

# Unilever's shift to e-commerce

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Unilever is making its business e-commerce ready through several strategies that other companies and brands can emulate.

- Though the kind of marketing that surrounds e-commerce is different, the task of becoming e-commerce ready needs a rethink of some of the fundamentals of the business.
- Includes techniques to bring senior management along on the change program.

## At a glance

Unilever is pivoting ever more of its business toward e-commerce, both through owned channels and big online retailers, which has required the business to make profound changes. As well as getting senior leaders on board, this has required nuanced thought about how customers encounter the brand online, and how that experience drills down to the delivered product.

## Why it matters

Unilever's size and ambition in this space illustrate where future retail growth is expected to come from. It involves bringing about changes in how new products are developed, with whom an organisation must partner in order to do so, and thinking with delivery at the core of the offer.

## Takeaways

- E-commerce is of critical importance in fast-developing markets, where e-commerce has spread faster than big box retail in a short space of time.
- Online shopping leans heavily on online signals that signal future demand; Unilever has been working to understand and innovate on these signals.

- The balance in e-commerce is between convenience for the consumer and keeping that side of the business profitable.

Growth is hard for FMCG companies, the original high-scale suppliers of big box retail whose traditional methods are slowly growing outdated as commerce shifts beneath their feet.

E-commerce, meanwhile, presents an important opportunity for the sector, but shifting a big-box model to an online retail model requires significant structural changes. Claire Hennessey, Global e-commerce director at Unilever's beauty division, has been at the forefront of that change.

Despite investments and blessings right from the top of the organisation, and significant success, the company still has work to do. The initial signs are promising, as CEO Alan Jope told investors in a 2018 letter: e-commerce sales were up 47% in full year results. This effort is both aimed at businesses and consumers, to sell through owned channels and through online retailers like Alibaba and Amazon.

Speaking at the Festival of Marketing (London, October 2019), Hennessey explained how her efforts over the last two years since joining the company have involved finding new approaches to identifying market opportunities in an online world, along with preparing senior leadership for such changes, and even rethinking the kind of packaging decisions that the company makes about its products.

While Unilever won't be abandoning its physical distribution channels any time soon, e-commerce is of increasing importance to the Anglo-Dutch firm, both in its large western markets and absolutely crucial to emerging markets. Though its footprint is large, taking in 64% of emerging markets, to squeeze further value from its core product lines – known as the “more from the core” strategy – it needs to be where its customers are increasingly looking to shop.

## **Spotting opportunities through key demand spaces**

In Hennessey's field of beauty, trends and products emerge across the internet that indicate a certain amount of demand; the fact they over-index on search also suggests there is not yet the desired supply.

For Unilever, and plenty of others, these nuggets of unprompted insight are intensely useful. In the beauty space these are areas that can rub up against consumer embarrassment or social opprobrium – for instance, acne treatments or solutions for excessive sweating – that a significant portion of the total addressable market may not feel comfortable telling a brand about. They can also indicate other consumer worries: concerns about certain ingredients point to future growth in natural and organic products.

In an extremely online world, key to exploiting a demand space is speed. For this, a large FMCG firm needs to make significant changes.

## **Bringing the company along with you**

Though not an extremely tough sell, given its impact on the bottom line, bringing a large and historic company like Unilever along on the e-commerce bandwagon required a handful of strategies.

- Data: First, Hennah says, find quality numbers to back up your argument: “put some data behind why people need to invest.”
- Future growth: Illustrate e-commerce’s potential for future growth and do it simply. Hennah pointed to the growth in the proportion of global turnover for which e-commerce is responsible: now, she says, “7% of our turnover is attributed to e-commerce in beauty and personal care. When I first started two years ago, it was more like 4%”.
- In particular, Hennah highlights Kantar data (though there is plenty more besides) that indicates e-commerce’s growth relative to other channels, specifically how in 2016/17, FMCG’s trusty hyper/supermarket channel sales – though large – grew in value by just 0.1%; e-commerce, in comparison, grew by 20.3%.
- Keep it simple with a framework.

## Steps to e-commerce

Ultimately, e-commerce affects the company in three key areas: portfolio, content, and execution.

- Portfolio: “In terms of price, pack architecture, what do you create, modify, or adapt for e-commerce?”
- Content: In an e-commerce context, the content that surrounds the product is very different from the POS or retail work that takes place in a store context. This means skilling up in digital, and creating content end-to-end, Hennah says, capable of driving “awareness and conversion.” For instance, over the last few years, Unilever has worked to **design hero images** that make both product and pack size clear to shoppers on both desktop and mobile.
- Execution: effectively adding the new requirements into the supply chain.

Hennah goes on to say that these are “very simple” elements for people to get their heads around. Whether or not that’s true, it does at least break down the problem into an approximation of just how pervasive e-commerce integration is throughout the company, and why, therefore, a compelling sell to leadership and a rough idea of the process it requires is useful.

Among those steps, however, there will inevitably be failure. Of course, the mantra of testing and failing (and doing it fast) is now well known, but still many businesses struggle to put an attitude in place whereby new ideas are welcomed and when inevitably some go wrong, for those lessons to be absorbed and taken forward.

Working out how to do this has been a big part of Unilever’s project. It’s all about progress: for those looking to bring about this change, keeping a record and a story of these lessons, and hopefully some successes can feed into a demonstration of progress to keep leaders happy.

## Playing with the e-commerce winners

Not all e-commerce strategy involves breaking completely new ground. For Unilever’s global reach, much of the platform building has already been done: namely by Amazon and Alibaba. Hennah calls this strategy “winning with the winners”.

These relationships yield important benefits for Unilever beyond just selling. Recently, Hennah reported, Unilever worked with Alibaba’s innovation division to research a potential gap in the market, based on a fast-

emerging consumer trend: anti-pollution skincare. Where new product development is typically a 12-18 month process, Unilever was able to take a product to market in just 6 months, with the help of Alibaba.

Commenting on Alibaba and (to a slightly lesser extent) Amazon's methods in this space, Hennah described them as "a Ferrari when it comes to retail". But the benefits they bring, she contended, don't just help Unilever to sell on the e-commerce giants, but improve the total offer across all outlets.

Rarely, however, does NPD involve the creation of new brands so much as the adaptation of the existing roster. In the more fluid world of e-commerce the company retains a "relentless focus" on its core brands. Often, the needs – otherwise known as the "mission" – of an online consumer will be slightly different from the physical store consumer (though they may well be the same person).

An example: in India, at the beginning of this year, the shampoo brand Tresemmé brought out a 1 litre bottle in response to search trends that had revealed a demand that its convenience-focused 500ml bottles were not tapping into. Effectively, 500ml isn't too heavy to bring home in your bag; 1 litre is uncomfortable to carry but worth stocking up with if someone else is going to deliver.

There are lessons in what the major e-commerce players look for:

- **Search trends:** Amazon and Alibaba own, by some measures, the most valuable consumer data that pertain directly to sales. This is key to uncovering and exploiting those key demand spaces.
- **Shopper missions and profitability:** these inform price, pack architecture. Generally, Hennah observed, consumers want one item, but if you're selling a single bottle of shampoo for \$3 on Amazon, there's soon going to be a profitability problem. Similarly, selling large multipacks can be beneficial to the consumer but – in the case of some FMCG products – can actually take the consumer out of the market for a long time. Consumer-centricity, it appears, isn't always the best thing for the brand. Balancing these considerations is key, but there is no single answer.
- **Designing for e-commerce:** This pertains both to product and pack. Product innovations are optimising for reduced-weight items for delivery. Across the company's offering, this often means removing the water (which the buyer can add when they come to use it) or compressing. Toothpaste brand Signal, for example, is bringing out a toothpaste in tablet format while Listerine, the mouth wash, can now be bought in thin strips; both combine with water in the mouth. Elsewhere, are packs designed for letterboxes? Is the packaging leak-proof? If not, e-commerce platforms will fine the seller.
- **Content for the platform:** Alibaba and Amazon have seller page and content spaces that brands can populate. These are crucial. This is beyond the product shot, which is very important but the opportunity to present a larger story and set of associations on an e-commerce page so close to the point of conversion also matters.

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