all country business-level strategies from the home office and coordinate activities across units for the purposes of resource-sharing and product standardization. International corporate-level strategy can be distinguished from international business-level strategy by the scope of operations, in terms of both product and geographic diversification. a firm should choose its international corporate strategy based on the need for both local responsiveness and for global integration. When the need for global integration is high and there is little need for local market responsiveness, the firm should adopt a *global strategy*. for global integration is low, but there is great need for local market responsiveness, the firm should adopt a *multidomestic strategy*. But, if there is a great need for both global integration and local market responsiveness, the firm should adopt a *transnational strategy* (London, 2004) These factors can be subdivided into four categories:

1. Basic factors, such as labor and natural resources
2. Advanced factors, including digital communications systems and highly-educated work forces
3. Generalized factors (required by all industries), such as highway systems and a supply of capital
4. Specialized factors that are most valuable in specific uses (e.g., skilled personnel employed at a port who specialize in the handling of bulk chemicals)

Nations having both advanced and specialized factors are likely to be characterized by growth in new firms that are strong global competitors. The second factor that determines national advantage is demand conditions, which are characterized by the nature and size of buyers' needs in the home market for the industry's products or services. The size of the segment can create demand sufficient to justify the construction of scale-efficient facilities. Related and supporting industries are the third factor of the national advantage model. National firms may be able to develop competitive advantage when industries that provide either materials or components, or that support the activities of the primary industry are present. Growth in certain industries is fostered by the fourth factor—firm strategy, structure, and rivalry. As expected, patterns of firm strategy, structure, and competitive rivalry among firms in an industry vary between nations. Firms have a variety of alternative means of expanding internationally. Five alternative entry modes available to firms for international expansion: exporting, licensing, strategic alliances, acquisition, wholly owned subsidiary (greenfield venture) (david, 2007)

The choice of a market entry strategy is determined by a number of factors. However, initial market development strategies generally are selected to establish a firm's products in the new market. Exporting does not require foreign manufacturing expertise; it only requires an investment in distribution. Licensing also can facilitate direct market entry by enabling the firm to learn the technologies required to improve its products in order to achieve success in international markets or to facilitate direct entry. Strategic alliances are also popular because the firm forms a partnership with a firm that is already established in the new target market and reduces risks by sharing costs with the partner. However, the entry strategy should be matched to the particular situation. In some cases, a firm may pursue entry strategies in sequential order beginning with exporting and ending with greenfield ventures. The entry mode decision should be based on the following conditions: the industry's competitive conditions, the target country's situation, government policies and the firm's unique set of resources, capabilities, and core competencies.

Based on the advantages discussed earlier, international diversification should be positively related to firm performance. Research has shown that, as international diversification increases, firms' returns decrease and then increase as firms learn to manage international expansion. There are several reasons for the positive relationship between international diversification and performance. (Jarillo, 1990)

1. Potential advantages from economies of scale and experience
2. Location advantages
3. Increased market size
4. The potential to stabilize returns

A complex relationship exits among international diversification, innovation, and performance. This leads, in fact, to the following circular relationship:

1. Some level of performance is necessary to provide the resources required to diversify internationally.
2. International diversification provides incentives (advantages) to firms to invest in R&D (innovation).
3. If done properly, R&D and the resulting innovations should improve firm performance.
4. Improved performance provides resources for continued international diversification and investments in R&D innovation.

Cultural diversity may enable a firm to compete more effectively in international markets. Culturally diverse top management teams often have a greater knowledge of international markets. An in-depth understanding of diverse markets among top-level managers facilitates inter-firm cooperation, the use of strategically relevant, long-term criteria to evaluate managerial and business unit performance, and improved innovation and performance. Political and economic risks complicate the management of international diversification. One reason is that these risks result in competitive conditions that may differ significantly from what was expected.

National government instability creates multiple potential problems for internationally diversified firms. Economic risks come up as governments react to a variety of events, reflected in uncertainty in terms of economic risks and uncertainty created by government regulation, existence of many, possibly conflicting, legal authorities or corruption and the potential nationalization of private assets. Economic risks are interdependent with political risks; however, some economic risks are specific to international diversification. However, there are limits to the advantages of international diversification. Greater geographic dispersion across country borders increases the costs of coordination between units and the distribution of products. Trade barriers, logistical costs, cultural diversity, and other differences by country greatly complicate the implementation of an international diversification strategy (London, 04)

Institutional and cultural factors can present strong barriers to the transfer of a firm's competitive advantages from one country to another. Marketing programs often have to be redesigned and new distribution networks established when firms expand into new countries. Firms may encounter different labor costs and capital charges. In general, it is difficult to effectively implement, manage, and control a firm's international operations.

Discussion

Unilever products touch the lives of over 2 billion people every day – whether that's through feeling great because they've got shiny hair and a brilliant smile, keeping their homes fresh and clean, or by enjoying a great cup of tea, satisfying meal or healthy snack. Unilever's corporate vision – helping people to look good, feel good and get more out of life – shows how clearly the business understands 21st century-consumers and their lives. But the spirit of this mission forms a thread that runs throughout the history.

In the late 19th century the businesses that would later become Unilever were among the most philanthropic of their time. They set up projects to improve the lot of their workers and created products with a positive social impact, making hygiene and personal care commonplace and improving nutrition through adding vitamins to foods that were already daily staples.

Today, Unilever still believes that success means acting with 'the highest standards of corporate behavior towards our employees, consumers and the societies and world in which we live'. Over the years we've launched or participated in an ever-growing range of initiatives to source sustainable supplies of raw materials, protect environments, support local communities and much more. Through this timeline, the brand portfolio has evolved. At the beginning of the 21st century, Path to Growth strategy focused on global high-potential brands with mission has taken company into a new phase of development. More than ever, the brands are helping people 'feel good, look good and get more out of life' – a sentiment close to Lord Leverhulme's heart over a hundred years ago. Building on this heritage, the priorities now are inspiring people to take small everyday actions that can add up to a big difference for the world – from laundry brands that help minimise wasted water and packaging to nutritious, easily prepared and affordable meals and snacks.

Timeline

19th century Although Unilever wasn't formed until 1930, the companies that joined forces to create the business we know today were already well established before the start of the 20th century.

1900s Unilever's founding companies produced products made of oils and fats, principally soap and margarine. At the beginning of the 20th century their expansion nearly outstrips the supply of raw materials.

1910s Tough economic conditions and the First World War make trading difficult for everyone, so many businesses form trade associations to protect their shared interests.

1930s Unilever's first decade is no easy ride: it starts with the Great Depression and ends with the Second World War. But while the business rationalises operations, it also continues to diversify.

1940s Unilever's operations around the world begin to fragment, but the business continues to expand further into the foods market and increase investment in research and development.

1950s Business booms as new technology and the European Economic Community lead to rising standards of living in the West, while new markets open up in emerging economies around the globe.

1960s As the world economy expands, so does Unilever and it sets about developing new products, entering new markets and running a highly ambitious acquisition program.

1970s Hard economic conditions and high inflation make the 70s a tough time for everyone, but things are particularly difficult in the fast-moving consumer goods (FMCG) sector as the big retailers start to flex their muscles.

1980s Unilever is now one of the world's biggest companies, but takes the decision to focus its portfolio, and rationalize its businesses to focus on core products and brands.

1990s The business expands into Central and Eastern Europe and further sharpens its focus on fewer product categories, leading to the sale or withdrawal of two-thirds of its brands.

The 21st century The decade starts with the launch of Path to Growth, a five-year strategic plan, and in 2004 further sharpens its focus on the needs of 21st century consumers with its Vitality mission. In 2009, Unilever announces its new corporate vision – working to create a better future every day with brands that help people look

Unilever Indonesia has grown to be a leading company of Home and Personal Care as well as Foods and Ice Cream products in Indonesia. Unilever Indonesia's portfolio includes many of the world's best known and well loved brands, such as Pepsodent, Pond's, Lux, Lifebuoy, Dove, Sunsilk, Clear, Rexona, Vaseline, Rinso, Molto, Sunlight, Wall's, Blue Band, Royco, Bango and many more. (www.unilever.com)

Tabel. Market Share Sabun Cair (%)

Brand	Total	Jakarta	Bandung	Semarang	Surabaya	Medan
Lux	39,66	40,25	35,08	51,17	33,96	54,45
Lifebuoy	31,57	33,61	26,43	17,03	35,88	25,36
Biore	10,23	6,72	20,35	20,63	11,13	5,02
Dove	2,88	3,14	5,59	0	0	2,6
Gatsby	2,86	2,82	5	4,45	1,38	0
Nuvo	2,44	1,3	3,61	0	5,45	3,56
Cussons	1,83	1,68	2,84	0	2,42	0

Sumber: Indonesian Consumer Profile 2008, MARS Indonesia

From the table we can saw that market share unilever for liquid soap in Indonesia more than 50%. It's mean Unilever is the leader in liquid soap for all segment. Throughout this time, company purpose has remained the same as we work to create a better future every day; help people feel good, look good and get more out of life with brands and services that are good for them and good for others; inspire people to take small everyday actions that can add up to make a big difference for the world; and develop new ways of doing business that will allow us to grow while reducing our environmental impact.

Conclusion

Consumer research plays a vital role in our brands' development. Company constantly developing new products and developing tried and tested brands to meet changing tastes, lifestyles and expectations. And our strong roots in local markets also mean we can respond to consumers at a local level. By helping improve people's diets and daily lives, company can help them keep healthier for longer, look good and give their children the best start in life.

With 400 brands spanning 14 cate-gories of home, personal care and foods products, no other company touches so many people's lives in so many different ways. Today Unilever employs 163 000 people, sells products in 170 countries worldwide, and supports the jobs of many thousands of distributors, contractors and suppliers. Unilever constantly enhancing the brands to deliver more intense, rewarding product experiences. Unilever invest nearly €1 billion every year in cutting-edge research and development, and have five laboratories around the world that explore new thinking and techniques to help develop products. Company also committed to continuously improving the way we manage our environmental impacts and are working towards our longer-term goal of developing a sustainable business. Unilever purpose sets out aspirations in running our business. It's underpinned by code of business Principles which describes the operational standards that everyone at Unilever follows, wherever they are in the world. The code also supports our approach to governance and corporate responsibility.

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