



Unilever

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# UNILEVER PROJECT: Global Material Shortage

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Sponsored by Lisa DiCarlo

# OUTLINE

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## Meet the Team

## Background

- Understanding the Shortage
- What is D5?

## Proposed Solutions and Strategy

- Proposed but Ineffective Solutions
- Product Volume Adjustments
- Innovation Adjustments
- Communiation Adjustments

# MEET THE TEAM

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**Bella Agresti**

Finance



**Elizabeth Barrett**

Finance



**Andrew Eisel**

Finance



**Celine Ferrari**

Marketing



**Caroline Sliver**

Marketing



**Adam Zamansky**

Finance

U N D E R S T A N D I N G   T H E   I S S U E :

Defining the D5 Shortage

# COVID-19

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## Slowed Production

Decreased labor force due to lockdowns and quarantines

## Industry Impact

Disruption of global supply chain impacting most industries, including personal care and hygiene products sold by Unilever



# INDUSTRY IMPACT

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## Global Implications

Supply chain issues are being experienced globally—only dealing with the scope of U.S.

## Timeline Uncertain

New variants continue to be disruptive; for purposes of this project, one year



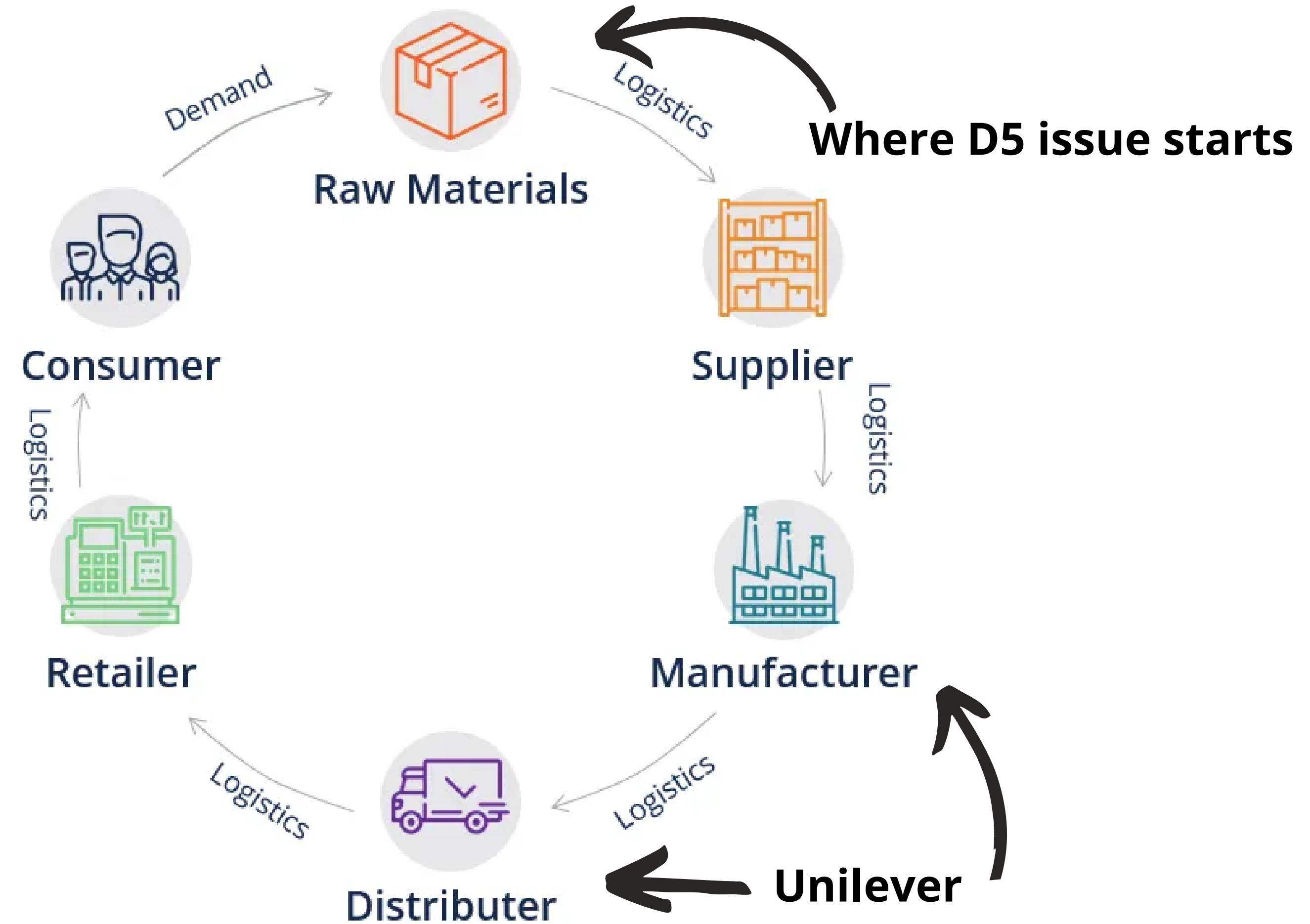
## D5

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**Chemical D5 is a key ingredient present in all deodorants, hair mousses and hair sprays sold by Unilever.**

- Shortage began in March
- All producers are impacted
- No choice to switch or move suppliers - **3** globally and only **1** in China can produce
  - Our supply will be **cut in half**
- Deprioritize products with the material while searching for a replacement





## BRANDS IMPACTED

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NEXXUS



Degree.®



AXE

# PROFIT MARGINS



**Deodorants – 68%**

Suave – 50%



**Hair Styling – 45%**

Dove – 50%

TRESemmé – 45%

Suave – 30%

# Although Suave has the lowest profit margins,

It has a dedicated consumer base  
and constitutes a high sales  
volume (especially at Walmart).



# INNOVATIONS

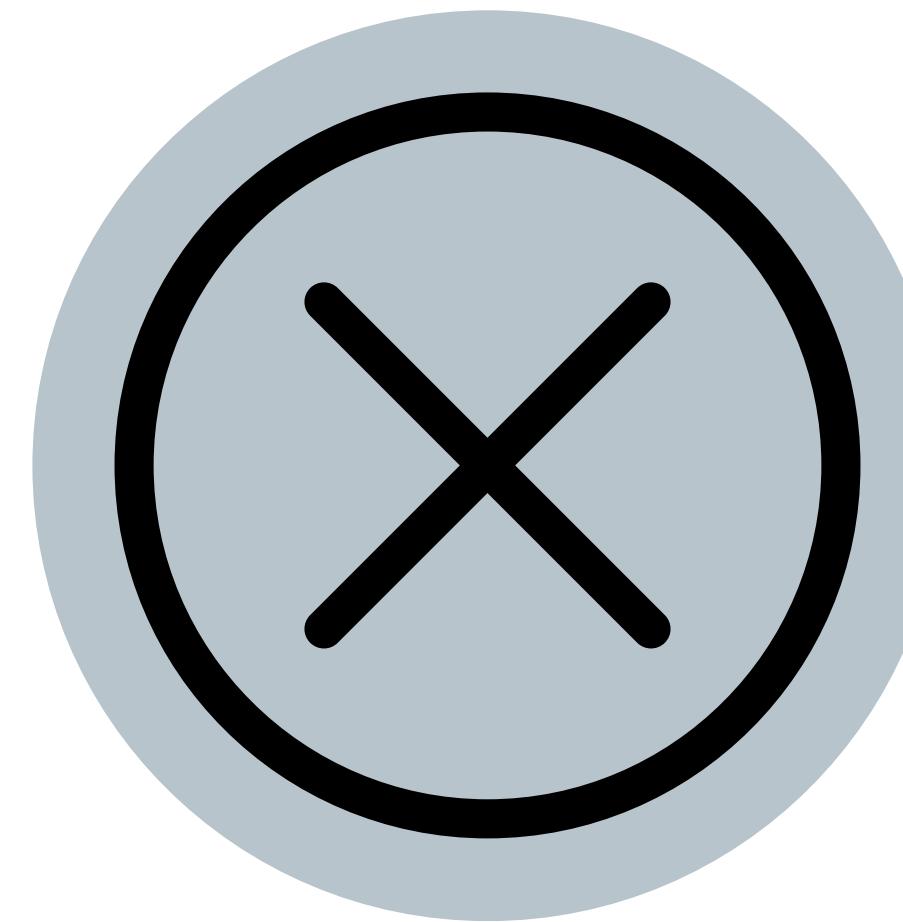
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**Shortage impacts innovations that occur on a bi-annual basis with launches occurring in June and December.**

Materials have been purchased and production has already begun for some of the June launches



# NPIs are tradeoffs.



For every ***new*** product line, one must be **discontinued** in order to make shelf space.

# RETAILER RELATIONSHIPS

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**Walmart is Unilever's biggest retailer, with Target, drug and club making up the majority of the rest.**

Although some stores may constitute a majority of sales volume, it is necessary to maintain relationships with all customers.



PROPOSED SOLUTIONS :  
**Strategy and Approach**

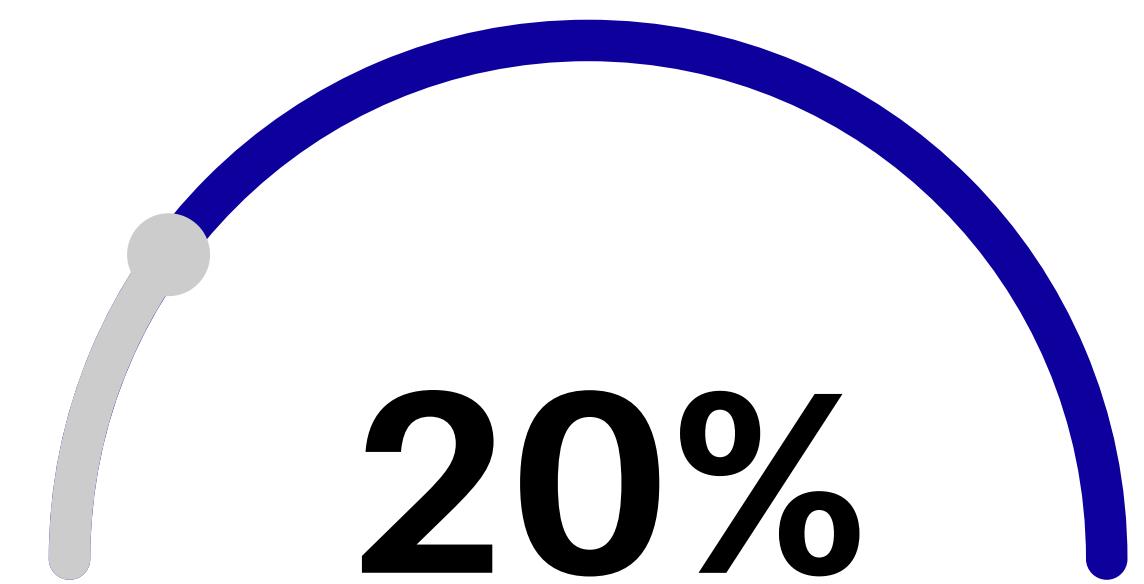
# REDUCE D5 LEVELS

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**Proposed Solution:** Reduce D5 levels in products to the lowest possible level to maintain the function of the product

## Why It's Ineffective:

- After research, D5 levels have already been reduced by the max possible amount
  - Impossible to add more without changing product function
- **20% Rule** for material makeup
  - Change in package artwork required



# REFORMULATION

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**Proposed Solution:** Reformulate with a different material in place of D5

## Why It's Ineffective:

- Product lines would go off the market until reformulation
- Invest in research and development to comply with safety codes and engage in testing and trials
- Would take about *1 year* to test the new material before product can be sold again



**Lose Money**



**Lose time**

# PRIORITIZE CUSTOMERS

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**Proposed Solution:** Walmart is the largest out of any retailer and carries the most D5 products, so other retailers should have their supplies partially or completely cut

## Why It's Ineffective:

- Shortage won't last forever and prioritization would damage customer relationships longterm
  - Create a new problem
- Efficient in short run, creates problems in the long run



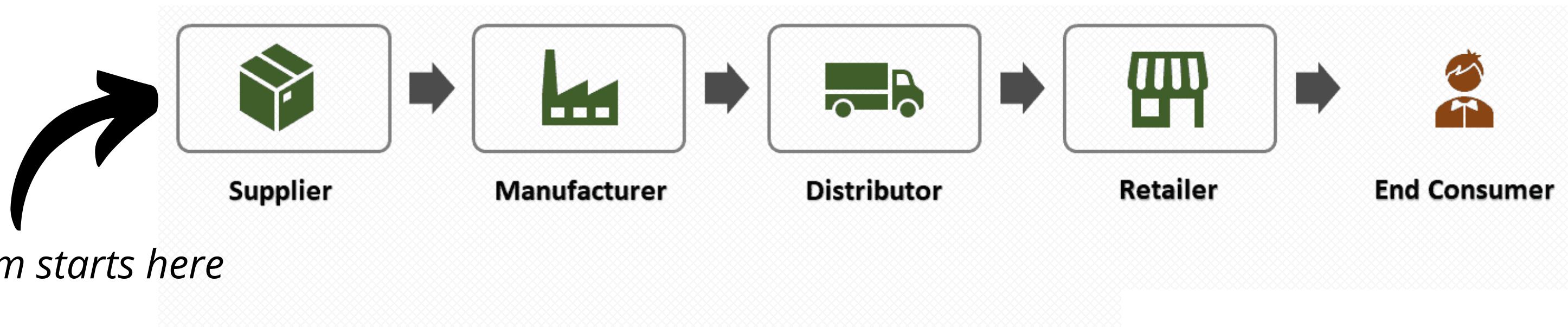
# VERTICAL INTEGRATION

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**Proposed Solution:** Purchase one or more of a D5 supplier

## Why It's Ineffective:

- Every supplier is facing this shortage so it wouldn't solve the problem
- Not compatible with Unilever's expertise and scope
- Large financial investment which will have little or no impact



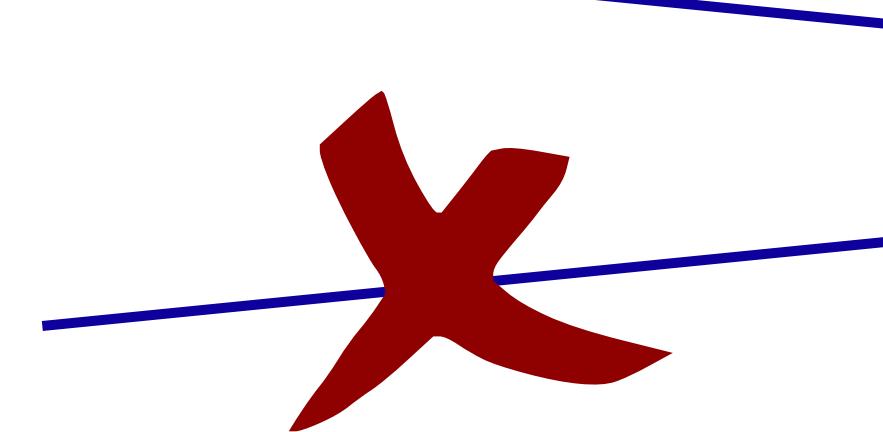
## Cut Bottom 30%

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**Proposed Solution:** Stop producing the products with the lowest product margin

### Why It's Ineffective:

- Hair products have lower product margins than deodorants, so only hair products would be discontinued
- Unilever will lose variety in their inventory by cutting only hair products
- Decreases overall sales potential after the shortage ends



P R O D U C T V O L U M E

Adjustments

# BRAND-SPECIFIC CUTS

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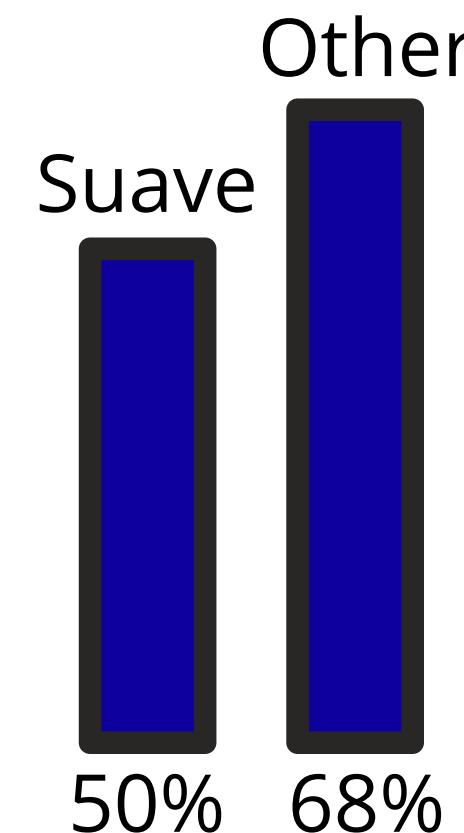
**For Deodorants:** Suave has the lowest margin at 50%,

- Other brands = around 68%

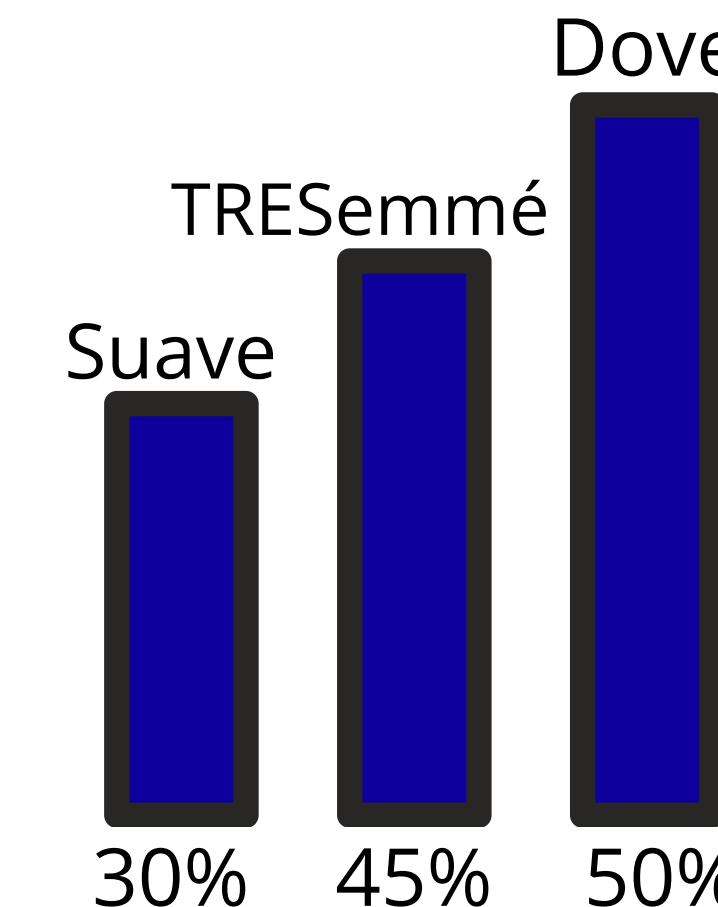
**For Hair Products:** Suave has the lowest margin at 30%

- Dove is 50% and TRESemmé is 45%

**Deodorants**



**Hair**



# BRAND-SPECIFIC CUTS

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**Solution:** Discontinue a greater number of lowest-performing Suave products than other brands

- Cut 20% lowest-performing Suave hair styling products
  - Higher percentage due to lower profit margin
- Cut 10% lowest-performing Suave deodorants

*Since Suave is a high-volume product, it will still have an in-store presence after the discontinuation.*



Just cutting Suave lines won't be enough to alleviate the impact of the shortage, though.

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# PRODUCT CUTS

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**Solution:** Cut lowest-performing SKUs and discontinue the products already planned to be cut to make room for NPIs

- Cut 5% of products with the lowest profits regardless of brand



# INNOVATION

# Adjustments

# JUNE INNOVATIONS

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## Solution:

If product is already in production, promotion has already begun or materials have already been purchased:



**Launch line**

If nothing has been invested in the line thus far



**Do not launch line**

*NPI lines produced will be exclusive to certain stores due to reduced volume, with allocation based on **product's target market** and **customer profile** of each store*



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# DECEMBER INNOVATIONS

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**Solution:** Do not make any NPIs with D5 for December launch

- There is no material liability yet
- R&D with new materials will replace current planned innovations with D5 for December



# SUAVE INNOVATIONS

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**Solution:** Stop any innovations from any brand with D5 for the foreseeable future since it has the lowest profit margin for each product category, and plan for other brands with flexible launch date



COMMUNICATION  
Adjustments

# ADVERTISING SPENDING

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**Solution:** Ad spending on any products including D5 should be reduced or stopped completely

- Reducing ad spending will cut some costs for Unilever and adjust demand for D5 products
- Unilever should consider promoting other products that do not include D5

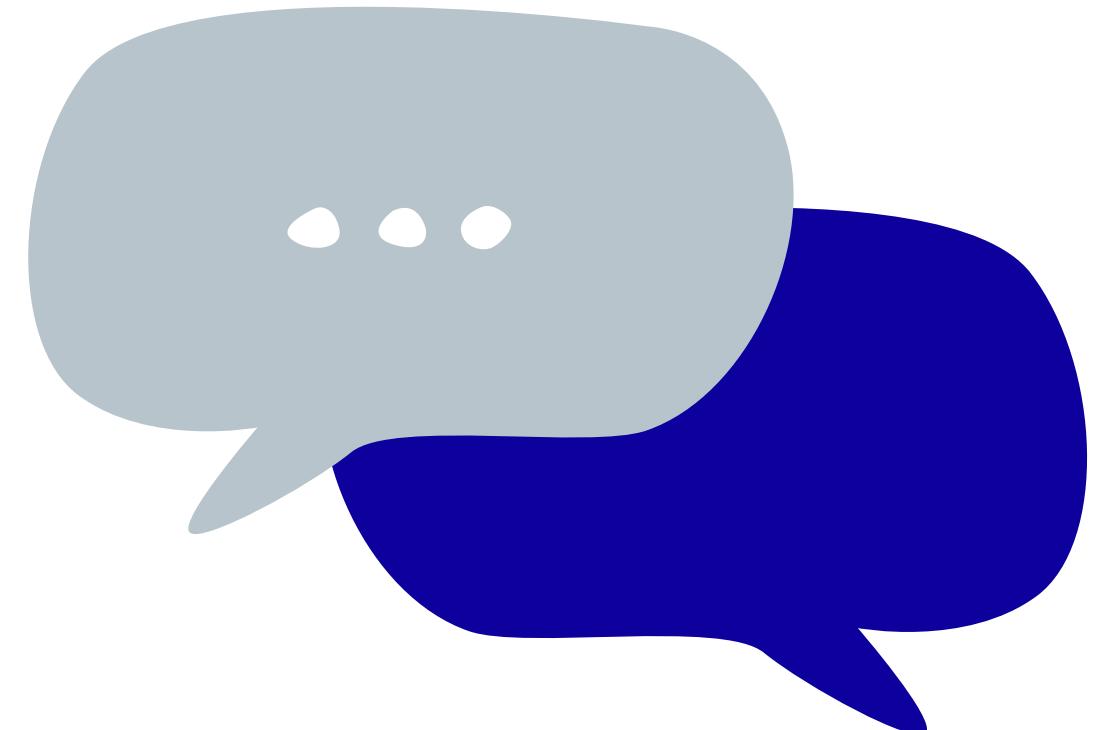


# CUSTOMER COMMUNICATION

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**Solution:** Be transparent regarding the shortage and encourage them to reduce promotion of products with D5

- Constant updates regarding changes in the shortage
- Encourage them to consult us with any confusion and offer non-D5 products for promotion



For the next six months, we will give customers a list of products containing D5 that **can't** go on promotion.

THANK YOU!

Questions?