CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

Department of Economics

Diploma Thesis

Topic: Economic analysis of Unilever's margarines and its development in the Czech Republic

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

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DIPLOMA THESIS ASSIGNMENT

Bc. Radek Zach

Economics and Management

Thesis title

Economic analysis of Unilever's margarines and its development in the Czech Republic

Objectives of thesis

The goal of the thesis is to break down changes, which formed margarine market and shaped direct impact on one of the biggest company in the world (Unilever). To evaluate development of margarines through years and analyse fluctuations and its causes. Analyze the only competitor – butter, and explain changes caused by consumer's preferences. There are four time sequences, which will be examined to clarify unstability in FMCG industry. Do an in depth analysis about price development and profit changes through decades. Diploma thesis also evaluate, how Unilever support sustainable development and what is the main purpose of sustainability. Another goal is to prepare the questionaire for employees of Unilever and to discuss burning issues connected with Unilever and find out how to deal with them.

Methodology

Theoretical part is done in order to explain terminology and terms used in practical part.

Practical part consists of marketing analysis (SWOT analysis, market research, surveys and questionaire). In order to explain economical data there will be used documentary analysis, primary and secondary data analysis. Quantitative and qualitative research will be done in order to explain both marketing and economical issues.

The proposed extent of the thesis

60 pages

Keywords

fmcg, marketing, Unilever, margarine

Recommended information sources

ARMSTRONG, G. – KOTLER, P. *Marketing.* Praha: Grada, 2004. ISBN 80-247-0513-3.

CASLIONE, J A. – KOTLER, P. *Chaotika : řízení a marketing firmy v éře turbulencí.* Brno: Computer Press, 2009. ISBN 978-80-251-2599-1.

FREY, P. *Marketingová komunikace : nové trendy 3.0.* Praha: Management Press, 2011. ISBN 978-80-7261-237-6.

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NORDHAUS, W D. – SAMUELSON, P A. – GREGOR, M. *Ekonomie : 18. vydání.* Praha: NS Svoboda, 2007. ISBN 978-80-205-0590-3.

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Prague on 23. 03. 2017

Statutory declaration

I, the undersigned, hereby declare that the thesis "Economic analysis of Unilever's margarines and its development in the Czech Republic" is a result of my personal work and only sources I used are listed in the references.

In Prague, March 31st, 2017.

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Bc. Radek Zach

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Economic analysis of Unilever´s margarines and its development in the Czech Republic

Ekonomická analýza margarínů značky Unilever a jejich vývoj v České republice

Summary

The goal is to settle econometric model and quantitatively evaluates major influencing factors of margarine consumption and its real impact on margarine consumption. Alongside of econometric model, prognosis into future are done in order to predict following two years on a yellow fat market. The key question is: "Is the price of butter major influencing factor on margarine consumption?" Theoretical part is done in order to explain terminology and terms used in practical part. There are also many academic articles concerning margarine´s impact on health and its comparison to butter. Practical part consists of marketing analysis (market research, surveys and questionnaire). To explain economic data there will be used documentary analysis, primary and secondary data analysis. Econometric model is done to quantify variables which influence margarine´s consumption and its level of importance.

Souhrn

Cílem diplomové práce je sestavit ekonometrický model a kvantitativně vyjádřit hlavní faktory, které ovlivňují konzumaci margarinů. V návaznosti na ekonometrický model, autor sestavil prognózy, které predikují vývoj konzumace margarinů v České republice. Klíčová otázka diplomové práce zní následovně: „Je cena másla hlavní faktor, který nejvíce ovlivňuje konzumaci margarinů?". Teoretická část diplomové práce vysvětluje termíny použité v praktické části. Akademické články jsou analyzovány pro srovnání zdravotních rizik při konzumaci margarinů a másla. Praktická část se skládá z marketingové analýzy (průzkum trhu, výzkumy a dotazníky). Ekonometrický model je použit k ohodnocení několika proměnných, které mají přímý vliv na spotřebu margarinů.

Key words: FMCG, marketing, Unilever, margarine

Klíčová slova: FMCG, marketing, Unilever, margarin

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1 Introduction

Yellow fat market started to form after communism regime felt down. It does not mean that yellow fat market did not exist during communism but there was only single commodity – butter. In 1992 when Unilever (one of the biggest FMCG company and distributor of margarines) entered the Czech Republic, market of yellow fats has changed significantly.

Competitiveness in FMCG industry is massive and yellow fat market is not an option. There are two main commodities which create market share in the Czech Republic – margarines and butter. Margarines are covered by Unilever company with more than 90% market share, so it basically turns every butter company into position of single competitor.

Diploma thesis provides analysis of margarines development in Czech Republic via Unilever perspective. The goal is to analyze causes of consumer´s preferences drop and its main obstacles. Econometric model serves as economic tool how to measure all variables, which somehow influence margarine market.

Thesis outline is divided in to five chapters. First and second chapter refers to introduction and methodology. Theoretical part examines background of yellow fat development through decades. Literature review also provides useful analysis about burning issues in this field as palm oil, causing health problems or quality of final product. Practical part serves as an in-depth analysis of margarines in the Czech Republic, more specifically a breakdown of Unilever´s turnovers in two decades with proper explanation of what causes decline or growth of turnover. What are consumer´s preferences and their awareness about products is also a part of analysis. Key triggers for margarine´s consumption are price of butter and present market trends. Econometric analysis serves as key approach to quantitatively express their importance and to uncover legit suggestions which might stop 12 years lasting drop of margarines turnovers. The forecast of future margarine´s consumption is also included in the thesis. What is more, consumer´s preferences are driven by trends which are fluctuating on a different time basis and

it is up to marketing department of Unilever to react correctly. Butter as a commodity is also knocked under deep analysis to understand people´s commitment for this commodity. Sustainable development is up-to-date issue and FMCG companies are under the supervision of society more than any other business. How Unilever tackles side effects of business and how they help to make sustainability is also summarized in one of the chapter. Last chapter summarized gathered data to bring final outcome with some solutions how to improve awareness and image of margarines.

This diploma thesis should serve as in-depth analyzation of one of the major branch of Unilever as a biggest FMCG company in Europe. To bring nearer what is going on inside the company and all the struggles connected with this specific kind of business.

2 Objectives and methodology

2.1 Objectives

The goal of the thesis is to break down changes, which formed margarine market and shaped direct impact on one of the biggest company in the world (Unilever). To evaluate development of margarines through years and analyses fluctuations and its causes.

To analyze the only competitor - butter, and explain changes caused by consumer´s preferences. Do an in-depth analysis about price development and profit changes through decades. The aim is to settle econometric model and quantitatively evaluates major influencing factors of margarine consumption and its real impact on margarine consumption. Alongside of econometric model, prognosis in to future are done in other to predict following two years on a yellow fat market. Diploma thesis also evaluates, how Unilever support sustainable development and what is the main purpose of sustainability. The key question is: "Is the price of butter major influencing factor on margarine consumption?"

2.2 Methodology

Theoretical part is done in order to explain terminology and terms used in practical part. There are also many academic articles concerning margarine´s impact on health and its comparison to butter. All the articles are critically evaluated by author and ended with the outcome. The issue of palm oil is also discussed because of connection with Unilever and its margarines

Practical part consists of marketing analysis (market research, surveys and questionnaire). All the data serves to understand consumer´s preferences and their awareness about brands and commodities itself. To explain economic data there will be used documentary analysis, primary and secondary data analysis. Quantitative and qualitative research will be done in order to explain both marketing and economic issues. Econometric model is done to quantify variables which influence margarine´s consumption and its level of importance. Trend function is done to prepare variables for composing valid prognosis.

3 Theoretical part

3.1 Multinational company

At the beginning of first chapter, it is necessary to explain term "multinational company" because Unilever, as the only distributor of margarines in the Czech Republic (except small retail private brands, which are insignificant compare to Unilever), belongs to the group of multinational companies.

3.1.1 Term Multinational company

According to IBM World Trade Corporation President, *"A multinational corporation is the one that: 1. Operates in many countries. 2. Carries out research and development and manufacturing in those countries, 3. has a multinational management and 4. has a multinational stock ownership."*[1]

OECD defines a multinational company as a company or unit, which ownership is private, state or mixed. Furthermore, these companies are established in various countries, they can be mutually connected or might be dependent on each other in a way of sources and knowledge.[2]Multinational company provides and secure their products by the foreign office in several countries, control them from main headquarter and lead them from global perspective. Multinational company has major influence on formatting international economic climate according to their capital power and volume of created values.[3] British economist John H. Dunning in his publication Economic analysis and the multinational enterprise from year 1974

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[1]CAVES, Richard. *The Multinational Enterprise and Economic Organization*. Cambridge Press, 2007. ISBN 978-0-521-67753-0. p-34
[2]OECD. *OECD Guidlines for Multinational Enterprise* [online]. 2008 [cit. 2017-02-14]. Available at: http://www.oecd.org/corporate/mne/1922428.pdf
[3]ŠTRACH, Pavel. *Mezinárodní management*. Praha: Grada, 2009. Expert (Grada). ISBN 978-80-247-2987-9. p-52

defines multinational company as companies, which own or directly produce a value add in two or more countries.[4]

3.2 What is margarine

The main source of observation is margarine. For understanding of all the circumstances in the thesis, it is necessary to describe main features of margarines, its worldwide development, consumption or composition.

3.2.1 History of margarines

Margarines originate from France, where Napoleon III ordered one from his chemist Hipolite Méges-Mouries in the second half of 19th century. There was a significant absence of butter in that time in France, which led to difficulties with army supply. In 19th century, there was no cooling system for dairy products, in that case there was a demand for long term sustainability. After an uncountable attempt in 1869, the margarine come into existence. The main inspiration for this breakthrough discovery was based on the fact, that dairy fat comes up from cattle even if the feed supply is under the expected level and the fat is taken from cattle´s reserve. Mége-Mouriés divided beef fat by the crystallization into two fractions. More liquid one, which is very similar to dairy fat, mixed up with milk, which temperature is similar to cow´s and the final outcome (cream) cooled down with ice water. The consistent product looked like butter and was called margarine because of pearled feature. Term margarine is inferred from Greek word "margaritari", meaning pearl. There is one other explanation of word margarine and it is saying that mixture of acids C16 and C18 arising acid C17, which is called acid marginalia.[5]

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[4] CULLEN, John B. a K. Praveen. PARBOTEEAH. *Multinational management: a strategic approach*. 5th ed. Mason, OH: South-Western Cengage Learning, c2014. Expert (Grada). ISBN 12-850-9494-8. p-23
[5] BLATTNÁ, J., BRÁT, J., DOSTÁLOVÁ, J. Obohacování margarinů a roztíratelných jedlých tuků v ČR. Historie a současnost. Výživa a potraviny, 2005.ISBN 80-7067-665-5, p-114 – 115.

Industrial manufacturing of margarines has begun company Jurgens and Van den Bergh in 1872. These companies emerge afterwards into Margarine union, which brings us to year 1929 and establishment of company Unilever. Rapidly growing demand for margarines forced supplier to seek for new options and raw materials which will lead into new technological proceeding. Usage of over-supply of fish fat and flower oils was one of the option, but the question about how to stiffen them arise. Wilhelmen Normannen from Germany in 1902 finally find the solution how to stiffen flower oil – hydrogenation.

In 1969, after a hundred years from the genesis, margarines became competitor for butter in USA and Europe. However, the attitude in Europe and north America differs significantly. In 1948 in Canada, the production, sales and import was prohibited. The excise duty endured until 1990, when the margarine distribution became legal in all 10 provinces. Manufacture of cheap margarines was under pressure from butter supplier by many methods – manufacture quotes, high import payments, separate margarine sales from butter, and force them to pack the margarines to disnatured packages. Even in Czechoslovakia in 1936 during the Senate appointment, there was a wild discussion about taxation of margarines. Even though the consumption of margarines grew rapidly, legislation between margarines and butter was settled. In 1950 "the Margarin act" was written and in 1952 margarines could be sold in Europe and USA. Boom of margarines massively strike consumers supported by low price compared to butter and worldwide commercials. Another support of margarines was contribution by doctors and medics and their speeches about health benefits for consumers. Truth be told, they were wrong at that time, manufacture of margarines was not that far as nowadays and there were no health benefits.[6]

3.2.2 Yellow fats development in the Czech Republic

Term yellow fat contains except margarines also butter and lard (distribution of margarines started in year 1989 after communism regime felt down). Consumption of yellow fats in the Czech Republic can be divided into two branches – before 1989 and after 1989.

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[6] DLOUHÝ, P., ANDĚL, M. Margaríny a ateroskleróza. Vesmír, 2006, č. 11, ISBN 80-238-4117-3 p. 686-688.

First period, as it is mention above, is a long-term trend during communism regime. The highest peak in a consumption of yellow fats was reached in 1989 (28,8kg per capita per year). In that year, animal fat amounted to 60% of all yellow fat consumption, where butter counted for 35-37% and lard for 22-24%.[7]

The most influent player in a yellow fat market was butter, but at the end of 1980s the consumption started slowly decreasing. Butter consumption increased from 3kg to 10kg per capita from 1948 to 1982. Since that time, consumption got opposite direction and started decreasing to final 4kg per capita in 1998. On the other hand, consumption of lard reached the peak on 1991, which counted for 7.5kg per capita. Second period is dated after 1989, when the society and political regime experienced significant change. When the west companies entered Czech market, demand for typical Czech food-stuff (butter) dropped. Expressed in numbers, consumption of butter declined about 57%. Due to various options in 1990, the highest year to year decline was between 1991 and 1990 (about 30%). Boom of margarines in 1990s had many reasons (massive commercial support, consumer´s behavior had changed, price, etc.). As the result, consumption of margarines increased about 50%. The boom ended at the beginning of 21th century, when consumption of butters started to increase to the prejudice of margarines.[8]

3.2.3 Composition of margarines

Margarines contain higher quality ingredients than it was a hundred years ago. Nowadays, margarines are mixture of high quality flower fats and oils. Flower fats and oil are mostly gained from rapeseed, sunflower, goober, soybean, olive trees or olive palm. In our domestic climate conditions, it is typical to use rapeseed or sunflower, however it is not most common ingredient in margarines. All the mayor ingredients are exported from different countries in a form of raw material (palm oil, coconut oil). Oil differs from each other by taste, structure and health influence. (22) Most of raw oils is used in food-processing industry in a form of oils, margarines

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[7]Czech Statistical Office. Overview of Food consumption between 1920–2006:
http://www.czso.cz/csu/2008edicniplan.nsf/p/3014-08
[8]ŠTIKOVÁ, O., KREJČÍ, J. Vývoj spotřeby a preferencí ve spotřebě tuků. Výživa a potraviny, 2002, roč. 57, č. 6, ISBN 80-86671-31-3 p. 57–63

and other food (105Mt), small share of raw oil is used for feedstuff for livestock (6t) and the rest is used for chemical/non-food industry.[9]

3.2.4 Is margarine healthy?

This question was knocked under thousands of researches and each statement is afterwards disproved by other. This controversial topic does not have clear answer, which will be supreme in comparison to others. This chapter will focus on summarization of different researches and opinions on health impact on human.

Researchers from the Harvard school of Public health did a 30 years lasting research with almost 30.000 respondents focused on how the saturated fats (found in butter) affects the change of heart disease and when the respondent replaces saturated fats with unsaturated fats (found in margarines), is there a lower chance of heart disease? The answer is yes.[10]

On the other hand, consumers are forced by targeted commercials to use margarine instead of butter when doctors and health professionals give an advice about more healthy margarines in comparison to butter. This case study disproves some of these statements, which are claimed to the mass. This case study concerned about "trans fatty acids". Margarine is made of hydrogenation of liquid vegetable oils. Basically, fatty acids are included in the oils. It´s unavoidable to make the acids more saturated, which will lead to less liquid margarine and usable for consumption. This transformation leads to production of many trans configurations ("*Trans*" means "across, on opposite sides."). Mary Enig from University of Maryland found out, that 40 margarines after this transformation/hydrogenation contained from 10.6% to 36.0% of trans fatty acids. Take it from the butter perspective, the percentage which is contained in a butter block counts only for 3 to 4 percent of trans fatty acids. Finally, Mark Keeney from University of Tennessee claimed *that "Dietary trans fatty acids are metabolized and incorporated into virtually all tissues and tissue lipid classes studied."* It means that function

[9]DOSTÁLOVÁ, J. It is the breakdown of natural fats what makes the difference. Medical Tribune, 2007, ISBN p. 26–29. http://www.vyzivaspol.cz/wp-content/uploads/2015/09/vyziva-4-2007.pdf
[10]GAGLIARDI, A.C. Effects of margarines and butter consumption on lipid profiles, inflammation markers and lipid transfer to HDL particles in free-living subjects with the metabolic syndrome. https://www.ncbi.nlm.nih.gov/pubmed/20648041: 2012.

and structure of membrane is disturbed, or enzyme functions are also affected. Second aspect, which was examine is that butter might have a positive effect to protect body against breast tumors. Japan Medical College called Nara under the auspices of Mitsuaki Sakamoto made a research that claimed that butter can serve as a protection against breast tumor. The experiment was done on mice fed on diet, or 20% starch gum, or 20% margarine, or 20% butter, or 20% safflower oil. Mice fed by margarine and safflower oil had same breast tumor as ones on diet (45%). On the other hand, mice fed by butter had the lowest tumor incident of all (40%).[11] Another analysis is concerned about human´s cholesterol level with dependency of butter or margarine consumption. Twenty studies had been made to find an answer about possible consequences. The research was done in 1997 by Dutch researchers. There are two major outcomes: firstly, low trans-fat, soft margarines have a positive effect on reduction of coronary artery disease. Second outcome basically claim, that trans-fat margarines do not offer any benefits over butter. In the same study, researchers also studied an impact of butter (other dairy fats) in comparison to both form of margarines (hard stick form or soft tub form) on a diet. The studies last 38 years from 1957 to 1995. It was a mixture of participants either in hospital with strict food composition or households stayed at their own home with level of fats encompassed in their dishes. It was necessary to examine people, whose weight did not fluctuate because weight affects cholesterol level. The experiment took from one week up to 25 weeks. The experiment displayed that margarines in a tube does not vary from margarines in soft tub (saturated-fat content is between 18 to 21 percent). On the other hand, trans-fat content in a hard stick stays for 24% in comparison to 8% in the soft tub margarines, it is a significant difference, when we take in a count that butter values are 50% in a fat content and 3% of trans-fat.

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[11]Heiby, W.A., The Reverse Effect: How Vitamins and Minerals Promote Health and CAUSE Disease, Deerfield, Illinois: Medi-Science Publishers, 1988, http://americannutritionassociation.org/newsletter/margarine-or-butter p. 253.

Table 1 Yellow fats components

Type of spread	Saturated fat	Trans fat	Monounsaturated fat
Butter	51%	3%	21%
Hard stick margarine	21%	24%	22%
Soft tub margarine	18%	8%	22%

Source: Butter or margarine? *Harvard Heart Letter* 8, no. 2 (October 1997): 1. *Academic Search Complete*, EBSCO*host* (accessed January 30, 2017). ISBN 978-0-393-24702-2

One of the crucial commercial move of margarine´s producers is to point out on cholesterol level and the positive impact connected with margarine consumption. Hard stick margarines reduce level of LDL (low-density lipoprotein), also called bad cholesterol. However, hard margarines have bad impact on HDL (high-density lipoprotein), also called good cholesterol. Coronary artery disease is positively affected by high level of HDL. Test of soft tub margarines obtained the best score. Low-density lipoprotein is lowered by consumption and high-density lipoprotein is not affected by consumption of soft tub margarines, which is very important to total-to-HDL cholesterol ration. The lower the ratio is, the lower is the chance of coronary artery disease. This ratio is the most important predictor of coronary artery disease according to specialist in the field. The ratio formula is characterized by total cholesterol score divided by the HDL number (desirable score is 4.5 and lower). The trans-fat content has the highest influence for lowering the total-to-HDL ratio, not the saturated-fat content.

Table 2 Percentage of cholesterol in yellow fats

Types of cholesterol	Hard high-trans stick margarines	Soft low-trans tub margarines
Total cholesterol	Lowered by 3%	Lowered by 4%
LDL cholesterol	Lowered by 3%	Lowered by 5%
HDL cholesterol	Lowered by 2%	Lowered by 1%
Ratio of total to HDL cholesterol	No effect	Lowered by 4%

Source: Butter or margarine? *Harvard Heart Letter* 8, no. 2 (October 1997): 1. *Academic Search Complete*, EBSCO*host* (accessed January 30, 2017). ISBN 978-0-393-24702-2

To inverse those measurements and analysis into real world, there are some facts about possibilities of avoidance of heart attack. If the consumer reduces the consumption of trans-fat products by 0.01 in the total-to-HDL ratio, the possibility of heart attack lower by circa 0.5%. In the content involving butter, daily replacement of 30 grams of butter with soft tub margarine lower the chance of heart attack by 10%.

For 100% relevance of this experiment it is unavoidable to investigate hundreds of cases of diet skipping to non-trans-fat products which would take many years. On the other hand, final measurements showed convincing proofs, that trans-fat products should be eliminated from the diet nourishments. Nowadays, in the 21th century, margarines development is many step forward in a development with direct impact on health. It means that trans-fat level is even lower in soft margarines than in 1990s. Presence of "zero-trans" margarines with similar composition of fatty-acid as liquid oils reduce the risk of heart attack even more.

Six years treatment at the Finnish Mental Hospital Study showed lowering the risk of coronary artery disease by 40%, if the participants skip from butter or dairy fats to soft margarines. According to Nurse´s health study, consumption of high trans-fat products increases heart attack risk. In their research, every woman using a teaspoon of margarine four or more times a day had

higher heart disease chance to occur by 66% than women with margarine consumption of a teaspoon once a month. Different study shown that trans-fat has bad health effects in increase of LDL and reduce of HDL. Triglycerides and lipoprotein might appear with redundant consumption of trans fat. [12]

Table 3 Components in yellow fats

Type of spread (100g)	Polyunsaturated fat	Water	Cholesterol content per
Butter	2%	23%	220mg
Hard stick margarine	11%	22%	70 – 275 mg
Soft tub margarine	30%	22%	Less

Source: Butter or margarine? *Harvard Heart Letter* 8, no. 2 (October 1997): 1. *Academic Search Complete*, EBSCO*host* (accessed January 30, 2017). ISBN 978-0-393-24702-2

As a closure of this topic, there is an image showing all the vitamins which contains the tubes of margarines. The picture shows a list of health benefits of a margarine such as its contribution to the maintenance of normal skin, better vision and the normal function of the immune system.

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[12]Butter or margarine? *Harvard Heart Letter* 8, no. 2 (October 1997): 1. *Academic Search Complete*, EBSCO*host* (accessed January 30, 2017). ISBN 978-0-393-24702-2

Figure 1 Margarine as a source of vitamins
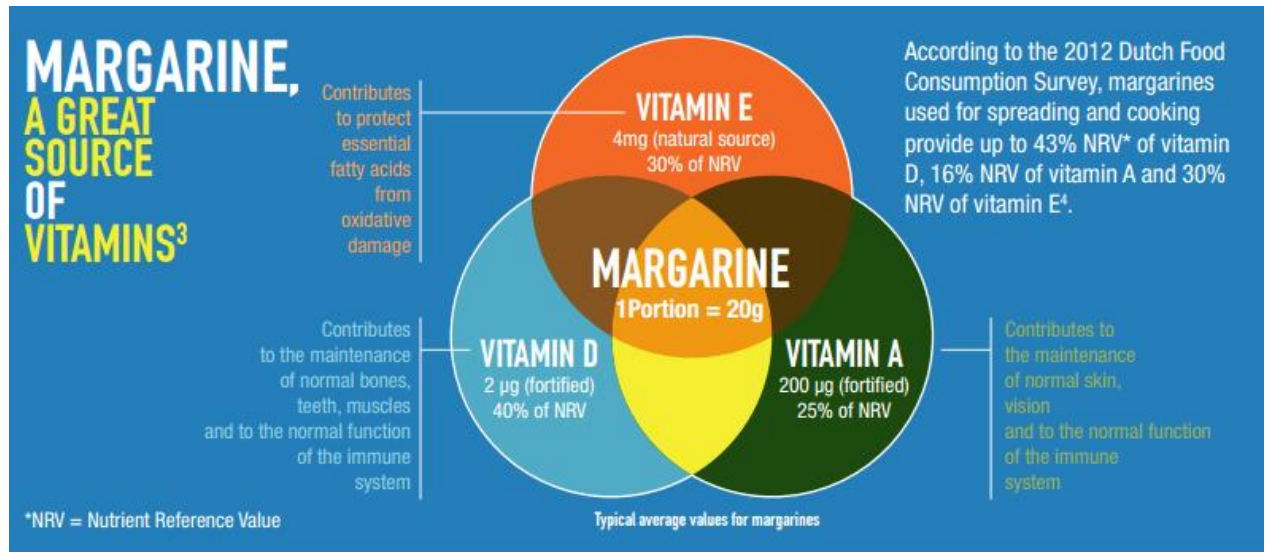
Source: IMACE. *2012 Dutch Consumption Survey: Margarines and its benefits* [online]. 2012 [cit. 2017-02-14]. Available at: http://imace.org/wp-content/uploads/2015/09/IMACE_FactSheet_SmartChoice-007.pdf

3.3 FMCG

Margarines belong to the group of FMCG (fast moving consumer goods) and it is important to classify this group and explain how the market with FMCG had changed during the decades.

FMCG represent goods and services, which consumer buys very often, immediately and with little effort for comparison or direct shopping. Typical examples of FMCG can be soap, newspapers, candies, food. It is typically sold in various places and cheaply.[13]

According to FMCG selling, it is the most challenging form of good exchange between supplier and costumer. Nowadays, almost everybody is touched by the FMCG products. Because of FMCG boom in 20th century, mass media was established, television commercials or advertising companies.

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[13]KOTLER, Philip. *Moderní marketing: 4. evropské vydání*. Praha: Grada, 2007. ISBN 978-80-247-1545-2. p-617

Definition of FMCG has got many forms but there are four main features, which should be fulfill:

1. Usage at least once a month
2. Used directly by the end-consumer
3. Non-durable
4. Sold in packaged form

FMCG are wide talking point, there is a description of all the divisions:

5. Personal care: mainly chemist´s as cosmetics and paper products
6. Household care: cleaners and fabric wash
7. Food and beverages
8. Spirits and tobacco

It is obvious that people from civilized countries facing the FMCG products every single day. In the 21th century, when everything is changing so fast, it is very difficult for FMCG companies to catch the consumer preferences. There are many consumer´s boycotts against FMCG companies, which are somehow involved in "Green issues", health issues, inappropriate treatment with employees, biotechnology. The biggest opportunities are in the newer markets (Russia, China), where the consumer is untouched with the west products and it is easier to persuade for buying new product. In the west countries, the highest power shifted from manufacturers to retailors, who dictates all this supply chain. FMCG companies are literally struggling for more spaces on shelves, better marketing promotion or more acceptable price for consumer. Retailors also established their own brands called "Private label", which gives the FMCG companies even harder selling environment for them. This cold-hearted ambient, where too many products are battling for every single consumer is becoming into unhealthy environment. Small FMCG businesses are forced to end their enterprise because they simply cannot play the price battle with giant multinational companies. The advantage of one company is temporary because another comes with another tactic, which will overdraw the consumer on their side but only for a short period until new tactic from competitor arise.

For understanding how the FMCG companies work nowadays, this analytical company provides a data/analysis of previous years to describe the market of FMCG. Brand-footprint made an analysis, what is the key factor of FMCG´s companies growth in 2016. The key is the penetration of certain company against a challenging economic backdrop. According to data from year 2015, only 2% of brands reached more than 80% of a country´s household. Kantar Worldpanel´s builds every year rank of global and local brands allocated by frequency of buying by consumers. Kantar Worldpanel examines FMCG brands and make an identification of which components drive the growth. Basically, it is a guideline for marketers, how the trend is going and what should be done for success. The uncertainty of today´s markets last several years and will not change in a near future. This study covers 15.000 brands, 200 categories, 44 countries and 5 continents, which represents 74% of all the population in the world. The value of FMCG sales raised by 4.7% but the volume decreased by 0.4%. The graph below shows that local brands are growing to the prejudice of global brands. It is caused by suitability of local brands in traditional market and brings product to consumers who would otherwise be unable to buy them.[14]

Figure 2 Global vs Local brands, 2013–2015
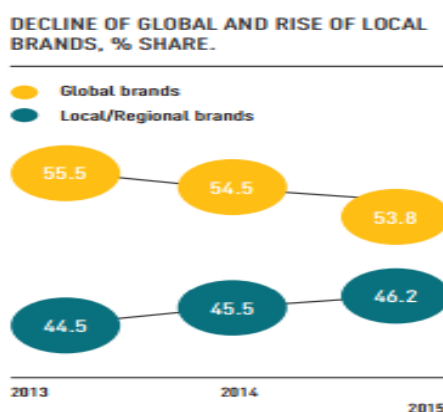
Source: Kantar Worldpanel. *Decline of Global and rise of Locals* [online]. 2015 [cit. 2017-03-19]. Available at: https://www.kantarworldpanel.com/global

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[14]THOMAS, Michael J. *Gower handbook of marketing: 4. evropské vydání*. 4th ed. Brookfield, Vt., USA: Gower, c1995. ISBN 05-660-7441-9. p. 140-172

This expert´s analysis examined 5 key components, which are crucial in FMCG companies to be successful.

1. More occasions – To find and satisfy new consumers (focus on young generation)
2. More categories – Develop a new category in already existing brand with stable customers will increase demand for particular brand
3. New categories – Widen the brand´s portfolio
4. More demographics – Think as a consumer, do not categorize just men/women and age.
5. More geographies – Find the place with highest potential and focus on development.

Figure 3 TOP FMCG Brands

Rank 2015	Rank 2014	Rank Change	Brand Name	Manufacturer	Consumer Reach Points (m)	Penetration % 2015	Frequency 2015	Consumer Reach Points Growth %
1	1	=	Coca-Cola	The Coca-Cola Company	6,284	45.8	13.5	-2
2	2	=	Colgate	Colgate-Palmolive Company	4,251	67.7	6.2	2
3	4	⬆		Unilever	2,585	30.3	8.4	3
4	3	⬇		Nestlé	2,412	33.8	7.0	-17
5	7	⬆	Lay's	PepsiCo	2,198	30.5	7.1	4
6	5	⬇	pepsi	PepsiCo	2,164	25.3	8.4	-1
7	6	⬇	NESCAFÉ	Nestlé	2,047	22.2	9.1	-5
8	9	⬆		Indofood	1,898	5.0	37.2	2
9	8	⬇		Unilever	1,859	31.4	5.8	-2
10	11	⬆	Dove	Unilever	1,674	38.8	4.2	8

Source: Kantar Worldpanel. Rand-Footprint-2016-Report-Global-Brands-Challenged-By-Local-Competitors [online]. 2016 [cit. 2017-02-14]. Available at: https://www.kantarworldpanel.com/global/news/Brand-Footprint-2016-Report-Global-Brands-Challenged-By-Local-Competitors#d1079

As the assumption, this graph shows ten most occurring brands in households worldwide. Coca Cola is the leader of FMCG brands for many years. Even though the reaching point drops about two percentage the brand keeps strong position on the market. Unilever as the only company represents three different brands proving how strong portfolio they have. Dove is a

leader in penetration in 2015 and according to interview with marketing leader of Unilever, penetration is important indicator of successful brand.[15]

3.3.1 FMCG marketing

David Ogilvy (1985) recommended young starting marketers to find a job as a brand manager in FMCG industry, because the progress usually starts there. FMCG marketing is recognized as most innovative player in the field of science, art or, marketing. Sensitive and perfectly tailored techniques to catch the customer invented in FMCG marketing department. This field´s goal is not just to sell once and let it be, the goal is to bring the customer back as frequently as it is possible.

Marketing is much broader topic than majority thinks. Commercial and sales are taken as an engine of marketing, but these two pieces are just well-known branches. Of course, they are integral part of marketing, but not the most important. In 20th century, only marketing goal was to "convince and sale", however nowadays marketing is defined as "satisfy the consumer´s need". The first step of marketing is sooner than the product is manufactured yet. The target group, what are the needs of consumer, what intensity or what will be the price, all these high importance questions have to be solved by the managers of certain company before the manufacture begins. Marketing goes through whole economic life of the product. During the sales of the product, it is necessary to keep present consumers and attract new ones. Learning from present sales and react properly is the key to success in marketing. Peter Drucker, inventor of modern management defined marketing as follows: *"The goal of marketing is to make the act of selling redundant. The goal is to know and understand the customer as good, that the product or service perfectly match to himself… then the selling will go smoothly. If the marketing specialist identifies customer´s needs, invent the product with high value added, effectively promote and distribute, then the following selling will be easy."* Marketing concept is described

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[15]Kantar Worldpanel. *Rand-Footprint-2016-Global-Brands-Challenged-By-Local-Competitors* [online]. 2016 [cit. 2017-02-14]. Dostupné z: https://www.kantarworldpanel.com/global/news/Brand-Footprint-2016-Report-Global-Brands-Challenged-By-Local-Competitors#d1079

as a circle. First bracket is defined by need or demand. This bracket escalates into marketing supply followed by value and satisfaction. Forth key concept is called exchange and relationship. The last step is market. This five-step concept goes on and on, it never ends.

3.3.2 Marketing of 21th century

Meanwhile the world is going through the first quarter of the century, world of marketing has changed dramatically. Everything is getting faster and faster, so the companies have to react on each situation in significantly shorter period than the used to be. Basically said, what was a winning strategy yesterday, it could be all gone tomorrow. The ability to make a right decision in a short time period might be the advantage over competitors. Current consumer is seeking for assurance, simplicity and safety in imitation of products which were trendy decades ago (e.g. Mini Cooper, vegetables from farm, dairy products, etc.). Marketing has to deal with all these changing preferences from customers and find the best solution for both sites (profit for company and consumer´s satisfaction).

3.3.3 Marketing strategy

Every company needs a strategy to keep up with competitors. Undoubtedly, there are various strategies, because there is no such a concept, which is suitable for any enterprise. Each company has to find own way, which is most reasonable, take in consideration their current situation, opportunities, goals, and funds. This procedure is first phase of building a new product, everything is afterwards connected with marketing plan or strategy. This so called strategic plan can be divided into three time sequences:

1. One year plan – It is a short-term plan covering current position of the company, company´s goals, strategic plan for the following year, budget and controlling mechanisms.
2. Long term plan – It is a description of firm´s influencing factor and strengths. Plan includes long-term goals, marketing strategy for next few years and necessary funds for their achievement. This plan can be rewrite if some unexpected circumstances appear.

3. Strategic plan – It is a plan, which applies for sustainability and growth of the company. To recognize new opportunities and ability to react properly.

Strategic planning is basic line for following marketing plan. The very first step is definition of what is the purpose and function. It provides fundamental guide for development of measurable company´s goals. Firm´s audit gains afterwards the information about company, market environment, competitors, where the competition struggle takes place. Next step in the process is to compile SWOT analysis, which provides strength and weak facets of the company and also opportunities and threats which might the company face.[16] *"The SWOT analysis originated from the publication Business Policy: Text and cases (1965), created by four professors at Harvard University – Edmund Philip Learned (1990-1991), Roland Chris Christensen (1919-1999), Kenneth Richmond Andrews (1916-2005) and William D. Guth. This method is one of the first models to consider external environment of an organization. Before, strategy models restricted themselves to strategic planning, without taking into account their environment. Today, the SWOT Analysis is manly used within marketing department of large businesses. Many SMBs also use it as a decision-making tool."* Afterwards, board of the company make a final decision of what products and which fields are highly appreciated with wide scale of opportunities. These products/fields gain higher budget for promotion rather than those with lower expectancy. Then it comes to marketing planning and other functional plans to support company´s strategic plan. Marketing plan is more detailed plan, which is focused on concrete targets and goals of the company. As a practical example, there is one of the biggest FMCG company called Nestle. Strategic planning is situated in their headquarters in Vevey, Switzerland. Each strategic group (candies for example) are settled as lower category strategy. Those are serving as background papers for strategic planning on national level. Those plans are spread as guideline for each nation marketing strategy. The lowest level of planning is concerned by marketing strategies for each brand and sub-brand.[17]

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[16]KOTLER, Philip. *Moderní marketing: 4. evropské vydání*. Praha: Grada, 2007. ISBN 978-80-247-1545-2. p-678
[17]SETH, Christoph. The SWOT Analysis: Develop strengths to decrease the weaknesses of your business. LeMaitre Publishing. ISBN 978-2-8062-6583-8.

3.3.4 Marketing plan

Marketing plan of certain company is done separately for each brand, because variety of products demand different approaches. Anyway, there are eight steps, which are consider as unavoidable in marketing plan construction:

1. Executive summary – it is a brief introduction of main goals and recommendations. It is a helpful tool for quick recognition of the plan.

2. Audit – it is a systematic re-examination of market environment, goals, strategy and company´s target. First part describes target market and company´s inner position. All these major components are picked over from strategic plan (it is necessary that company strictly keep their values and principles). Audit also contains distribution and competitors in that specific market. What is the size of the market, who are the customers, or what are the most influencing factors, those are questions, which needs to be solved. Audit continues with economic elements as revenues, price and profit margin. Nowadays in FMCG, the competitive environment is roundly called unhealthy. There are too many options for customer, which brings as to price wars between the suppliers. That is why companies take seriously market share index. Major players in market share determines the direction of specific product (quality, price, etc.). Of course, this prearranged guideline to success can be broke in several months due to unexpected circumstances and the key is to react in as short time as possible.

3. SWOT – SWOT analysis is described above in strategic planning this article in a detail way.

4. Goals and problems – after SWOT analysis, the company is capable to settle common goals and consider problems, which might occur during the time. Each goal has its time-period for accomplishing the task (to gain 5% market share in 6 months and what are the problems, which can ruin it).

5. Marketing strategy – in a different words, it is called "plan of the game". It is a marketing logic, which should guide to reach targeted goals. Company´s advantages are used as a tool against competitors. To specify market segments, which differs from market to

market and figure out possible obstacles. Marketing strategy should be elaborate separately for each segment.

6. *Marketing mix* – this term was firstly used in a book called "The Concept of the Marketing Mix" (1948) by writer Neil H. Borden (1895-1980). He derived his thoughts from James W. Culliton (1912-2004), who invented twelve elements of the industrial marketing mix. In Jerome McCarthy´s Borden´s theory was kept only four main points – place, price, product, and promotion. Basic definition of 4P´s is shortly described as: *"The marketing mix is a marketing concept that includes all of the tools available to marketers to develop efficient actions and achieve their sales penetration targets within a target market."*

7. *Functional programs* – following questions appear from marketing strategy model: What is going to happen? When it is going to happen? Who is responsible for that? How much will it cost?

8. There are various mechanism or techniques, which can be used to satisfy the targeted goals. It is possibility to increase support of promotion or decrease the price of the product (increase the volume of sales but decrease margin profit) to cut bigger market share.

9. Budget – on of the key element of settling marketing strategy. Everything is connected to how much money is possible to spend for promotion certain product. Nowadays, most of product promotion requires big amount of money, which are projected in the balance of the company months or even years. This procedure is very sensitive and has to be calculated responsibly to achieve demanded outcome. Controlling mechanism are focused deeply, that every transaction makes sense and is reasonable.

10. Controlling mechanisms – there are two types or mechanism for systematic controlling of marketing effect. Fist control is so called operative, it is shown in a form of comparison with previous year. It helps to estimate, if the new marketing strategy is

sufficient. Second control is called strategic one. It examines the relationship between introduced strategy and strength or opportunities of company.[18]

3.3.5 Distribution channels

FMCG products are typically distributed to consumers through retail stores. Retail comes from French word and it means "To cut up". Basically, retail stores buy a large quantity of products for solid price and then break them in to pieces a sell with margin profit to their customers. David Gilbert define retail as: *"Any business that directs its marketing efforts toward satisfying the final consumer based upon the organization of selling goods and services as a means of distribution."*

Retail in Czech Republic is highly affected by development before year 1989, when the economy was centrally planned with no evolution. It is not crucial to describe the situation of distribution before 1989, because everything was ruled by communist regime. The break-through of retailing has begun in 1989, when free economy replaced centrally planned one. Czech market was widely open for foreign investors and of course, foreign retailors. These circumstances let to many closures of small entrepreneurs, who could not tackle prices and demands of huge international companies.

Czech Republic became a testing point in Mideast territory for international retailors in the second half of 1990s. This particular period was so called "Internalization". Concentration of international retailors in Czech Republic was higher than in neighbor countries. First comers had to have ability to naturalize themselves in a specific post-communist market with old fashioned customers. They also had to keep in mind insufficient selling point, technical parameters or rented buildings instead of full ownership. First assumption was, that Germany will take control under Czech market, however they were too busy with establishing their own market in East Germany. Thus, Ahold from Netherland was the first international retailor in the Czech Republic.

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[18]KOTLER, Philip. *Moderní marketing: 4. evropské vydání*. Praha: Grada, 2007. ISBN 978-80-247-1545-2. p-564-578

Figure 4 Retailers market entrance, Czech Republic, 1991-2008
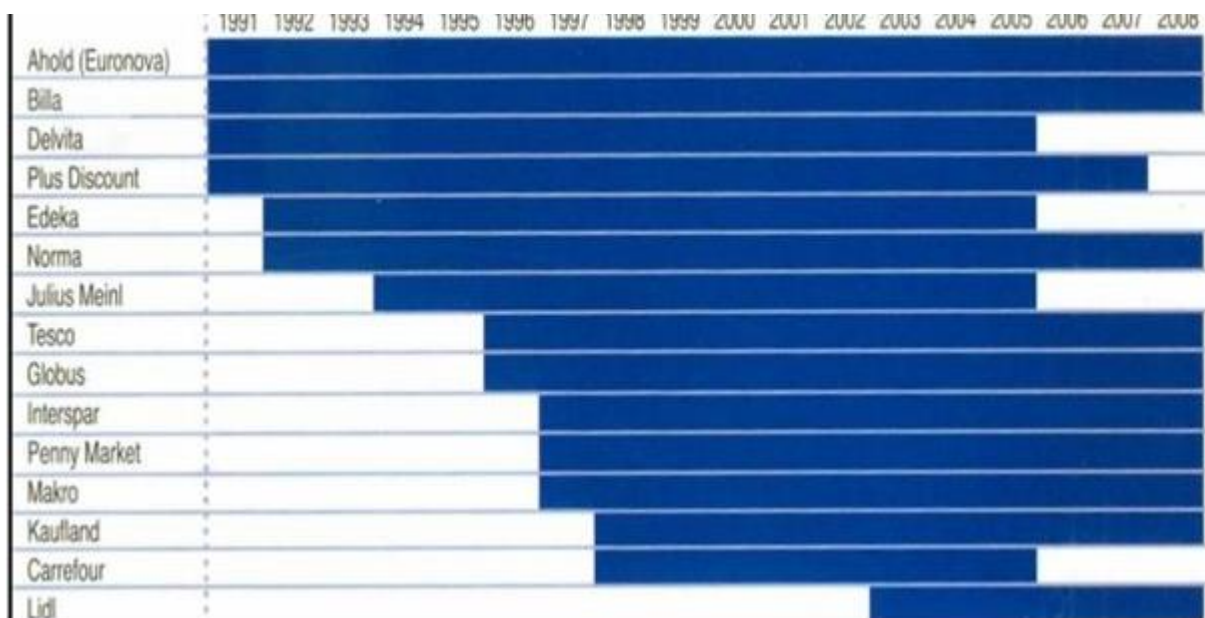
Source: TOUŠEK, Michael. M*aloobchod v ČR po roce 1989: vývoj a trendy se zaměřením na geografickou organizaci* [online]. Univerzita Palackého v Olomouci, 2005, 2012 [cit. 2017-02-14]. Available at: https://is.muni.cz/do/rect/el/estud/pedf/js13/geograf/web/pages/06-obchod-sluzby.html

There is a list of international retailors and their year of break-through on Czech market. As it can be seen, many retail stores were not able to satisfy or attract customers and they shut down offices in Czech Republic (Delvita, Julius Meinl, Carrefour). There are three retail stores, which should be shortly described because they are somehow special in different aspects. Firstly, Ahold as a first comer has got stable customers and their key instrument is to target on family values. They also just recently bought Interspar and with this acquisition they are second biggest retail store in the Czech Republic. Secondly, Kaufland has the highest market share on Czech market and biggest turnover. They run more than 100 hypermarkets and they are known for lowest prices. And last retail is called Lidl, which entered Czech market in year 2003 and 80% of their brands are private. In 2015, their profit was even higher than Kaufland´s.[19]

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[19]TOUŠEK, Michael. M*aloobchod v ČR po roce 1989: vývoj a trendy se zaměřením na geografickou organizaci* [online]. Univerzita Palackého v Olomouci, 2005, 2012 [cit. 2017-02-14]. Available at: https://is.muni.cz/do/rect/el/estud/pedf/js13/geograf/web/pages/06-obchod-sluzby.html

According to Nielsen research company, the closure of 275 store with selling area under 400 square meters was unavoidable in competition environment as it is in Czech Republic. These typical stores (e.g. Coop) facing to international retails, who have power to dictate requirements, which cannot be accomplished by small retail stores. Big retail stores have ability to underestimate the price and attract customers, who used to be loyal to typical stores. These circumstances might lead to closure another 3000 shops on countryside or suburb. Profit margin of retail stores has increased about 3.4 percent. Czech statistical department valuate the profit margin to 23.4 percent in 2015 (in 2005 the value was approximately 20%). Of course, related costs as storage and logistics must be paid from that profit.

Table 4 Balance sheet of retailers on Czech Republic market

Retail	Revenues (in billion CZK)	Profit (in billion CZK)
Kaufland	55	2
Ahold	48	-
Tesco	42	-4
Lidl	34	3
Penny Market	31	0.5
Makro	28	-
COOP	27	-
Geco	26	0.25
Globus	23	0.3
Billa	21	0.3

Source: Issued by the author based on Nielsen internal data, 2016

In the table above, accounting period 2014/2015 shown the biggest players in distribution of FMCG products. Now, it is easily accountable, what are the cost related with logistics and so on. 23.4% from Kaufland´s revenues are 12.9 billion Czech crowns and if we deduct this

operating profit from clear from, it can be assumed that the cost of retail Kaufland is 10.77 billion of Czech crowns.[20]

3.4 Sustainable development

The role of multinational companies in sustainability is underestimated or overlooked in many cases, which cannot be disproved. Capital is a principal tool to make unavoidable steps, which will lead to keep sustainability on a level with no harmful consequences for future generation. Through capital provided by multinational companies, it is possible to create jobs, environmentally friendly technologies, or to reduce poverty in developing countries via free market initiatives. Of course, there are side intension of companies (commercial, showing the values of the company), however company´s capital will speed up all the barriers connected with pollution or deforestation etc.

Purpose of sustainable development is to fill out the gap between sustainability and development. Circumstances which arise this term out are forestry, fishery and groundwater. Quantity plays a key role in this issue. What is maximum sustainable cut? What is maximum sustainable yield? What is maximum sustainable pumping rate? In different words, the question is how many trees can be cut in order to undamaged the forestry, how many fish can be caught and the function of waters will still go on, or how much water can be pulled out with viable aquifer at the end of the period. Those examples are just small pieces of whole ecosystem, but they serve as a trigger for this serious issue. Although sustainability can be managed in a short-term, it does not go hand in hand with long-term problem.[21]

To assure, that the definition of sustainable development is clear, here is the definition: *"The ability of physical development and environmental impacts to sustain long term habitation on the planet Earth by human and other indigenous species while providing"*:

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[20] HRADÍLEK, Ludvík. COOP může zavřít další malé prodejny. *Aktuálně.cz* [online]. 2017 [cit. 2017-02-14]. Available at: https://zpravy.aktualne.cz/finance/nakupovani/zahranicni-retezce-ovladaji-uz-dve-tretiny-trhu-coop-zavre-d/r~a476c254087911e6a2e00025900fea04/?redirected=1487098790

[21]ELLIOTT, Jennifer A. *An Introduction to sustainable development*. 2nd ed. New York: Routledge, 1999. Routledge introductions to development. ISBN 978-1-84407-521-4.

- Potential of safe environment, natural physical development

- Sufficient usage of natural resources

- Ensure same abilities for future generation with no limitation

- Reasonable development of urban industry

Peter. P. Rogers set up and discussed nine factors to achieve sustainability

1. Leave everything in original condition or at least try to return in to original conditions

2. Do not over pump the capacity of system

3. Economic growth will take care of sustainability

4. Those who commit pollution must come up with solution

5. Markets take care of sustainability

6. Internalize the externalities

7. Defensive expenditures provided by national ministry

8. High payments for non-renewable resources

9. Leave equal options for future generation[22]

3.4.1 CSR Concept

CSR has been developing for many decades. Social responsibilities of the Businessman by Howard. R. Bowen interpreted CSR as commitment of entrepreneur for taking responsibilities for actions, decisions follow the attitude, which will not disturb goals and values of the company. The attitude of the businessman stands for the beginning and development of CSR through the world. As a milestone of CSR is considered year 1979, when Archie B. Carroll define CSR in four basic branches, which excluded each other up until now (economic responsibility, legal responsibility, etic responsibility, philanthropic responsibility). To define CSR in one stable paragraph is impossible considering the numerous discipline, which are covered within CSR. It is caused by voluntary contribution by companies and borders are not strictly allocated. As a common actor is mentioned that company dispose many rights, but on return they feel the duty to contribute by making better life for people around the world. Alexandr Dahlsrud in his book

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[22] MAIER, Karel. *Udržitelný rozvoj území*. Praha: Grada, 2012. ISBN 978-80-247-4198-7.

called *How Corporate Social Responsibility is defined*, mentioned five major domains, which shorten the branches as follow – environment branch, social branch, economic branch, stakeholders, voluntariness. These branches were chosen according to analysis, which proved that four out of five definitions contain at least 80% of above mentioned components.

European union define CSR as integration on a voluntary basis of ecological and social aspects on daily basis. World Business council for Sustainable Development stated CSR as entrepreneur´s commitment to behave ethically and economically help to sustainability. To improve employee's wealth as their families or even wider community of citizens. International organization Business for Social Responsibility claim that CSR is to manage company with strong impact on ethical or legal expectation. Business Leaders Forum in Czech Republic assume CSR as voluntary commitment of enterprises to operate with best interest for themselves as to surrounding environment.

As an outcome of definitions above, it can be claimed that CSR is a very up to date topic with even more important future. What should be also high priority in this wide scale topic is to emphasize main principles of daily bases work routine. To involve principles as an ordinary routine, it is necessary to consider those values in to company´s values, strategy or process on any hierarchic level.[23]

3.4.2 Features of CSR

Even though CSR is a complex concept, there are various attitudes of firms, which are classifies as nonobligatory, in other words, companies are not obliged to be part of it. For better imagination of what are those features, there are five general nonobligatory actions, which suit the definition.

1. Voluntary principle – Socially responsible companies pursue activities and take responsibilities above their duties or above responsibilities according to national law. The inner belief is the core of acting, not the order.

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[23] CRANE, Andrew. *The Oxford handbook of corporate social responsibility*. New York: Oxford University Press, 2008. ISBN 01-992-1159-0.

2. Co-operation with interested party – It is a commitment, which is getting over of all the duties of company. This statement involves stakeholders, suppliers or even employees of the company. Co-operation with non-profitable organization is an example of interested party.

3. Engagement of company – Subject of the engagement are those companies, who proactively seek any opportunity to help or be part of actions, which will be beneficial for wide society or non-interested party. Those companies involve CSR in the strategy, values, and goals.

4. Systematical and long-term horizon – Short-term visibility in this field is ineligible and more likely looks like as a purpose of cheap commercial for customers. CSR should be involved in company´s plans, which will be measured for efficiency. This is an example of long term sustainable development, which should always be above short term profitability. John Heaslip from Business in the Community claimed that CSR does not exist for spending company´s profit but for sustainability of profits.

5. Trustworthy – It is not a part of the campaign or sponsoring gift, it is a value of company, which should be provided peacefully with no side thoughts.[24]

3.4.3   Triple-bottom-line

Three basic pillars are shaping modern concept of a business. There are two other crucial aspects beside profit, which should be targeted by a company. Those aspects are formulated in three different areas – economic (profit), social (people), and environmental (planet).

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[24] MAIER, Karel. *Udržitelný rozvoj území*. Praha: Grada, 2012. ISBN 978-80-247-4198-7.

Figure 5 Triple bottom line aspects
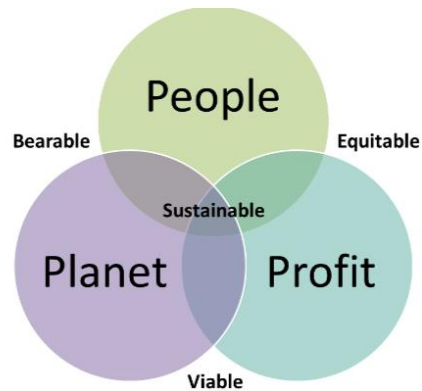
Source: MAIER, Karel. *Udržitelný rozvoj území*. Praha: Grada, 2012. ISBN 978-80-247-4198-7.

Image above represents intersection of already mentioned branches, where the centerpiece is called sustainable development. It basically shows factors, that need to be accomplish to gain sustainability on the Earth.

Economic situation is the most important indicator of how the company operate. No doubt, maximizing profit and minimizing cost is the highest priority. On the other hand, there are also CSR factors, which are measured. E.g. corruption free of employees and whole company. Ira Milstein as a protector of corporate governance claims that reasonable function of a company is defined as a protection of creativity, freedom, flexibility and what is more, produce welfare, which will be participating whole society. Transparency is also one of head factor in a democratic state to provide information for stakeholders. An actual issue in an economy sphere is to follow the rules, which are stated between two parties. To fulfill common goal of all the suppliers should be to deliver final product to consumer, which is obtain certain quality and is for a reasonable price. All the side negotiation between businesses, and pushing the price for lowest possibility finally harms the final customer. At the end of CSR at the economy part, dialogue between shareholders and company is necessary to find mutual interest and support its values.

As a social sphere, it is usually connected with employees on company and conditions related to their job. Representatives of business sector should be aware, that satisfied and highly

motivated employee is the crucial factor for accomplishing goals stated by a company. According to various researches, it is proved that the attitude toward employees brings them many benefits as a top position on labor market, loyalty and lower fluctuation in specific positions. As a few examples of this wide topic, it is a proper combination of work life with personal. As a modern way, how to interact with employees is to provide them plenty of time spending with their family. It is called work life balance, what helps employees dealing difficulties such as divorce, health issues, kindergarten or time to time home office. Personnel development is also up to date topic, which plays a crucial decision making in hiring new people in to company. The question of career development inside the company significantly influence final decision. The benefits beyond the regular salary is provided by almost every international company, to satisfy needs of employees distinguish good employer to worse one. It is called cafeteria system, which allows employees to choose the most suitable benefits for themselves. Those above-mentioned benefits make employee feel needful and give him/her justify for spending time in a workplace. Another burning issue in this area is to provide equality and respect between employees. It does not cover only man/woman issue, which is most known, but the equal attitude for same level position or in selection of a new employee. The mutual tolerance support friendly work environment with full concentration on job description. The ability to provide own point of view with no concern of future punishment or let say democratic way of decision making rather than autocratic. All these cases are examples of social CSR, which should be provided by any company in the world.[25]

Environmental branch is the last piece of triple-bottom-line of the concept. Last decade represents growing interest in impact of businesses on environment. Company must be aware not only on environment inside the institution, but also on harmful impact of surrounding world. These impacts are considered for example noise, pollution, or traffic jam. To avoid circumstances such this, it is necessary to develop ecological policy of company, ecologic manufacture and environmental management.

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[25]CRANE, Andrew. *The Oxford handbook of corporate social responsibility*. New York: Oxford University Press, 2008. ISBN 01-992-1159-0.

As a conclusion, according to Reputation Institute, who make every year list of top companies with CSR reputation, top three companies in year 2016 are Google, Microsoft and The Walt Disney Company. Google provides many activities, which can be placed as CSR management. In 2016, Google co-operate with agendas responsible for Earthquake Relief Efforts, or they provide grants for HIV protection.[26]

3.4.4 Palm oil issue

This innocently looking component, which is often included in candies, potato chips, children´s nourishment or cosmetics caused a fire in Indonesia´s rainforest, which released more carbon dioxide in to air than Germany is capable in a whole year. Negative circumstances of palm oil production are clear but the low price of commodity can beat even those relatively dangerous consequences. This is just another example of favoring short-term economic benefits against long-term sustainable development on Earth.[27]

Palm oil became one of the most using and controversial product in a past thirty years. Wide scale of potential usage of palm oil in connection with ridiculously low price has created big demand from corporations. As a component in food chain, most typical products are margarines, oils, soups, sauce or even candy products. Cosmetics, agrofuel or pharmacy are other fields, where palm oil serves as a subsidy of more expensive components. Growth of palm oil is one of the main reason of deforestation of rain forests. Direct impact on environment or even human life is undoubtable. Perishing of scarce animal and flower species, social conflicts, violate human right or demotion of traditional cultures are caused by massive growth of palm trees.

Palm tree originates from Africa as a part of local agriculture. The international spread of palm tree was caused by British industry revolution. Plant was shipped to Malaysia and Indonesia, where commercial plantations were settled. The political and climatic environment facilitates financing of deforestation prejudice to high profit from palm trees. The support of local

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[26]ELLIOTT, Jennifer A. *An Introduction to sustainable development*. 2nd ed. New York: Routledge, 1999. Routledge introductions to development. ISBN 978-1-84407-521-4.
[27] USDA. *Oilseeds – World Market and Trades* [online]. 2017 [cit. 2017-03-20]. Available at: https://apps.fas.usda.gov/psdonline/circulars/oilseeds.pdf

government and world banks offered high potential business for multinational companies. Their investments speed up modernization of infrastructure and the usage of modern fertilizer increased the volume of production and possible profit. On the other hand, massive deforestation disturbs ecosystem (rainforests are also called lung of Earth), which raise emotion in departments of Nature Conservancy.[28]

At the turn of 20th and twenty-first century when the free market fully developed, palm oil spread to whole world. There are two main reasons of spreading the commodity, firstly to replace animal fats with flower oils and secondly to skip from fossil fuel to renewable resource energy. To satisfy all these targeted points, it is necessary to enlarge areas with palm trees with connected issues. For better understanding of how palm oil expand, there are some data to prove increasing demand. In a 1960, volume of supplied palm oil was about 500.000 tons. Volume increased five times over 20 years in 1980. In year 2000, year production is estimated to 24.3 tones and then since then, rapid growth of demand has begun. Ten years later, production of palm oil more than doubled. In a present time, distribution of palm oil is estimated on 66 tones. According to these data, forecast on year 2020 is saying, that production will be twice higher than in year 2016.

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[28]GreenPalm. *GreenPalm to call for a clearer global strategy on sustainable palm oil* [online]. 2017 [cit. 2017-03-20]. Available at: http://greenpalm.org/DB/2013-blog-archive/greenpalm-to-call-for-a-clearer-global-strategy-on

Figure 6 World palm oil production, 2016
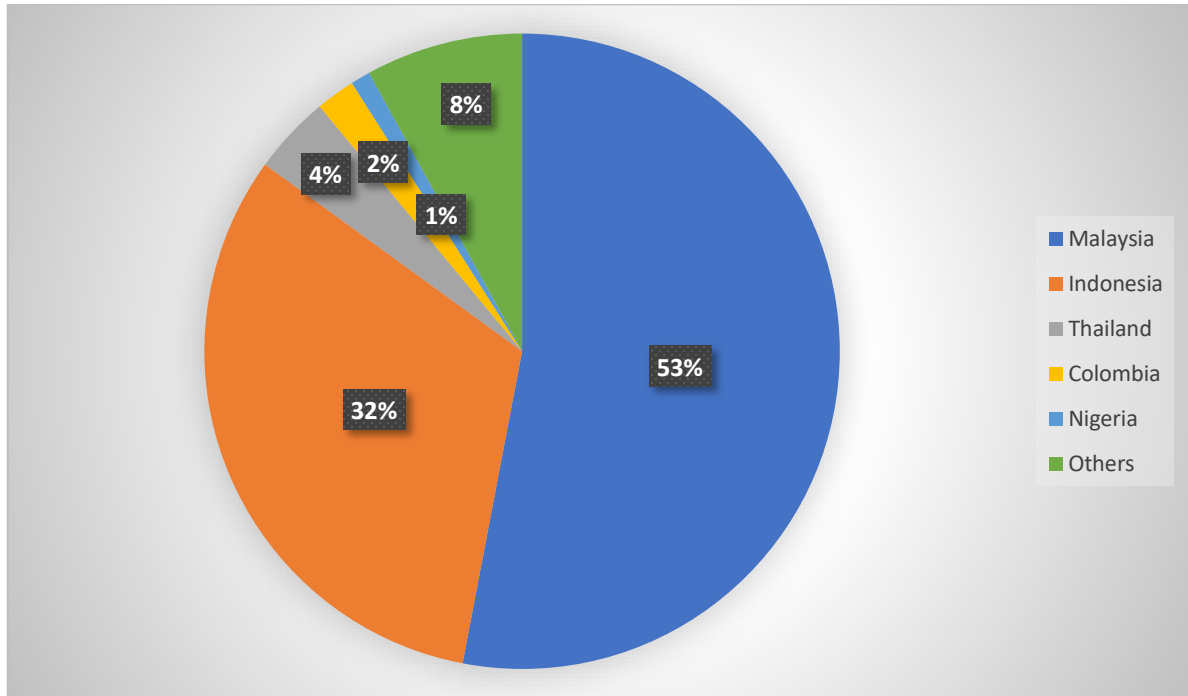
Significant majority of palm oil production is constantly placed in Malaysia and Indonesia, however expand in to tropical zone (Ecuador, Brazil, Kongo, etc.) worth to mention. Indonesia with 53% share equals 35 million of tones of produced palm oil. Malaysian production equals 21 million of tones and third major supplier Thailand provides 2.3 million of tones. Distribution through areas is as follow: food chain takes 71.1% of share, 24.2% goes to industry purpose, and 4.7% is used on energy and biofuel.[29]

Palm oil is a valuable commodity due to many advantageous features. Speaking of food industry, high capacity of fatty acids (40%) allows frying without burning effects. What is more, slow oxidation ensuring long term durability, in FMCG industry one of the crucial and most important segment. These benefits are unfortunately overlapped with connected consequences

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[29]RSPO. *Principles and Criteria: for the Production of Sustainable Palm Oil* [online]. 2013 [cit. 2017-03-20]. Available at: www.rspo.org/key-documents/rspo-principles-and-criteria

on a society and environment. The treatment how companies are setting up new plantations are not always followed by environmentally friendly techniques. Rainforest transformation in to plantation requires denude of vegetation mechanically or using fire. Those treatments have negative effect on environment in those areas, where countless of animals and plants are killed or destroyed. Connected infrastructure to plantations is has also harmful impact on surroundings.

As a symbol of fighting against deforestation has become orangutan. According to forecast for year 2020, 98% rainforests will be destroyed, which goes hand in hand with dying of protected species. However, orangutans are just one connected issue, which escalates to another tens or hundreds related examples. Indonesia covers about 1% of Earth but it is second richest country on variation of animals and flowers.

To minimize environmental costs related to palm oil, Roundtable on sustainable palm oil (RSPO) was established in 2004 to protect sustainable development and to settle strict rules. Innovation and complete change of previous rules must be created to protect sustainable development flow. To successfully accomplish the mission, there are five crucial steps to improve inside climate.

1. Lack of environment protection and ecosystem
2. Financial inequality between certified grow of palm tree and uncertified
3. Forcing mechanism are on the low level
4. The suspicion of breaking the rules of RSPO by their members
5. High density of corruption in Indonesia

Unfortunately, certification of RSPO is not a part of world standard, which basically means that those rules are easy to avoid. Only 10.9 million of tones were produced in compliance with certified rules. There is a reasonable explanation of avoiding certified plantation and it is higher cost. Certified palm oil is usually imported to Europe, where the demand from governments are significantly different from those in Asia. There are several tools how to deal with uncertified

production of palm oil – no entrance fee for newcomers to RSPO, higher profit for certified producers, carry the responsibility of payment to multinational corporations or retails.[30]

Figure 7 Production of palm oil, 2016
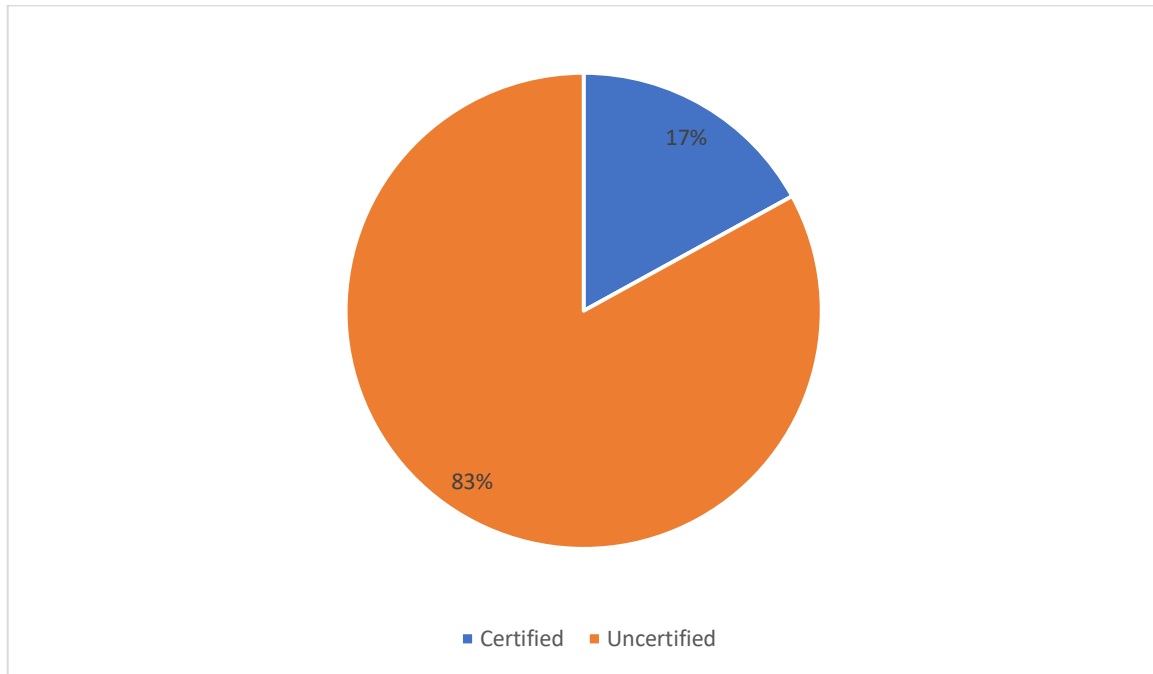
Source: RSPO. *Principles and Criteria: for the Production of Sustainable Palm Oil* [online]. 2013 [cit. 2017-03-20]. Available at: www.rspo.org/key-documents/rspo-principles-and-criteria

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[30]GreenPalm. GreenPalm to call for a clearer global strategy on sustainable palm oil [online]. 2017 [cit. 2017-03-20]. Available at: http://greenpalm.org/DB/2013-blog-archive/greenpalm-to-call-for-a-clearer-global-strategy-on

4 Practical part

4.1 Company description

Unilever was found in the beginning of 1870 but the margarine industry is dated to 1872, when first margarine factory was opened in Netherlands. In 1910, Unilever bought a company distributing palm oil in South Africa to secure supplies and guards the quality. In 1928, first margarine factory appeared in Czechoslovakia. In 1929, Unilever company gained its name officially with main interests in margarines and soaps. First launched margarine in a tub has been presented in UK 1959 followed by Flora in Germany. 1992 was the year of entering post-communist Czech market and starting a boom of western products. Of course, through the years of the company within the markets around the world, Unilever has become one of the biggest FMCG company in the world with hundreds of brands with different specification. Nowadays in 2016, Unilever delivers their products to 2.5 billion of people per day. Global turnover in 2016 is equal to €52.7 billion with 168.000 employees.[31]

Logo of Unilever has more depth meaning than it seems. Unilever is a big protector of our planet and the design of first letter in company´s name hides symbols of values and sustainability. To

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[31]Unilever. *Our history* [online]. 2015 [cit. 2017-03-19]. Available at:
https://www.unilever.cz/about/who-we-are/our-history/

be more specific, there is a hidden palm as a symbol of environment protection or hearth, which represents healthy lifestyle and care to each other.[32]

4.2 Brands

Practical part is focused only on margarines of Unilever. In thesis, term margarines are generalized for all Unilever´s brands for spreading and cooking (Rama, Flora, Perla, and Hera). The possibility of generalizing margarines as a Unilever´s is because 89% of margarine´s market share includes those sub-brands. In a world of FMCG, almost 90% means whole market, where that missing 10% are retail private brands (often manufactured by Unilever).

4.2.1 Rama

A flag boat of margarines in Czech Republic is brand Rama. It was a first margarine occurrence after communism regime. Symbol of quality and gold standard of spreading. Rama covers 40% of turnover of Unilever´s yellow fats. After twentieth century, reputation of Rama went significantly down due to targeted viral aiming on bad quality, palm oil issue or health impact. Year 2017 should be a break down because of massive marketing support of new Rama with high quality ingredients. The goal is to achieve one third of Rama´s turnover immediately in this year. Underneath is a stairway research about brand awareness and usage. 810 respondents between age 21 to 75 replay three stairway questions concerning awareness, regularly bought and more usage during one month. Gained data were transformed into percentage for easier understanding.

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[32]Unilever. *Unilever Logo* [online]. 2015 [cit. 2017-03-19]. Available at:
https://www.unilever.cz/about/who-we-are/our-logo/

Figure 8 Rama stairway
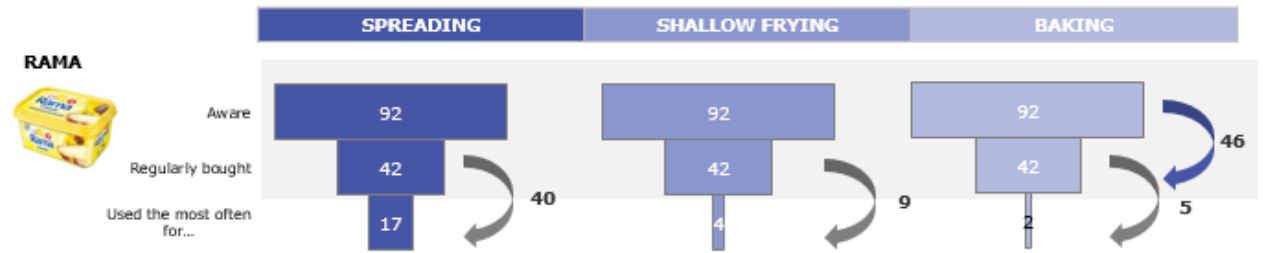
Source: Unilever internal analysis, adjusted by the author, 2016

It is obvious that awareness about the product is high and almost 50% of consumers is also a solid standing. On the other hand, only 40% of respondents are buying Rama more than once a month, which refer to usage on another yellow fat instead of Rama. There is a possibility of another margarine but more likely it will be a butter.

4.2.2 Flora

It is impossible to target whole market with single product (Rama), that is why Flora entered Czech Market. Nowadays market share inside Unilever and its margarines is about 28%. Positive impact on heart and omega 3 and 6 developed a trust brand with many consumers. There is no negative pressure as it can be seen in Rama. Identical research was done in other to compare those brands.

Figure 9 Flora stairway
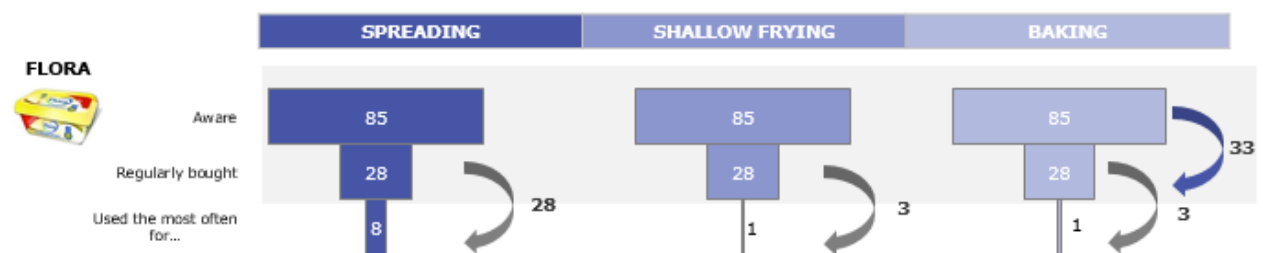
Source: Unilever internal analysis, adjusted by the author, 2016

The brand awareness is similar to Rama but the change of regular buying is almost doubled. It is mainly caused by lower marketing support of Flora and lower quantity of sub-brands.

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4.2.3 Perla

The rest in spreading market share takes Perla. It is a cheaper subsidy of Rama. Lot of commercial spots targeted on price and all benefits connected with money saving.

Figure 10 Perla stairway
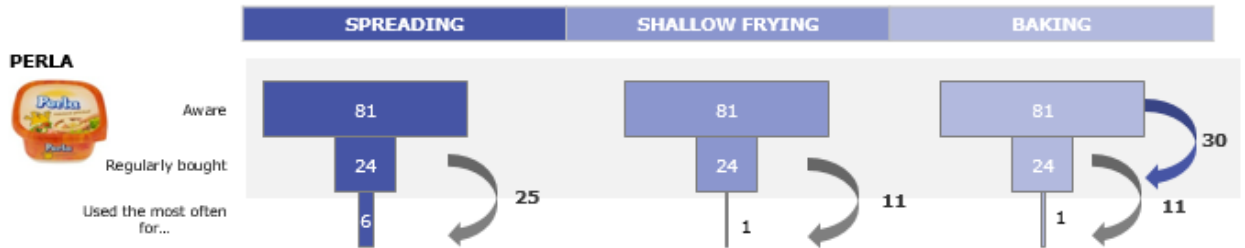
Source: Unilever internal data, adjusted by the author, 2016

The high awareness takes credit because of pile carpet as a provider of commercial *"Perla worth to buy."* Regular buying and most often buying can be compared with Flora. Flora´s higher turnover is mainly caused by higher price of the product.

4.2.4 Hera

Well-known baking ingredient for candies mainly. 86% of market share in baking means almost monopoly in this area. There is no subsidy for Hera with same quality or price availability.

Figure 11 Hera stairway
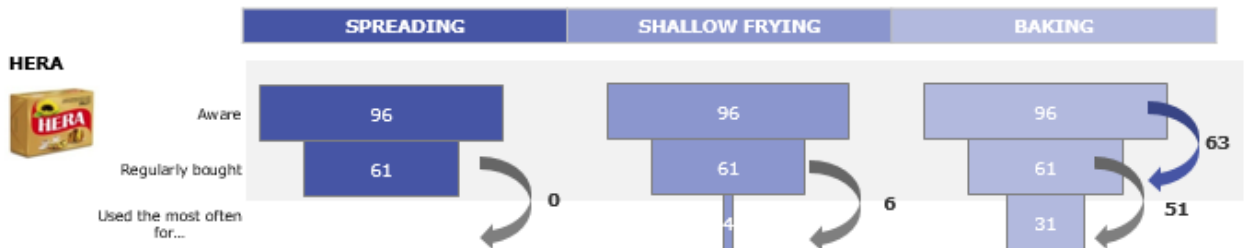
Source: Unilever internal data, adjusted by the author, 2016

Brand awareness is reaching 100%. An interesting finding is that 61% of respondents use Hera for spreading, it is more than Rama or Flora. However, major field for Hera is baking and as you can see, 63% of people are buying Hera on regular basis and 51% of them are most often users. Basic outcome is claiming, that Hera has most loyal consumer out of any Unilever´s margarine brand.

4.3 Margarines turnover

As Unilever entered Czech Market in 1992 total boom of margarines just begun. There are no concrete data until 2004 but the market is defined as huge growth of turnovers. There is a simple reason of extraordinary sales and it is desire for west product after communism regime. Consumers were overloaded with butter and its primitive subsidies. What is more, turnover looked basically the same as in 2004 but it is necessary to add extra marketing costs after 2004, when consumers decided to go back to roots and start buying butter again. When Unilever entered Czech market, there were no additional cost connected with marketing, many west products were selling by themselves only because it was something special for Czech consumer.

Figure 12 Turnover of margarines (in thsd EUR)
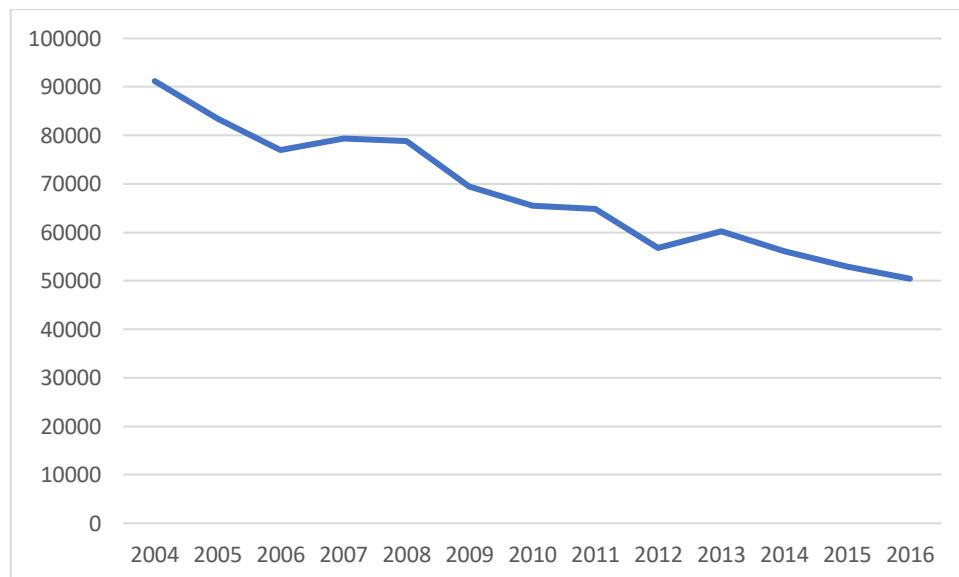
Source: Issued by the author based on Unilever internal data, 2016

Year 2004 was the beginning of margarines turnover decline. This particular year was the last one, when turnover crossed 2 billion Czech crowns, concretely 2.280 billion. If you compare years 2004 and 2015, the drop of turnover is about 42%. If you consider the changes which happened in a cost policy linked with marketing and promotion or cost connected with improving quality of margarines, revenues decline even higher than revenues.

In a head to head interview with sales director of Unilever, there are two main factors, which influences margarine´s turnover over past years and it is price of butter and a present trend of consumers. In 2004, negative awareness about margarines stroke Czech market, everybody talked about unhealthy product, doctors advised not to consume margarines and internet and TV spots started to discredit margarines and favorized butter. Any quantitative drop of turnover is taken as a failure and aside two exceptions in 2007 and 2013, there was drop on a year basis.

4.4 Consumer´s preferences

To predict consumer´s preferences, it is necessary to seek their needs and wants. FMCG market is overloaded with new products, new trends and potential subsidies, which can fully replace product you used to buy day before. Key factor is to understand and satisfy requirements of customers and consumers. It is almost impossible to satisfy large scale of population by one specific product, however to maximize the potential of the product it is unavoidable to do a market research.

The author in compliance with Unilever marketing department has made several questions to catch most recent trends of yellow fats demand and what are crucial factors of consumer decision making.

First questionnaire is focused on what makes consumer to buy fat for spreading. Margarines covers almost whole market share in spreading so this questionnaire is relevant and a starting point for further analysis.

**Figure 13 Key triggers for choosing fat for spreading**
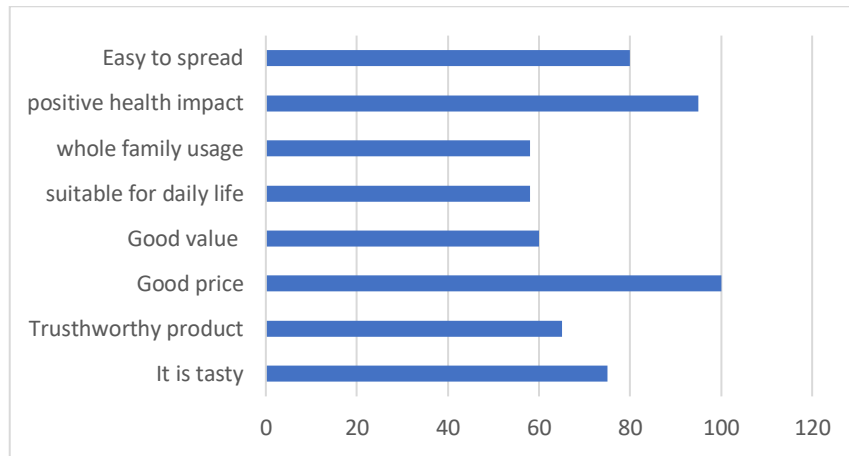
Source: Issued by the author based on Unilever internal data, 2016

As a table shows, there are three major components to build on. Price is a key factor to what are consumers reacting. It is not a breaking new but when we take in consideration, that only substitution is butter and its brands, it is crucial. Butter producers do not have too much space for price variability (price of milk, profit per piece is not as significant), which brings big advantage for Unilever to push price lower and take percentage from butter´s market share. Secondly, health impact on margarine´s consumption proves that after all doubts it is finally clear that butter is unhealth in comparison to margarine (Rama, Flora, etc.). Recent quality cannot be in balance with butter quality or margarines 10 years ago. That is also why profit margin of margarines get shorten. As for a third major finding, spread ability should be part and parcel of margarines. What also brings a curiosity is the number of respondents, who trust margarines. It is kindly interesting due to palm oil issue, which had partial connection with Unilever, margarines specifically.

Butter as main competitor controls more than 50% of yellow fats in Czech Republic and it is important how do they influence their consumers. According to 400 respondents, who recently bought a cube of butter in retail store, they were asked what forced them to buy butter instead of margarine.

**Figure 14 Key reasons for people to choose butter**
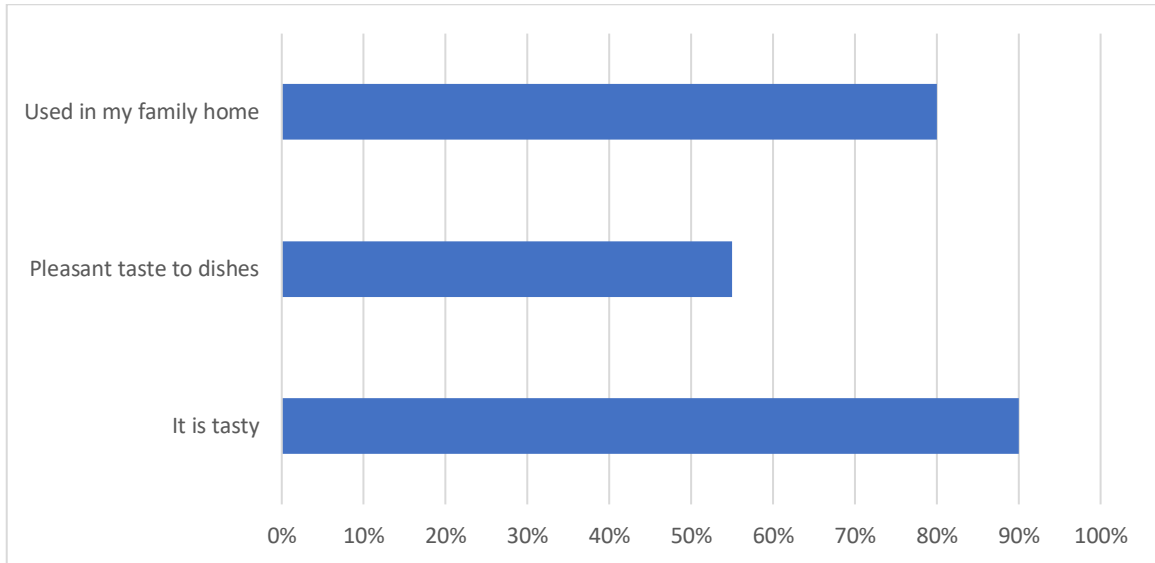
Source: Issued by the author based on Unilever internal data, 2016

To clarify how the data were gathered, it is important to understand that one answer do not exclude second one or third one. Those three answers were chosen most frequently in comparison with others so the author exclude them as irrelevancy. Butter has long tradition and especially in Czech Republic, where in time of communism it was the only choice with no substitute. In other words, the roots of butter are hard to pull apart. The taste of butter is irrelevant but as you can see from preferences it is obvious that margarines do not reach level of taste satisfaction as butter. However, butter is used for other dish preparation which brings huge advantage in penetration and people tend to get used to FMCG products very easily.

Now, when the competitor preferences are known, let´s focus on margarines itself (Rama, Flora, Perla). The ability to spread seems as key component of choosing margarine rather than butter when the price as a major FMCG component is excluded. To be more specific about how the people think and what are their basic thoughts, this questionnaire should serve as a guideline of future direction of Unilever´s margarine brands.

**Figure 15 Margarine usage instead of butter**
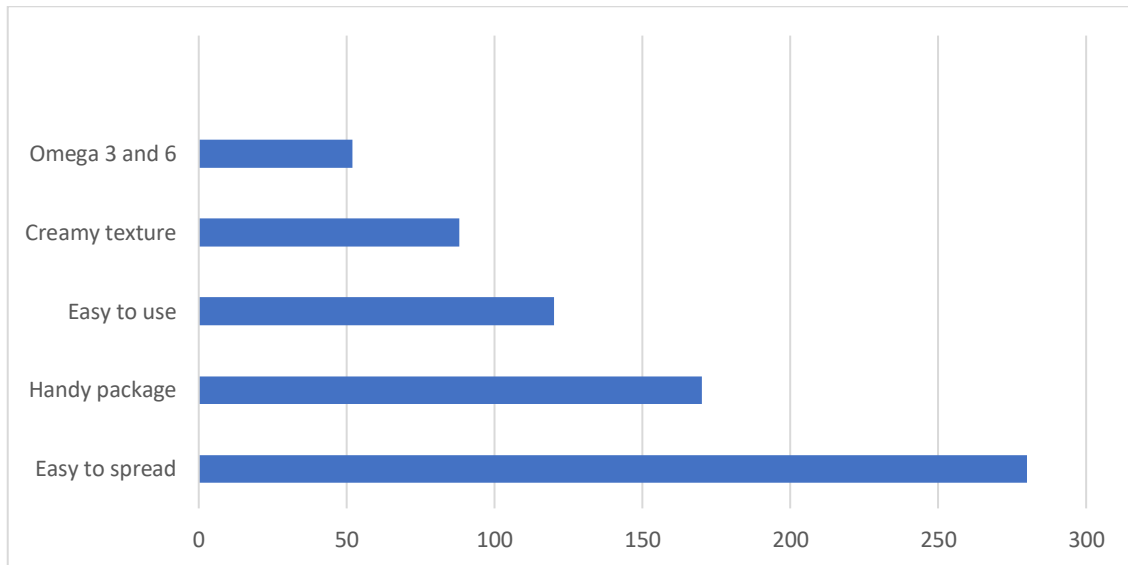
Source: Issued by the author based on Unilever internal data, 2016

Questionnaire has been done by the author with assistance of Unilever marketing department, who helped me to create these set of questions based on their long-term experience and knowledge of yellow fat market. Questions were distributed exclusively to final consumers, who bought a tub of margarine in a retail store. 300 respondents were asked, what are the convincing mind triggers in connection with buying a margarine instead of butter. One answer does not exclude another four options, basically you can choose either three possibilities. These simple conditions bring trustworthy and valuable information for providing efficient outcome. First and most visible outcome is the easy way to spread. Consumer is not willing to cut the butter or wait long period to unfrozen the cube. In all Rama commercials, you can see how the camera is focusing on spreading the margarine on piece of bread, people like to see simplicity which margarine provides for consumer. No doubt that price has the same importance for consumer as easy spread but this statement is already proved by many analysis and researches, that is why price was put on the second trace. Second important finding is that people care about package. Every butter package is formed in paper or plastic wrap, which is getting useless after countless number of usage and minority of consumers are willing to buy additional wooden or plastic butter form. Rama, Flora, and Perla tub brings comfortable usage with no connected mess. On

the other hand, occurrence of omega 3 and 6 in all margarines do not influence consumer´s choice as much as it was expected. The importance of health components in food is very persuasive element in decision making but the research disprove this statement in compliance with yellow fat industry. As a last part of researches, it is needful to find straggles connected with margarines and its usage. 257 respondents were supposed to point key barriers related with margarine´s antipathy.

Figure 16 Key barriers for margarines
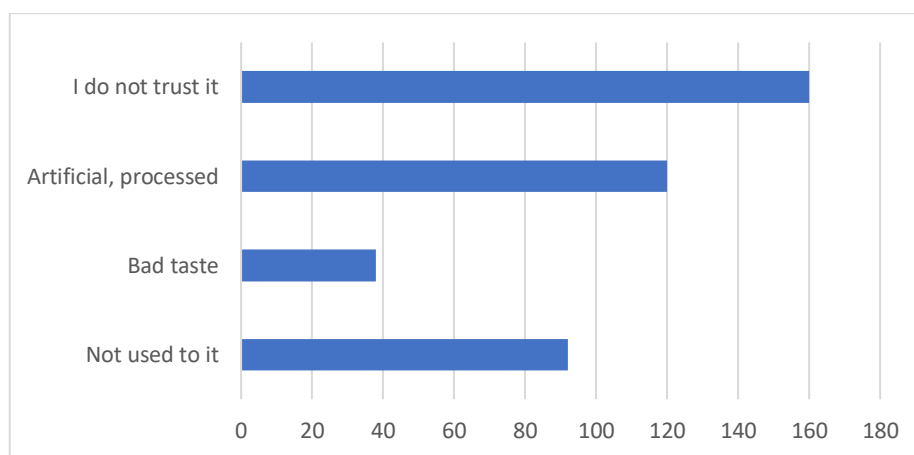
Source: Issued by the author based on Unilever internal data, 2016

Research was done in a time of palm oil issue boom so the relevance of the data might be influenced by this international embroilment. On the other hand, this fermentation refers to unfamiliarity with the issue. Not everything connected with palm oil automatically means that the product causes deforestation or harmful environment for animals. Palm oil misunderstanding did damage to many FMCG companies included Unilever. Anyway, after palm oil issue will foam up there is a huge potential of margarines because the quality is undoubted and taste has made significant progress in 15 years. As you can see, that statement is proved by the minimum respondents referring to lack of quality. What should be done, it is tasting promotion in retail stores because significant number of people are forswear butter users who need more information about margarines and its advantages.

4.5 Competitors

4.5.1 Fat awareness

As it was mention in theoretical part, margarines are defined as a part of fats more specifically yellow fats. Following research shows what are the most known fats on Czech market through their eyes. 1150 respondents were asked what are the best known types of fat. To find appropriate target groups the age scale was settled between age 21 and 75. The outcome was afterwards converted in to percentages.

Figure 17 Yellow fats awareness
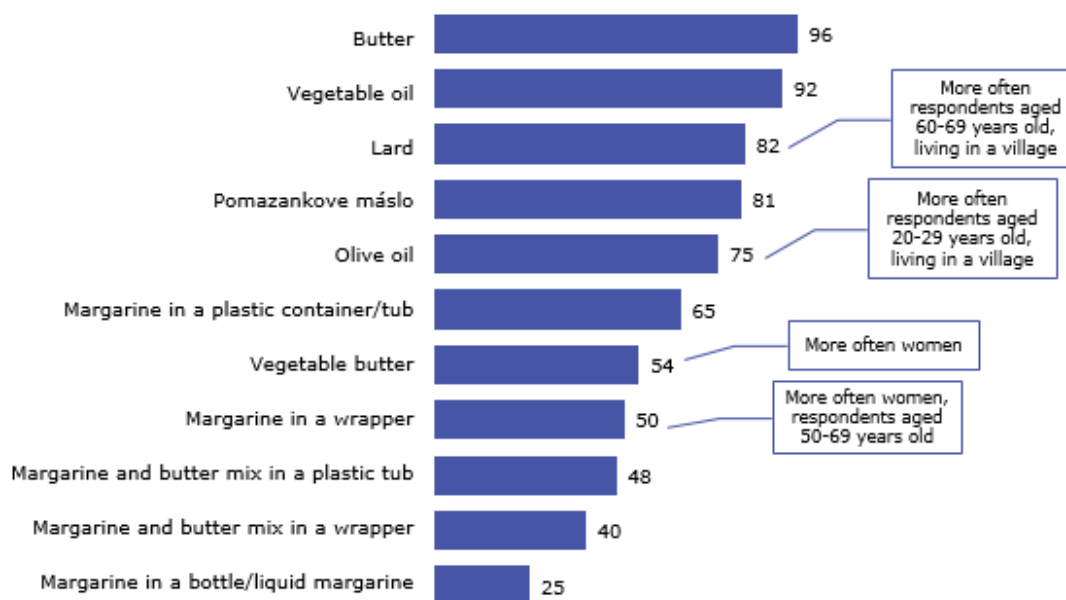
Source: Issued by the author based on Unilever internal data, 2016

Awareness of butter and vegetable oil cross 90%, it just proves that butter is still number one on Czech market. An interesting outcome can be seen in how differ awareness of people living in a village. Older respondents are used to use lard and on the other hand younger people´s awareness is on olive oil. All types of margarines obtained lower awareness than expected. It is

caused by people´s cognition about margarines brands rather than general specification. Second option is that people do not include margarines in to fat division.

This graph basically proves above mention statement. People are aware of brands as Rama, Hera or Flora in comparison with margarine as itself. Brand awareness represents marketing effort of certain companies. Same respondents replayed questions about how familiar they are with fat brands. First ten brands belong to Unilever portfolio. Butter brand Madeta (most well-known butter company) occupy 11th best known fat brand. It is very confusing that Madeta as a major player on yellow fat market is not as well-known brand for consumer. However, it demonstrates that butter is known as a commodity, consumers simply do not care brand of particular butter.

Figure 18 Yellow fats brand awareness
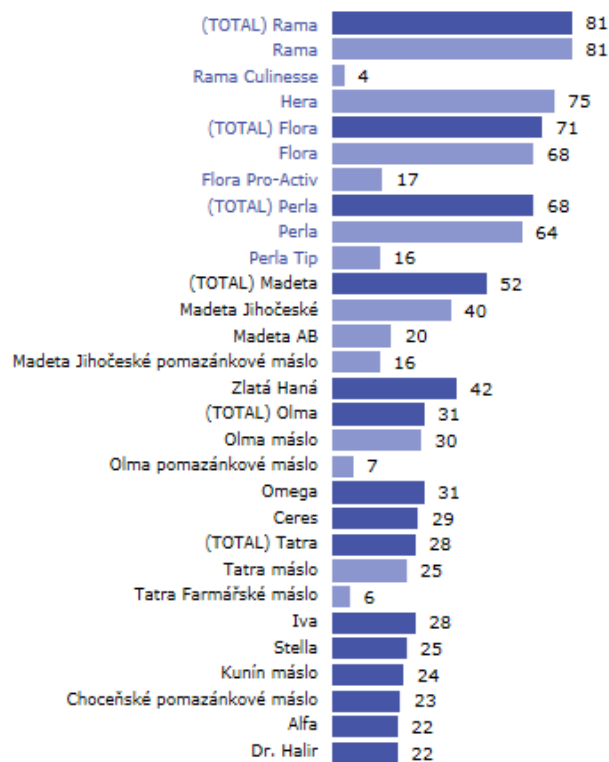
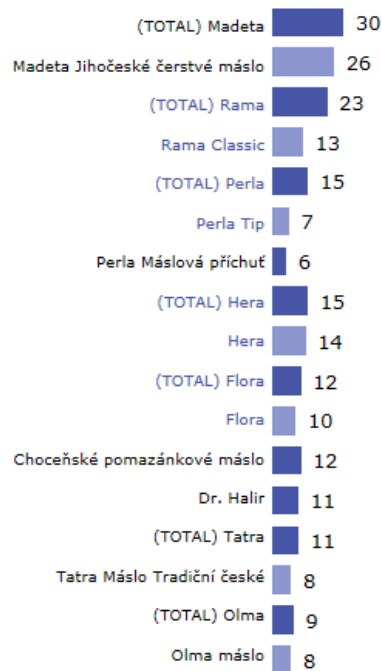Source: Issued by the author based on Unilever internal data, 2016

As you can see Rama brand knows majority of population followed by Hera, Flora and Perla. It is not an accident that the order is co-ordinate in the same way as the percentage of Unilever´s

margarine brands turnover. It is practical demonstration that marketing actions have positive effect in consumer´s awareness.

4.5.2 Brands in Households

Awareness about fat and brand give you general data and information about consumer´s conscious but what actually matters is who and how many people buy certain product, in this case fats. What are most the most usable fat brands in households shows this diagram settled by same rules as previous measurements. It basically represents consumer´s preferences in buying. Measurement confirm that Madeta is number one in yellow fats market followed by Rama. This research was done in year 2016, when margarines slowly started with recovery after stabilizing the drop.

Figure 19 Brands Preferences

Brand	Value
(TOTAL) Madeta	30
Madeta Jihočeské čerstvé máslo	26
(TOTAL) Rama	23
Rama Classic	13
(TOTAL) Perla	15
Perla Tip	7
Perla Máslová příchuť	6
(TOTAL) Hera	15
Hera	14
(TOTAL) Flora	12
Flora	10
Choceňské pomazánkové máslo	12
Dr. Halíř	11
(TOTAL) Tatra	11
Tatra Máslo Tradiční české	8
(TOTAL) Olma	9
Olma máslo	8

Source: Issued by the author based on Unilever internal data, 2016

Madeta occurs in every third household in Czech Republic, Rama can be found in every fourth family. However, if you focus on blue fond brands (Unilever´s brands) it is easy to estimate principal player on the market.

Figure 20 Occurrence of yellow fats in households
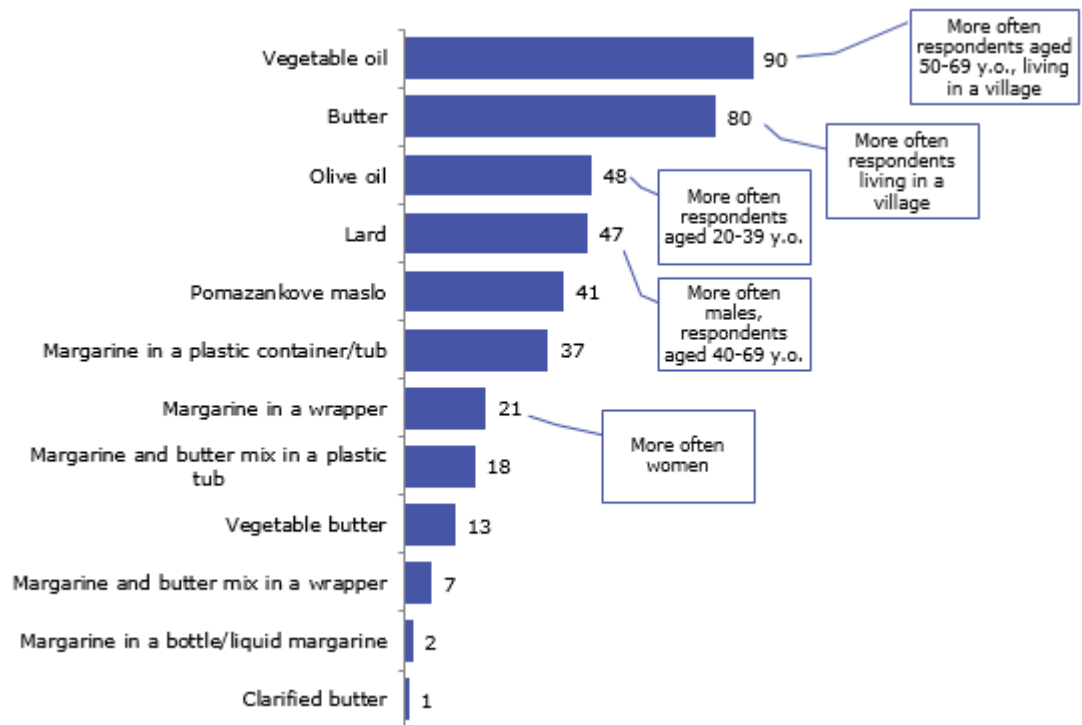
Source: Issued by the author based on Unilever internal data, 2016

If you exclude vegetable oil, butter is still most favorable spreading fat in Czech household. 80% of Czech families buy butter. If you add all margarine products it is also high percentage but not as significant as butter. It is more difficult to change perception of old people to switch butter for margarines but there is a high opportunity to convince young open minded people to rather buy Rama than Madeta butter. In 2017 launching completely new Rama design and quality should be trigger for those young people to try and afterwards stay loyal to margarines.

As it is mention in theoretical part, FMCG industry is mainly focus on repeated selling and this new Rama could start new era of spreading.

Figure 21 Yellow fat consumption, future model

	TOTAL	Future Consumers	Mass Market	Yesterday Consumers
N=	810	243	233	244
Hera	61	66 ↑	60	57 ↓
Madeta	56	55	57	55
Rama	44	47	43	43
Perla	37	38	36	37
Flora	30	36 ↑	30	25 ↓
Dr. Halir	27	28	26	27
Choceňské Pomazánkové Máslo	26	29	25	24
Tatra	26	27	25	25
Zlatá Haná	24	24	25	22
Omega	20	23	19	20
Pilos (Lidl) Pomazánkové Máslo	18	19 ↓	15	22 ↑
Olma	18	16	21	16
Kunín Máslo	17	15	19	17
Pragolactos Máslo	17	18	17	16
Stella	16	17	14	18
Creme Bonjour	16	16	16	16
Iva	12	15 ↑	12	8 ↓
MB Máslo	11	15 ↑	9	10 ↓

Source: Issued by the author based on Unilever internal data, 2016

Future consumers are defined as well informed and hugely involved, individualistic (they do things "my way" – and increasingly demand companies to do that too), time poor and open for anything that saves their time and socially responsible. Those future consumers are target group of many companies because they are establishing new trends. Hera and Flora are fully prepared for future consumers but Rama as a flag ship needs to be "refresh". That is why 2017 launch of new Rama brings attention and massive expectation. These innovations and brand leading will bring new consumers, whose quantity will be increasing in near months and years.

4.6 Butter vs. Margarine

Yellow fat market in Czech Republic is equal to 5.6 billion of Czech crowns.

Figure 22 Yellow fats market share
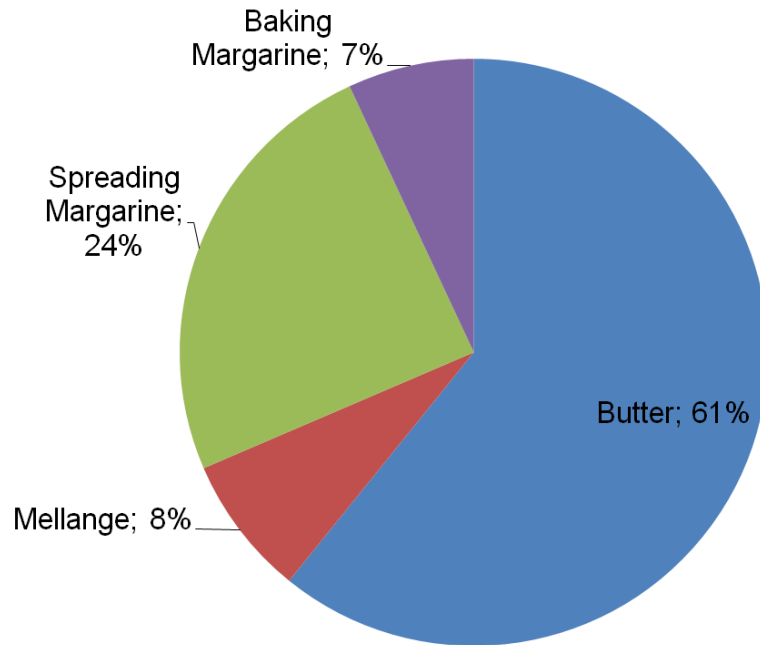
Source: Issued by the author based on Unilever internal data, 2016

This pie chart represents distribution or market share of yellow fats in 2016. That left side of a chart is covered by Unilever´s brands (baking margarine, spreading margarine and mellange). Yellow fats consumption per household is equal to 14.4 kilos. More detailed analysis shows that 5.9 kilos belong to butter, 4.7 kilos to margarines and 2 kilos are baking margarines. As it was mentioned before almost 90% of margarines market share belong to Unilever, which basically means whole market in FMCG terminology.

4.6.1 Butter price development

Butter as a commodity which directly subsides margarines is a key competitor for Unilever. Madeta is a key distributor and major player in yellow fats representing butter. As it is assumed that price of butter is a major influencing factor of margarine consumption, it is fundamental to compare prices of butter and margarines through several years. The comparison starts in year 1995 and ends in 2016. First graph is represented by curves with price development of both commodities.

Figure 23 Margarine vs butter price development in CZK
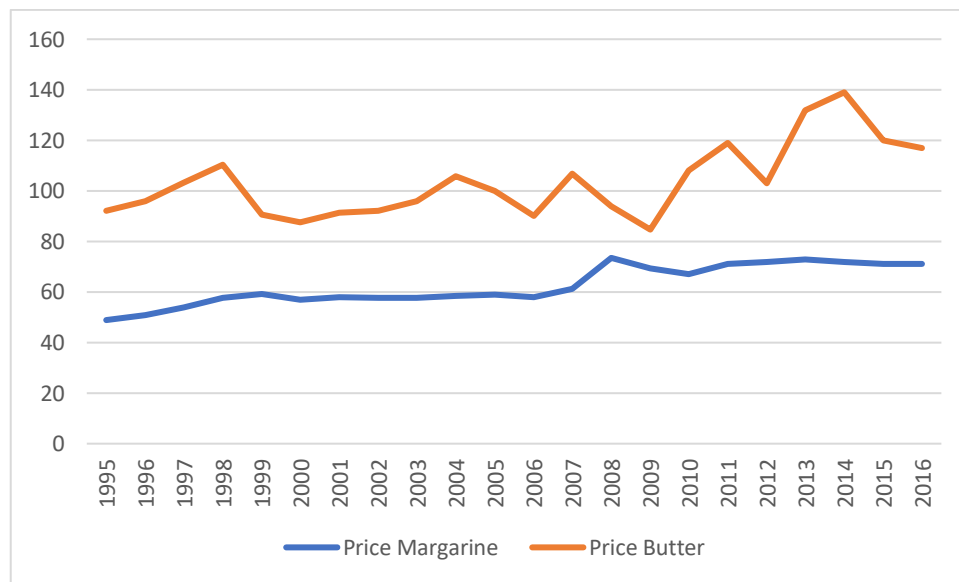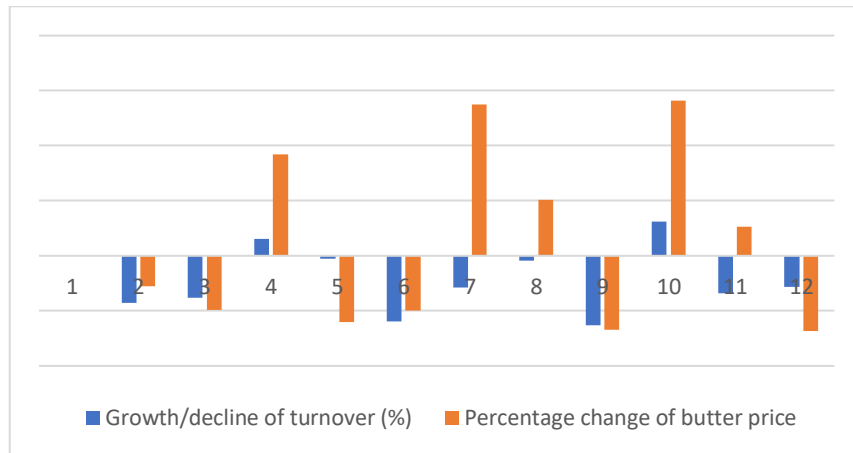

Source: Issued by the author based on Unilever internal data, 2016

It is clearly visible that price of margarine is quite stable in compare to butter. It is caused by unstable price of butter components as milk. How those prices influence consumption of margarines is shown in second graph, which includes percentage chance of butter price and margarines turnover.

Figure 24 Turnover dependency on butter price

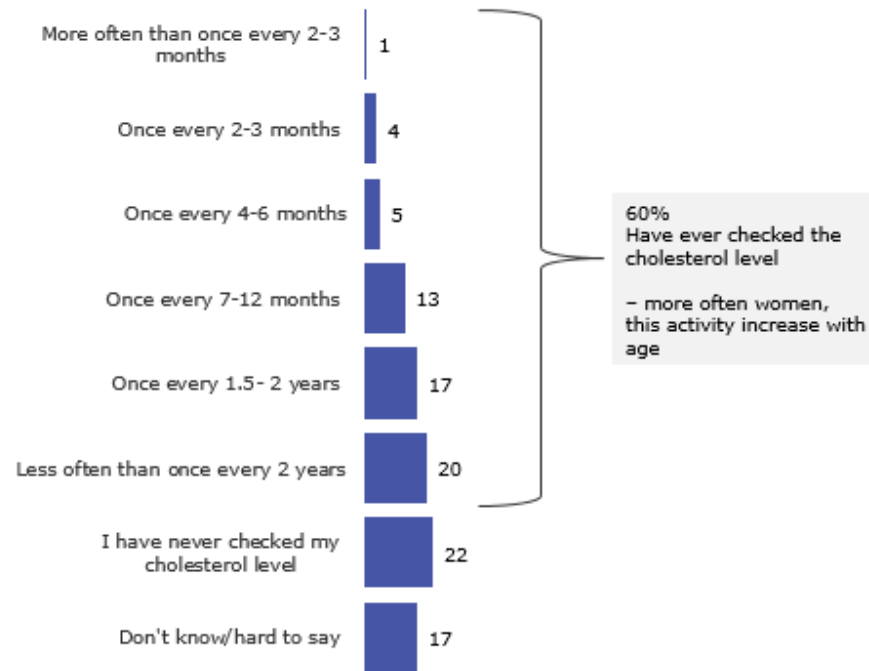Source: Issued by the author based on Unilever internal data, 2016

This graph proves that price of butter significantly influences consumption of margarines. Years 2007 and 2013 indicates that price of butter increased by 18%, respectively 28%, when margarine turnover increases by 3% and 6%. It is important to say that Unilever had to react on increasing butter price with some alternative in the market (new product, lower price, other benefit), which will awake interest of consumer. In year 2013 price of butter increased about 28% as against 2012 but Unilever did not come up with alternative to persuade consumer for buying and the price change effect did not show and turnover dropped by 6% anyway. To sum up, price of butter is crucial factor for margarine consumption but it is not the only component which leads to success.

4.7 Health problems

As it was mention in theoretical part, usage of yellow fats has positive and negative impacts on health. After analyzation of several researches and articles it can be claimed that high consumption of every yellow fat has negative impact on body, however less harmful yellow fat is margarine. This statement is valid for at least 10 years, when Unilever rapidly increased quality of Rama, Flora and Perla. People in 21th century are well-informed about products with

wrong impact on medical situation. This knowledge stands for higher consumption of margarines in past 2 years.

Figure 25 Graf 1 Cholesterol check-ups, Czech Republic population

Source: Issued by the author based on Unilever internal data, 2016

Consumption of margarines has positive impact on cholesterol level and according to this research, more than 60% of respondents are testing their level of cholesterol. FMCG consumers tend to eat more quality food with no side health effect. In other worlds, this should be another trigger for new era of margarines.

Fear of unhealthy food is becoming as a trend of year 2016 and onward. Yellow fats as a controversial participant in this sphere is turning in to subject matter. To resolve the awareness about what do people fear of this survey should serve as an answer. Respondents answer questions about most appearing ingredients with unhealthy effect. As above mention methodology in questionnaires, this survey follows same rules.

Figure 26 Health impacts of yellow fats
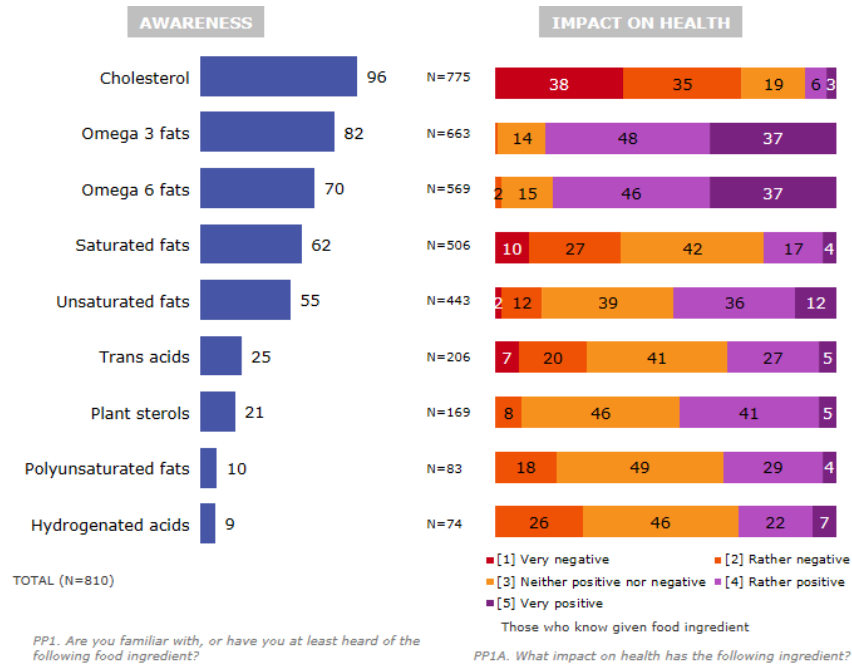
Source: Issued by the author based on Unilever internal data, 2016

Almost every participant identifies cholesterol most unhealthy as it was already proved with many researches. Second part of investigation shows that 38% of respondents fell cholesterol very negatively.

Omega 3 and 6, which are engaged with margarine have positive impact on health. 37% of respondents find those components as very positive. This finding indicates last year trend about how people cares about healthy food. Saturated and unsaturated fats were discussed in theoretical part of the thesis but according to respondent´s opinion they do not pay as much attention as in omega 3 and 6 or cholesterol.

4.8 Sandwich as a trend

Most common meal beside lunch or dinner is a sandwich covered by different ingredients. Nowadays when quality of ham or cheese is much better than several years ago, high percentage of Czech people refuse to use spreading.

Under the same conditions of questionnaire, author settled a question:*" How often do you consume sandwiches in general?"*

Figure 27 Graf 2 Consumption of a sandwich
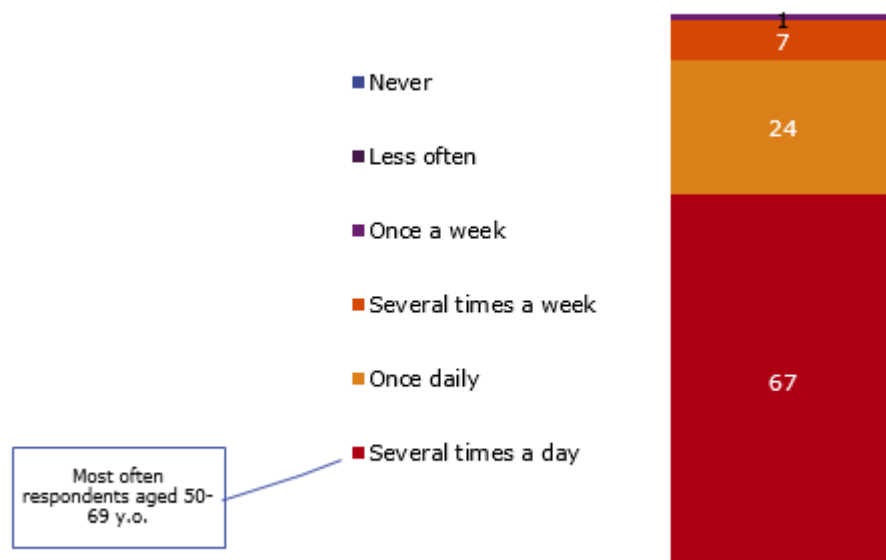
Source: Issued by the author based on Unilever internal data, 2016

2/3 of respondents eats this type of meal several times a day (this frequency is especially popular for 50-69 year olds). Particular target group is a perfect potential for margarine consumer. 91% of participants eats sandwich every day, it brings majority of population who should be targeted in promotions on this specific occasion. Circa 80% of respondents prepare sandwiches because of fast and easy dish, which can be either delicious and healthy. Fast preparation is one of the

most answered feature among interviewers which is likewise key reason of buying margarines. All these relations suggest butter with no current benefit in between modern trends.

Figure 28 Usage of spreading on a sandwich
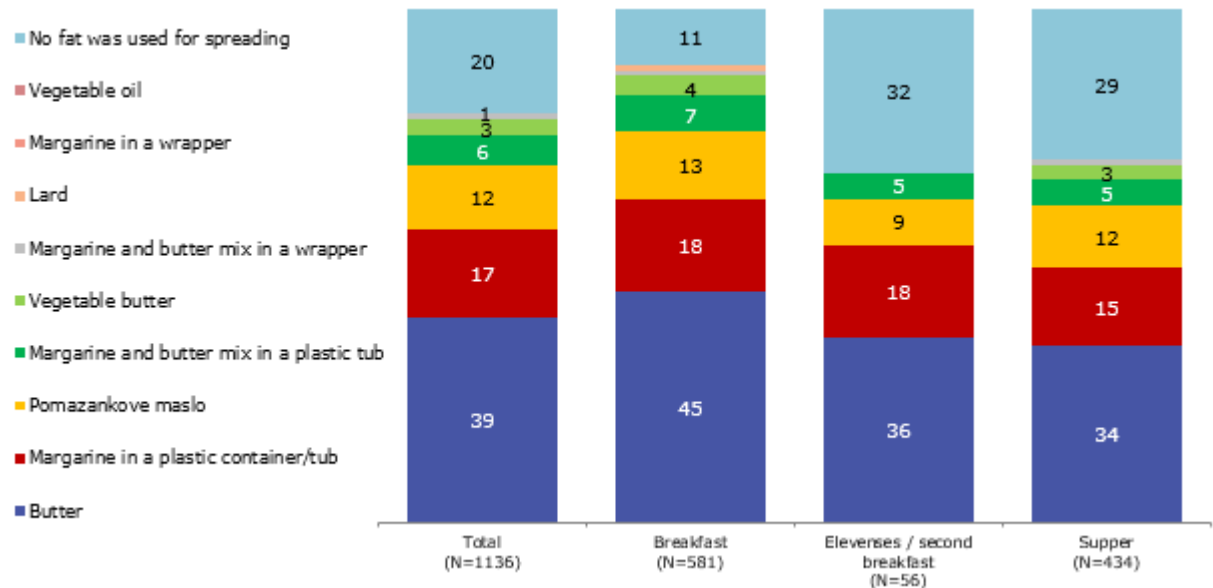
Source: Issued by the author based on Unilever internal data, 2016

Recent research shows that people still tend to buy butter. However, comparison with previous years, demand for butter is decreasing.

What is more disturbing information for margarines is that the greater number of people do not use any kind of yellow fat. Supplied food in the Czech Republic has higher quality then ever which causes no need for using spreading at all. 20% of respondents do not use any spreading, which is big number in contrast of 10 years ago. The only option how to persuade those one fifth is to increase quality and target for easy spreading as it was mentioned above. In this case, author does not feel butter as a major obstacle for next years. Usage of butter will be decreasing as majority of researches claims.

The best fat substitutes (products used for spreading on bread when no fat was used) seem to be processed cheese and pâté. Processed cheese is used as a subsidy for fat in 8% out of 20%

without spreading volume. It firstly refers to subsidy which does not belong to group of yellow fats. Processed cheese is mainly consume by children until 12 years old, who find it as tastier with significant flavour.

4.9 Sustainable living

"There is no business case for enduring poverty. We have an opportunity to unlock trillions of dollars through new markets, investments and innovation. But to do so, we must challenge our current practices and address poverty, inequality and environmental challenges. Every business will benefit from operating in a more equitable, resilient world if we achieve the Sustainable Development Goals." [33]

Figure 29 Goals set of Unilever
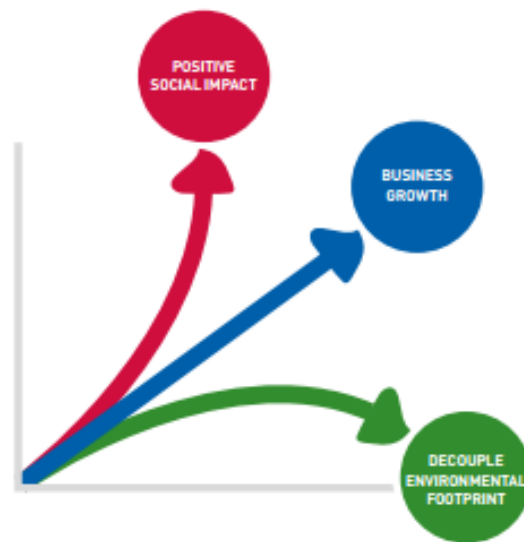
Source: Issued by the author based on Unilever internal data, 2016

[33]Unilever. *Sustainable Development Goals* [online]. 2015 [cit. 2017-03-19]. Retrieved from: https://www.unilever.com/sustainable-living/the-sustainable-living-plan/our-approach-to-reporting/sdg/

Basic curve of Unilever´s vision is maximizing profit with positive social impact while minimizing possible negative footprint on Earth. What is more, Unilever signed document which undertakes Carbon positive operations from 2030. It basically means that every consumed energy for business purpose will be taken from renewable sources.

4.9.1   Palm Oil and deforestation

Usage of palm oil is highly connected with Unilever as a component in food chain as well as in personal care products. Deforestation and palm oil are burning issue in a society but statement about Unilever´s involvement is misleading. Unilever is a largest user of certified crude palm oil in the world with 8% of total global production. Company follows five principles for sustainability of palm oil:

- No deforestation (no rainforest burning, preserve existing plantations to reduce greenhouse gases)
- Peat sustainability (co-operation with experts for preserving peat, no new development)
- No exploitation of people (human rights, worker's protection, promote equality)
- Women and smallholder's protection while restrain deforestation (Support interventions to increase smallholder yields and incomes)
- Transparency (third party supplier´s transparency)

Those five premises are crucial for long term target – 100% certified palm oil in 2019. Although in 2015 Unilever was largest user of certified palm oil (300.000 tones), it accounts only for 19% of total value.

Table 5 Percentage of certified palm oil in Unilever

Year	2015	2016	2017	2018	2020
Total physical certified	19%	30%	50%	80%	100%

Source: Unilever. Unilever Sustainable Palm Oil Sourcing Policy – 2016 [online]. 2016 [cit. 2017-03-19]. Available at: https://www.unilever.com/Images/unilever-palm-oil-policy-2016_tcm244-479933_en.pdf

The growth of certified palm oil is rapid and by the year 2020, there will be no palm oil from uncertified plantation. Those uncertified plantations do not mean they are illegal, however suppliers do not own yet necessary documents that proves legit origin. On the other hand, in case of supplier do not meet any of five principles mentioned above, the co-operation is refused.[34]

4.9.2 Case study

Tea is the most consuming non-alcoholic beverage after water and Unilever buys about 10% of black tea world production under cover of Lipton. Lipton is a worldwide brand with annual turnover over 3 billion euros. In 2007 Unilever´s plantations in Kenya and Tanzania became first sustainably sourcing tea on a large scale. 2020 will be the year when all Unilever´s production will be taken from sustainable sources. Tea bags will also originate from certified rainforest alliance, where deforestation is strictly forbidden. Rainforest Alliance Certified helps

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[34]Unilever. *Unilever Sustainable Palm Oil Sourcing Policy – 2016* [online]. 2016 [cit. 2017-03-19]. Available at: https://www.unilever.com/Images/unilever-palm-oil-policy-2016_tcm244-479933_en.pdf

small farms and plantation in developing countries to integrate in supply for international companies. Unilever provided to the alliance initial investment for training their employees and bring know-how for sustainability.

Kericho model – named after largest Unilever´s tea estate in Kenya. Future of sustainable tea, that is how this project is called. Supporting biodiversity, save water and energy, all should be handle responsibly in this project, where more than one million trees were planted for better sustainable future. Every related expense with future tea is covered by Unilever, one of three largest FMCG companies with high priority to sustainable development.[35]

4.10 Econometric model

Econometric model is applied to confirm factors mostly influencing consumption of margarines. Price of margarine, percentage change of butter price and income are chosen dependent variables with biggest impact on margarine´s consumption (independent variable).

Table 6 Variables description

Variable	mark	units
Margarine consumption	y_t	Thsd. Of t.
unit vector	x_{1t}	-
price of margarine	x_{2t}	CZK/Kg
Percentage change of butter price	x_{3t}	%
Income	x_{4t}	CZK
Random variable	u_t	Thsd. Of t.

Econometric model: $y_t = \gamma_1 x_{1t} + \gamma_2 x_{2t} + \gamma_3 x_{3t} + \gamma_4 x_{4t} + u_t$

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[35]Unilever. *Sustainable tea – leading the industry* [online]. 2016 [cit. 2017-03-19]. Available at: https://www.unilever.com/sustainable-living/the-sustainable-living-plan/reducing-environmental-impact/sustainable-sourcing/sustainable-tea-leading-the-industry/#Ourcommitmenttosustainableteafarming

4.10.1 Testing of multicollinearity

Correlation coefficients, using the observations 2004-2015
(missing values were skipped)
5 % critical value (two-tailed) = 0.5760 for n = 12

Margarine_consu	price_of_margar	prc_change_butt	Income	
1.0000	-0.8670	-0.0342	-0.9880	Margarine_consu
	1.0000	0.0038	0.8688	price_of_margar
		1.0000	0.0967	prc_change_butt
			1.0000	Income

High collinearity occurs in three different cases as the matrices shows. However, multicollinearity occurs only in one case between price of margarine and income. Other correlations are taken as desirable connection between dependent and independent variable. To deal with multicollinearity, it was necessary to transform income in to partial differences.

Correlation coefficients, using the observations 2004-2015
(missing values were skipped)
5 % critical value (two-tailed) = 0.5760 for n = 12

Margarine_consu	price_of_margar	prc_change_butt	d_Income	
1.0000	-0.8670	-0.0342	0.7794	Margarine_consu
	1.0000	0.0038	-0.4272	price_of_margar
		1.0000	-0.3768	prc_change_butt
			1.0000	d_Income

Income differences solves the problem with multicollinearity. Following model will be tested with above mention conversion of income.

Modified econometric model: $y_t = \gamma_1 x_{1t} + \gamma_2 x_{2t} + \gamma_3 x_{3t} + \gamma_4 d\_x_{4t} + u_t$

Model 5: OLS, using observations 2006-2015 (T = 10)
Dependent variable: Margarine_consu

	Coefficient	Std. Error	t-ratio	p-value	
const	57.7425	9.49713	6.0800	0.00090	***
price_of_margar	-0.556805	0.129068	-4.3140	0.00502	***
prc_change_butt	0.0482677	0.037478	1.2879	0.24522	
d_Income	0.00632621	0.00149912	4.2199	0.00556	***

Mean dependent var	24.36800	S.D. dependent var	5.238850
Sum squared resid	20.57192	S.E. of regression	1.851662
R-squared	0.916716	Adjusted R-squared	0.875074
F(3, 6)	22.01428	P-value(F)	0.001224
Log-likelihood	-17.79609	Akaike criterion	43.59219
Schwarz criterion	44.80253	Hannan-Quinn	42.26445
rho	-0.347538	Durbin-Watson	2.490501

4.10.2 Verifications

Table 7 Economic verification

Variables	Coefficient	Interpretation
const	57.7425	If other variables are equal to zero, consumption of margarine will be 57.7425 thousand of tones.
price_of_margar	-0.556805	If price of margarine increase by 1 CZK/Kg, consumption of margarine decrease by 0.556805 thousand of tones (ceteris paribus).
prc_change_butt	0.0482677	If percentage change price of butter increase by 1 percentage point, consumption of margarine increase by 0.0482677 thousand of tones (ceteris paribus).
d_Income	0.00632621	If change of income increase by 1 thousand CZK, consumption of margarine increase by 0.00632621 thousand of tones (ceteris paribus).

Table 8 Statistic verification

Variables	Coefficient	p-value		Verification
const	57.7425	0.00090	***	p-value is lower than 0.05 --> parameter is statistically significant
price_of_margar	-0.556805	0.00502	***	p-value is lower than 0.05 --> parameter is statistically significant
prc_change_butt	0.0482677	0.24522		p-value is higher than 0.05 --> parameter is statistically insignificant
d_Income	0.00632621	0.00556	***	p-value is lower than 0.05 --> parameter is statistically significant

Coefficient of determination is $R^2=0.916716$, it means that 91,7% of model is explained by dependent variables. P-value of F-test for coefficient of determination is 0.001224 which is lower than level of significance 0.05. It basically means that model as a whole is significant.

Econometric verification

LM test for autocorrelation up to order 1 -
 Null hypothesis: no autocorrelation
 Test statistic: LMF = 0.821895
 with p-value = P (F (1,5) > 0.821895) = 0.406195
P-value 0.406195 is higher than level of significance → there is no autocorrelation in the model.

White's test for heteroskedasticity -
 Null hypothesis: heteroskedasticity not present
 Test statistic: LM = 3.48339
 with p-value = P (Chi-square (6) > 3.48339) = 0.746178
P-value 0.746178 is higher than level of significance → there is no heteroskedasticity in the model.

Test for normality of residual -
 Null hypothesis: error is normally distributed
 Test statistic: Chi-square (2) = 0.520211
 with p-value = 0.77097
P-value 0.77097 is higher than level of significance → error is normally distributed

4.10.3 Elasticity

Table 9 Elasticity

Variables	const	price_of_margar	prc_change_butt	d_Income
Coefficient	57.7425	-0.55681	0.048268	0.006326
dy/dxi	1	68.9	2.082763	772.8
Elasticity	2.369604	-1.57435	0.004126	0.200628

Table 10 Elasticity Interpretation

Variables	Coefficient	Interpretation
price_of_margar	-1.5743543	If price of margarine increase by 1 %, consumption of margarine decrease by 1.57 % (ceteris paribus).
prc_change_butt	0.0041255	If percentage change price of butter increase by 1 %, consumption of margarine increase by 0.004 % (ceteris paribus).
d_Income	0.2006277	If change of income increase by 1 %, consumption of margarine increase by 0.2 % (ceteris paribus).

Price of margarine is most influencing factor in the model. Although in the thesis is claimed, that butter has high impact on margarine´s consumption, model shows that income is even more influencing factor.

4.10.4 Prognosis

Future theoretic values of explanatory variables served for creation prognosis within particular econometric model. Those values were estimated via linear trend function of each variable.

Figure 30 Prognosis
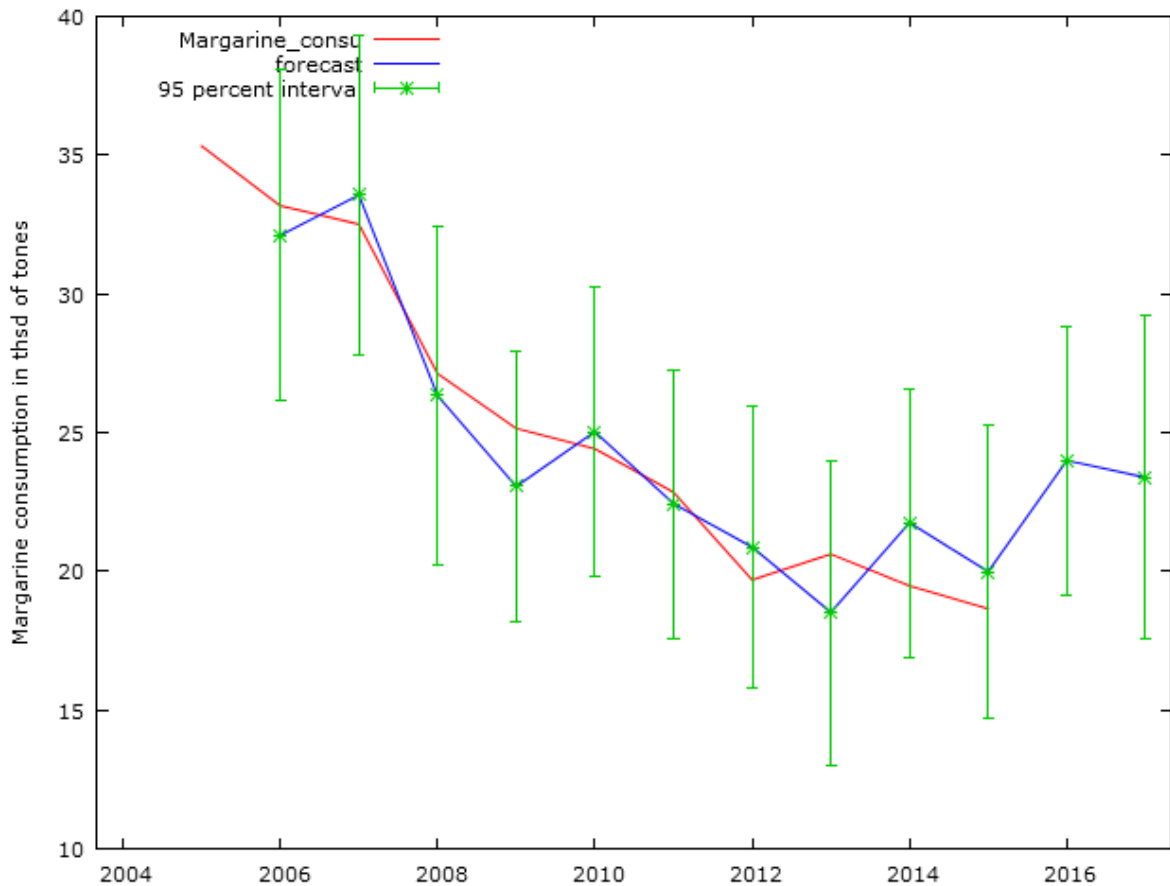
2016 and 2017 forecast shows an increasing demand for margarines. Trend of butter price suggest, that increasing trend of higher price will continue which escalates to increasing demand of margarines. Price of margarine will be stable in next 2 years, it just copies the trend of previous years. Econometric model is confirming statements from consumer´s preferences and researches that margarine´s consumption will be increasing to the prejudice of butter as a commodity. As a proof of validity of model, Unilever provided 2016 turnover, which has same increasing trend in comparison with 2015.

4.11 Marketing 2017

Launching of new Rama was partially mention in previous chapters. Most important basis will be described now. As it was mention before, margarines need to have strong marketing support

to attract consumer and persuade them for choosing margarine instead of butter as a commodity. 2017 should be a break-down year for Unilever, especially for Rama. Consumer tend to buy food with clear composition and positive health effect. New Rama targets on clear origin of oils and better taste. Whole 2017 budget for margarine will be used for new Rama promotion (the biggest brand support in Unilever in 2017). The forecast for 2017 is to achieve 30% turnover between Rama portfolio, 22% of penetration and 100 million CZK turnovers. The proof of quality is measurable, old Rama core gained about 32% of profit per pack, new Rama profit is settled about 26%. ATL promotion costs are 1 million euro just to raise awareness about the product (TV, outdoor, Digital, PR). BTL promotion will be held in retails during ATL as newsletters, secondary placement and tasting of new portfolio. Those marketing strikes will be held twice a year, firstly from February until April and then from September until November. BTL promotion will take place in 5 biggest retail stores (Kaufland, Tesco, Albert, Penny Market, Billa). The price of new Rama will be same as old one, when launching the product, the price will drop to 19.9CZK per 225g package. Another key attribute is co-operation with retail stores themselves which will lead to their higher profit. Profit for retail is about 20-30% but profit from butter is 5-15%, it gives Unilever important advantage.

A new design was developed for whole portfolio. It looks more authentic with emphasis on natural origin.

5 Conclusion

The purpose of the thesis was to analyze Czech market of yellow fats, more specifically margarines of Unilever company. To provide economic analysis of one of the biggest FMCG company and its major brands. Demand for margarines is highly affected by price of a butter and up-to-date trends.

The conclusion from surveys around retail stores claims, that butter is still number one product in yellow fats market, however not a concrete brand. Butter is known as a commodity in Czech Republic, Madeta as a biggest supplier of a butter reached tenth place in between most aware yellow fat brands (first is Rama). The peak of margarines (Unilever) turnover is dated in 2004, when it reached 2.4 billion CZK in the Czech Republic. Since that time, there is a constant drop of turnovers except years 2007 and 2013. As to comparison, 2015 turnover is lower about 42%. First cause is price of butter, in 2007 and 2013 the price of butter increased about 28%, respectively 18% and with marketing support of margarines, Unilever was able to turn turnover in to small growth in comparison to previous year. Second aspect is health impact on yellow fat consumption. The awareness about side effects of consumption was on low level and consumer preferred butter. In last year, the break-even point of this issue is turning around. According to researches dealing the problem, people tend to believe margarines clean origin with positive cholesterol effect. 60% of Czech citizens' care and repetitively check his/her cholesterol. The future trend supposed to be margarine oriented rather than butter.

The econometric model serves as a quantitative approach how to measure influences on margarine´s consumption. There are three variables with R^2=0.916716, it means that 91,7% of model is explained by dependent variables. Those variables are price of margarine, percentage change of butter price and income differences. The highest impact has obviously, price of margarine, however if percentage change of butter increase by one, the consumption of margarines increase by 48 tones. To sum it up and answer the question if price of butter is major influencing factor of margarine´s consumption. No, according to econometric model it is not the

major influencing factor, but the relation between price of butter and consumption of margarines is significant. In an economic and logic approach, price of butter is a major obstacle.

Forecast for next two years proves that present trends and new Rama launch should increase sales of margarines on Czech market.

Burning issue connected with palm oil had also negative impact on sales of margarines. To refuse speculations about connection between palm oil in Rama and deforestation, there is a whole chapter in thesis. Unilever is one of the most active participant in sustainable development and protection of Earth. Sustainability is as important for Unilever as goals connected with profit and company´s growth. Millions of euros are invested for making the world better place.

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