

Global concern

Building a reputation for environmental and social responsibility is the only way to attract new customers in the West as well as those in emerging economies. Unilever CEO **Patrick Cescau** explains why responsible business makes commercial sense.



Get off the production line: the Dove Campaign for Real Beauty is helping women escape the pressure to conform.

Unilever's mission is 'to add vitality to life by meeting everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life'. At the same time, its early and widespread engagement in developing and emerging (D&E) markets have made it a pioneer in meeting the needs of first-time consumers.

For Unilever, this is not philanthropy; it is business. Social responsibility is about creating benefits through brands and the interaction of business and society. Doing business responsibly and successfully – or, if you prefer, doing good and doing well – are two sides of the same coin.

RESPONSIBLE BUSINESS

Since over two-thirds of the raw materials that Unilever uses come from agriculture, sustainable development is essential. If intensive farming practices mean crops cannot grow or there is not enough water to irrigate them, then there will be no pasta sauces or margarine to sell.

At the same time, consumers need water to cook, wash and clean with Unilever's products. Of course, it is partly self-interest, but for Unilever it is not a case of there being a 'Unilever world' and a 'natural world'.

Social responsibility and sustainable development are central to reputation, which is earned through quality, reliability and, increasingly, trust. Companies, especially multinationals, are under the spotlight as never before. Recent events have driven public trust in business to its lowest point ever.

That is why public trust is now a major source of competitive advantage. This is especially true of those operating effectively in emerging markets. Yet trust is slow to build and easy to lose. For instance, some Western

companies have launched into developing markets only to be surprised when consumers doubt their motives, disbelieve their statements and boycott their products.

Unilever has spent years building trust in many of these markets, investing in local communities and economies. It is never complacent and it recognises that success in all markets, and especially D&E ones, is built over time and must be constantly nurtured. D&E markets represent enormous growth opportunities. They also provide the potential to drive substantial and significant social benefits, especially for people living on some of the world's smallest incomes.

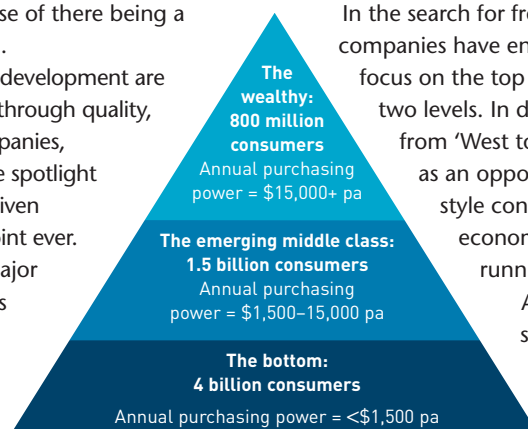
TAPPING THE BIGGEST MARKET

Professor CK Prahalad has influenced Unilever's thinking in this area. As he says, if you look at the global population of consumers as a pyramid, the bottom segment is not just the largest, but is also the fastest-growing market.

This global pyramid (left) has huge significance for today's global consumer goods companies, especially given the mature nature of the markets they face in much of the developed world.

In the search for fresh growth opportunities, many companies have entered D&E markets with a blinkered focus on the top of the pyramid or, at most, the top two levels. In doing so, they have essentially thought from 'West to East'. They see emerging economies as an opportunity to sell aspirational, Western-style consumer goods to those at the top of the economic pile. But this approach is rapidly running out of steam.

As the top of the pyramid becomes saturated in many sectors, some multinationals are finding themselves growth-starved in these markets. They are now having to use their



The consumption pyramid

existing capabilities to move down to the emerging middle class, where growth remains strong.

But they are still missing the real opportunity. The sheer size of the base of the pyramid presents enormous commercial potential. But because of the relative poverty of the people involved it also offers significant scope for positive social impact.

However, reaching four billion people presents major challenges to the embedded mindset of many multinationals because at the base of the consumer pyramid conventional wisdom does not apply. It can even be counter-productive.

Unilever's experience is clear: the traditional multinational model of local subsidiaries operating with globally imposed processes, capabilities and branding is not up to the job in low-income markets. One size does not fit all. Instead, companies need to recognise that Western-style patterns of economic development may not occur. Success will depend on the ability to capitalise on the strengths of the existing environment rather than trying to overcome its weaknesses. Put simply, we will not change these markets. So we must let them change us.

SELLING ESTEEM

Today, people are much more aware of global concerns, and consumers are looking for products that not only make them feel and look good, but also help them to do good. This has resulted in the rise of products in Western markets that appeal to 'conscience consumers'. What was the preserve of a handful of niche companies a few years ago is fast becoming mainstream and companies are scrambling to build brands with social and environmental credentials.

Increasingly, consumers want their favourite brands to support specific social causes. They will choose a brand that resonates with their hopes and concerns as citizens, as well as their desires and needs as consumers.

A good example of this in action is the work that Unilever's Dove brand has been doing to help women and girls raise their self-esteem through its Campaign for Real Beauty. Research

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shows that 90% of women are not happy with the way they look, which can affect self-esteem. This can make young women opt out of activities, under-perform at school and, for a growing minority, can lead to eating disorders. Much of the problem lies with the unrealistic images of women used in the media. The campaign encourages women to celebrate beauty as a wider concept. The Dove Self Esteem Fund works in partnership with organisations such as the Girl Scouts of America, the Eating Disorders Association and schools to educate girls and inspire them to feel more confident about the way they look.

By the end of 2008, the campaign will have reached one million young people in 20 countries with a special self-esteem education programme. And the campaign has received enormous support from health professionals, celebrities and women generally. It is no coincidence that sales of Dove products have grown rapidly.

The successful brands of the future will be those that not only satisfy consumers' functional needs but also address their concerns as citizens. Of course, believing this and making it happen are two different things. That is why Unilever is developing a new process that enables a full analysis of social, economic and environmental issues relevant to each brand to be built into brand innovation and development strategies. It is called Brand Imprint, and it is being piloted with a number of Unilever's key global brands.

Brand Imprint helps brands to identify and measure their social, economic and environmental impacts and to analyse their consumers' concerns as citizens. It also assesses the market and regulatory forces driving sustainability. It enables brands to identify in a systematic way the issues that they should address.

The hope is that by addressing the specific requirements of particular markets and by appealing to consumer trends, brands can not only increase sales, they can also operate more conscientiously. **pci**



Patrick Cescau
Patrick Cescau was appointed CEO of the combined Unilever plc and Unilever NV business in April 2005 and is the first person to hold this new position in the company's history. He has a business degree from ESSEC and an MBA with distinction from INSEAD. He was awarded the Légion d'Honneur in January 2005.

Future consumption

- One billion people have become first-time consumers of manufactured goods in the past ten to 15 years.
- Another billion people will become first-time consumers in the next decade.
- By 2010, consumer spending in D&E markets will overtake developed countries in purchasing power parity. Some \$23 trillion will be spent on consumer goods – more than North America and Europe combined.
- By 2035, China and India will overtake the UK and Japan to join the US as the world's largest economic powers.
- D&E markets already account for nearly 40% of Unilever's sales revenue, and are projected to overtake developed markets within five years. In the first half of 2006, business in these markets grew by 8%, compared with 1% in Europe.



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