

Supply chain & manufacturing - BACKGROUND

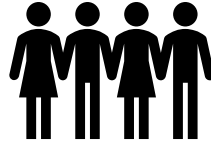
- To avoid transporting products around the world, products are manufactured in the region where they will be sold, but... each factory is different. This introduces two critical factors into your project – **Cost & Time!**

COST

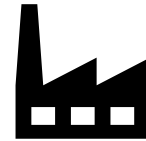
Products can have very different costs depending on where in the world they are produced. This is driven by factors such as:



Local Raw Material Costs



Labour Costs (Wages)



Factory Running Costs

TIME

As well as cost, the length of time it can take to implement a new product can vary. This is because of factors like:



Supplier Lead Times



Amount of Set-up Required



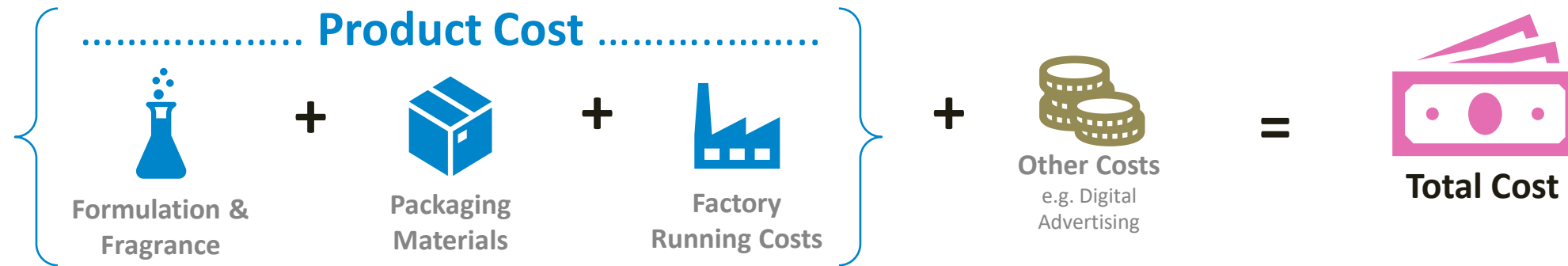
Amount of Training Required



Tip! Things often take more time because they are more complex, and things that are more complex tend to have a higher risk of going wrong. Sometimes leading to unexpected delays!

TOTAL COST



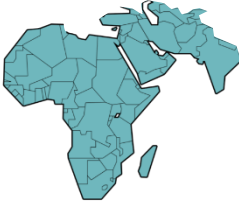

- It is important to consider all the factors that contribute to your product total cost.
- See below some of the factors that are important for calculating your costs:










- Using the following tables, you will need to calculate the product cost. You will need to factor in which region you are designing your product for.

i **Tip!** The product can't cost more to make than the consumer is willing to pay for it, otherwise Unilever would lose money... that is a negative business case!

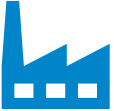

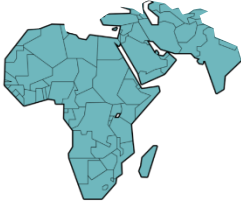

A TABLE A – Formulation Cost

 Formulation	 <u>Region 1</u> Americas & Europe & ANZ	 <u>Region 2</u> South Asia & Africa	 <u>Region 3</u> North & South East Asia
3 in 1 premium cleansing bar	£0.40	£0.25	£0.55
Probiotic scalp treatment	£0.65	£0.50	£0.50

B TABLE B – Packaging Cost

 <p>Packaging Materials</p>	 <p><u>Region 1</u> Americas & Europe & ANZ</p>	 <p><u>Region 2</u> South Asia & Africa</p>	 <p><u>Region 3</u> North & South East Asia</p>
 <p>LESS PLASTIC</p> <p>Less Plastic</p>	£0.85	£0.60	£1.00
 <p>BETTER PLASTIC</p> <p>Better Plastic</p>	£0.95	£1.20	£0.65
 <p>NO PLASTIC</p> <p>No Plastic</p>	£0.75	£0.80	£0.65

C TABLE C – Factory Running Cost

 Factory Running	 <u>Region 1</u> Americas & Europe & ANZ	 <u>Region 2</u> South Asia & Africa	 <u>Region 3</u> North & South East Asia
3 in 1 premium cleansing bar	£0.40	£0.20	£0.55
Probiotic scalp treatment	£0.70	£0.70	£0.50

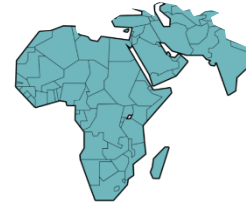
D TABLE D– Digital Advertising Cost



Digital Advertising



Region 1 Americas & Europe & ANZ










Region 2 South Asia & Africa



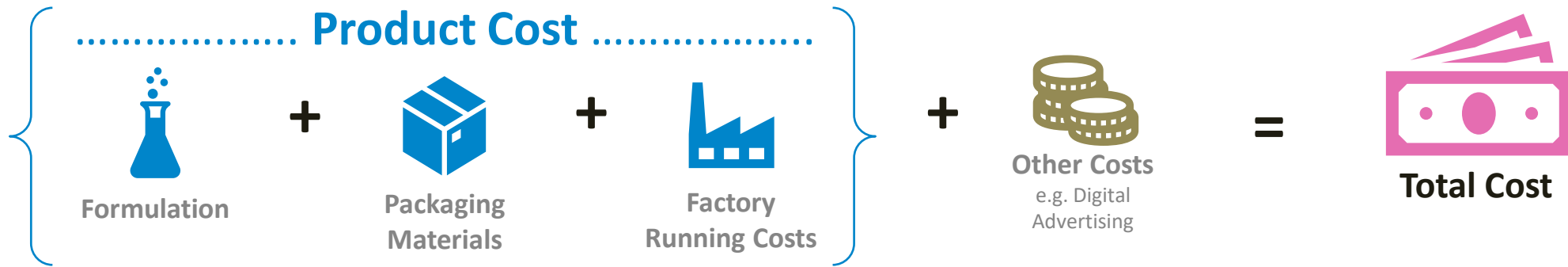
Region 3 North & South East Asia

Instagram	£0.30	£0.10	£0.10
Facebook	£0.10	£0.05	£0.05
Youtube	£0.20	£0.15	£0.15
TV Advert	£1.50	£2.00	£1.00
Print/Billboard	£0.80	£0.90	£0.75

E TABLE E – Development Timing

 Development Time	 Region 1 Americas & Europe & ANZ	 Region 2 South Asia & Africa	 Region 3 North & South East Asia
 Less Plastic	12 months	9 months	6 months
 Better Plastic	12 months	18 months	18 months
 No Plastic	24 months	36 months	24 months

Worksheet 1 – CALCULATE YOUR PRODUCT COST



Use tables a, b, c and D to enter your costs below and calculate your total cost

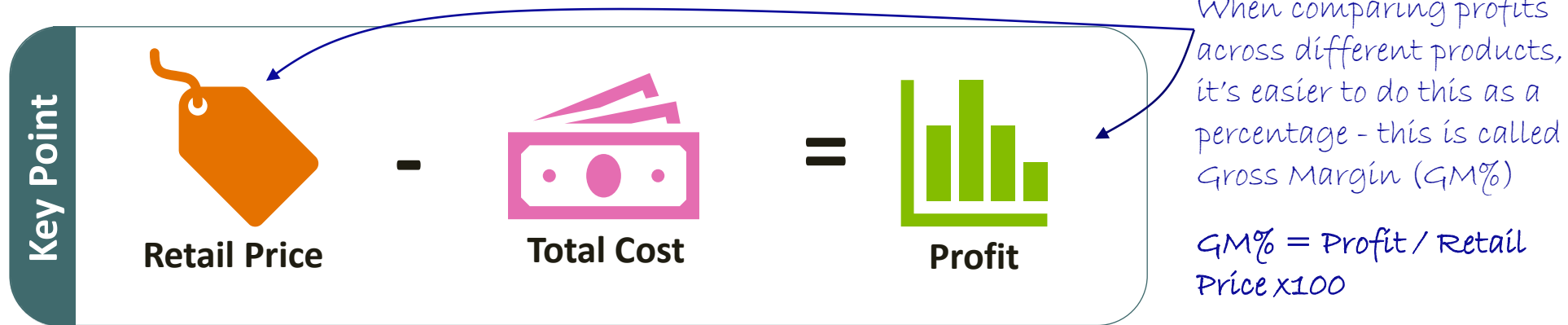
Formulation Cost	Packaging Cost	Factory Running Cost	Digital Advertising Cost	Total Cost

Use table E to work out your project launch timing

Launch Timing	
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Business case

- There's a limit to how much a product can cost, and every new product launch in Unilever has to have what we call a 'Business Case'. By this we mean that it makes financial sense for Unilever to launch the product.
- Let's take a quick look at what numbers are important in a business case:



- You have already calculated the total cost of your product. Unilever has set the retail price for the cleansing bar at £6.99, and the scalp treatment at £9.99
- Using the following worksheet, calculate your profit and using this, your gross margin- this will allow you to determine how good your business case is.

Worksheet 2 – CALCULATE YOUR BUSINESS CASE



Use your total cost from worksheet 1 to calculate your profit – **THE RETAIL PRICE IS SET BY UNILEVER**

Retail Price – Total Cost = Profit

£ _____ - _____ = _____

Now use your profit and retail price to calculate your gross margin

$(\text{Profit} \div \text{Retail Price}) \times 100 = \text{Gross Margin (\%)}$

$(\text{_____} \div \text{_____}) \times 100 = \text{_____} \%$

Looking at the business case key to the right, which bracket does your gross margin fall into?

BUSINESS CASE KEY:

POOR = <60%

ACCEPTABLE = 60-65%

GOOD = 66 – 71%

EXCELLENT = >71%

If your business case is poor it is unlikely to be accepted by Unilever – go back and think about how you could reduce costs,

STOP!

Sometimes risks turn into reality and unfortunately an unexpected issue has arisen during your project. Read the issue and then:

1. Decide as a team which option you would choose and why.
2. Recalculate your final business case and launch timing. Is your business case still acceptable?
3. Once you have dealt with this issue - there is still a risk of future issues. Discuss what else you think could go wrong in terms of supply chain & manufacturing - write down one risk and what you could do to try to prevent it.

Issue:

The new automated parts of your factory aren't working in time for production to start as planned. You have made a commitment to deliver units to a supermarket by the end of the month for your product launch but are not able to meet the demand with the automation not working...

A Option A

Utilise the local R&D team fix the issues with the new automated lines. Re-negotiate the cost price with the frustrated supermarket customer – consider not only the impact on time, but how this could effect your future negotiations with the supermarket.

 + £0.05

 + 3 month delay

Due to delays in production

B Option B

Work with a staffing agency to find additional factory workers who can complete the work whilst the lines are fixed – consider how this could impact your margin.

 + £0.20

 + 2 week delay

To hire and train new staff

Worksheet 3

We are choosing option (CIRCLE) A B

Why did you choose this option?

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.....

.....

If cost is affected, Recalculate your gross margin & new business case

Retail Price – Total Cost = Profit

£ _____ - _____ = _____

(Profit ÷ Retail Price) x 100 = Gross Margin (%)

(_____ ÷ _____) x 100 = _____ %

POOR = <60%

ACCEPTABLE = 60-65%

GOOD = 66 – 71%

EXCELLENT = >71%

Can you think of an issue that could occur? How could you reduce the risk of these Issues occurring?

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