Executive Summary

Unilever Bangladesh Limited (UBL) is a household name virtually for every Bangladeshi national. Being a multi-national, no other company has achieved this level of success. It is regarded as one of the most reputed multi-cultural companies of the world. With its history of over 70 years globally, UBL, an operating and Brand building company of Unilever Group has predominantly served the Bangladeshi market with mainly Home and Personal Care (HPC) FMCG products for last 47 years with limited presence in the food business with Lipton tea. With dominant brands in HPC like Lux, Lifebuoy, Wheel and Pond’s, growing brands like Sunsilk, Clear and rising stars like Rexona and Dove, the company now wants to check its possibilities in the foods category which globally is the largest business of Unilever (54% of total portfolio). With this intention in mind, the authorities of UBL in Brands & Development Department assigned the project “Evaluation of Entry into Ice cream Business for Unilever Bangladesh Limited”. This research was designated to be mainly qualitative in nature and to build on earlier researches done by UBL.

To assess the feasibility of entering into ice cream business, I combined primary sources like consumer and trade visits, and secondary sources like earlier research reports to understand market construct, market characteristics, and target consumer groups of the ice cream industry. Based on the collected data, and then assessed the entry prospect for UBL in this industry.

Ice cream industry of Bangladesh is estimated to have a size of BDT 220 Crore where BDT 131 Crore belongs to branded segment (BDT 121 Crore Common Format Ice cream that is distributed through retail and BDT 9.8 Crore in the boutique segment) and BDT 79 Crore is in the unbranded low quality-low price segment. The industry is currently growing at a rate of 19%. The research excluded unbranded segment from discussion as global quality mandate of Unilever prohibits UBL from competing in that market.

Branded common format is dominated by Igloo with more than 51% share with followers like Kwality and Polar where Milk Vita and Savoy are minnows. Boutique segment is competed by Club Gelato (20% share), MövenPick, Andrsen’s (3 outlets) and Gelateria Igloo (3 outlets). These three have around 17% share.

The market is characterised by low competitive rivalry where Dhaka still contributes to more than 61% of total country’s sales. This is due to issues regarding electricity and requirement of cold distribution chain by the industry. There are still huge untapped areas of the country. However, the industry is extremely capital intensive and there are lots of entry barriers. Only manufacturers with large capital can invest and thus there has been no big player in the common format segment since Kwality (1999).

Products or of quite high quality in the Bangladeshi market but price is still out of reach of rural and lower SEC people who belong to low disposable monthly income group. Distribution is mainly done through refrigerated trucks alongside use of carts in the country. Boutique format players
serve at their premises, ice cream and other dessert items to offset seasonality of ice cream sales. Promotion in the common format is mainly in newspapers and billboards along with trade based consumer promotions and trader schemes.

Consumers of ice cream are mainly Urban kids in the age group of 5-14 who mainly consume normal sticks, cups, cones innovative fillers and water ice creams; there is urban youth in the age group of 15-24 who consume premium and extrusion sticks and cones and urban mothers in the age group of 25-35 who are the decision makers for kids and family ice cream purchases. The consumers can be segmented based on their desired satisfactions from ice cream occasion, portrayed personality traits of ice cream bands and the occasions when they consume ice cream. Analysis shows there is scope for market development and penetration in the country. There is also scope for ice creams that are health conscious and nutritional in the industry.

Looking at the scenario of the Bangladeshi market, UBL is suggested to enter the industry in a grand way with tentative initial investment of BDT 45 Crore in manufacturing facility, cold distribution channel development and placing branded freezers at retail outlets. Expected brand is Wall’s, the regional ice cream brand of Unilever. Company is also suggested to enter in the boutique segment with Ben&Jerry’s the premium boutique brand of Unilever. Products should be differentiated and nutritional with the price range at par or higher than common format players and lower than the boutique format. Extensive promotion would be required and thus presence in television as ice cream is a brand that requires continuous innovation and hype around the brand.

Expected outcome of the entry is to have sales of BDT 11 Crore with a market share of 10% in the first year. However, for the first three years company would have negative net profit and is expected to make a net profit of BDT 2.5 Crore with a gross sales of BDT 38 Crore in the fifth year of business.

Thus, Unilever can benefit from entering in this industry if they enter in a grand way. Obviously company has to balance the investment issues for the industry and also acquire necessary resource for ice cream as traditionally UBL is an HPC company. If they can address these issues tactfully they can do well leveraging their existing brand image.