

Case 1

Over 1000bps of margin improvement through portfolio redesign, distribution of accretive products and cost cutting



The Overview

Skin Cleansing

South Africa Skin Cleansing is a business with 28% gross margin (GM) where 85% is bar soap and 15% is liquid soap. Operating with five different brands, it owns 33% of market share in the total Skin Cleansing market.

The Challenge

Top Line

- Dominates bars market with 41% market share (lower margin ~28%), but lags in liquid market with only 24% market share (higher margin >42%)

Bottom Line

- Given South Africa's major ingredients are imported, inflation of RM⁸ has eroded margins. RM & BIP⁹ comprise 53% of TO¹⁰ for bar soap, 23% for liquid soap
- Manufacturing OEE¹¹ for bars (39%) and liquids (33%) are extremely low and 5 out of 6 lines operate at high capacity.
- Packaging is a high cost bucket for liquid soap (17% of TO)
- Manufacturing costs is third highest cost driver after RM and PM¹² (8% of TO)
- Current portfolio is complex with a large number of SKUs

Focus Areas

TTS³ & Distribution

- Distribution recommendations to grow liquids business to boost GM

Product Logic

- Formulation analysis to identify formulation improvements

Portfolio

- Complexity analysis to simplify the portfolio and analysis to push accretive SKUs to customers
- Price benchmarking with competition

Manufacturing & Sourcing

- Sourcing analysis to identify supplier alternatives for key ingredients
- Bottle harmonization analysis to improve manufacturing efficiency and decrease costs
- Factory benchmark with other Unilever sites to foster best practice sharing on reducing changeover times
- Utilities cost reduction analysis

The Outcome

- Delisting 16 out of 44 bars SKUs boosts GM by almost 758 up to 968bps
- Based on P&L scenario projections, South Africa could achieve 36% GM by both structured price increase and cost savings initiatives on its formulation, pack and manufacturing

iGP ¹	+34%
iTO ²	+ 11%
GM⁷ Improvement (bps⁴)	+1176 NRA⁵ +523 RA⁶

1) iGP: incremental gross profit 2) iTO: Incremental Turnover 3) TTS: Trade Term Spending 4) bps: base points 5) NRA: Non-Risk adjusted 6) RA: Risk Adjusted 7) GM: Gross Margin 8) Raw Materials 9) Bought In Products 10) Turnover 11) Overall Equipment Efficiency 12) Packaging Material

