

## HELPING TO GROW VOLUMES BY 13% AND ATTRACT 600,000 NEW CONSUMERS

“By close cross-functional working and using management accounting techniques to build a clear understanding of the value of the different investment levers of price, promotions and advertising, the team were able to develop and execute a clear strategy which built the longterm health of a key part of the UK business.”

[www.cgma.org](http://www.cgma.org)

### Mark Shadrack ACMA, CGMA

Vice President Finance, Central & Eastern Europe, Unilever



In 1997 Unilever was in the process of launching its new tea innovation to UK consumers – PG Tips pyramid tea bags in a new ‘caddy-shaped’ box. In a highly competitive UK tea market, heavy levels of promotional activity and increased raw material costs were eating into profits, and market shares were under pressure as brands and private labels offered ever-higher promotional discounts to consumers.

As raw material prices increased by more than 60%, the cross-functional team responsible for the £100m turnover beverages business was facing the prospect of needing to increase cost prices to retailers in order to maintain profitability. But they knew this would not help market shares, nor end the spiral of promotional activity in the market.

Developing a simple model of industry and competitor profitability based on publicly available data, and with an understanding of the revenue and profit impact of promotions, they modelled a number of different pricing and volume scenarios and concluded that there was potentially a better way – holding cost prices and reducing promotional expenditure while continuing to advertise the quality and value of the new innovation.

They predicted that competitors would be more likely to increase prices and that this would allow consumers to better evaluate the quality of the new pyramid

innovation – ultimately serving to build the PG Tips brand and drive both profitability and market share.

Mark Shadrack, then Finance Manager, Beverages, Unilever UK, says “The strategy was reviewed and accepted by the board, and rigorously implemented. The team’s predictions were correct. Faced with the higher raw material costs, competitors chose to increase prices, and with PG Tips at a small regular price discount to its competitors, more consumers tried the new pyramid bags – without the need for expensive promotional activity.”

The high quality innovation and value positioning attracted 600,000 new consumers to PG Tips and drove increased brand loyalty. PG Tips sold less volume on promotion than any other brand, yet grew volumes by 13% and gained more than 3.4 percentage points of market share in every region of the country.

### The CGMA designation

Two of the world’s most prestigious accounting bodies, AICPA and CIMA, have formed a joint venture to establish the Chartered Global Management Accountant (CGMA) designation to elevate the profession of management accounting. The designation recognises the most talented and committed management accountants with the discipline and skill to drive strong business performance.

### CGMA value: Unilever

Volume growth, increased market share and improved profitability through a consumer-focused strategy backed by sharp insight into investment returns and the competitive landscape.