



Unilever in Russia

Unilever is a global FMCG group which operates in most of the world's markets. Its strategy for new markets has been to develop new and smaller markets initially by trading through importers, until the volume of business justifies direct entry.

Steering a new course in Russia

Although Unilever has traded in Russia for many years, it wanted to evaluate the long-term potential of the market in order to justify inward investment. However, because the Russian project was overshadowed by Unilever's enormous investment in China, there was an ambivalent attitude to Russia among managers, since it was seen as riskier than China - as well as being a smaller total market. In order to be prudent, Unilever decided to take a phased approach to the Russian market, making an opportunistic initial investment in a perfume factory in order to create a toehold in the country from which to plan further steps.

SAMI's role: laying the groundwork for success

The use of scenarios was seen as a means of exploring the complexity and uncertainty of the Russian market and of building a consensus between local management and corporate headquarters around investment. In 1994 SAMI was commissioned to undertake a limited scenarios study to validate the potential purchase of the perfume factory in St. Petersburg. This was principally a matter of interviewing key Unilever executives and selected external experts, and developing a set of scenarios for the medium term. Despite short-term uncertainty, these indicated a path to future success, and the investment was made.

The second scenarios study in 1996/7 took a wider look at the stability of Russia. It was on a larger scale and involved extensive interviewing in Russia as well as involving external experts. There was some concern about the projections of political futures produced earlier by Professor Daniel Yergin of Harvard, but the scenarios showed ways out of short-term difficulties towards a more stable future.

The outcome: building the business in a new market

As a result, Unilever bought businesses in margarine and detergents and established itself as a Russian-focused, Russian-speaking business. One of the key insights was to see beyond the short-term fascination of Russians with Western brands and anticipate the return of Russian values (and demand for Russian brands).

The use of scenarios enabled Unilever to see beyond the short term problems of Russia to take a strategic view of a major new market. Unilever is now a Russian presence in the Russian market.