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UNILEVER IN ASIA: THE BIG LEAP FORWARD

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UNILEVER IN ASIA: THE BIG LEAP FORWARD

1. INTRODUCTION.

Although Unilever already has a long history in various Asian countries through its two founding companies Lever Brothers (UK) and Van den Bergh & Jurgens (Neth), it is exactly now that this huge company has made it an explicit strategy to give a very high priority to its expansion in Asia.
In earlier IUF-papers on Unilever has been given an outline of the changing company-strategy in the eighties (see Unilever in Africa, Unilever in Europe and the Unilever bulletins nr 16 and 17).
To summarize it shortly:

- for many decades Unilever is the most multinational company of all multinationals: it has production plants and sales outlets in nearly all countries of the world.
- despite this spread, the company realized between 60% and 70% of its net sales in Europe: to be more accurate, 50% of the turnover derived from the 3 countries of origin:UK, Netherlands and West Germany.
- capital investments were mainly focused on Europe and profits realized there made up for between 45 and 60% of total company profits.
- although Unilever through its subsidiaries is one of the most important private companies in countries like Indonesia, India, Nigeria and Turkey the combined turnover in these markets could never match the turnover in Europe. Combined turnover for Africa, Asia and Latin America in the seventies for example was around 20-25% of total company turnover, but profits there made up 30-40% of total profits. An expression of Unilevers strong marketposition, the lack of competitors and the degree of exploitation of workers possible because of the weak position of unions.
- The strong dependence on Europe made the company vulnerable. The economic crisis starting at the end of the seventies meant several things for Unilever:
  a. a sqeeuze of profits ; in 1983 Europa generated only 35% of total profits on 58% of turnover
  b. dependence on Europe, a continent with stagnating economic growth and a stagnant population
  c. much more agressive competition because of this stagnation from the side of other producers, but also from retail-chains which were engaged in a strong concentration process
  d. and on top of that, the fact that the European markets were saturated for the Unilever type of household- and foodproducts.

On the base of these developments the company started the formulation of a new strategy to match the new conditions. In this respect it was not unique: most companies followed a same type of strategyreformulation. But Unilever in any case was one of the first to start this process. The new company strategy is characterized according to two main lines:

a. the **selection of core-activities** and the disposal of non-core activities
b. the search for a much **more balanced global basis:** strenghtening the position in North America and Asia and diminishing the dependance on Europe in this way.

Instead of being a rather conglomerate-type of company heavily leaning on its European activities, Unilever wanted to become a global company with leading positions in a specified group of products/activities in the relevant markets all over the world.

This process started in the beginning of the eighties. One part of it, the disposal of all activities that were not thought to be future core-activities has been completed for nearly 100%. This part made the company, to use its own words, "much leaner" but it was mainly something which touched the European activities. In 4 years time, 1984-1988, Unilever disposed 85 of its subsidiaries in Europe. But in the same period the company bought around 80 new companies, half of them in Europe and the other half predominantly in the USA, Asia and the Latin American NIC's (newly industrialized countries) Brazil and Mexico. And these 80 all belong to the core-activities. They were meant or as "tactic acquisitions" (Unilever words): that is to fill in blank spots in the market not yet filled in by Unilever subsidiaries. Or as "strategic acquisitions", which in one step brought Unilever to the position of world leader or in the top 3 of certain product groups.(e.g. the purchase of Brooke Bond in 1984, Chesebrough Pond in 1986, Naarden International in 1986).
In North America this twopronged strategy resulted in the fast rise of Unilever market-shares in the main product-groups. A program of several years heavily investing in the introduction of new products and in huge advertizing campaigns to support these products meant a steep rise in the volume of sales at the cost of competitors in stagnant markets. The coming years Unilever can cash the profits.
The same type of operation is now on its way in Asia:**now Japan is the main market to capture. In 1985 Unilever declared to aim at a 5-fold salesvolume growth by 1990.** Also there this policy is accompanied by the launching of many new products and all the media advertising connected to it.
In Unilever terms Asia is one of the most exciting regions in the world. With annual growthfigures of around 5%, a long experience and presence in most countries and a now clearly defined strategy Unilever is very optimistic about its possibilities to manyfold its presence, sales and profits in this regio.
There have been already some rumours, saying that the company had in mind to generate one third of its sales and income by the end of the next decade from Asia and the Pacific.
Because in most Asian countries Unilever-subsidiaries have been operating for more than 60 years in a small range of products, the new strategy means two things:
a. a full expansion of all the potential in these long established productgroups like detergents, margarine and personal products in all asian countries.
b. extension of Unileverproductgroups by adding also food and drinks, convenience food, prepared meals, frozen food and

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industrial products like specialty chemicals, and agrobusiness inputs like animal feed, seeds and cloned plantlets.

Underlying both is a new type of investmentstrategy concentrating much more than in the past on state of the art high tech productionfacilities.
With the ultimate goal to be a low cost producer Unilever started already some years ago with investments in very modern computerized factories and this process will gain more momentun in the years to come. Also in Asia.
This has as very important consequences for the organization of the productionprocess and thus for the labourrelations, the positions of workers and trade unions.

And just as Unilevers product- and investmentstrategies got and will get a more global character, in the same way are the labourconditions and the positions of workers shaped in a similar way all over the globe. There is therefore every reason to analyze what happens in the own regio against the background of what happens elsewhere in the same type of productgroup and in the same company.

2.FEATURES OF THE NEW STRATEGY

2.1.Definition of core-activities and the disposal program

At the end of the seventies the shape of the company had all charceteristics of a big conglomerate. While the start of the company was formed by the margarine and soapactivities of the two founding companies was the range of activities around 1980 so wide that nobody could still see any logic coherence in it. Mainly in the sixties and seventies Unilever bought in Europe during these decades of economic growth a broad range of different activities. These ranged from chemicals, retailing, building materials, transport, cocoa- and chocolateproducts, office equipment, car parts, paper and packaging firms and so on. Some of these activities have grown so hard that they were feneomenal companies in their own branche in Europe. For example: the combination of the transport companies Unilever had bought in many european countries made it the biggest transport group in Europe.

The concentration on core-activities started in 1980-1982. Then started the first discussion in managementgroups on the revision of the growth-strategy of the years before. The new economic world situation and the changed growth prospectives of the different regios of the world led Unilever just as many other companies to a revision of their strategy.
Unilever made the decision to **look for substantial growth on a global scale in a limited number of productcategories.** Continuation of all activities would imply a lower potential for competition world wide. On the other hand would it be more vulnerable for the stronger competition of others, in many cases

specialized companies who concentrate on a limited range of products.

Defined as <u>core activities</u> were:
* edible fats and dairy (EF&D)
* frozen foods and ice cream
* food & drinks (tea,soup,dressings,meat)
* detergents
* toilet preparations
* specialty chemicals
* agrobusiness
* medical products / diagnostics

This list goes parallel with the new productgroup structure which developed out of the disposal and the acquisition program. Disposed off were above all the subsidiaries in transport, chemicals (mineral oil based),paper and packaging and at least in continental Europe also the animal feed interests. Untill 1982 these categories were important productgroups but around 1987 they were replaced by three others, specialty chemicals (oleochemicals), agrobusiness and medical products.

In figures:

Unilevers disposal and acquisition program 1984-1987

	Number	Cost/Proceeds UK Pnd St.bln	Total **Sales** UK PndSt bln	Total **Profit** UK PndSt bln
Acquisitions	80	(4300)	4605	387
Disposals	81	2175	(3530)	(100)
		(2125)	1075	287

In 4 years time Unilever gained through this strategy at costs of 2.1 billion Pound Sterling extra sales of 1 billion Pound Sterling with nearly 300 million extra profit. And above all: this was reached by acquisitions in core-activities which gives Unilever still more weight than it had already had. In terms of the monopoly-play: Unilever got rid of too much dispersed properties and concentrates on houses and hotels on prime properties.

Because of the heavy european accent in this disposal program it was there heavily felt : **employment**in western europe fel down from 180.000 in 1980 till around 110.000 in 1987. Not that all those jobs got lost, Unilever nearly halved own direct employment in Western Europe by disposing companies. This program was executed so fast, without preliminary discussions with involved unions,that it caused a lot of anxiety amongst workers. Everebody was unsecure about the future of his/her own job and company. This formed the background for the unique demonstration on Nov. 1 1985 before Unilever headquarters in Rotterdam. This demonstration was organized by the ECF/IUF and around 3500 workers from 10 european countries participated. The main demands: stop the destruction of jobs and consultation with unions on a international level. They presented a petition with these demands and signed by 70.000 Unileverworkers in Europe.

2.2. The strenghtening of the core businesses.

When the decision in Unilevers topmanagement was made on what should be thought of as the core-activities for the coming years, it started several programs at the same time to strenghten these activities.
These programs can be summarized as follows:
a. acquisitions in the core-activities
b. internationalisation and global transfer of succesful products
c. restructuring of core-activities to become low-cost-manufacturer
d. high priority on productinnovation and marketing support for the new higher value added products

A lot of the developments in all parts of the world in Unileversubsidiaries are closely linked to each other and are the consequences of the centrally formulated strategy.
Analysis of the four mentioned lines to strenghten the core businesses will highlight the interdependance of developments.

A. The role of acquisitions.

The total number of around 80 acquisitions in the period 1984-1987 costed Unilever 4.3 billion UK Pound Sterling. All of them were carefully selected take-overs in well defined core-business areas. They resulted in improved market shares for specific products, a better geographic expansion and growing possibilities to exploit economies of scale in production, distribution or marketing.
Most of the acquisitions were smaller ones, giving Unilever an entry in a specific regional market or in a niche-part of an productmarket that was already in Unilevers portfolio.
By far the most important acquisitions were:

* Brooke Bond Liebig	1984	take-over	sum		540 mln	UK	PSterl.
* Shedd's Food Products	1984	"	"	"	80 mln	"	"
* Anderson Clayton	1985	"	"	"	75 mln	"	"
* Naarden International	1986	"	"	"	120 mln	"	"
* Chesebrough Pond	1986	"	"	"	2900 mln	"	"
* PBI/NSDO	1987	"	"	"	66 mln	"	"

(The Anderson Clayton acquisition means the take-over of the majority share in the Anderson Clayton Latin American branche with the option to gain total control in the near future.)
These six take-overs are good for 3781 mln UK Pound Sterling acquisition costs: i.e. nearly 90% of the total costs of all 80 take-overs.
Of the 540 mln paid for Brooke Bond Unilever recovered quite fast 200 mln by the disposal of not core subsidiaries involved in the Brooke Bond deal and the same happened with Chesebrough. Within a year Unilever had recovered already 1300 mln Uk Pound Sterling in the same way.

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The acquisition of Brooke Bond, Chesebrough and Naarden resulted also in the acquisition of many subsidiaries in continents like Asia and Australia. Just as had been the case with the last big Unilever acquisition in the seventies: National Starch and Chemical (USA), taken over in 1978.

Brooke Bond doubled nearly Unilevers strongposition in tea through its subsidiary Lipton. But Brooke Bond brought not only tea but added also to other core-products in the Food and Drinks coordination: soup and meatproducts.
And Brooke Bond gave marketshares in important markets where Lipton was not present or in a very weak position.
Shedd's Food and Anderson Clayton Latin American interests gave Unilever very important and strong positions in the North and South American margarine and edible fats markets, one of Unilevers historically most important productgroups.

Chesebrough Pond was the second big company which Unilever tried to acquire in the personal products branche, or toiletries. The first was Richardson Vick's,which at the end of the take-over battle was the prey for Procter & Gamble. But only one year later Unilever proved to have learned from the first frustrating experience and succeeded in the acquisition of Chesebrough. This acquisition, by far the biggest one in the recent history of Unilever, will have a great impact on Unilevers future in the toiletriesmarkets. Unilever had worldwide a quite narrow presence in the personal products world: toothpaste, deodorants and shampoos. And in the fragmented personal products world it was number 8. With Chesebrough Unilever gets a. a big basket full of international brandnames in skincare b. a quadrupling of the Lever Brothers personal products sales in the US c. interesting brandnames and marketshares in Latin America and Asia.
The integration took place within a year, in many countries the smaller Lever Brothers or Elida Gibbs activities merged in the Chesebrough ones. And now there is a very solid base to expand on formulating new produts based on Cheseborough brands and markets and Unilevers enormous experience in research and know how in fatty acids and skincare.
And when one takes in account that there are high expectations about the future marketgrowth for functional products more than that for cosmetic ones Unilever has one of the best placed positions now to profit from this development.

PBI/NSDO (Plant Breeding Institute/ National Seed Development Organization) was taken over medio 1987 from the British Government, that wanted to privatise these companies. Unilever has a long recordtrack in agriculture, but the emphasis there has always been on perrenial crops like oilpalm, tea, coconut and others. It is involved in major one-year crop projects like the sunflowerprojects in Kenya,Turkey and Mexico. In the UK it had already its own seedbusiness UAM which worked mainly for Unilevrsubsidiaries: pea-development and seedsales to farmers that do contractgrowing for Birds Eye frozen foodsactivities.
PBI/NSDO, in the mean time renamed in PBI Cambridge, is the most important plantbreeding centre in the UK and is the specialist in wheat,barley, oats, potatoes and beans. It is the

main intention of Unilever to internationalise these breedingactivities and to merge them as far as possible with the biotechnologyresearch already in full development in Unilever researchcenters. Seeds for specific products will be more and more programmed in such a way that the products suit in an optimal way the needs of the foodprocessing industry: that will say an easy handling during processing, the best combination of charecteristics wanted in the specific products of the most important companies.

With the take over of Naarden International Unilever concluded a first phase in its internal restructuring of the flavours and fragrancessubsidiaries. In 1982 Unilever merged a few smaller F&F subsidiaries in a one productgroup PPF International. Sales offices were set up in Thailand and Indonesia to make inraods in the asian markets and in 1985 a US based middle-sized f&f company was taken over: Norda with plants in the US, Canada and Mexico.
That all made Unilever the number three in a still quite fragmented worldmarket in 1985. Naarden was then the number 5 in sales. The acquisition of Naarden made Unilever in flavours and fragrances one of the two leaders on world scale. And the interesting parts of Naarden were a. it was stronger in flavours while PPF was stronger in fragrances b.it had productionplants and salesoffices all over the world with a strong position in Latin America and Asia. And these regios are the most promising ones for the future decades. The combination of populationgrowth and fast growth of consumerspending on branded food and householdproducts make these regios the real growthmarkets.
It seems that the integration of PPF and Naarden is finished: the company got a new name Quest International. And Quest starts now a next phase: expansion on the world F&F market which undoubtedly will lead in some years to a fast consolidation of this branche.
For smaller regionally operating companies it will become increasingly difficult to compete with the big multinationals in this branche, that becomes more and more research-intensive. And the big clients, international householdproductscompanies like Unilever itself or Procter & Gamble, Colgate, Kao and the big foodmultinationals like Nestle, Borden, Nabisco,Kraft and so on demand for all their subidiaries the same types of sophisticated fragrances and flavours.
Quest doubled already its marketshare in Australia and New Zealand through the acquisition in July 1988 of the F&F subsidiaries of Goodman Fielder Wattie in these countries.

Through exactly this combination of big acquisitions that brought more marketpower and possibilities for economies of scale and the large number of smaller acquisitions that functioned as infilling in particular market niches or regional markets Unilever bought itself a very solid basis for future expansion. But it seems that Unilever is still hungry for some bigger acquisitions in productgroups and markets where it is still very weak: e.g. ice cream and frozen foods in the USA. The years 1987 and 1988 have been earmarked as the years to penetrate the Japanese market with frozen foods (Captain Iglo fishsticks and others) to the point that maybe local production is feasible.
In 1985 Unilever formed in its Financial Group at Headquarters

London/Rotterdam a special group for acquisitions. This group has together with the Economic department set up an enormous databank that is used to track all relevant competitive companies in Unilevers core-productgroups. In detergents and edible fats for example a long list of potential targets is closely screened as was done with many seedfirms.
The newest productcoordination medical products and diagnostics is just starting with a small production base in the UK and two products on the market: diagnostic kits for ovulation tests and pregnancy tests.The ongoing biotechnological research functions also here as a midwife but acquisitions could help to gain speed. And it is sure that Unilevers databank contains a lot of information on interesting companies to take over.

B. Internationalisation and global transfer of succesful products.

As was partly made clear by the short overview of the meaning of the newly acquired companies Unilevers strategy was the same in all productcoordinations.
The former European centered structure of the company is now something of the past. In all productcoordinations Unilever tried and tries to create a global productionstructure. It was only dependant on what it already owned how exactly the direction of the internationalisationprocess went.
If there already was a strong basis in Europe then followed the strategy: globalize by aqcuiring companies in the USA, Latin America and Asia. Was the strong basis in the USA, then was the strategy directed on the other continents.
This was the case for National Starch and Chemical, an US based specialty chemicals company, purchased in 1978. At that time 80% of sales was in the US-market. But over the last ten years NSC could profit enormously from Unilevers knowledge of all regios and markets, unrivaled by other companies. NSC has been internationalized very fast with a long series of take-overs. Sales outside the USA are now 48% of total sales and the fastest growing markets in sales are South East Asia, Japan and Australia. While in the main stream of Unilevers products only two productionplants are operating in Japan, Nippon Lever KK and Lipton KK, National Starch and Chemical has 3 productionplants in Japan. And nobody is aware of the fact that these are regular Unilever-subsidiaries.
The starchdivision of this company expanded from the USA worldwide by the acquisition of Thai Tapioca in Thailand (1984) and of the CPC Maizenaplant in Hamburg/West Germany (1986). Directly a big investmentprogram weas launched in these new subsidiaries to expand capacities and to sophisticate productionprocesses in the direction of specialties, that earn higher margins than the bulk starches or corn sweeteners.

This strategy of internationalisation directed at the availability of processing and productionfacilities in the major markets of the world laid the base for a new much more agressive marketingpolicy compared to 5 years ago and more.
Succesful products in one market are immediately pushed in other main markets over the globe. In earlier days it was normal that it could take 5-10 years before products and brands were

internationally transfered if at all. One of the reasons was the organisational structure of the company. Within Europe existed a strong productcoordination structure that could push local companies, but elsewhere national managers had first priority for profitability and growthtargets. Productcoordination played clearly the second fiddle. This structure has been overhauled, but that is for later.

The transfer of products/brands on a global scale has been helped by the growing development of global patterns in eating habits, styles of living and so on. And these are on their turn pushed by the media-advertising of the main companies. More and more companies try to follow the Coca Cola concept: market everywhere the same product under the same name. It implicates that research and productdevelopmentcosts can be covered much faster then in the situation that many products are sold in smaller regional markets. Unilevermanagement said already that it sits first row:with the growing expansion of productionfacilities over the world and a big basket full of well known brandnames it has an extremely good starting point for the introduction of new products under global brandnames. A good example is the Timotei-shampoo which is marketed everywhere under the same name and has now major shares in many countries over the world. The product was launched in Europe, followed by the USA and last year it gained marketleaderposition in Japan.
A second example is Latta in Europe (a low-fat margarine), the first introduction of a new type of margarine under the same brandname in many european countries. We can expect the introduction in the USA and other continents quite soon.
A third is the international introduction of Ragu, pastasauces. Ragu belonged to Chesebrough in the USA and has more then 50% of the US market for these sauces with total sales of $ 1 bln. The take over of Chesebrough, done for its strong position in personal products brought Ragu as a kind of premium. Within one year Ragu is introduced right now at the end of 1988 by the UK food&drinks subsidiary Brooke Bond Oxo (also acquired, in 1984) on the UK market supported with a $ 10 mln introduction campaign. It is clear that other markets will follow soon.

Unilever can rebuild existing local or regional brands in global brands, adapt to local tastes by changing the composition of flavours or fragrances and by decentralising the marketing and advertising .
And the marketing of brandnames is probably the thing Unilever does best. There has been done some research that indicates that Unileverproducts are not necessarily better than those of others or than unbranded products, but always Unilever products gain major marketshares through the very experienced and capitalintensive marketingcampaigns.

And although Unilever still doesn't use the company name on the packaging of its products, the coming years we'll see a growing number of Unileverproducts introduced under the same brandname.

This strategy has major implications for the structure of the **Research and Development** part of the company. There has been

already a lot of restructuring in the european R&D facilities: smaller ones are closed and integrated in the 3 big ones.
Two are located in the UK: Port Sunlight (detergents and personal products research) and Colworth House (food and drinks, agriculture/tissueculture).
One is located in the Netherlands: Unilever Research Lab. (URL: edible fats,detergents, biotechnology and engineeering).
The more global spread of productionfacilities and sales is visible also in a growing internationalisation of research. The US research center at Edgewater has been expanded over the last 5 years and in fact is doubled in staffing. With a growing marketshare in detergents Unilever will concentrate more research that is needed for productdevelopment in the biggest detergentsmarket in the world in the US laboratories. The US-based major subsidiaries National Starch and Chesebrough Pond have their major research located in the US. A growing push into the asian markets which is one of the first priorities now will undoubtedly lead to a growing need for more research nearby the marketplace: not maybe for the fundamental research but in any case for the productinnovations and productdevelopment. The Hindustan Lever Research Laboratory in Bombay/India was set up in the sixties. It has been expanded several times and will probably play this role over the next decades.

C.Restructuring for low cost manufacturing.

In the core-activities Unilever strenghtens its position not only by acquisitions. One of the most important strategies with the greatest consequences for workers and unions is the way in which core-production and distributionstructures are under attack.
It is done in several ways.
One is the new structure for the production in areas where Unilever has a long tradition and thus older productionfacilities. Rethinking of productionoperations by management leads to fewer plants that are fully automated, equiped by computersteered and monitored processing and fast adaptable to changing marketdemands. It means in Europe, where the geographical spread of productionplants is mostly a legacy of the acquisitions of the last decades, the closure of many plants. In asian countries like Thailand and Malaysia and the asian part of Turkey for example it meant the building of complete new and very modern productionplants in industrial zones outside the cities to replace older ones that were locked up in recent city-extensions.
New automated and computerized productionprocesses result in higher capacities with much lower employment. And the composition of employment changes completely. Employmentfigures in the modernized factories are on the average 30-40% lower than in the old situation some years ago.
The high capitalinvestments in these modern(ized) plants have to be earned back by extension of real productiontime and by raising volume. That is the way Unilever tries to lower the cost per unity and this strategy is used mainly in massproducts. In the small-series-products it uses new types of flexible automation that can be switched in half an hour time. This gives optimal flexibility regarding changes in marketconditions or demand.

Coupled on make-to-order productionsystems it is then only dependant on the preparedness of workers and unions to participate in this flexibility-strategy to reach optimal production-costs.

In all factories Unilever tries to reduce the number of own employees to the minimum. Outcontracting all service-departments is one of the main targets Unilevermanagement tries to reach at this moment at least in Europe. A high degree of outcontracted work was already the norm in many other regions like India or Indonesia for example. It means that all workers in services like canteen, laundry, guards, transport and so on are urged to leave the Unilever agreements and to fall into other national or company agreements with an average 10-15% lower pay plus all secondary workconditions significantly lower: e.g. pensioncosts, contribution in lodging costs and so on. And if they are not employed on a regular base by a subcontractor their position gets even worse as contractworkers.
This Unilever-strategy is in fact a strategy that aims to reach a small very dedicated core-workforce that accepts a high level of personal responsibility for the job to be done and for the endresult of the productionprocess.
The number of high-skilled and multi-skilled workers will rise at the expense of low-skilled workers. They will be hired on a daybase or through subcontractors.
This leads also to a flatter organizational structure: the old hierarchy of the tailorized division of labour in productionprocesses will no longer exist. New structures will replace the old hierarchy: in many plants experiments have been started to introduce Quality Control Circles, Autonomous Production Groups. All flattering names for new organizationconcepts that try to create new forms to integrate and control labour, to make labour identify with the goals set by management. The slogan is : "an enterprise of entrepreneurs".
One of the implications is that Unilever will try to minimize the role of collective agreements with labour and hopes to create a situation that a growing number of agreements with individuals or small groups will replace the now existing negotiations with unions.

It is very clear that the local autonomy of management is more and more a fairy tale. Two ways of international standardisation make that plants all over the world become very identical.
* **BSVA/Big Scale Value Analysis** is a method of cost cutting analysis which is in use at this moment in all major factories on the globe. Management started to use it in Europe, but the last couple of years this method is introduced all over the world. The aim is always to cut costs with a substantial percentage: mostly 10% of total costs. In factories where volume is declining because of saturation and shrinking of markets this method is used as a weapon to raise margins.
* **BPP/Best Proven Practice** is the method in which all relevant data on manninglevels and output for various factories have been introduced in a computerprogram. For any given volume that has to be produced the computer can give the corresponding manninglevels. With this BPP method management has a yardstick to compare results,margins and manninglevels worldwide and it is a safe

assumption to say that management will act on it: it is the most sophisticated way of the old saying divide and rule .
Just as production is under permanent restructuring, also the distribution part has been undergoing great changes. Most of it has been outcontracted to international companies like Christian Salvesen, National Freight Corporation, Federal Express and a few others. Together with retailchains that control enormous wharehousing premises next to motorway-networks,where incoming products are re-grouped for final delivery to the retailshops, Unilever is working out new ways of physical distribution.

D.Priority for productinnovation and upgrading products

Because of the fierce competition in the so called TRIAD-markets (North America, Europe and Japan/SE Asia) all involved companies started to behave much more agressive then they were used to in the past. For them it is a matter of survival. The size of the population will not rise substantially, consumerspending will rise at a slow rate and for many products there is a certain level of saturation. Unilever management says: when a german gets paid 10 dollar a week more he will not spend it on more food, but on other food, while an indonesian will buy for the first time some branded products.
The capture of a bigger share of the market is always at the expense of others. One way to raise the own share is the acquisition of others, another is to reduce production and distributioncosts so far that others are competed for a longer period based on price levels. All companies use these ways, also Unilever. But the most lucrative way of raising marketshares is the capture of new markets by the introduction of producinnovations. And it is an unwritten rule that the company that is first whith an introduction can have substantial shares of a new market. Others will have to spend extra to match the position of the firstcomer. And besides: margins on new products are mostly higher.
New products have to be more convenience, so that a higher added value will be the outcome. In the productgroups of Unilever new generations of products are just released or in the pipeline. And Unilever has as long experience in R&D in many fields that can be made more profitablke than in the past because of the broadened productionbasis in the core-products.
Just because of the fact that companies will try to be sure to recapture all costs spend in productdevelopment , they fight sometimes long suits to defend own products from those of others: in toothpasta there has been a fight before the courts between Procter & Gamble, Colgate and Unilever in many countries. Each of them tried to keep others from a certain regional market for anti-caries toothpasta and each claimed to be the only one.
In Unilever there is a close cooperation between productcoordinations, R&D and Patent division to follow competitors in their progression with the development and eventually registering the patents for products or processes. In the preparation of the productlaunches of its own it tries to launch with priority those products that cannot immediately be followed by others.

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The main Research laboratories of Unilever have been trimmed during the last 3-5 years progressively into the exclusive use by specific productgroups. Specialisation was stimulated and researchparts were transfered. And it took a long time to make Research more business-oriented than it was.
In the R&D Laboratories the emphasis is now more and more upon development: in the main productgroups there is the target of a minimum number of new launchings a year.
And Unilever has the structure to make an effective introduction in many markets. And it has the financial power to launch several new products in several productgroups in several continents and local markets. This power is earned through the cost- cutting restructuring that made many workers redundant or that made them work at much worser conditions and lower pay.
The **total expenditure on R&D** developed from:

1981	160	mln UK Pound Sterling
1984	250	mln UK Pound Sterling
1987	340	mln " " "

In 1981 it was 1% of net sales and in 1987 it was already 2%. One of the highest percentages in the food- and householdproducts-branche.
Although consolidated figures for the whole company are not available, it is safe to estimate that the amount spend on advertising is much higher. The total expenditure on marketing and advertising/sales support already reached a level of around 350 mln UK Pound Sterling in 1981. During the last years this amount has exploded: 4 consecutive years Unilever spend enormous amounts on advertising and marketing support in its attack on the US markets for margarine and detergents. A policy which still continues and brings Unilever big volume rises and a solid basis for future profitability in the USA. Only in detergents Unilever spend in the USA more than $ 250 mln a year. In countries like the UK,West Germany and the Netherlands Unilever is the biggest media-advertiser. And in countries like the Philippines, India, in Indonesia and in some african countries Unilever is the most export marketingcompany with own radio- or TVprogrammes.
And now Unilever is engaged in the battle over the japanese markets which means also for the coming years that Unilever intends to invest heavily in the market through advertising and to postpone reaping the full profits untill after 1990. At that time economies of scale based on big volumes should become reality.

On world scale **Unilever advertising expenditure** will be around 10-15% of net sales: between 1650 and 2500 mln UK Pound Sterling! In US dollars : between 3100 mln and 4650 mln !!
This amount is almost equal to the total expenditure on wages, salaries and other social costs: they are around 14% of total costs.

With the launches of new productvarieties Unilever develops a big number of products which will bring a growing share of total sales in the future. Lipton in the USA launched since 1982 more than 150 new products or extensions of existing productlines that together account for a 25% of cuurent sales.

The older existing products are not forgotten. The new more sophisticated products function to capture the new marketniches and the higher marketlevels. The older ones are used to maintain a broad volumebasis for production, to control a whole hierarchy of products in the same productline (differentiation) and to control competitors who operate mainly in the lower parts of a market. For example: Unilever has the complete lead in the new introductions in margarine on the european market. The new introductions are mainly meant for smaller consumergroups and are all premiumproducts. Unilever takes care to bring margarines on the market for each segment,from the top to the bottom. The mass-products, on the bottom of the line, are used through pricingpolicies to prevent competitors to upgrade their products and to join in the introduction of premiumproducts.

3.ORGANISATION STRUCTURES BROUGHT IN LINE.

3.1.The general decision-making structure.

Unilever operates as one company, even though there are two parent companies: Unilever PLC with its head office in London, and Unilever NV with its headoffice in Rotterdam.

Both parent companies have a board of directors, which are made up of the same persons.The chairman of the board of PLC is vice-chairman of the board of NV and vice versa. In practice both parent companies are ruled by an identical board of directors.

The shares of the two parentcompanies however are held by different groups. PLC shares are listed on the Stock Exchange in London. In fact 100% of PLC's shares are held in the UK through institutional investors, pension funds and others.
The NV shares are more internationalised: they are listed on the major stock exchanges of the world except that of Tokyo.At the end of 1986 ownership was divided: in Netherlands 58%, USA 16%, Switzerland 15% and smalleramounts for other West European countries.

Formally Unilever PLC keeps the shares of all subsidiaries in the UK, Ireland, Canada, the Commonwealth countries and of UAC International.
Unilever NV holds the shares of all subsidiaries in the countries on the European continent, in the USA, Latin America, Indonesia, Japan, the Philippines, Thailand and Turkey. The Asian and Pacific subsidiaries are formally thus not owned by the same parent company.
In practice has this distinction nothing to do with the decision making process and with the division and lines of responsiblities and power. The functional division of areas of responsibility is far more important for indight into the real lines of management and control within the company.

The double parent structure has been used by Unilever to defend itself against unwanted developments.
When the Sukarno-government of Indonesia at the end of 1957 nationalised all dutch properties to press the dutch to leave Papua New Guinea/West Irian Unilever changed in a cameleontic way the parent of its Indonesian subsidiaries. Topmanagers flew to Indonesia when Unilever was informed about these nationalisations.They argued that Unilever was in fact a UK-based company. For the two parentcompanies combined only 35% of shares was in Dutch hands at that time. The Sukarno government accepted and medio 1958 Unilever shifted formal parenthood from NV to PLC. Dutch seniormanagement left Indonesia and was replaced by english and german management.
In 1963/1964 the opposite direction was used when the Sukarno-government nationalised Britsh properties as a result of the big conflict between Indonesia and the UK over North West Borneo. The UK government and businessinterests wanted this part of Borneo to be a part of Malaysia. Premier Subandrio advised Unilever in 1964:"to transfer them back to Rotterdam without any noyse" as was done. Unilever escaped two times nationalisation through making use of its twoheaded parentstructure.

Nowadays it is an important weapon against hostile take-overs: Unilever estimates its capitalisation (value of total shares) at about 28 bln DGL at the end of 1987. In the big merger and acquisition race now going on a normal price paid for other companies is 20times or more net earnings: for Unilever that means 20 times 2.5 bln DGL, 50 bln DGL. It was unthinkable one or two years ago that these prices could be paid by anybody. But recent take-over bids make clear that it is not completely irrealistic to think about take-over bids on Unilever. At the end of 1988 two major bids are: Philip Morris offers $11.4 bln for Kraft and the leveraged buy out bankersgroup KKR offers $ 25 bln for RJR Nabisco.
A hostile take-over of Unilever is made extra difficult through the double parent-structure: bidders have to act in two very different juridical settings. The take-over of one of the two twin parents , already quite difficult, brings no control, only a certain negotiating position with the Board.
The Board has exclusive control over Unilevers policies and strategies. Of the total number of shares NV has a package of shares numbered 1 to 2400 with special rights. These are held by a subsidiary of NV. For PLC exists a similar situation, a subsidiary holding a limited number of deferred shares. The boards of these subsidiaries are identical: they consist of the boards of NV and PLC. The holders of these special shares have the right to appoint the Board and individual Board members. It means that the Board elects itself and renews itself as it likes. A hostile bidder may have all the listed shares, he cannot influence the election and composition of the Board and thus he cannot influence Unileverpolicy.

The <u>Board of Directors</u> consists of 20 persons:
- 3 who make up the Special Committee, the Unilever troika
- 7 who head the 7 productgroups
- 5 who are responsible for the 5 geographical regions
- 5 who have specific functional responsibility

There is an <u>Advisory Group of Directors</u> that has no formal functions as nomination of Board members. This group principally acts as what its name indicates: it advises. Members are older and very influential politicians/businessman like:

- Sir Robert Haslam : deputy chairman ICI, chairman Tate & Lyle, British Steel and British Coal
- Dr.Alfred Herrhausen: president Deutsche Bank, chairman supervisory board Daimler Benz , which is after several important take- overs by far the biggest and most influential company in West germany
- Dr. Edmund Wallenstein ,ex Director General for External Relations of EC, member supervisory Boards of Shell and AMRO bank
- Dr.Francois Xavier Ortoli: president of EEC Commission '73-'76, chairman Total

and four others.

The Board of Directors has been for many decades the exclusive place for english and dutch managers. Since circa 1980 the Board has also a few members with other nationalities: India, West Germany and the USA. While in lower and local managementlevels Unilever has a record of being more internationalised than any other multinational, which gives important advantages in the recruitment of managementtrainees all over the world, the composition of the Board is still very much concentrated on the two countries of origin.

The <u>Special Committee</u> is generally responsible for the total management and especially for the following:

* overall group long term financial objectives and strategic priorities and direction
* appointment, promotion and salaries of the top 200 managers including that of the Board
* monitoring and deciding on the 3 year-plans and the operational yearplans made by the 7 productgroups
* decisions on major capital proposals
* monitoring of performance of managementgroups against agreed plans

The 5 members who have a specific functional responsibility head central departments like:

- commercial department, also including computing and communications
- financial department
- research & engineering, including patents division
- personnel division: responsible for managementtraining
- corporate development

The two groups of directors who are responsible for the results of all the subsidiaries of Unilever over the world , around 600-700 subsidiaries in nearly all countries, are the coordinators and regional directors. They have first responsibility for the operating results, investments and so on of specified groups of subsidiaries, grouped according to their productactivity or according to their geographical basis. In the structure of these groups recently have been made major changes which have implications for all activities and regions.

3.2. World-wide internationalisation of coordination-structures

For a long period first responsibility for the operating companies was in the hands of local management, that reported to the national managementteams. National managementteams were responsible for monitoring the performance of the subsidiaries in 'their' countries and for the external relations with government, taxes, unions.
One step higher in the organisation came the regional directors to which national managers report. But now first the productbased structure.
In Europe Unilever started to overcome the disadvantages of the national system in the beginning of the sixties. In its main region Unilever was confronted at that time with big US-competitors which operated as if Europe or the EEC was one market. That made Unilevers position vulnerable, because in the Unileverstructure the managementdecisions on productdevelopment, marketing and so on were autonomously made on national levels. Therefore the Special Committee set up in 1962 first coordinations for the international brands in Europe. In 1966 this first step was extended through the formation of productgroups or coordinations for all major productactivities.
It took 3-4 years to reshuffle the functional and responsibility-levels in Europe. And from around 1970 the coordinators were first responsible for the operating results of 'their' companies in Europe. For all other regions national management and the regional lines kept first place.
The task of the coordinations was expressed clear and simple: stimulate expansion of your group of products.
Coordinations were from now on first responsible for development, production, investments, marketing and R&D in 'their' european operations always in a type of monitoring and stimulating role. But final decisions clearly shifted from national management to coordinations. National management, the regional command and communicationline is then mainly responsible for all external relations, including governments and trade unions. For the unions in Europe it means that they never deal with the managementteams responsible for setting the lines and for the final decisions which influence most employment and labourconditions.

We have already seen how the new strategy formulated in the beginning of the eighties included the decision to dispose of a lot of activities not thought of as core-activities in the future. It meant the disposal of some coordinations as well:
Animal Feeds, Transport, Paper/packaging.
Two others were merged: Meat Products was integrated in Other Food & Drinks.
The total number of coordinations was reduced from 10 to 7. Chemicals-coordination shifted emphasis from mineral oil based bulkchemicals to oleochemical specialties and was renamed in Specialty Chemicals and a new coordination was added in 1985 : Agribusiness. A new coordination is still in its childphase, the productgroup Medical Products. As long its sales and productionvolume is small it is handled as a special productgroup by the Agribusiness-coordinator.

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These coordinations, Specialty Chemicals and Agribusiness, are the first ones to act worldwide. Subsidiaries outside Europe in these productgroups report directly to coordination in Headquarters London or Rotterdam. National management has for these subsidiaries a changed, secondary role. This change started in 1983 for specialty chemicals and in 1985 for Agribusiness.
In Asia it regards quite different subsidiaries like oilpalm plantations in Malaysia and Thailand, tea estates in South India, fishfarming projcts in Sri Lanka and Pakistan but also National Starch and Chemical subsidiaries in Japan, Malaysia, Singapore, Thailand, Australia.
It regards also the former Naarden International subsidiaries (now Quest International) in Hong Kong, Japan, Indonesia and India. Very probable this development will expand also to other cordinations. The european coordinations play already a central role in the international execution of their BSVA and Best Proven Practice policies. In fact is the decision-making powerbalance fastly shifting from national and regionalmanagement to productcoordinations. And this happens exactly for the same reasons as happened 20 years ago in Europe. Competition is fought by major multinationals on world wide level in all relevant markets at the same time. Worldwide coordination of marketing, productlaunches and related investments seems a logical consequence.
The speed of recent international coordination of new productlaunches over the world seems to confirm this development.

3.3.Unilever gets rid of the past:The end of the third world concept

Historically Unilever divided the world in several regions:
* UK & Ireland
* Continental Europe
* North America
* Overseas
* in Overseas operated UAC International. UACI had also some subsidiaries in Europe and the Far East/Pacific.UACI stood for mainly africanand middle east and mainly non-coordination related activities.

This way of naming the world was clearly the result of the way Unilever management saw the world in the first decades of its existence from 1929 onwards. First you had the UK, then the continent, then North America and then overseas. This way of structuring the regional organisation of the company had a very long life. It has been broken up recently only by the real development of the world.
Several decades all subsidiaries in Asia, Africa and Latin America that were involved in Unilevers mainstreamactivities like edible fats & dairy, detergents, personal products reported through national management to Overseas Committee in PLC Headquarters in Londen.
The old division was a growing anachronism: volumes sold, profits, diversification of products,populationgrowth and marketgrowth made Overseas more and more important to the company. And the types of development in the different regions in Overseas

were so different that keep them all in one type of coordination. Two causes helped to change the geographcial structure.
First of all was it for some years clear that Unilever tried to find a way to restructure UAC International in more profitable activities and out of all the very difficult trading activities which went down through the downwards trend of oilprices.
Unilever tried first to concentrate more on its corebusinesses also in Africa. In 1983/1984 the decision was made to integrate UAC International in Overseas Committee, to create a structure that could serve better the formulation of coherent strategies in Africa. In the wave of disposals also a lot of UACI companies were sold. And UACI had to decide also on core-activities for the future.The result is a restructured company with still more than 30.000 workers mainly concentrated on West, Central and East Africa. Now much closer to Unilevers mainstreamactivities. But with some activities not known elsewhere in Unilever. Examples are motor assembling, power applications, breweries, air conditioning.
The restructuring of UACI gave one cause to overhaul Unilevers division of the world. The other was the extreme fast restructuring operation in the UK.
In a small number of years Unilever more than halved employment in the UK. Mostly by disposals. But also concentration of production in modernized plants as in meat and frozen food / icecream and the subsequent closure of the old plants took thousands of jobs. Through these measures the old principal position of the UK got something of the past.
By the end of 1986 the **new geographical division** got form:

* Europe in which the former two european parts merged
* North America
* East Asia and Pacific
* Latin America and Central Asia (including South Africa)
* Africa and Middle East (including also UACI)

For the asian situation there has been made a threefold partition:

- Turkey, also the asian part of Turkey is brought under Europe. Unilever preludes on the future EEC membership of Turkey
- the Indian subcontinent (i.e. India,Pakistan,Bangladesh and Sri Lanka) reports to Central Asia and Latin America
- East and South East Asia , Japan and Australasia report to one regional directiongroup.
  To this group report also the Hong Kong and Singapore subsidiaries,formerly responsibility of Unilever Export.

It is unclear which arguments played a role in this division. What is clear is that this division gives Unilever more coherent groups that can and will act on similar marketsituations.
Each of the three groups in which Overseas has been divided report directly to the Special Committee. Some form of Overseas organisationstructure is kept intact in the form of a Overseas Liaison Committee: but it has an informal status and is meant for discussing matters of common concern.
Through the new division Unilever can act more precisely on common characteristics of regional markets, in the form of economic parallel developments, common eating or washing habits.

The new division is primarily marketing lead.
In this way Unilevers leaves in its organisational framework the concept of a third world behind it and anticipates on further differentiation in the coming developments in the various regions. As will be shown ,the focus of attention is now very much on the East Asia and Pacific Region. The existence of a separate Regional Coordination makes decisionmaking less bureaucratic.

How long this new structure keeps its priority above the productgroups is questionable. It has been said already that subsiadiaries falling under specialty chemicals or agribusiness coordination report directly to coordination in London/Rotterdam Headquarters. The new regional coordinating teams assist in the decisionmaking for them, but in the end do they have only an advisory role.

4.SOME FIGURES ON FINANCES AND EMPLOYMENT

It is problematic to analyse in figures what exactly happens in the main markets. Untill 1984 Unilever gave specified figures for the 5 continents and for Europe even a specification for EEC and other Europe. The development since then in the southern continents have been hidden through consolidating all the figures for them. Since 1985 figures on sales, investments, profits are only given for three blocks: Europe, North America and Rest of the World. The shift in emphasis away from Africa to Asia, which is evident in all information available, cannot be shown in the financial figures.

The 5 years of disposals and acquisitions mark also a break with the past. It was the first time since many years that total sales went down.
Nevertheless, it is worth to show some figures that demonstrate how Unilever made the company much more profitable through the overhaul and restructuring of the company.
The restructuring of Unilever in Europe, the succesfull capture of US markets, that for a long time were lossbringer to Unilever, and the expected sucesfull introductions on the Japanese market make Unilevers new basis very strong for new marketinroads in the coming decade.

All financial figures here are quoted in Dutch Guilders , in the knowledge that exchange rates have been changed quite a lot in the eighties, especially for the US Dollar and the UK Pound Sterling.
Here are the rates for the years used in this overview:
Dutch Guilder (DGL)

	1980	1983	1985	1987
1 $ US =	2.13	3.06	2.76	1.78
1 UK Pd St. =	5.07	4.44	4.00	3.33

Development of sales and profits
(in bln DGL)

	1980	1983	1985	1987
Net sales	51.4	59.4	66.7	55.1
Operating Profits	2.9	3.3	3.8	4.6
Profits as % of sales	5.6%	5.6%	5.7%	8.3%

The jump in profitability is not an exception. The figures for the first half of 1988 continue the trend:
On net sales of 28.3 bln DGL, profits were 2.5 bln DGL : a ratio of 8.8% !!

It is important to realize that this substantial rise in profitability was reached notwithstanding the fact that expenditure rose on social costs related to restructuring, on R&D and on marketing bombardments in the US and Japan and to a lesser extent also in Europe.

Restructuring costs (in mln DGL):

1981	:	29
1982	:	166
1983	:	211
1984	:	249
1985	:	137
1986	:	221
1987	:	200

Total restructuring costs during 1981-1987: 1213 mln GLD.

It may be assumed that nearly all of these costs were for the european restructuring operations. In the northern and western european countries like West Germany, Netherlands, Scandinavian countries , the UK and Belgium many workers were made redundant. But in general Unilever avoided forced reductions in employment but used early retirement schemes and natural wastage.

Breakdown of sales and profits per region and productgroup

Net sales (in bln GLD)	1980	1983	1985	1987	1/2 1988
Europe	36.3	38.2	42.9	34.4	17.9
North America	5.4	9.5	11.5	10.2	5.2
Rest of the world	9.7	11.7	12.3	10.4	5.3

Net sales in %

Europe	71%	64%	64%	62%	63%
North America	10%	16%	17%	19%	18%
Rest of the world	19%	20%	18%	19%	19%

Since 1980 the relative share of sales in North America in total sales has been doubled. This share should rise more in coming years as should the share of the rest of the world. Financial reports over the years 1988 and 1989 have to prove that.

Operating profits per region
(in bln GLD)

	1980	1983	1985	1987	1/2 1988
Europe	1.7	1.5	2.2	2.6	1.6
North America	0.3	0.6	0.4	0.8	0.3
Rest of the world	0.9	1.2	1.2	1.1	0.5
expressed in %					
Europe	59%	45%	58%	57%	65%
North America	9%	19%	11%	17%	12%
Rest of the world	32%	36%	31%	26%	23%

Most important here to highlight is the effect restructuring had on profitability in Europe. The operating profit margins in Europe have nearly been doubled since 1981. From around 5% in 1981 and 4% in 1982 and 1983 the profit margin jumped to 9% in 1987 and even 9.7% in the first half of 1988: "the highest in Unilevers living memory" was the comment of a former Unilever manager.
North American figures are more difficult to value because the heavy marketing- and sales support there presses down the actual profits. The profits there have to be counted over some years.

The breakdown for the main productgroups

Sales in bln DGL	1980	1983	1985	1987
Edible Fats & Dairy	13.4	14.8	15.8	10.7
Frozen Products	) 13.2	15.9	6.8	6.9
Food & Drinks	) "	"	11.3	9.5
Detergents	9.4	12.3	12.8	11.9
Personal Products	2.4	3.2	3.4	5.0
Specialty Chemicals	3.3	4.4	4.8	4.4
Agribusiness	-	-	3.2	1.7

Operating profits per productgroup (in bln GLD):

Edible Fats & Dairy	0.7	0.8	0.7	0.9
Frozen Products	0.7	0.9	0.4	0.5
Food & Drinks	"	"	0.8	0.9
Detergents	0.6	0.9	0.5	0.9
Personal Products	0.2	0.2	0.2	0.5
Specialty Chemicals	0.2	0.4	0.5	0.5
Agribusiness	-	-	0.2	0.1

Operating profit margins per productgroup:

EF&D	5.3%	5.4%	4.8%	8.7%
Frozen Products	-	-	5.9%	6.9%
Food & Drinks	-	-	7.1%	9.8%
Detergents	6.7%	6.9%	4.0%	7.5%
Personal Products	7.0%	6.7%	5.7%	9.2%
Specialty chemicals	6.5%	9.8%	10.6%	12.6%
Agribusiness	-	-	6.9%	7.6%

Figures for the productgroups frozen products/ice cream and food & drinks were combined in Unilever reports untill 1984.
Since 1984 it is possible to give figures on sales, profits and profit margins for each group.
Most remarkable are two facts:
a. the jump in profitability in all productgroups since 1985.
b. the high profit margins in specialty chemicals and in food & drinks, closely followed by personal products.

Development of sales per productgroup as % of total sales

	1980	1983	1985	1987
Edible Fats & Dairy	26%	25%	24%	19%
Frozen Foods	} 26%	27%	10%	13%
Food & Drinks	} "	"	17%	17%
Detergents	18%	21%	19%	22%
Personal Products	5%	5%	5%	9%
Specialty Chemicals	6%	7%	7%	8%
Agribusiness			5%	3%

While Edible Fats & Dairy raised enormously profitability through restucturing that costed thousands of jobs, the share in sales is declining declining. Productinnovations help to extend the functioning of this productgroup as an important cashcow for the other activities. But in the European and US market fatintake is stagnating, there is the trend to lower calorie consumption. All expansion of the EF&D share in total sales is dependant on the growthrate of fatconsumption in riceeating Japan and developing countries. The downwards trend in Europe is symbolized in the recent development in West Germany and the Netherlands where the margarinesubsidiaries are taking care also the sales-responsibility of part of the other foodactivities.

The three foodproductgroups together count for exactly half of the total Unileversales: in 1987 27.1 bln DGL.
Frozen Foods gets a growing share in total sales and the expectation is that food& drinks will follow, the more while margins are most promising in the last productgroup.
Specialty chemicals is a remarkable group through its steadily growing share in total sales and through the high profit margins reached. This group gets a priorityhandling in yearly investments. And although specialty chemicals has mainly to do with industrial products, quite a lot of total sales of this productgroup have to do with foodproduction. Nearly half of total flavour and fragrancesproduction (Quest) consists of deliveries

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to the foodindustry, also a substantial part of National Starch and Chemicals sales are sold to foodproducers. A fairly good estimate would be around 20% of NSC's total sales: 20% of $1.2 bln in 1987. The products are stabilizers,expanders, binders, texturizers and so on for a large range of foodproducts like baby foods, bakery goods and desserts,beverages and soups, meat products, snack foods, pet foods, pharmaceuticals. Unilever delivers highquality halfproducts to a lot of other foodmultinationals, and is thus well informed about actual developments over there.
Personal products sales development shows the effect of incorporating Chesebrough Pond. Doubling of sales, connected with higher operating margins, laid down the structure on which this productgroup can expand in coming years.

Profits per productgroup as % of total operating profit

	1980	1983	1985	1987
Edible Fats & Dairy	24%	24%	18%	19%
Frozen Products	) 24%	27%	11%	11%
Food & Drinks	) "	"	21%	20%
Detergents	21%	27%	13%	20%
Personal Products	7%	6%	5%	11%
Specialty Chemicals	7%	12%	13%	11%
Agribusiness			5%	2%

THE DEVELOPMENT OF EMPLOYMENT

Of course had the way, in which Unilever changed its basis and raised profitmargins enormous consequences on employment. The size of these consequences is visible in next figures.

Development of total employment
(associated companies not included)

	1980	1983	1984	1985	1986	1987
Total employment (in 1000)	300	267	254	304	298	294

Note that in 1984 with the acquisition of Brooke Bond 65.000 workers were involved.
In 1986 was that the case for 23.000 workers of Chesebrough Pond for 2.600 of Naarden International and for 6.000 for Anderson Clayton Latin America.
The rise in total employment for 1984 into 1985 is mostly due to the take over of Brooke Bond. The other takeovers are not even noticeable. These group of more than 30.000 workers added to the Unileverpayroll are completely written off against more than this number of jobs lost through restructuring and disposals.

Comparison of the developments in sales, profits and costs per worker make very clear that disposals amongst others brought down sales per worker. But profits rose with more than 50% per worker while costs went down because of the restucturing operations.

Development of sales,profits and costs per worker

	1980	1983	1985	1987
Sales per worker (in 1000 DGL)	172	223	220	187
Profits per worker (")	10	12	12	16
Costs per worker (")	34	43	38	34

The break down of employment figures per region gives the consequences of these strategies per region and make clear that since the beginning of the eighties a long existing situation has been ended. Untill 1984 Europe conted for 50% or more of total employment, including also the employment at asscociated companies like that of UAC Nigeria, Lipton India, Brooke Bond India and others in which Unilever has a minorityshareholding. Mostly of 40%, but always on the condition that Unilevermanagement controls the factual managementfunctions and thus also personalpolicies.

Development of total employment, including associated companies and regional breakdown
(in 1.000)

	1980	1981	1982	1983	1984	1985	1986	1987
Total employment	354	343	326	306	366	353	340	336
of which in:								
Europe	176	170	160	152	151	135	123	119
North America	21	21	20	19	22	22	23	27
Central/Sth America	13	14	14	13	13)			
Africa	97	93	88	78	107)	196	191	190
Asia,Australia,NZ	47	45	44	44	73)			

Since 1985 no separate figures are given for the 3 last mentioned groups.
In 1984 employmentfigures rose in Africa and Asia due to the take over of Brooke Bond: it regards employment on the tea-estates in South India and East Africa.
The effects of restructuring in Europe are quite clear: employment down with around 60.000 workers,despite major acquisitons.
In North America sales doubled since 1980: employmenr rose with a meager 30%.
Asia/Australia/New Zealand employment went down apart from the Brooke Bond effect.

Labourconflicts

The way Unilever restructured its operations caused labour conflicts in various parts of the world.
From 1982 on there have been more strikes in West Europe than Unilever was accostumed to for decades. It was mainly the case in the UK, where for example in the restructuring of the frozen food productionplants and distribution very hard conflicts have been fought.

In Europe was the demonstration on Nov. 1. 1985 an unique demonstration of coordinated unionprotest. In May 1986 workers in numerous european subsidiaries had buttons on their workclothes to protest against jobkilling practices of management and in the factories where there is a strong organised unionpresence workers stopped production and held canteensessions.
The financial means by which Unilever tries to overcome labourprotest in Europe reduces many times the unrest and anger of workers. At leat they are not kicked on the street with empty hands.
That is different in other parts of the world. The conflicts are much harder there because there is much more at stake for everybody involved.
The last years saw a growing number of conflicts even in countries and factories where there had been no strike for 30 or more years. In the Philippines for example is discontent growing since the restructuring of 1981/1982 where 30% of workers has been laid off. Since then a few strikes took place.
In India where Unilever is the biggest private company through its subsidiaries Hindustan Lever , Lipton India and Brooke Bond India Unilever fights a long struggle against any form of unionisation. Since the beginning of the eighties the amount of subcontracting is rising fast. Hindustan Lever biggest plant in Sewree, a part of Bombay has a strong union. The plant employs 4000 workers of which around 400 contractworkers. Since 1981 ,when this group started to organise itself, Unilever tries what it can to intimidate them. The conflict broadened in the beginning of 1988 and when the permanent workers refused to do the loadingjob with was done in a protest slowdown speed by the contractworkers management locked out all workers in June 1988. It is now December and the lock out continues. Unilever tries to break the backbone of the Hindustan Lever Employees Union in the Sewree plant.
It is impossible to give an overview of labourprotest, strikes and conflicts of the last years. Many of them are not even reported outside the country. But it seems unquestionable that the number increases. And also the contents of many conflicts will be more similar than it was in the past. Because of the similar types of restructuring, organisation of the productionprocesees, types of automation, outcontracting always bigger parts of the work and so on.
Communication should be channneled more effectively to make known outside the own country or region that a conflict takes place and to inform unions and unionmember elsewhere about the contest. It is no good advertising for such a consumermarket dependant company if it comes in the newspapers too much associated with labourprotests in various parts of the world. Public exhibition of Unilevers social policies is something which the company likes the least.

4. THE EXPANSION IN THE USA AND ASIA/PACIFIC.

The best way to get insight in the leap forward Unilever organizes at this moment for the main markets outside Europe is a short overview based on the developments of the main productgroups.

Before starting with this overview it is good to give some reference material than can be helpful to measure which scope for expansion is available in various markets.
The figures were given by Unilever in 1986 and indicate the percentage of total consumer expenditure in each country spend on Unilever products: figures for 1984 <u>Unilevers slice of the cake</u>

Netherlands	2.3%	France	0.4%	N.America	0.13
U.K.	1.9%	India	0.4%	Japan	0.024%
West Germany	0.95%	Indonesia	0.4%	World	0.4%
Australia	0.5%	Brazil	0.3%		

The low marketpenetration in the USA and Japan, two of the main consumermarkets, gives Unilever work for many years before it has developed marketshares as is the case in Western Europe.

<u>Edible Fats & Dairy</u> productgroup:

In <u>Europe</u> Unilever is already for many years marketleader with a 60% marketshare in the distributive trade market for margarine. That is the direct consumer market. There Unilever defended its marketshare by rationalizing production and distribution. Some factories were closed and total employment in this coordination went down in Europe with yearly numbers of around 400- 600. Each factory lost around 30% of jobs between 1980 and now. At the same time Unilever expanded through 8 smaller acquisitions in those parts of the edible fats markets in which it was rather small: the non distributive market (NDT), servicing bakeries, catering companies, hotels and other institutions and the liquid oil market. In the last mmarket Unilever had recently only a 10% share buth that one will rise through heavy marketing over the coming years.

In the <u>USA</u> Unilever had through Lever Brothers in the beginning of the eighties a small and diminishing share of the margarine-market of 7-8% and heavy losses. By direct intervention of Unilever topmanagement the Lever Brothers US-strategy has been turned upside down. The two LB margarineproduction factories and a number of wharehouses were closed in 1982/1983: it meant redundancy of more than 1500 workers. Production and distribution were outcontracted to Shedd's Food Products, the edible fats subsidiary of Beatrice Foods. In 1984 this division was acquired from Beatrice: Shedd's employed 800 workers in very flexible production schemes in 7 factories. It had no wharehouses and operated on a make-to-order system. A year later another smaller margarine-company (Filbert: 2 plants, 440 workers)was acquired. This acquisition strategy plus an enormous marketing bombardment of the US consumermarket resulted in lifting Unilevers market-share from 7% in 1980 to 37,5% now !!
It meant a rise in sales from $100 mln in 1980 to $600 mln in 1987 in an overall stagnant market.
With a smaller number of workers and a completely changed production and distribution strategy. Competitors Nabisco Brands and Kraft had a very difficult period and Nabisco decided to concentrate on other products and sold in 1987 its Canadian margarine subsidiary to Unilever and in May 1988 its New Zealand edible fats subsidiary Abels Ltd.
Last news from the USA are the Unilever acquistions in November

1988 of Durkee Industrial Foods for 104 mln UK Pound Sterling (sales in '87 of $ 174 mln) and of Pennant Products for an undisclosed sum (but 390 workers). Both specialize in production of edible fats and coatings and other products for bakeries and the catering branche.
This gives Unilever marketshares in the USA and Canada of both around 40%.
The Anderson Clayton take over in Latin America brought Unilever margarine marketshares in the most important markets of Brazil and Mexico to around 60% each. And also there last signs are that Unilever develops fast its non distributive market.

And what about Unilevers edible fats strategy in Asia, Australia and New Zealand? Apart from Unilevers involvement in oilpalm plantations which fall under the agribusiness coordination it had historically already big vested interests in the margarine and vanaspati industry in Asian countries. But the total market volumes are limited because of a very limited consumption of bread. Of course rice-consumption is predominant.But in Australia and New Zealand Unilever has since recently a leading position in this market. In Japan it has the second place but with the growing habit of eating bread Unilever starts already rising its marketing efforts to cash in on both sides: consumers and bakeries. In fact it follows everywhere the same type of strategy. And when marketleadership is reached the time comes to cash the higher margins.

Food and drinks:

The wide range of food and drinks has been cut down to 4 major product groups: tea, soup, dressings and meatproducts. This was the first restructuring in this product-coordination in 1982. This decision implicated that research & development, investments and so on were mainly concentrated on these products and the rest was offered for sale and has been sold in the years from 1983 onwards.
The whole productgroup had sales mainly in Europe and the USA. Through Lipton (headquarters in the USA) Unilever had a very succesfull food & drinks subsidiary in the USA with many tea-interests in Asia. The 1984 acquisition of Brooke Bond just before the nose of competitor Tate & Lyle made Unilever the undisputed world leader in packaged and branded tea: estimates are for a 20% world marketshare and 1 bln UK Pound Sterling of sales.
Brooke Bond added exactly to the just defined core-products in this coordination: tea, soup and meatproducts.
By this take-over Unilever got next to the leading Lipton position in the USA tea-market, the same position in the UK, Canada and South Africa and important tea-estate interests in South India and East Africa. Together Lipton and Brooke Bond completely dominate the Indian and Pakistan packaged tea-markets. In India both Lipton India and Brooke Bond India fall under the FERA-act. It means that they can be maximally 40% foreign owned. Hindustan Lever transfered a number of factories to Lipton in 1985 so that this companyb is diversifying out of tea. And Brooke Bond is doing the same. In started already in 1975 a corned beef processing and canning plant, in 1985 it started the construction

on the same site of a leather finishing plant,. meant for export. And also in 1985 it started the construction of a paper mill, aimed for packaging materials for BBI products and BBI started a joint venture with Karnataka Scooters for the production of Motorcycles.
With Brooke Bond Unilever acquired a 49% stake in Bushells Australia. In the beginning of 1988 Unilever got complete control of Bushells Holdings. This means the leading position in the Australian tea market but also leading positions in other product groups. The acquisition in New Zealand in Oct. 1988 of Quality Packers had the same effect in that country.In tea Lipton leads the japanese market.
A new development started in 1987 with the purchase through Lipton of Celestial Seasonings, a US subsidiary of Kraft, which produces and sells a wide range of herbal and specialty teas in the US,Canada,Australia and New Zealand. By this acquisition Unilever broadens the scope of its international tea-activities.
For the other 3 products in this coordination there has been major expansion through acquisitions and through the restructuring of already owned subsidiaries like Batchelors (UK.:meat).
The way Unilever worked out its strategies for edible fats and tea implicates that it plans an agressive expansion in the other three product areas. The huge dressings market in Japan (total sales of around 300 mln UK Pound Sterling a year is already under attack.
With meatproducts Unilever is already busy to expand outside the UK, West Germany and the Netherlands through take-overs in Belgium, Spain, the USA and through direct investments in existing Lever Brothers plants in Chile, Mexico and Nigeria.
In other terms: there is an enormous scope for Unilever to expand.
Recently Unilever announced the restructuring of Rosella/Lipton and Bushells in Australia. It is the similar pattern as is followed in other countries: Canada, West Germany and the UK. All grocery directed food & drinks operations are brought under one management. It results in merging administration and sales departments of the formerly 4 companies. The fate of the various production plants is unsecure.

Detergents:

In the detergentscoordination it is the same story as in Edible Fats. Unilever has a strong position in Europe and in many developing countries. In the USA it had for years a loss making third position behind Procter & Gamble and Colgate and in Japan is had only a minor position.
In Europe it defends and tries to expand positions in a very competitive stagnating market where 90% of the total sales are controlled by 5 companies through rationalizing: it means the closure of smaller plants, the concentration of specialized productions in 5 main plants. And also here it tries to create a strong position in the still very fragmented industrial detergents market (the equivalent of the NDT in Edible Fats). Some smaller companies have been taken over.

In the <u>USA</u> Unilever started from 1980 to attack the leading position of the two main companies. Its strategy was threefold:

- in any case defense of the existing positions and marketshares
- creation of a low cost production structure
- priority on productinnovation and the launch of many new products.

The first aim had to prevent a further detoriation of Unilever marketshares which went downwards already many years. Between 1980 and 1987 $ 270 mln has been invested in 4 completely computerized production plants, while in 1980 there was not one computer available.Unilever can now profit from its backwardness at that time. Those 4 factories produce a volume aequal to the one produced by 14 factories in Europe. And these are now restructured in the same way.
Between 1982 and 1987 5 new products have been launched with marketing and sales-supporting costs of more than $ 500 mln. These strategies combined brought detergentsales of Unilever in the USA from $650 mln in 1980 to $2000 mln in 1987: and that in a market expanding with 1-2% a year. It is clear that this rise was at the expense of others who try to defend their positions thourgh product innovation, more marketing and so on. It is an ongoing circle that will result in the end in the withdrawal of one of the bigger ones from the market.

And now is the <u>Asian market</u> the main Unilevertarget.In 1984 Unilever took a 50% share in FUIC Detergents in Taiwan and got managamentcontrol over this company that is marketleader in detergent powders,soaps and dishwashing liquids.
In South Korea it set up in 1985 a joint venture named Aekyung Industrial Company Ltd, in which Unilever and Aekyung Company both own 50%. The productrange includes detergents for the laundry and dishwashermarkets but also personal products, some food and also the recently launched tea. During the last 5 years detergentproductionplants in India, Indonesia, Thailand and Malaysia were completely modernized. Mostly connected to the removal to a new industrial site outside of the overcrowded cities.
In Japan, Unilevers share in the detergents market is small. Total Unilever sales in Japan, including tea, foodproducts and toilet preparations were 100 mln UK Pound Sterling in 1985. But through heavy marketing support some products like Fa FA fabric softener , Timotei shampoo, Jif cleanser, Domesto bleach and Lipton black tea are all markerleaders. It is clear that when salesvolumes rise Unilever has to take decisions about thr question where to produce these products. Now they are mostly imported from outside. The now existing Japanese production base is much too small for the goals the company set itself in the coming years. Nippon Lever KK has one productionplant and employs 1000 workers and Lipton KK employs 200 workers.

The last example is the <u>agribusiness coordination.</u>

This coordination was formed out of some parts with a long history in Unilever but scattered in the company organization structure.

The agribusiness coordination started on Jan. 1986. It is responsible for the coordination of 4 main parts:

- the plantations (formerly reporting to plantations group)
- planting material and seeds
- aquaculture
- animal feeds.

Plantations have in Unilever a history going back to 1902 when Lever Brothers bought coconut plantations on the Solomon Islands. At that time the main reason was a kind of vertical diversification: securing the raw material deliveries for the production of the european Lever soapfactories was the first aim. Last year Unilever had about 105.000 ha plantations. Nearly 65.000 ha of oilpalm, 16000 tea estates , and smaller areas of rubber, coconut and cocoa.
Most of the raw materials Unilever factories need are bought on the world market. But in some countries which are short of e.g. vegetable oils like Columbia or Thailand the Unilever plantations produce directly for the Lever Brothers productionplants.
Unilever is the leader in the so called oilpalmcomplex: not necessarily the biggest producer, what it is not, that is something for Harrisons and Sime Darby in Malaysia. Unilever is the only company involved in every stage of the whole chain: from plantation,through oilmilling and refining to consumerproducts in EF&D and detergents/soaps but also in industrial products through oleochemical products and industrial fats. More then others is is involved in cloning research. In oilplam it has the lead with the Bakasawit Clonal Oilpalm Research unit it owns jointly with Harrisons Plantations nearby Klang, 40 miles from Kuala Lumpur in Malaysia. In the UK it has in Unifield a commercial clone-producing facility which delivers already cloned palmplantlets to [illegible] Latin America (Columbia) and in Asia (SolomonIslands, Thailand and Malaysia). In other countries it is involved in stimulating projects for growing locally. At the Adanheri/Bombay Hindustan Lever Research Center it works on cloning of coconuts.
At Colworth House in the UK, one of the headlaboratories of Unilever ,a plantations development unit has been set up to transfer the experience with cloning of oilpalm to other relevant plants for Unilever use as perfumery plants, tea. The Malaysian plantation of Unilever, Unipamol in Johore, plays the role of the lead plantation with best proven practice. From there new findings and agricultural methods will be spread tpo other plantations.
The Thai plantations were the last to acquire: in 1983 bought a 51% share in the Univanich Group and got managementcontrol over the group. This group consists of: 4100 ha. of oil palmplantations on 3 estates and 3 oilmills and refineries. mployment involved was 528 employees and 625 contractworkers.
The Brooke Bond tea estates are still reporting directly to Brooke Bond and are not integrated in Aribusiness coordination. But that seems to be a question of time. Brooke Bond has around 6000 ha of tea estates in India through Doom Dooma (74% owned and estates in Assam) and Tea Estates India.

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The planting materials and seeds division of agribusiness coordination.
In this division are grouped together the sale of palm clones and oil palm seeds, pea breading and sales of UAM and BOCMS in the UK and the seed activities connected to the sunflowerprojects in Turkey and Kenya. In this part of agribusiness biotechnology will play a growing role. The acquisition of Plant Breeding Institute (PBI/NSDO) gives this division an enormous power. The ingredients are there: a lot of experience in bioscience research, tissue culture expertise, a worldwide infrastucture and many managers with good agribusiness skills.
With PBI Unilever set up a joint venture with a dutch seed company Van der Have under the name of International Seed Development Center. Unilever has a 60% share in this venture.
This company will internationalise the PBI products: wheast, barley, oilseeds, beans and potatoes.First markets to develop are Australia, Brazil, Kenya,Malaysia, Pakistan, Philippines, Thailand and Turkey. In the UK 80% of all wheat grown there comes from seeds developed though PBI and sold through NSDO.

Aquaculture: Unilever has a long experience on one place, in Scotland. The Marine Harvest venture there is for years involved in salmon farming. In 1985 it had an utput of 2000 tons. Last year agribusiness coordination found a new place to internationalise the salmon farming experience. In 1987 started in Chile a second big salmon farm: target is to reach by 1990 2000 tons of salmon and by 1994 10.000 tons. Then every day a Boeing 727 has to transport 35 tonnes of fresh salmon to the US market. Just as happens now with the carnation plantation Unilever herited from Brooke Bond in Kenya.Every night one flight with fresh picked carnations to Europe.
In the Far East Unilever started in Sri Lanka commercial prawn farming. This project has been internationalised by pilot schemes on stream now in India (Madras) and Pakistan.

The last part of this coordination is animal feeds.
Once a coordination on its own. But Unilever sold its big animal feeds interests in the Netherlands and France. Mainly because the animal feedmarket there was stagnating or going down and Unilever hadn't the chance to grow to the number one position. Big farmers cooperatives blocked Unilevers way and these cooperatives had more political ,support.
In the UK however, Unilever is the marketleader with BOCMS. This company has been restructured over last years and in stead of a few big mills BOCM-S controls now a number of smaller mills spread over the countryside.
In one other country Unilever had already a big stake in the animal feed market: India. Hindustan Lever operated for a number of years around 10 feedmills. In 1985 they were all transfered to Lipton India as Unilevers response to the government regulation that companies producing not mainly for export but for local consumption. If no sophisticated prodctionprocesses were involved the company could only be 40% foreign owned.
The Anderson Clayton take over in Brazil and Mexico brings amongst others also feedmills to Unilever. In Mexico AC operates 6 feedmills and had third place in the national market, in Brazil it operates 2 feedmills.

In India Unilever seems to build the same imperium as it had in Nigeria through UACI. The three subsidiaries Hindustan Lever, Lipton India and Brooke Bond India, the last two 40% owned, have an enormously broad portfolio of products. Unilever is involved in all parts of the Indian economy.

The conclusions are manyfold: Unilever has released its historical chains and made its European base much leaner and more profitable. Much more attention and energy plus money will be spend on capturing the US and Japanese market without forgetting the huge markets in India and the NIC's in Latin America. The fast epansion of interests in the core-activities in Asia and the Pacific, see for example what happened in Australia and New Zealand, has been started. Unions will get confronted with a much more agressive company than in the past.
The last page gives last known figures on sales and profits for the asia/pacific region.

Excluded in these figures are the sales/profits of specialty chemicals and agribusiness.

Estimates on sales and profits for the Asian/Pacific Region
(figures for 1986 in mln UK Pound Sterling)

	Sales 1986	Profits 1986
Australia	295	) 40
New Zealand	20	)
Indonesia	100	11
Japan	165	(5)
Malaysia	30	3
Singapore	20	3
Philippines	60	7
Thailand	125	15
Taiwan	45	6
India	380	) 50
Other Central Asia	125	)
Total	1.365 mln PSt	130 mln PSt.

December 1988
Paul Elshof
SOMO.

UNILEVER SUBSIDIARIES IN ASIA AND THE PACIFIC

Most of the subsidiaries of the Unilever company in this regions are mentioned in the list from 'Who owns whom' edition 1988 for Australia and the Far East. Not included there are the subsidiaries in Central Asian countries like India, Pakistan, Bangladesh and Sri Lanka.
The division in parenthood is roughly as follows: the big majority of subsidiaries in old british colonies and in commonwealth countries are formely owned by the English holding company Unilever PLC. The shares of all the others are hold by the Dutch holding Unilever NV. The main exceptions are the subsidiaries of companies quite recently acquired by Unilever like Narden International and Chesebrough Pond. The Australian subsidiaries of these companies for example are still owned by their former mothercompany and thus now by NV and not PLC.
In daily life is the only thing that matters for tradeunionpurposes the answer on the question who is in fact responsible for managementmeasures in subdiaries.
The rule is that national management is responsible in the first place for all policies of subsidiaries in that respective country. On one exception: all subsidiaries belonging to the productcoordinations Specialty chemicals and Agribusiness report directly to their coordinations in London.
All other subsidiaries report first to their national managamentteams and next to their Regional Directors, members of the Board of Unilever NV/PLC: for East Asia/Pacific it is Jan Peelen and for Latin America/Central Asia it is Patrick Egan.

What follows is a list of the main subsidiaries in the Asia/Pacific Region and for many of them some more information that could be helpful in assessing ongoing developments in subsidiaries in your own country.

INDIA:

Most important for Unilever is India. Regarding net sales, range of activities and total employment India is by far the most important country for Unilever in the region.
In India Unilever claims to be the biggest private company: in 1986 Unilever had net sales of roughly $600 mln . Total employment was around 15.000 permanent employees and an unknown number of contract workers or workers in subcontracting firms which are fully dependent of Unilever-orders.
Unilever operates in India since 1934 with its own production factory, the Sewree factory at Bombay was the first.
Lever Brothers,one of the founding companies of the later Unilever company, exported already since the last decade of the nineteenth century soap to India.
For some decades Unilever operated in India mainly through two holding companies: Hindustan Lever and Lipton India.
In 1984 Brooke Bond India was added with the acquisition of Brooke Bond Libeig in the UK. Hindustan Lever is the most important of the three. Traditionally Hindustan Lever directors are very succesfull in lobbying government policies and one form that helps this work to be done smoothly is the come and go of managers and governmentofficials in public and companyfuncitons.

In all the three Indian mothercompanies Unilever has different shareholdings: (sales in US dollars in 1986 between brackets)

* Hindustan Lever Ltd 51% headoffice Bombay ($ 600 mln)
* Lipton India Ltd 40% headoffice Calcutta ($ 250 mln)
* Brooke Bond India Ltd 39,9% headoffice Bangalore($ 275·mln)

The reason is the Indian legislation with respect to foreign ownership.
Hindustan Lever was for a long time an 85% Unilever owned company. This shareholding position dropped to a 51% point in 1980.After some years of negotiations with government, in which the good relations as described were very helpful, Hindustan Lever got the decision that it could maintain its 51% Unilever share providing that 60% of sales is based on sophisticated technology or belongs to core sectors , such as defined by government, and that 10% of turnover is in exports. The 60% rule was already the case, and 10% of sales in exports was more difficult. To reach this percentage Hindustan Lever started activities in new fields and in this way it looks more and more on the old United Africa Company subsidiaries of Unilever in West Africa: UAC Nigeria is one of the most experienced import-substitution companies in the world.
If Hindustan Lever couldn't match the government provisions, than Unilever is only entitled to a 40% shareholding position.
One of the main measures of Hindustan Lever to reach this agreement was the transfer of its Food Division to Lipton India. It includeed the transfer, formally the food division was sold to Lipton India, of roughly 25% of turnover of Hindustan Lever.

Since this transfer that took place in 1984, Hindustan Lever embarked on a big investment program : in 1984 there started programs of together more than $110 mln.

Hindustan Lever Ltd:

Last figures are for 1987: net sales of 79537 Rs Lakh
net profits 4649 Rs Lakh

The main product areas of Hindustan Lever are:

* soaps, detergents (around 80% of turnover0
* chemicals and agriproducts (around 6% of turnover)
* personal products and exports (around 14% of turnover)

Most important in many aspects is Bombay. In Bombay are located two factories and the Hindustan Lever Research Laboratory at Adanheri, a quarter of Bombay.
The Adanheri Lab. employs around 230 scientific staff and more than 100 contract workers and is in Unilever worldwide one of the 5 headlaboratories. And what is more it is the main center for productdevelopment related to the asian Unilever affiliates. In the first decade after the start of the laboratory in 1963 the emphasis was mainly on oils and fats, but now the main sectors of research are chemicals and agriculture.
One factory in Bombay, the Sewree plant, produces soaps, detergents and personal products (toothpastes and cosmetics). Employed at Sewree are 4000 workers, of which 3000 permanent employees, 400 contractworkers , 200 clerical workers and 400 loaders and transport workers, employed by subcontractors.

In this factory are the permanent employees organized in a strong independent union, the Hindustan lever Employees Union.
This union is lately involved in a major fight with management.
More details and background of this fight are already included in IUF Unileverbulletin nr. 17.

The other factory in Bombay produces fine chemicals and catalysts.
Other Hindustan Lever locations are:
* Taloja : chemicals, fine chemicals and sal refining
* Kandla : soaps, herbicides, garments and personal products
* Jammu : detergents,plant growth nutritients and fine chemicals
* Pampore: detergents
* Shamnagar: industrial fats
* Haldia : fertilizer and chemicals
* Chhindwara: detergents
* Calcutta/Garden Reach: soaps, detertents, glycerine and personal products
* Madras : prawn hatchery/ aquaculture.
* Hyderabad: seed improvement centre

It is interesting to mention Hindustan Levers strategy in the soap/detergent sector, good for around 80% of HL turnover.
The biggest growthchanges are in detergents. India comes after the USA in total volume sold. And HL is the number one in India.
And because government sets certain limits in capacity to prevent too dominant positions of a few companies Hindustan spreads its capacities out of the major cities and more to the backward rural areas. It follows two lines: it invests in own factories for detergentproduction in areas where there is no industrialisation as was the case for Jammu and Pampore and that are exempt from capacity-regulations. The other line is to take over ailing and bankrupt factories 'to save jobs and production' says HL, in fact to overcome capacity limits.
The Jammu and Pampore factories started in the end of the seventies. The same pattern was followed recently in Chhindwara, where has been built in 1984/85 a copy of the Pamporefactory.
It seems that the Chhindwara factory takes over the role of the Bombay and Calcuttafactories to deliver the southern part of India.

Recent additions to the main productlines are:
* Gujarat : on the Gujarat Free Trade Zone Hindustan Lever built a special factory for the production of soaps to international specifications: tallow is forbidden in India
* Gujarat : a factory has been built by HL for the production of 1 million shirts a year for export
* Kanpur : in this city in Uttar Pradesh HL builds a footwear factory also for exportreasons.
* Sumerpur: also in UP is a synthetic detergentsplant with capacity of 30,000 ton under construction. Production starts in 1989.
* Orai : also in UP under construction 30,000 ton a year toiletsoap factory. Start production 1990.
* Haldia : recent expansion of capacity of catalystproduction.
* Kandla : under construction on the Kandla Free Trade Zone a

processed vegetable oils plant for export.
* Pondicherry:shoefactory under construction. Production for export will start in spring 1989

Recent acquisitions:
- Stephan Chemicals : HL got government permission to acquire 51% of shares in this company
- Shekhar Engineering Industries: applications are submitted for the take-over of this company.

Exportobligations:
Under the provisions with the Indian government Hindustan Lever has to export 10% of turnover. In 1985 the exportsales were up to $ 60 million and the declared aim was to raise these sales to $ 100 million by 1990. That implicates raising total turnover of HL from around $ 600 million to $ 1 billion.

Much of the export is handled through Indexport Limited, a 100% owned Hindustan Lever subsidiary. Some items in the export of which HL/Indexport is involved are also:
- carpets from Kasmir and Varanasi (Hl builded a carpetwashing factory in Varanasi)
- prawns, harvested from HL prawnhatcheries along the East and West Indian coasts. The center of the prawn-hatcheries is at Muttukadu, south of Madras. And after a number of years experiments with the support of the Adanheri Research Lab. and the Marine Harvest know how (a scottish Unilever subsidiary and the biggest commerical salmon-farm on the world), the desired strains have been developed. Small prawns can now be exported : the aim is in the first place the Unileversubsidiaries with their own fish-ponds in Pakistan, Sri Lanka and Bangla Desh.

Lipton India Limited:

Before it in 1984 had to take over the Hindustan Lever Food Division, Lipton India was a single product company: tea was blended and packaged at two factories: the biggest one at Kidderpore/Calcutta and a smaller one at Ambattur/Madras.
Employment in the Kidderpore factory developed down from 2100 in 1971 (when Unilever took over Lipton India Limited) to 1500 in 1982. In 1979 the workers at this factory went on strike for 5 months against the plans of management to install computerized

processing machinery combined with decentralisation measures. The installation of electronic equipment was postponed for the time being, but management tried the decentralisation the harder. The Ambattur facory was build in 1974, employed 250 workers and was much more sophisticated than the Kidderpore-factory.
One of the Hindustan Lever directors moved to the Board of Directors of Lipton, Bipin Shah in 1979. And after this move more personal unions followed. In a few years time thsi new team changed the company from the loss making years in 1980 and 1981 to a profitable company and with a completely different lay-out.
In stead of two factories, and in one a strong union which made Lipton vulnerable, it has now seven productioncenters, spread over the country, smaller and very modern units. Distribution

from these 7 flexible units has much lower costs than in the old situation. New smaller units are located in Pune, Nellore and Hyderabad.
Apart from the restructuration of the productionbase, Shah reorganized also the sales force: the number of salesmen was halved.
In the beginning of 1984 Lipton broadened its base with the food division of Hindustan Lever. Tea is still good for 60% of Lipton turnover.Included in the new divisions were:

- edible fats	(around 25% of turnover)
- dairy products	(" ?)
- animal feed	(" 12% ")
- others	

Total Lipton sales in 1986 were around $250 million.
Employment was around 5000.
In 1984/1985 Lipton India controled 30% of the Indian packaged tea market. (main brandname Lipton Yellow Label). Of the total tea market Lipton controls 10%.
Together with Brooke Bond India (acquired by Unilever in 1984 and with Brooke Bond Red Label as first brand) Lipton controls 80% of the packaged tea market in India.
Last introductions in packaged tea by Lipton are: Tiger Tea and Cheers and a fresh drink based on tea named '21'.

Some remarks on the recently added productgroups:

* in edible fats the main factories are located in Ghaziabad and Tiruchirapalli. Lipton wants to diversify from vanaspati to margarineproduction but this depends on government-stipulated rules that prevent addition of colourings or flavours.
  Just as everywhere else in the world production for and sales to the bakery-sector is a main target: specialized fast, yeast products and other related items.
  A third area of expansion is the branded flaovoured oils, mainly for the southern part of the country.
* the dairy/sector of HL/now Lipton is growing slowly. The main center is the milkfactory at Etah and the company is itself aware of the long time commitment it should demonstrate before being able to expand much further.
* much more important is the animal feed sector.
  Lipton took over in 1984 12 animal feedmills from HL. This group was at that time the largest single supplier of animal feeds. The locations of these plants are: Rajpura, Ahmedabad, Surat, Pune, Hubli, Coimbatore, Bangalore, Hyderabad, Nagpur and Varanasi. In 1985 expansion was planned in two ways: building and buying a number of factories, bringing the total number to 21 plants in a few years, and a cost-cutting program through automationprograms in all plants. The first program had to raise productioncapacity and the second above all the profit margins.
  Head office of this subdivision has been moved from Bombay Hindustan Lever headquarters to Bangalore.

BROOKE BOND INDIA Ltd:

The acquisition of Brooke Bond in the UK in 1984 added in India the BBI subsidiary, which had in 1986 a turnover slighly more

somo
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than Lipton India. Turnover of BBI was around $ 275 million. With Brook Bond India Unilever acquired a superdominant stake in the packaged tea market and a very expert sales force. Brooke Bond India is wellknown for its biggest marketingorganization in the country: 1500 salesmen take care of nationwide distribution of tea and coffee through an army of stockist, formally independant wholesalers. The geographical spread and experience of this sales force is such that the Indian government made use of the Brooke Bond sales group to distribute contraceptives over the country as part of its birth control program.

Brooke Bond India is 39,9% owned by Brooke Bond Liebig in the UK and thus by Unilever.
BBI itself owns around 6000 hectares of tea estates divided over 16 estates in North and South India through two subsidiaries. In the North the estates are owned by Doom Dooma India Ltd and in the South by Tea Estates India Ltd . Doom Dooma has 2650 mature hectares and sells half its 6mln kg annual production in exports. Profits are 30% of turnover !! Tea Estates India has 3500 hectares mature area and sells its 10mln kg on the local market. Profits here are 25% of turnover !! Both are for 74% owned by Brooke Bond India Ltd, the remainder is held by local indian capital.

Again two main strategies in tea: one is raising the productivity of the pluckers. A number of new methods of plucking have been developed mainly on the Kenyan and Malawi tea estates of Brooke Bond. One of them is 'programmed scheme plucking', which method has been transfered recently to the Indian and Tanzanian estates in a slightly modified way.
The other strategy is by developing clonal tea bushes that raise yields per plant. Brooke Bond has already many years experience in cloning tea plantlets, using mainly the vegetative propagation process. Since being taken over by Unilever it makes also use of Unilevers experience in test tube cloning such as developed for oil palm and coconut palmcloning.

Exportsales of Brooke Bond India amounted to $ 40 million in 1985, mostly from tea, coffee and spices but also from other products BBI had diversified into.
Brooke Bond India started in the middle of the seventies to diversify in other products. A list of these new areas is given:
* at Auranganabad : in 1975 the construction of a export oriented corned beefplant
* at Auranganabad : in 1984 start of production of leather finishing plant
* at an unknown place BBI started a third instant coffee plant also mainly meant for export.
* at Bilaspur BBI constructed a paper mill, mainly for the production of packaging materials for BBI products
* in 1985 BBI took over Karnataka Scooters Ltd, a production company of motor cycles such as the 50cc BSA machine.

Headquarters moved from Calcutta to Bangalore in 1986. In the newly build headquarteroffices work around 200 staff and un unknown number of contractworkers.

Still Brooke Bond and Lipton operate separately in India. In their

search for ever higher margins and cutting costs it will not take many years before management will try first to integrate the sales and administrative departments and second to integrate the production facilities. In other regions the two have been combined already.
The BBI tea estates have also a special position: they still report to the Brooke Bond managers and are not yet integrated in the Agribusiness coordination, again, for the time being.
In one area Unilever/Lipton tea activities and Brooke Bond activities have been integrated: tea buying. From January 1986 there operates a Central Tea Group in new offices in South London Croydon that combines the UK trading activities of Brooke Bond and Unilever and this Central Tea Group plays a coordinating role for all Unilever tea companies world wide. THis central information and intelligence network makes the Unilever role in tea world wide the more influential and powerfull.

Apart from all the subsidiaries owned by the three main subholdings in India there is one subsidiary directly held by its foreign mother company, it is Naarden India Ltd at Bombay and 40% owned by Naarden International in Holland.

PAKISTAN

In Pakistan Unilever constructed its first and only factory in the middle between Karachi and Lahore, at Rahimyar Khan in 1949.
Before Hindustan Leverfactories produced for this region.
In 1952 was introduced vanaspati under the brandname Dalda as a subsitute for ghee. As in many other countries in Asia and Africa advertising was mainly done by touring the country with a mobile cinema. Even in the smallest villages, and far backward areas, people get to know the brandnames of Unilever products from childhood on.
In 1964 a second factory was builded at Chittagong/East Pakistan. When in 1971 this region declared its independance as Bangla Desh both regions had each their Lever Brothers factory.
Lever Brothers Pakistan is 66% owned by Unilever PLC. In 1973 many foreign companies have been nationalized except this factory.
In 1984 Lever Brothers employed 693 workers and 101 staff.
A 4 weeks strike took place in 1983 against modernisation measures and subcontracting steps proposed by management.
Since the end of the seventies the productrange is widened, although vana spati still covers around 40-50% of turnover. Included now are also detergents, soaps, soups and cooking oils.
In Pakistan prawn farming is started just as in Sri Lanka, Bangla Desh and of course India.

Brooke Bond brought in its range of subsidiaries also two operating in Pakistan. Brooke Bond Pakistan is 50% Brooke Bond thus Unilever owned. It has two tea packaging factories : in Karachi and in Khanewal. And a few years ago Brooke Bond Pakistan set up an export trading division.

BANGLA DESH

Very little information is available on Unilever in this country. There is one Lever Brothers factory in Chittagong, constructed in 1964. Probably producing the same first products as is the case everywhere: edible fats/vanaspati and soaps. This facory is 61% Unilever owned.
Some prawn hatcheries are developed over the last years.
From the Hindustan Lever,Brooke Bond and Lipton subsidiaries in India there will be some exports to Bangla Desh, handled there by the Lever Brothers sales force.

SRI LANKA

Also here Lever Brothers has a long history.
Lever Brothers (Ceylon)Ltd. has its factory in Colombo since 1939. The main products were Astra margarine and Lux toiletsoap.
Untill 1957 Lever Brothers (Ceylon) Ltd sold all production to local distributors and wholesalers. From 1957 on it set up its own sales force. The political development in Ceylon/Sri Lanka made that the main attention for management was how to overcome the obstacles thrown up by government. Untill 1977 importrestrictions above all made life for the business difficult, more than for local businesses which are not so dependant on imported raw materials as subsidia ries of multinationals that have to keep their high standards of their branded products.

Since 1977 new investments took place. The factory has been modernized and capacities have been expanded.
Special mention should be made here of the Pears products line of Lever Brothers Ceylon. In 1960 LBC started to sell Pears baby powder, in 1964 followed by Pears baby soap and in 1979 by Pears baby cologne: all are manufactured at the Colombofactory. By new marketing methods Lever Brothers gives free samples to each new mother (for 1988 are planned nearly 100,000 free samples). With the sample goes a pamphlet giving basic information on baby care,hygiene and so on, made together with the UN Children Fund. This implies also a very good relationship with the authorities and secures a majority marketshare for Lever Breothers in baby care products. .

Since the middle of the seventies two new projects have been initiated by Lever Brothers Ceylon:
* rice bran oil milling: to make use of the waste product of rice mills LBC build a pilot plant in Minnerriya to extract oil from the rice bran. This oil is a welcome substitute to coconut oil which is more expensive and can be used well in the production of margarine and soap.
  A bigger plant has been build a few years ago n the same site.
* prawn farming: around 1975 a pilot site was chosen at Seeduwa, just north of Colombo. After two years experiments the ventute proved to be that succesfull that a larger site was acquired at Thoduwawa.Commercial production of prawns has been started there. One of the aims, besides sales on the local market and exports, is to stimulate farmers to use their disused paddy fields as prawn farms. LBC can offer to deliver the fry and speciallly formulated fishfeed and to buy and market the grown prawns: contractfishfarming.

Lipton Ceylon Ltd. has of course also a longer history in this country that is so dependant on the tea-prices in the world market. Lipton had its own tea-estates, but had to sell them to the government in 1976.
The Lipton tea buyers are the most important at the Tea Auctions at Colombo. All the tea they buy is blended and packaged at the Colombo Lipton factory.
More than 80% of all the tea Lipton Ceylon handles is in behalf of Unilever clients. The bulk of the Sri Lanka tea goes to the US Lipton subsidiaries.
A second Lipton owned factory is the Ceytea factory at Agrapatna. Here Lipton produces its instant tea, directly made from green leaves and not from black tea which is the normal process.

THAILAND

Unilever subsidiaries here are:

* Lever Brothers (Thailand) Ltd
* Univanich Group since 1983 with a 51% shareholding
  this groups is made up by:
  - Hup Huat Palm Oil Industry Comp.
  - Siam Palm Oil and Refinery Industry Comp.
  - Thai Oilm Palm Industry and Estate Comp. (TOPI)
* Thai Tapioca Ltd. acquired in 1983 through National Starch and Chemica
* National Adhesives Co. Ltd.
* Royco Foods (Thailand) Ltd
* Unifoods (Thailand) Ltd
* Chesebrough-Pond's Thailand Ltd

The oldest subsidiary is Lever Brothers (Thailand) Ltd.
Founded in 1932 with the name Siam Industries Ltd and renamed in 1953 in Lever Brothers (Thailand) Ltd.
The factory, build in 1932 in the Thanon Tok district of Bangkok, was the first foreign investment in production in Thailand at that time. The first 20 years was the main product toiletsoap, Sunlight bars, and a little bit edible oil. Since 1962 detergent powder was the first new product, Breeze was the brand name. And at the end of the seventies a new wave of diversification started:
- personal products (toothpasta/shampoo)
- oils & fats for the non distributive trade (restaurants, catering firms, bakeries and so on).

In 1980 employment was 2000 workers.
This number was cut down to 1400 in 1983 after the move from the 50-year old factory to the very modern new plant at Minburi.
Total investment is around 1 billion baht ($ 60 mln).
And while the different departments of the old were moved to the new factory over a periode of 5 years, from 1982 to 1987 total employment will be further down now.
Sales in 1982 were more than 2 billion baht (more than $120 mln).

The new Minburi factory produces mainly on the base of locally grown and processed palm oil in stead of imported tallow.

This shift in raw material is one of the main reasons to acquire interests in the Thai oil palm sector.

In 1983 Unilever got the permission to acquire 51% of the shares in the oilpalm interests of the Vanich family: the new venture was named the Univanich group, consisting of the 3 parts mentioned above. The Hup Huat and Siam companies have 2,000 hectares of oil palm and the fruit bunches are processed at the Siam factory. These plantations and factory are nearby the town Ao Luk in the south of Thailand. The TOPI estate (also 2,000 hectares) is more isolated, but still in the same region.
Production rose from 16,000 tons in 1983 to 25,000 tons in 1986. Some 9,000 is used by Lever Brothers. Planting of another 2,000 has been started in 1987.
Total workforce in 1987 was: 528 employees and 625 contract workers.

Thai Tapioca Limited was acquired through National Starch and Chemical in the USA as its first asian production base in 1983.
National Starch was already for many years a client of TTL. The factory is in the middle of the main tapioca growing area in the south east of the country.
Heavy investments in the plant made it within a few years to a leading specialty chemicals plant in SE Asia.
Total employment in the factory was 108 employees in 1986 and 12 staff at Bangkok headquarters.
In Singapore was set up the regional marketing headquarters for south east Asia: TTL can now deliver specialties to a wide range of sectors, like textiles, paper and board, food processing,pharmaceutical and others.

For the other subsidiaries no further information was available.
The Unileversales in Thailand have been doubled within 4 years. In 1982 estimated turnover was $ 120 mln, mainly the Lever Brothers sales. In 1986 approximate sales were $ 220 million.

MALAYSIA

subsidiaries:
* Lever Brothers (Malaysia) Sdn Bhd (70% Unilever shareholding)
* Associated Palm Oil Producers (Sabah) Sdn Bhd
* Unipamol Malaysia Sdn Bhd
* Bakasawit Sdn Bhd (a 50/50% joint venture with Harrisons)
* Lever Brothers (Trading) Sdn Bhd.
* Lipton (Malaysia) Sdn Bhd
* Unichema (Malaysia) Sdn Bhd
* Walls Ice Cream (Malaysia) Sdn Bhd
* Adhesives (Malaysia) Sdn Bhd

Unilever started in Malaysia with the import of Planta margarine in the 1930s.
In 1950 it started the construction of its first malaysian factory in the middle of the jungle some miles from the outskirts of Kuala Lumpur. In 1952 this factory at Bangsar site, Lever Brothers (Malaysia), started production margarine and edible oils and soaps (Lifeboy).

Today the Unileveroperations in Malaysia are wider spread than anywhere else in Asia.
Six different products groups have productionfacilities in the country: edible fats, tea, frozen foods, detergents, persnal products and oleochemicals. Also the plantationgroup is very well presented in Malaysia with two plantation companies and a clonal research station.

A short overview of this diversification out of the basic products margarine and soap : it could be instructive for what might be the Unileverdevelopment in other countries.

1952: start of production of margarine and soap
1960: Lever Brothers sales force takes over the distribution of Lever Brothers products and imports from the agencies which handled distribution untill that year. In Borneo/East Malaysia sales are still handled by Harrisons & Crosfield and other agencies.
1962: start production of detergents
1963: start production of toothpaste (Signal 1)
1972: start production new toothpaste (Close-Up)
1976: sales of shamppos marketed by Unilever Export Ltd (UEL) from Singapore were taken over
1976: production and sales of industrial detergents was introduced
1978: start production refrigerated margarines. Sales were done by an agency;Cold Storage.
1979: Lever Brothers starts itself sales of refrigerated products
1980: two new divisions added to Lever Brothers: Walls Ice Cream and Unichema: ice cream and oleochemicals.
1981: personal products (sprays,deodorants) production started.
1984: sales of other personal products taken over from UEL
1985: all Unilever products marketed by Cold Storage (mainly Birds Eye products) from now on marketed by Lever Brothers/ Birds Eye itself

Lever Brothersnow has 4 divisions:
- edible fats and dairy
- soaps
- detergents
- personal products

At January 1986 employment figures for Lever Brothers, Walls Ice Cream and Unichema were:

total employment :		997	Levers	724,	Walls	185	and Unichema	88
of which:	managers	93	"	76	"	7	"	10
	staff	303	"	248	"	30	"	25
	security	19	"	12		-	"	7
	workers	582	"	388	"	148	"	46

Sales in 1986 for these companies was: M$ 190 mln. (around $ 80 mln). Yearly sales growth is 8-10%.

The Unichema factory was the first to be build ,in 1981 on a new site, Bukit Raja nearby Klang. It is an industrial zone, 30 kilometers from Kuala Lumpur. The Bangsar site is now in the middle of suburban development of Kuala Lumpur. The Unichema

factory is a fully automated oleochemical processing company, located in the middle of many oil palm plantations. The number of workers is on the total Unichema employment very low. Port Kelang, the Kualu Lumpur port is nearby. And that is important while nearly all 150,000 tons of distilled fatty acids, soap noodles and other products made here are for export, mainly to Japan and in a lesser extent to other ASEAN countries.
In 1983 Lever Brothers started on this new site the construction of a new factory to replace the old Bangsar plants for detergents and personal products.
At the middle of 1987 these productions had been moved completely to Bukit Raja. And also 200 workers . At the older Bangsar site the extra space will be used by expanding the Walls Ice Cream factory and the foodddivision of Lever Brothers.

Unilevers Plantations Group, now part of the Agribusiness Coordination, operates two plantations:
- one at Kluang, in Johore, some 70 kilometres from Singapore.
- the other at Sabah, after clearing tropical forest a complete new plantation was started.

Together it is an area of 13,920 hectares: output is around 62,500 tons of palm oil.
The Kluang plantation was acquired in 1947 and the now Sabah, then North Borneo was made from jungle and rainforest in 1960 in the Labuk Valley. (this one is the Associated Palm Oil Producers)
In 1986 total employment on these two plantations was around 15,000 workers: men and women. Children not included. In practice they help as much as they can by collecting the loose fruits and in this way to gain a little bit extra for the family. Wages are made dependant on the price level of crude palm oil on the world market and can be changed every two weeks.
The last years palm oil prices were very depressed and low. The implications are clear.
September 1986 several thousand workers have been fired, because of the low prices of palm oil and the decision of management to cut costs by minimizing the number of workers and stop the spraying of pesticides regularly which also costed jobs.

On the plantations Unilevers policy is always twofold:
* permanent search for higher productivity per worker, which includes looking for ways to mechanize or to economize costs for example by training and using buffalos to transport the fruit bunches. They use no fuel such as small tractors, are very manoeuvrable and provide the plantation population of meat. Introduced in Sabah first, the West African Unileverplantations started last year with training buffalos for the same work there.
* permanent search for higher yielding plants , here palms.

For the last policy the Bakasawit clonal oil palm laboratories play an important role.
Research in cloning techniques on oil palms started at the UK main agricultural Unilever researchlab at Colworth House in 1972. The first lab. was set up at the Unipamol Plantation at Kluang in 1975.
In 1979 Unipamol started to cooperate with Harrisons & Crosfield,

one of the biggest state owned plantationgroups with the best experience in seedimprovement and breeding programs.
And in 1982 a few hectares of a Harrisons & Crosfield plantation at Banting (at the coast around 80 kilometres from Kuala Lumpur) were cut to build the Bakasawit clonal research station. Both partners have a 50% stake: Unilevers brings in its clonal experience and Harrisons its breeding know how. The explicit goal was to produce clonal palms with a 30% higher output than traditionally propagated oil palms. Commercial introduction of cloned palm was planned for 1986.
Through unexpected difficulties (abnormalities in the cloned palms) this introduction had to be postponed for at least 5 years. The results are too diverse to trust upon them.
Employment at the Bakasawit lab was brought down from its peak of 54 persons, most women, in 1982 to only 13 at 1987. In september 1986 40 women were fired.
At Bakasawit routine work continues. But at its sister lab in the UK, Unifield, the production of cloned palms continues. Unifield was set up to overcome the decision of the Malaysian government that clones developed at Bakasawit could only be marketed in Malaysia. And Unilever wanted to market worldwide. Now Unifield goes on to market clones to all the Unileverplantations in Africa, latin America and other Asian countries.

SINGAPORE

subsidiaries:
* Lever Brothers (Singapore) Sdn Bhd
* Unilever Export Limited
* Walls Ice Cream till 1985
* Lipton (Far East) Pte Ltd
* Brooke Bond (Singapore) Sdn Bhd
* Pond's Singapore Sdn Bhd
* PPF (now renamed in Quest Singapore Sdn Bhd)
* National Starch & Chemical (Asia) Pte Ltd
* National Adhesives (Singapore) Pte Ltd

Lever Brothers Singapore (and also Lever Brothers Hong Kong) reports to UEL and this reported to Overseas Committee. The restructuring of the geographical organization of the company world wide means that from 1987 on Lever Brothers reports to the regional coordinator for East Asia /Pacific.
Originally sales in Singapore were handled by Lever Brothers Malaysia and the UEL import/exportcompany.
In 1970 Unilever started the construction of the Lever brothers Singapore factory at the Jurong industrial zone of Singapore, attracted by the very attractive investments incentives like tax holidays for 5 years. A policy started after the separation from Malaysia.
Produced were edible oils and detergents.
Over the years LB Singapore imported a growing volume nearly finished production from LB Malaysia as a result of the Malaysian policy to raise exportduties on unprocessed products.
Refined bleached palmoil was transported by lorries each night from Kuala Lumpur to Singapore, which takes 12 hours including

customs-formalities.
Singapore LB developed more to a packaging firm. In 1985 the Walls Ice Cream factory at Singapore was closed, production workers fired and office workers moved to Lever brothers.
Ice crream came since then from the Kuala Lumpur factory of Walls.
September 1987 followed the closure of the whole Lever Brothers operation in Singapore. Quite cynically Unilever says:" This factory closure to help Lever Brothers to be more competitive".
The 35 production workers and around 40 admin and sales employees are fired.
All products are now imported or from Malaysia or from other countries. Unilever decided to use the expanded Malaysian operations fully to create economies of scale.
Freed from its production base Lever Brothers Singapore launched in 1988 an advertising campaign at much higher expenses than before. First of all the aim is set to regain the number one marketshare in detergents. Lever Brothers slipped to tne number three position. The detergent powder is produced for Lever Brothers by a subcontractor UIC Chemicals , a company that also produces for Colgate and others.
And eyes are also on the non distributive trade: more than 25,000 beds in the hotelsector give plenty of chance.

Lipton Far East started production of tea in Singapore in 1978.
The factory is also in the Jurong industrial zone. Lipton Far East reports directly to Lipton Export in the UK and this reports to the Food & Drink Coordination: an example of the fastly growing influence of Coordinations also outside Europe.
The Lipton factory in Singapore is a very central one in Asia.
it is responsible for the markets in Singapore, Hong Kong, Taiwan and Brunei, supplies all tea sold by Unileversubsidiaries in Malaysia, South Korea, the Phillipines and Thailand and tries to develop markets in Vietnam, Laos, Burma and Kampuchea.
Since 1985 Lipton sells also the Brooke Bond tea after merging Lipton with Brooke Bond Export. Recnetly it launched Brooke Bond Rickshaw Chinese tea bags.
A further expansion and diversification in foods is explicit policy. Lipton sells cup-a-soups, Oxo cubes and Ragu sauce. Prepared are the introductions of yogonaise, iced tea, side dishes and instant hot chocolate drink.

The Singapore subsidiaries of National Starch and Chemical function as main selling points for the ASEAN countries. The adhesive company services mainly the electronic industry: many products are used in the (micro)chip industry.

CHINA

A very long time ago Unilever had its own soap factory in Shanghai, the China Soap Company, with its start in 1925. During the years a growing number of products was produced and sold: Sunlight and Lux soaps, mostly marketed in the cities, the Gossages filled soaps, mostly sold in the rural villages, Magical, Gibbs toilet, Lifebuoy Toilet and Rexona.

In 1951 the China Soap Company was closed.
Since the early seventies Unilever products as Lux soap are available again in the Friendship stores, the hard currency shops. They are imported by Unilever Export Ltd.
And in 1984 a heavy mission started in Beying negotiations over new Unilever productionactivities in China.
Shanghai Lever (the new Unilever company) formed a joint venture with the Shanghai Daily Chemicals Industrial & Investment Corporation, a state owned company, and the Shanghai Soap Factory. Unilever provides capital equipment and latest technical expertise in soap production and the Shanghai partners organise the site, employees and the infrastructure.
Shanhai Lever now employs 60 workers.Production started November 1987. First year production is 6,500 tons of soap, but capacity will be raised soon.

TAIWAN.

subsidiaries:
* Formosa United Industrial Corporation (FUIC)
* Lee-Yu Investment Company Ltd.
* Unilever Taiwan Ltd
* Pond's Taiwan Ltd

The most important of these is FUIC, in which Unilever acquired a 50% share in December 1984 and in which it took management control.
FUIC has two production plants: one in Tao Yuan and the other in Nei Li, both nearby Taiwans capital Taipei.
Unilever was invited to take (over) part in the venture by the owner, who saw a growing number big multinationals entering his market: the Japanese soap and detergentmajors Kao and Lion started production some years before in Taiwan, and recently Procter & Gamble started a joint venture with Namchow in soaps.
The only way to save the company's life was seen in inviting another big multinational, Unilever.
With FUIC Unilever gained a first price: FUIC leads the detergents market with 50% marketshare, and it is also dominant in soaps,dishwashing liquids and bleaching water. Even Procter & Gamble/Namchow uses FUIC to produce for them.
Most valuable is the huge salesforce of FUIC : 510 salesmen, reaching 93% of all retailoutlets, far more than any competitor.
First further reaching measures taken by Unilevermanagement were:
- the set up of a marketing department, usually not knwon in East Asia, even not in Japan. Selling is a trial and error operation. Unilevers ads now its worldwide experienced marketing know how.
- surveys to decide which internationally succesfull Unileverproducts will be launched
- trimming the sales force by concentrating less at the smaller outlets and more on the more and more concentrated retailchains. Unilever avoids firing salesmen by training them to sell other Unilever products.

SOUTH KOREA

subsidiary :
* Aekyung Industrial Co.Ltd

This company is a joint venture between Aekyung Company and Unilever. Each one participates for 50%.
For some period Unileverproducts were available on the Korean market through imports. The next step for Unilever was to license production to two Korean companies; Aekyung Company and Pacific Chemical Industry. Both in the first place involved in soaps and detergents. Aekyung has leading marketshares in the laundry and dishwashing detergents markets.(Brands are: Kleen-Up and Trio)
Aekyung produced Lux soap and Sunsilk shampoo under licence and Pacific produces and sells Close Up and Signal toothpastes for Unilever.
Aekyung Industrial Compnay started in 1985. The venture employs around 1100 workers (figures for Jan. 1987) and has two factories.
The range of products: personal products, detergents, soaps and a few foodstuffs. Lipton tea was launched in 1986. Products are sold under the brandname Aekyung Lux, Aekyung Lipton and so on.
Expansion mainly in foodproducts is foreseen.

JAPAN

subsidiaries:
* Nippon Lever K.K.
* Lipton Japan K.K.
* Naarden International Japan Ltd.
* Kanebo NSC Ltd
* Oji-National Company Ltd
* Erno Laszlo Institute K.K.
* Ablestik (Japan) Company Ltd.

The first two companies were for many years, untill quite recently, the only presence of Unilever in Japan.
Unilevers first activity in Japan started in the fifties, it started to market soya bean oil for Hohnen Oil, a Japanese vegetable oil company.
In 1964 it started a joint venture with Hohnen oil. This venture, Hohnen Lever, builded a new factory at Shimizu, that could start production in 1966.Main products were: shortening and margarine, based on soya oil from the USA and palm oil from Malaysia.
Hohnen itself had already a big vegetable oil refinery at this location and the margarinefacory was build just beside.
In 1974 and 1977 Unilever increased its shareholding to 79,9% with the old partners Mitsui and Nomura Securities each holding 10% and Hohnen the small rest. The company was renamed in Nippon Lever Industries Limited.
In 1981 this factory had 250 employees. But over the years capacity has been expanded and the effects on employment are unclear.
The main margarinebrand in distributive trade is Rama, which holds a second position in the market. In non-distributive trade

Nippon Lever has been from the start very succesfull. And this part is still growing in the EF&D business.
The Shimizu factory installed as one of the first in unilever robots in the margarineproductionlines. In 1985 three were operating.

Lipton Japan KK is wholly owned by Unilever. It imported for a number of years from Lipton Singapore, where the tea was blended. And Lipton Japan KK had an agreement with JIPCO, the Japan Import Provisions Company, which packages and marketed the teas. Unilever had a 50% share in this venture.
From 1985 on Lipton Japan KK also packages and market itself the teas imported from Singapore. Lipton is marketleader in the conventional loose and in the tea bags sector.
New growth areas are defined: cold drinks like ice tea and vending machines.

In 1985 the former technical director of Hindustan Lever spend for Unilever a year in Japan in a fact finding mission.His objectives were:
- develop the best insight in the new advanced machinery available in Japan that could be useful for Unilever elsewhere
- study the manufacturing strategies of succesful japanese companies and draw lessons from it for Unilever
- support the various coordinations at headquarters with their long-term manufacturing strategies
- follow up closely new developing technologies

It is in 1987 and 1988 that amongst others the results of this study appear in any Unileverfactory on the world. There is no new factory build anymore where not is reckoned with the combined effects on costs and efficiency of technology and changed labour relations which are normal practice in Japan.
Think of the world wide use coordinations make today of the Best Proven Practice model: most effective manninglevels are deducted from voluemes to be produced and every company is meadured against the most effective yardstick in its coordination.

In 1985 special attention of Unilever was directed at Japan. Aim was to manifold Unileversales between tneh and 1990 with 5 bringing it from around $250 mln to more than $ 1 billion.
In 1985 that meant the launch of Timoteit shampoo and hairconditioner: 20 million households got free samples of these products and at the same time an advertising campaign started at costs of $20 mln a year. Result: 13% marketshare and marketleader.
The year 1987 was earmarked as the year for the great offensive in the frozen food sector. Captain iglo fishfingers were introduced also with heavy marketing support.
The point is near that Unilever will take decisions about more productionfacilities in Japan for its food related coordinations.

In a short time it added 5 extra subsidiaries in this country: all in its worldwide coordinated specialty chemicalsdivision: some fell in Unilevers basket simply by the take over of other companies such as Naarden International and of National Starch and Chemical in 1978.

The National Starch subsidiaries in Japan are located:
* Ablestik (Japan)   at Kaminoge
* Kanebo-NSC   at Minoo
* Oji-National Comp. at Tokyo

Ablestik is very important. It produces a range of products like coatings, adhesives specially developed for the semiconductor and chipsindustry . In certain products it has a near monopoly. And Ablestik follows the run away movements of the electronic industry very closely. So now it has burgeoning sales all over South East Asia, Japan and South Korea.

PHILLIPINES

subsidiary:
* Philippine Refining Company (PRC).

PRC has as manufacturing base Manilla.
Spread over the archipelago are 6 depots owned by the company.
Lates known figure about employment: 1984 1825 employees
Sales 1983: 54 UK Pound Sterling
      1986: 60 "   "   "

PRC has a long history, which can be seen as one looks to the broad range of products manufactured in this factory:
detergents, edible fats, food & drinks, personal products.
In 1982 Unilever restructured the company which resulted in cutting down employment with 25%: from 2,300 in the beginning of the eigties to 1,825 in 1984.
It was the main reason for the first big strike in PRC's history.

INDONESIA

subsidiaries:

* Unilever Indonesia PT
* Elida Gibbs Indonesia PT
* Maclaine Watson Tea (Indonesia) NV
* Naarden Indonesia PT (50%)
* PT Naromatics (50%)

Unilever imported in Indonesia soap until 1934 and margarine until 1936.
In those two years started local production In 1934 started soap production at Jakarta, on the Angke-site.
At the same site was built the margarine-factory which started production in 1936. For both products Unilever competed heavily already at that time with Procter and Gamble over the market-shares. A very saillant detail is that a big jump in Unilevers volumes sold and marketshare was the decision of the dutch army forces in Indonesia, then a dutch colony, to switch from butter to margarine. Very probable Unilever helped the army-top to take this decision. The same story happened also some decades later in Turkey. The market for Unileverproducts consisted mainly of europeans living in Indonesia.

During the wartime, in 1941, the upper strata of the local population became first targetgroup: in Unileverwords "raise volume of margarineproduction by recruiting the better class of natives to the spreading habit", of course in stead of eating rice.
In 1941 Unilever took over the Colibrifactory, nearby Surabaja.
This factory was a first step in diversification: it produced toothpaste, cosmetics and perfumes and personal products.
In 1947 was acquired NV Oliefabriek Archa, a vegetable oilrefining company at Jakarta.
Mentioned already were the cameleontic changes of nationality of the mothercompany during the nationalisationprogrammas first of dutch companies in the fifties and later in the sixties of british companies.
During the seventies Unilever had very high growth figures in Indonesia, riding on the wages of the oil-related booming of the indonesian economy.
Growthfigures for all Unileverproducts were the double of the growthfigures of the markets. In all productgroups marketshares grew.
In 1976 Unilever Indonesia was organized in three productdivisions: foods , soaps and detergents, personal products.
The year 1980 was a superyear with a dramatic rise in sales. The new middle class was growing and spending . Extra capacity was built. Nearby Surabaja at the Rungkut site a new factory started production in 1982. And nearby Jakarta Unilever bought a new site Rawa Buaya for the expansion of the Jakarta Angke operations.
In 1981 Unilever Indonesia's shares were listed on the Jakarta Stock Exchange. Local capital could subscribe to 15% of the sharecapital. Total sharecapital was enlarged. In total amounts it was the biggest share-introduction in Indonesia ever till that time. Unilever was draining the local capital market.

Main products are:
in soaps and detergents: Rinso detergentpowder, Super Busa detergent bar, Lux and Lifebuoy soaps.
in personal products: Pepsodent and Signal toothpastes, Rexona deodorant, Airmata Duyung and Serimpi perfumes
in foods: mainly Blue Band margarine

An estimate for total sales in 1986: $ 180 million.

SOLOMON ISLANDS

subsidiaries:
* Lever Solomons Ltd
* Lever Pacific Timber Ltd

Unilever acquired its first plantations here when it bought in 1902 coconut plantations to secure raw material supply for its european factories.
Many years later it opened also the Sunlight estate. Nearly all plantations have a mixed cropping, coconut and cocoa.
The total area covered by Lever Solomons is now 8,270 hectares.
Most of the plantations are on the Russel Islands, on Yandina.

It has a research centre on coconutcultivation which is one of the most experienced in the Pacific. Cloning of coconutpalms is developed by this center together with the Indian research lab at Bombay.
Lever Pacific Timbers Ltd got logging rights in 1977 just before the Solomon Islands gained their independance in 1978. Logging rights were granted by the British Colonial Office.
The logging operations were meant primarily for exports as logs to Japan.
This caused a frontal confrontation with local population who tried to protect the tropical forest adn their type of agriculture, c.q. style of earning a livelihood.
In 1982 150 voliigaers attacked and destroyed Lever Pacific Timbers logging camps and burned barracks and machinery.
Some of these villagers were emprisoned and sentenced for several years.
The actual situation over there is not knwon. It seems that LPT stooped operations there.
Just as it did in Indonesia, wkere it had a logging joint ventutre with an indonesian army-venture in the seventies. Logging there took place in the tropical forests of East Borneo/Kalimantan.

AUSTRALIA/NEW ZEALAND.

subsidiaries:
* Unilever Australia (Holdings) Pty Ltd.
* Rosella Lipton Pty Ltd
* Streets Ice Cream Pty Ltd
* Unilever Australia Ltd
* E.O.I. Pty Ltd
* Lever & Kitchen Pty Ltd
* Rexona Pty Ltd
* Unichema Pty Ltd
* Unifoods Pty Ltd
* Unilever Australia Export Pty Ltd
* Amscol Ice Cream Pty Ltd
* The Australian Candle Company Pty Ltd (dormant)
* Birds Eye Foods New Zealand (1983) Ltd
* Brooke Bond Australia Pty Ltd
* Brooke Bond New Zealand Ltd
* Oxoid Australia Pty Ltd
* Oxo (New Zealand) Ltd
* Continental New Zealand Ltd
* Gardiner Refrigeration Pty Ltd (dormant)
* Golden Nut & Easyspread Margarine Pty Ltd
* J.Kitchen & Sons Pty Ltd
* Lever Associated Enterprises Pty Ltd (dormant)
* Lever Brothers (New Zealand) Ltd
* Levers New Zealand Ltd
* Lever's Pacific Plantations Pty Ltd
* McNiven Bros Pty Ltd (dormant)
* The New Zealand Soap Company
* Quest International Pty Ltd
* The Pepsodent Company (Autsralia) Pty Ltd (dormant)

* J.P.Sennit & Son Pty Ltd (dormant)
* Unilever Australia Retirement Fund Pty Ltd
* Unilever Pension Trust Pty Ltd (dormant)
* Vidale Products Pty Ltd
* Unilever Australia Securities Ltd
* Unilever New Zealand Export Merchants Ltd
* Unilever New Zealand Ltd
* Unilever New Zealand Superannuation Nominees Ltd
* Naarden International Australasia Ltd
* National Starch & Chemical Pty Ltd
* Stayrez Pty Ltd (dormant)
* Fragrance Services Pty Ltd
* Erno Laszlo Institute Pty Ltd
* Western Australian Polymers Pty Ltd
* Bushells Holdings Pty Ltd
* Bushells Foods Pty ltd
* Bushells Investments Ltd
* Bushells Ltd
* Seakist Foods Ltd
* Seakist Pty Ltd
* Robert Timms Pty Ltd.
* Abels Ltd
* Quality Packers Ltd
* last acquisition the flavours and fragances division of Goodman Fielder Wattie Ltd.

In IUF Unilever Information nr. 17 has been given a lot of information about the consolidation of the Australian and New Zealand food & drinksactivities of Unileversubsidiaries. There is no need to duplicate this information here.
Therefore here only some information on the latest acquisitions.
With the acquisition of Brooke Bond in 1984 Unilever acquired at the same time a 49% shareholding in Bushells.
In February 1988 Unilever acquired also the rest: so Bushells is by now fully owned and will be fully integrated in the existing Unilever food & drink operations.
Total Bushells sales in 1986/1987 : Aus $ 210 mln = UK Pd St 84 mln
Total employment was 689 workers.
Unilever payed US $ 130 mln for the acquisition of total control in Bushells.
For an amount of US $ 45 mln it acquired Abels Ltd (the Nabisco margarine susidiary in New Zealand) and Quality Packers (a subsidiary of Lion Nathan and engaged in tea)
Quality Packers has sales of 26 NZ $ and has employment of 100 workers.

Paul Elshof
SOMO
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