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# **An Analysis of the Impact of the Microeconomics and Macroeconomic Environment: A PZ Cussons Nigeria Case Study 2020**

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## **ABSTRACT**

PZ Cussons is currently facing intense competition from its major rival, Unilever, and other smaller entrants in the market. Despite its larger size and broader market presence, Unilever operates in segments and regions similar to PZ Cussons. Unilever's primary focus is on the personal care segment, but it also maintains a strong presence in the in-home care, dairy (ice cream), sweets, and seasonings product segments. The visual representation below is a comprehensive comparative analysis of both companies, designed to keep you informed and engaged, highlighting their strengths and market positions.

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## **1. PZ CUSSONS GROUP**

### **Company Overview**

PZ Cussons, an established consumer goods group, has a rich history dating back to 1884 in Sierra Leone, where it initiated trade with the UK. The company was established by the visionary duo George Patterson and George Zochonis, who laid the foundation for what would become one of the most cherished brands in the world. The name "PZ" is a testament to their legacy, derived from their surnames, Patterson and Zochonis. Notably, in 1975, the acquisition of Cussons, renowned for producing the famous Imperial Leather, led to the formation of PZ Cussons, a true testament to their perseverance and foresight.

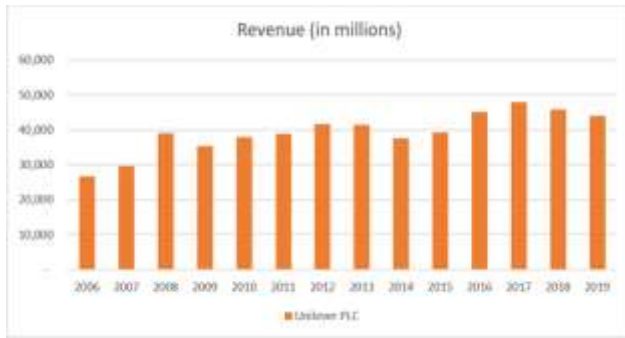
PZ Cussons established its first branch in Nigeria in 1889 and expanded across Africa, Europe, and Asia starting in 1900. The company's commitment to growth and development, driven by expansion, led to the inauguration of its first soap factory in Nigeria in 1948, followed by the establishment of another manufacturing base in Ghana in 1969. Subsequently, PZ Cussons expanded its operations by setting up additional soap factories in Kenya and venturing into Thailand, Indonesia, and Poland during the 1980s and 1990s.

Demonstrating a forward-thinking approach, PZ Cussons strategically diversified into the nutrition sector in the 2000s, launching Nutricima and entering into a joint venture with Wilmar, a leading producer of edible oils. The company also made impactful acquisitions, including Raftery's Garden, an Australian baby food brand, and 5 am, an Australian organic food company, solidifying its market position and commitment to providing quality products. Expanding its diverse portfolio, PZ Cussons further enriched its offerings by acquiring Sanctuary Spa, a prominent beauty spa company, and Charles Worthington, a premium hair brand. These acquisitions are part of PZ Cussons' strategy to diversify and expand, which is expected to drive future growth and profit.

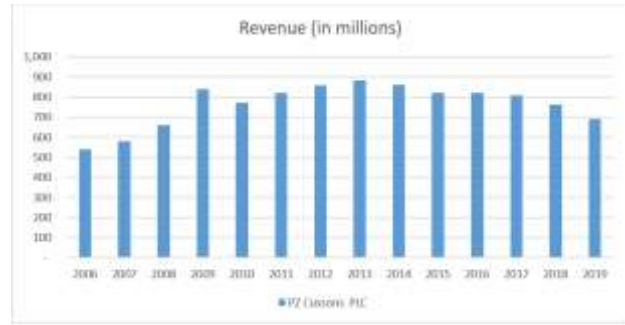
### **Performance analysis**

PZ Cussons is currently facing intense competition from its major rival, Unilever, and other smaller entrants in the market. Despite its larger size and broader market presence, Unilever operates in segments and regions similar to PZ Cussons. Unilever's primary focus is on the personal care segment, but it also maintains a strong presence in the in-home care, dairy (ice cream), sweets, and seasonings product segments. The visual representation below is a comprehensive comparative analysis of both companies, designed to keep you informed and engaged, highlighting their strengths and market positions.

Tab 1.0 Source: PZ Cussons Annual Report 2006 – 2019



Tab 1.1 Source: Unilever Annual Report 2006 - 2019



**Revenue performance**

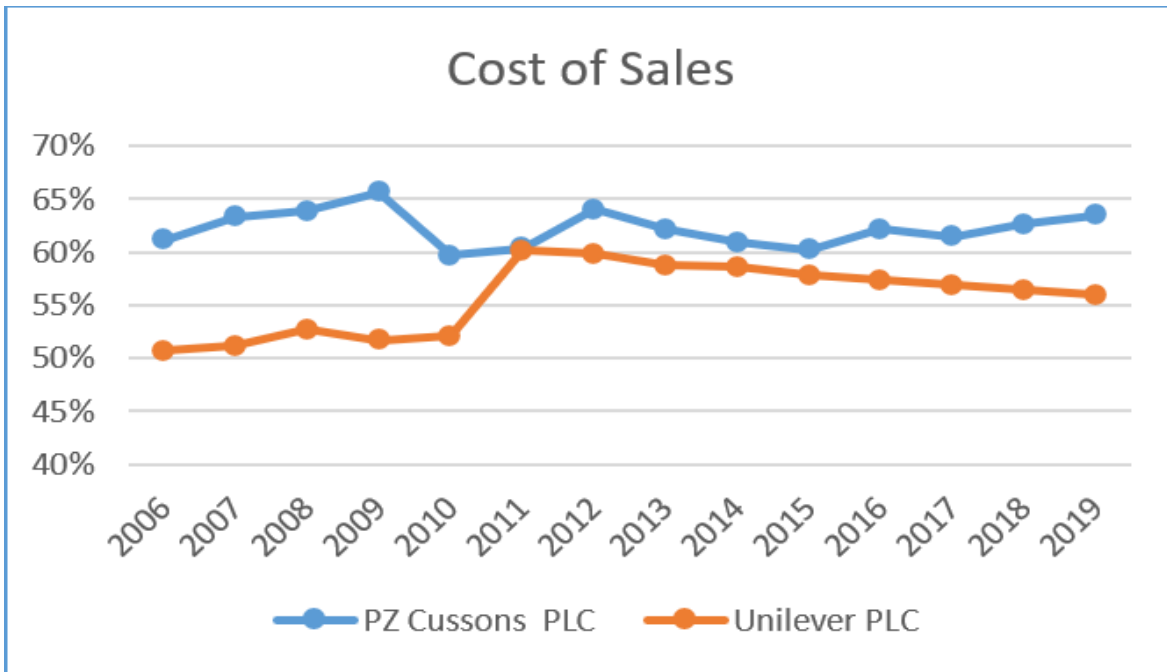
The financial results in the table below show Unilever as being more prominent in size. Over the years under review, data shows varying patterns in revenue results. These variations in revenue are partly driven by the cross-section of regions that contribute to the revenue of the individual companies. These will be looked into in other sections of this study.



Tab 1.1 Source: PZ Cussons and Unilever Annual Report 2006 - 2019

**Cost of sales %,**

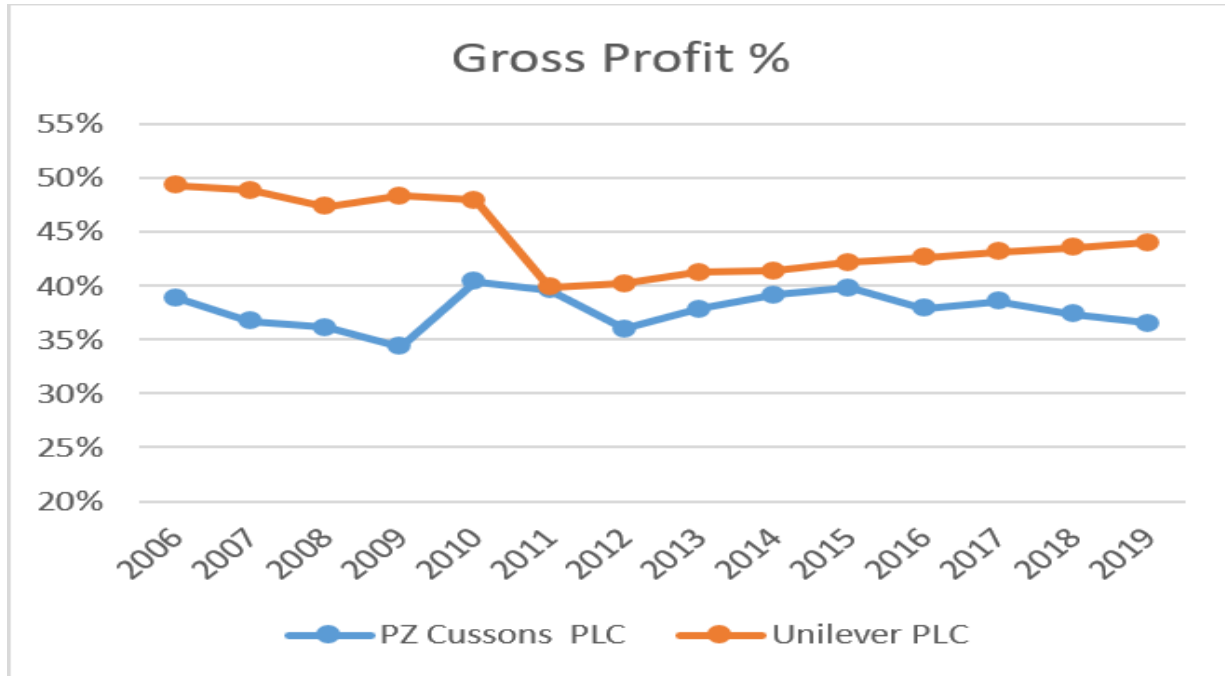
This indicator shows the value chain effect, the cost of securing raw materials, and how easy it is for both companies to price goods and services. The above shows Unilever doing better in providing the goods sold to its consumers. This can also be affected by the regions in which they are most active, and other economic factors, such as inflation and foreign exchange, can have a significant impact.



Tab 1.2 Source: PZ Cussons and Unilever Annual Report

**Gross profit %**

This is directly impacted by the cost of sales, and the above explanations will suffice. Tab 1.2 Source: PZ Cussons and Unilever Annual Report 2006 – 2019



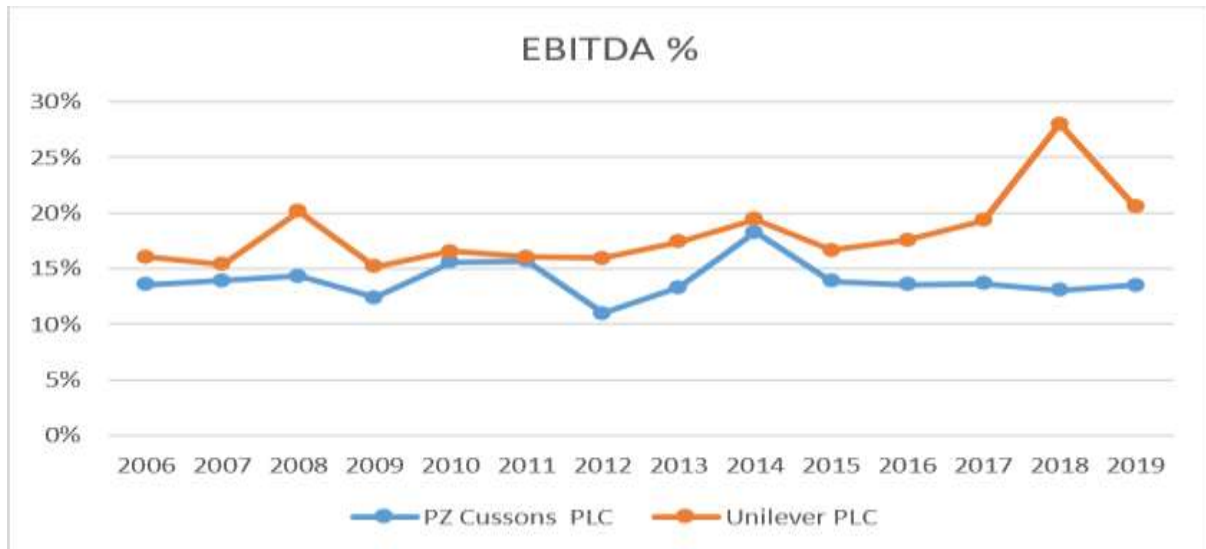
Tab 1.3 Source: PZ Cussons and Unilever Annual Report 2006 – 2019

**EBITDA %**

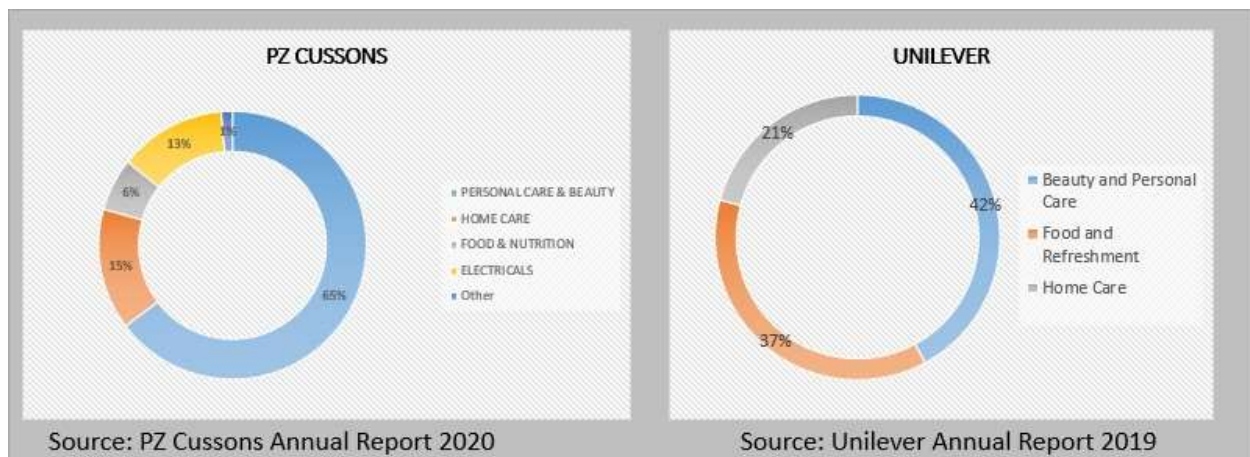
This seems to be getting closer. Due to limited data, we can speculate on different operational strategies and business structures between PZ Cussons and Unilever, and these show that Unilever has a higher activity level as spent in areas like marketing support and other operational strategies by comparison.

Tab 1.4 Source: PZ Cussons and Unilever Annual Report 2006 – 2019

**Business Segmentation**



PZ Cussons and Unilever are vital in the personal care, beauty, and home care segments, representing 80% of PZ Cusson's total business and 63% of Unilever's total business.



Tab 1.5 Region Contribution Source: PZ Cussons and Unilever Annual Report 2019

**Regional Contribution**

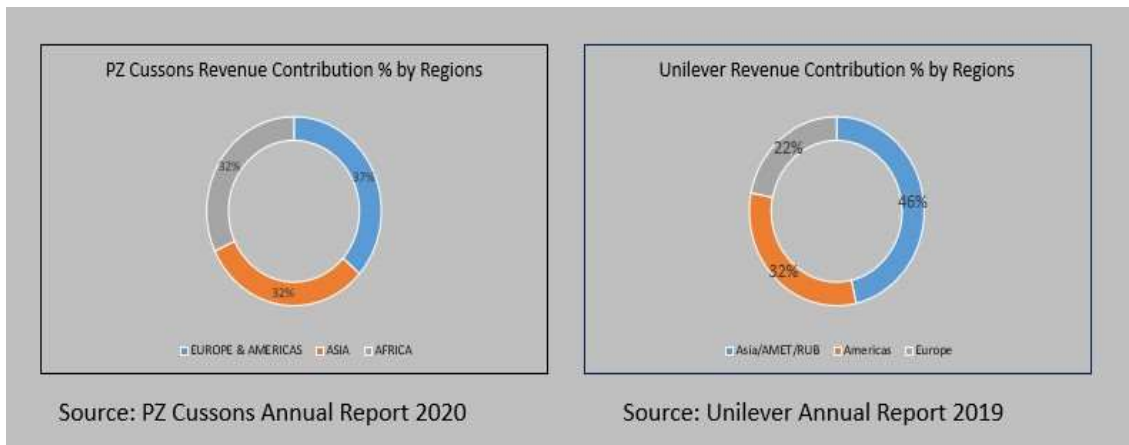
Regional contribution gives a bird's view of both companies; it shows they employed different approaches to sales and placed their growth on different economic variables.

PZ Cusson's regional contribution comes mainly from Africa and Asia (Emerging markets). In contrast, Unilever's regional contribution is focused on developed markets, Europe and the Americas, which means a global recession will more severely affect Unilever than PZ Cussons.

**MACROECONOMICS EXPOSURE**

The Macroeconomic exposures faced by PZ Cussons and Unilever are subject to the regions in which they trade. The trade strategy for PZ Cussons lies in taking advantage of opportunities in emerging markets (majorly in Africa, Nigeria being a critical region, and Asia). At the same time, Unilever has a more substantial presence in advanced markets. The macroeconomic exposures affecting PZ Cussons include GDP, Unemployment, Inflation, Interest, and Foreign exchange rates.

Tab 1.5 Region Contribution Source: PZ Cossons and Unilever Annual Report 2019



**GDP**

Gross domestic product is the final Value of the goods and services produced within a geographical boundary of a country during a specified period.

More than half of the PZ Cossons business revenue (69%) comes from Asia and Africa, and these regions are characteristically known to have low GDP, which means lower purchasing power.

A squeeze in disposable income will affect sales and profits as people prioritise food over personal care. This is characteristic of emerging economies as they are Value-driven.

This creates an ideal elastic demand for personal care goods, especially one with several substitutes like PZ Cossons brands.

Figure 1.3.1: Real GDP cycles in selected economies (annual % change)

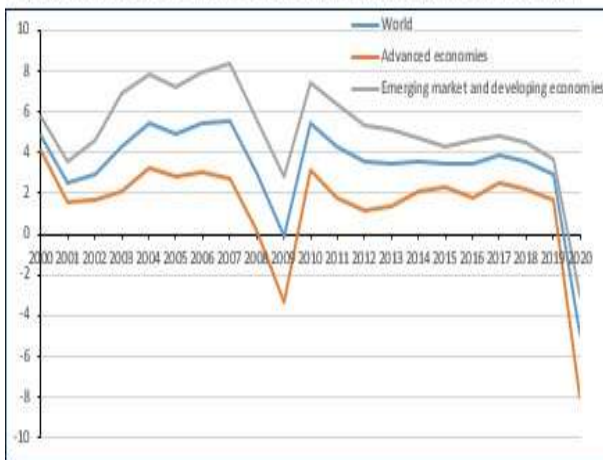
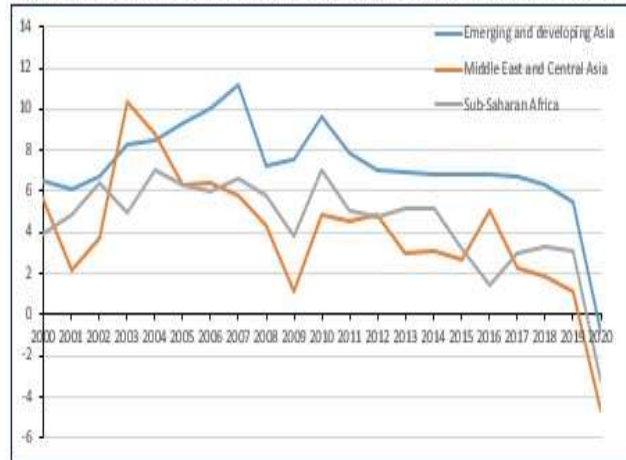


Figure 1.3.2: GDP cycles in selected developing economies (annual % change)

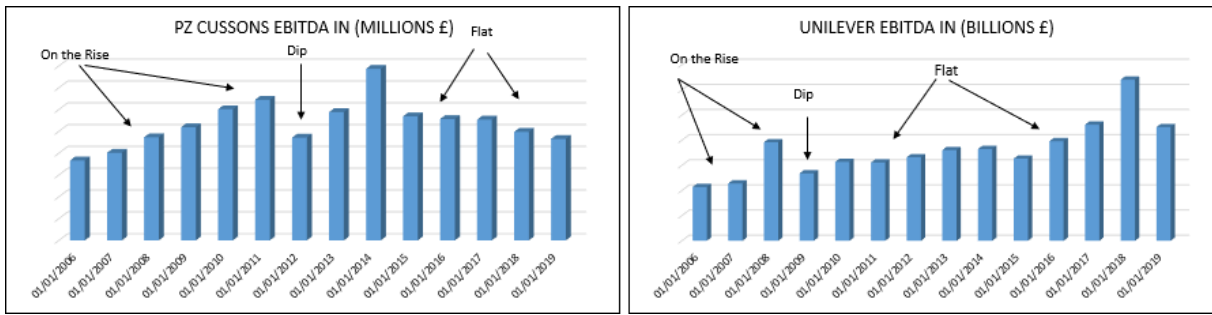


Tab 1.6: Annual % Growth GDP in selected economies Source: IMF, World Economic Outlook Database, October 2019

Unlike PZ, 54% of Unilever revenues come from advanced economies with more substantial and stable GDP, giving more robust growth and stability opportunities.

However, Unilever is prone to cyclical fluctuation in GDP. Components of GDP include consumer spending, investment, government, and net exports; once there is a decrease in aggregate demand, there is a deep profit for PZ Cossons and Unilever. Goods sold are homogeneous and highly substituted; consumption decreases will likely happen as consumers purchase cheaper options (store-owned brands).

Tab 1.7: Annual % Growth GDP in selected economies Source: IMF, World Economic Outlook Database, October 2019



PZ Cosson's trading strategy has been rooted in emerging markets; hence, we see the minimal effect of the cyclical changes in GDP as profits grew during the 2009 recession. On the other hand, Unilever has its revenue-contributing regions in advanced economies and experienced a profit dip following the world economy's recession.

**Exchange rates**

This is the conversion of money into another. The universal measure for money is still the US dollar, and the interaction of all currencies with the Dollar is critical to the survival of companies within their domain.

PZ Cossons has a high-risk exposure to exchange rate fluctuations due to the regions that hold the most significant amount of its commercial activity, i.e., Africa (Nigeria) and Asia. Also, with its high volume of raw material import, a sudden change in exchange rates can spell doom for its financial health. This also affects the cost of sales pricing of products in the market, which may lead to a dip in profits if the pricing is highly elastic.

The impact of translation on financials is noteworthy. PZ Cossons, a UK company, must translate subsidiary profits into the British Pound. Trading in volatile economies creates a more than likely adverse impact.

On the other hand, Unilever has a broader revenue coverage than PZ Cossons. Though they both face the same fundamentals, their realities are not the same or constant.

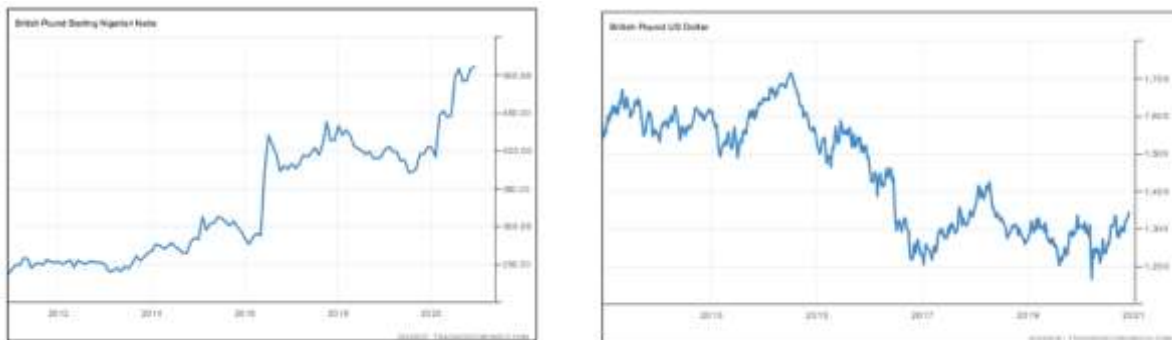
Looking into recent years, since 2016, the Naira has weakened by about 156% compared to the Pound, which has, in turn, affected Africa's profits. While a stronger dollar against the Pound also has a negative impact,

**The following are the impacts of FX on transactions.**

Exchange risk arises from the import and export of goods.

Exchange rate risk arises from translating the group's investment in foreign operations in Africa and Asia.

Raw materials transactions are also done using USD, Euros, and GBP foreign exchange. Tab 1.8: British pound sterling rate to US Dollar Source: Trading economics/United Kingdom/currency

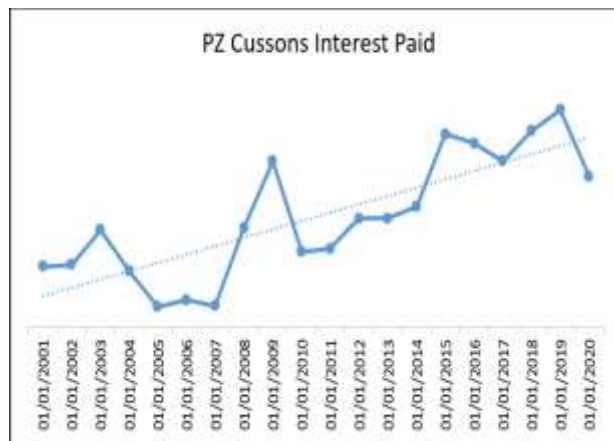
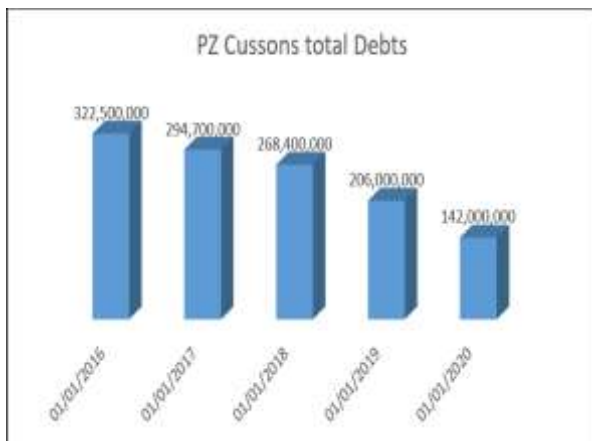
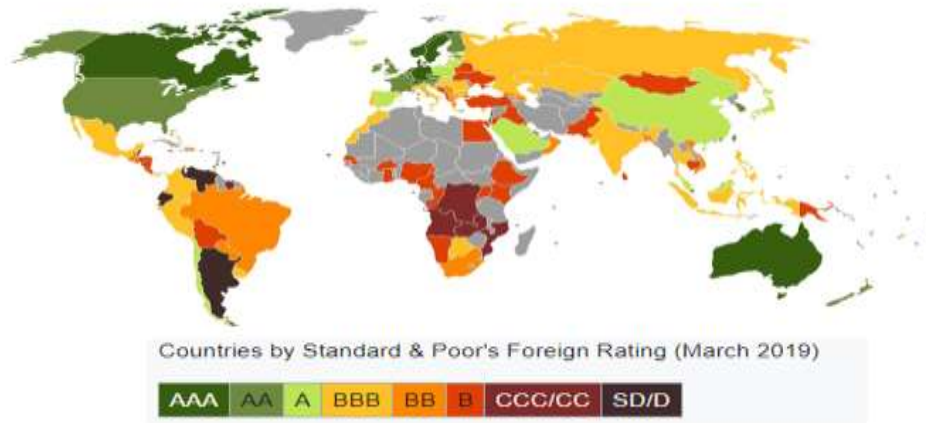


Unilever and PZ Cossons are similar regarding the impact of foreign exchange because of their global reach. The risks and exposures are in sales (operating within other economies), sales, raw material sourcing and borrowing.

**The effect of Interest rate**

The rate of borrowing is a considerable risk for every organisation and government. Borrowing rates are affected by the GDP of the country and the credit ratings; also, the strength and stability of the local currencies play a considerable role in accessing global funds. The ability or ease to assess loans also impacts the consumer spending index.

PZ Cussons' market regions are markets classed as high/substantial risk ratings. This has a substantial additional cost to borrowing for the company and the access to credit by consumers. PZ Cusson's interest rate risk exposure is related to long-term debt obligations, including loans and borrowings with floating interests.

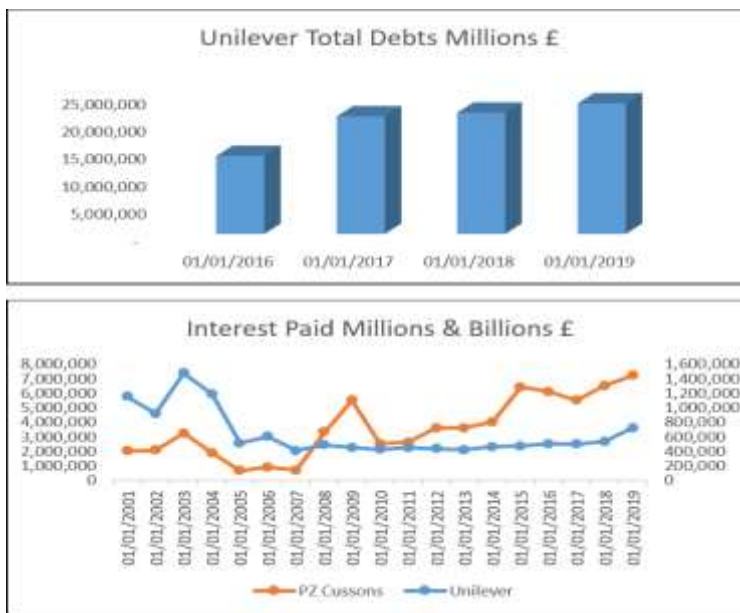


Tab 1.9 Source: PZ Cussons Annual Report 2006 – 2020

Unilever interest rate risks, as stated in its 2019 annual report. The group interest rate risk arose from financial liabilities other than lease liabilities.

While PZ Cussons is working hard to bring down its total Debts, we see that Unilever's total debts are increasing. Even though PZ Cussons is trying to bring down its debts, it shows that interest being paid increases. This means that the different economies in which the business operates have impacted the interest paid in the GBP currency; FX risk and interest rates are intertwined, especially for foreign debt exposures.

Tab 2.0 Source: Unilever Annual Report 2006 – 2019



**Vulnerability and Cost Type 1 Vulnerability**

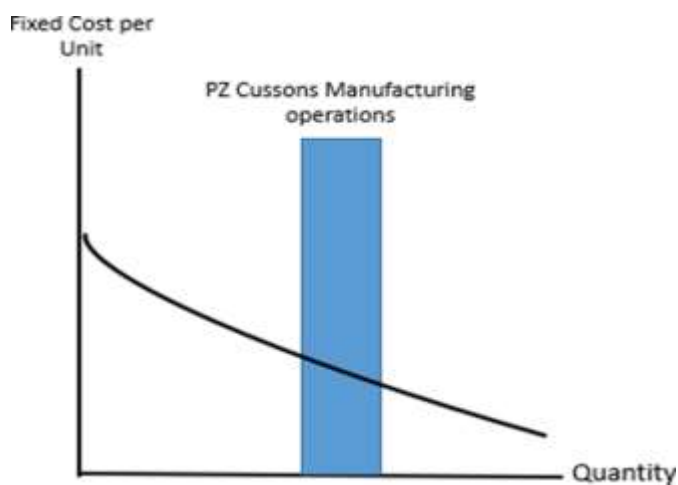
PZ Cussons is exposed to fluctuations in demand (majorly a decline in demand) due to the following factors.

High fixed costs include factories established in various regions, machinery, land, buildings, and vehicles. PZ Cussons has 70 depots nationwide, two manufacturing sites, and one detergent tower. The biggest in Nigeria is a fleet of vehicles, including sales, distribution, and fleet vehicles. The company also has guest houses for visitors and expatriates.

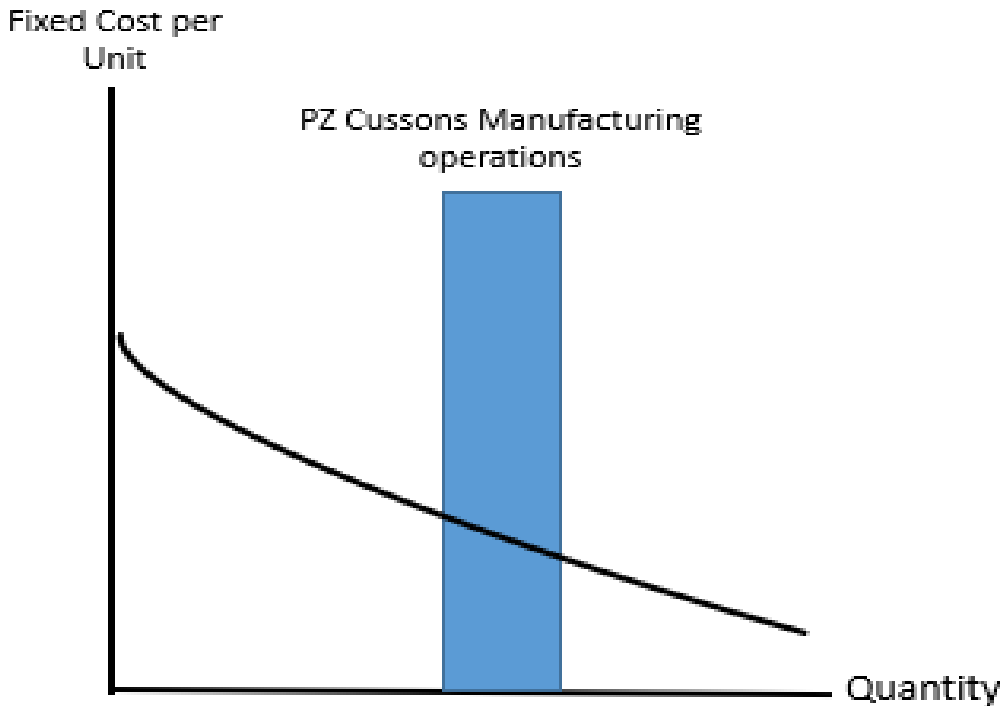
Once there is a fall in demand for PZ Cussons products, the fixed cost percentage goes up, which impacts profits.

A squeeze in consumer spending creates a shortfall in demand. An increase in VAT also caused a fall in consumer spending. In January 2020, the Federal government of Nigeria increased Value-added tax from 5% to 7.5%, which impacted volumes as the company had to pass it down to the consumer. With the low barrier to entry in this market, an increased number of substitutes with better price margins to trade and better consumer prices will also affect PZ Cussons, which will affect the demand for the products on offer. PZ Cussons is exposed to type 1 vulnerability in the short run, mainly because of its fixed cost/quasi-fix costs. In order to achieve factory efficiency, a specific output level needs to be produced. If the demand is low, the fixed cost % will be high, impacting profitability, as seen in the tab below.

In order to reduce the burden of the fixed cost structure, PZ Cussons, in its 2019 annual report, shared that they have sold some of their assets and brands, including The Greek food business and Polish skincare brand Luksja. In addition, The Nigerian milk business Nutricima and several other small African brands were sold off.





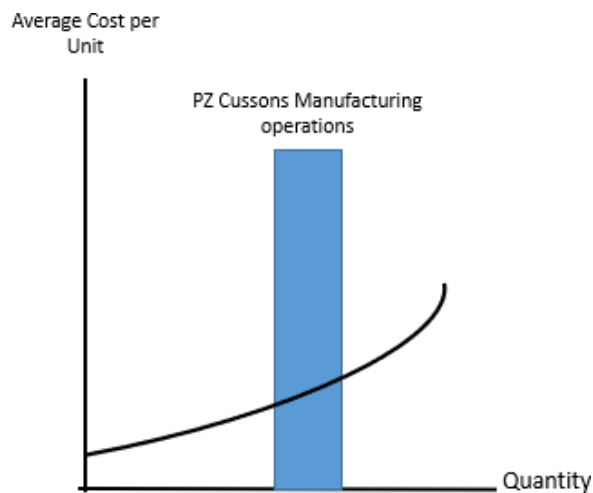
**Type 2 Vulnerability**

PZ Cussons is also highly exposed to type 2 vulnerability in bought-in goods, primary raw materials, and packaging materials sourced internationally, not locally, from Asia, Africa, and Europe. 90% of raw materials and packaging for Africa are sourced internationally and must be bought.

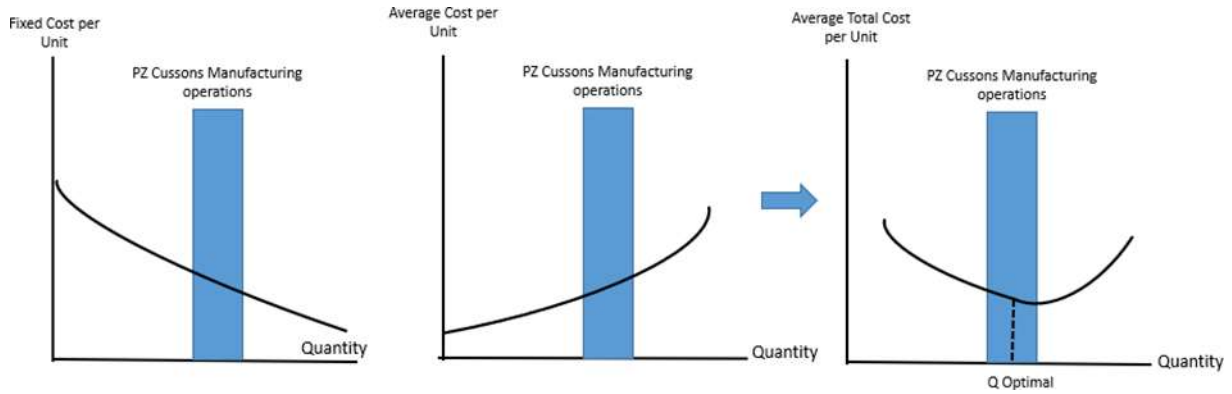
Fluctuation in the cost of raw materials, packaging and exchange range affects the overall cost of production. This hugely impacts the cost structure, the economies of the exporting country to Nigeria (advanced economy), and the importing country, which also plays a huge role.

With the Naira weakening against the Dollar and Pound, as seen under interest rates, the purchase of raw materials and packaging has increased tremendously. PZ Cussons cannot absorb these costs as they will erode all the profits from the products. The act of passing on the cost to the consumer is a risk in volume.

Passing the cost to the consumers has a higher risk of a drop in demand, which may reduce demand as there are substitutes in the market; a demand reduction will increase fixed costs, and variable costs are already high, overall impacting profitability for PZ Cussons. If the cost is not passed down to the end consumer, then the business absorbs the rise in cost, which will squeeze profit margins.



The Average Total Cost Curve for PZ Cussons is U-shaped; like most manufacturing companies, at a certain level of output, ATC decreases to a certain quantity optimal level and starts to increase. The optimal quantity is where things like economies of scale offset the rise in average cost. However, after the optimal quantity, the balance tilts and can no longer cover the rise in average cost.



Tab 2.1: PZ Cussons Fixed, Variable and Average Total Cost

Unilever also faces similar exposure in terms of type 1 and type 2 market Vulnerability, and it has factories, buildings, lands and equipment in regions where it operates, and fluctuation in demand will affect its overall cost and output.

Unilever also faces type 2 vulnerability when it comes to bought-in goods like raw material sourcing and packaging sourcing, which also links back to foreign exchange fluctuations. A cost increase in raw materials will adversely impact the cost of production and put a squeeze on profit margins.

**Microeconomics exposure (Market Exposure) Perfect Competitive Market**

PZ Cussons operates in a competitive market where firms produce similar goods, with the only differentiator being branding. Given that I have little information on the Prices of the various brands in the region in which it is sold, I may have to make assumptions and generalise.

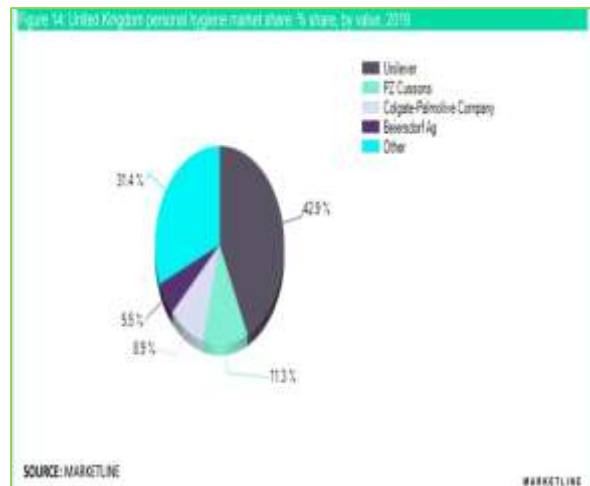
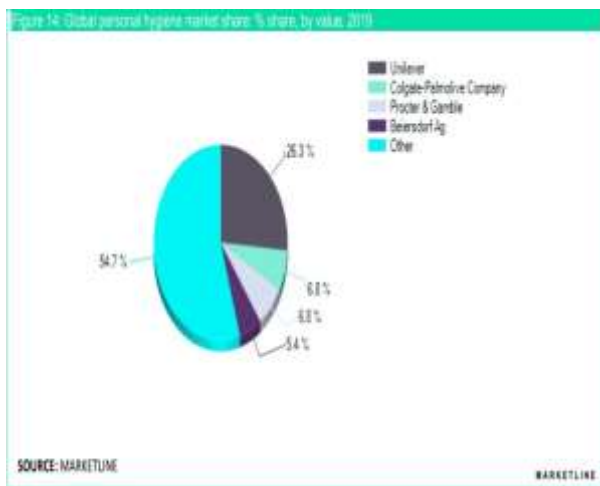
As earlier stated, PZ Cussons operates in a competitive market; the market is clustered and fragmented, and the only differentiation is brand differentiation.

The barrier to entry is relatively low, and across Europe, discounters and big chains are manufacturing store-owned labels, giving consumers more Value money, such as Aldi, Tesco, and Lidl, to mention a few. In Africa, many cottage companies have risen aside from more prominent players like Unilever, PZ Cussons, and Colgate Palmolive.

**Elasticity effect**

Demand is elastic for the PZ Cussons products and sensitive to price increases/decreases.

Price elasticity is significant in the short run.

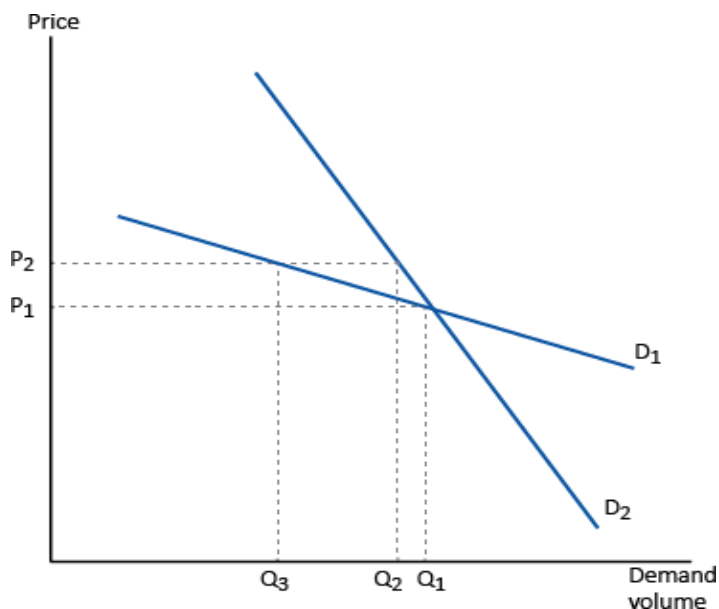


**Substitution effect:**

PZ Cussons products have ready substitutes; the theory of Price elasticity of demand states that a substitute is elastic in demand, and a slight price increase results in a dip in sales as consumers move to a substitute product that is more affordable for them. This is becoming increasingly prevalent with the rise of discounters and brands. I can safely assume that a rise in the Price.

**Income effect:**

This is a result of the change in real income. Consumers' fundamental income changes as prices increase/decrease, reducing their purchasing power.



Tab 2.2 Market demand curve

**Owned Price elasticity of demand:** It is safe to assume that in a perfectly competitive market in which PZ Cussons and Unilever play, an increase in Price will have a visible decrease in demand. If I had more information at my disposal, I would have calculated the degree of responsiveness of demand to a change in Price; however, it is safe to say that other things being equal, there will be a significant drop if calculated in real teams.

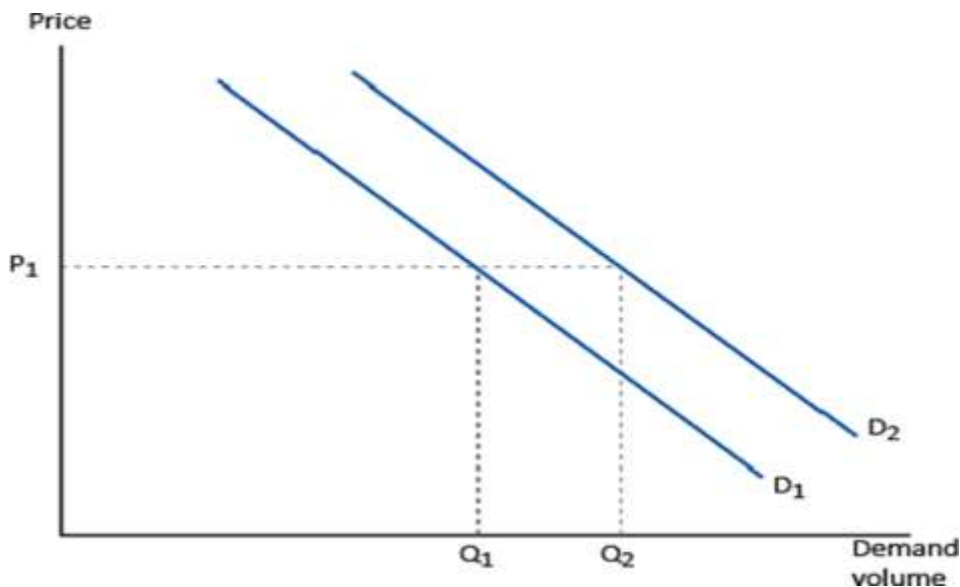
$$\frac{\% \text{ change in quantity demanded}}{\% \text{ change in Price}}$$

**Income elasticity of demand:** Demand for goods and services is also sensitive to buyers' income. This was key for PZ Cussons as it operates in emerging markets like Nigeria, which has a high inflation rate, unemployment, and poverty.

According to the National Bureau of Statistics (NBS) "2019 Poverty and Inequality in Nigeria," report highlights that 40 per cent of the total population, or almost 83 million people, live below the country's poverty line of 137,430 naira (\$381.75) per year.

Looking below at Nigeria's unemployment rate, it should be steadily on the rise, which means fewer people can afford to spend more than they earn.





**Analysis of business strategy performance (2008/2009 in focus)**

The 2008 Global Financial crash was triggered by a combination of speculative activities in the financial market, particularly on property transactions and the availability of cheap credit, especially in the USA and Western Europe.

The financial crisis's ripple effect was felt worldwide, but it had the most significant effect in the most developed countries with global financial instruments.

PZ Cussons business strategy focuses on the following:

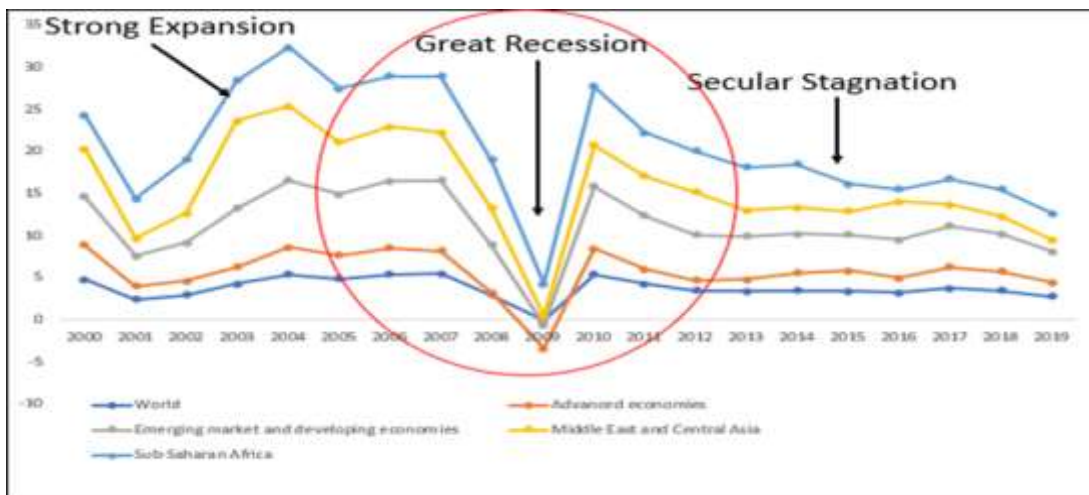
Operating in selected markets with the potential for future growth, focusing on emerging markets and sub-Saharan Africa.

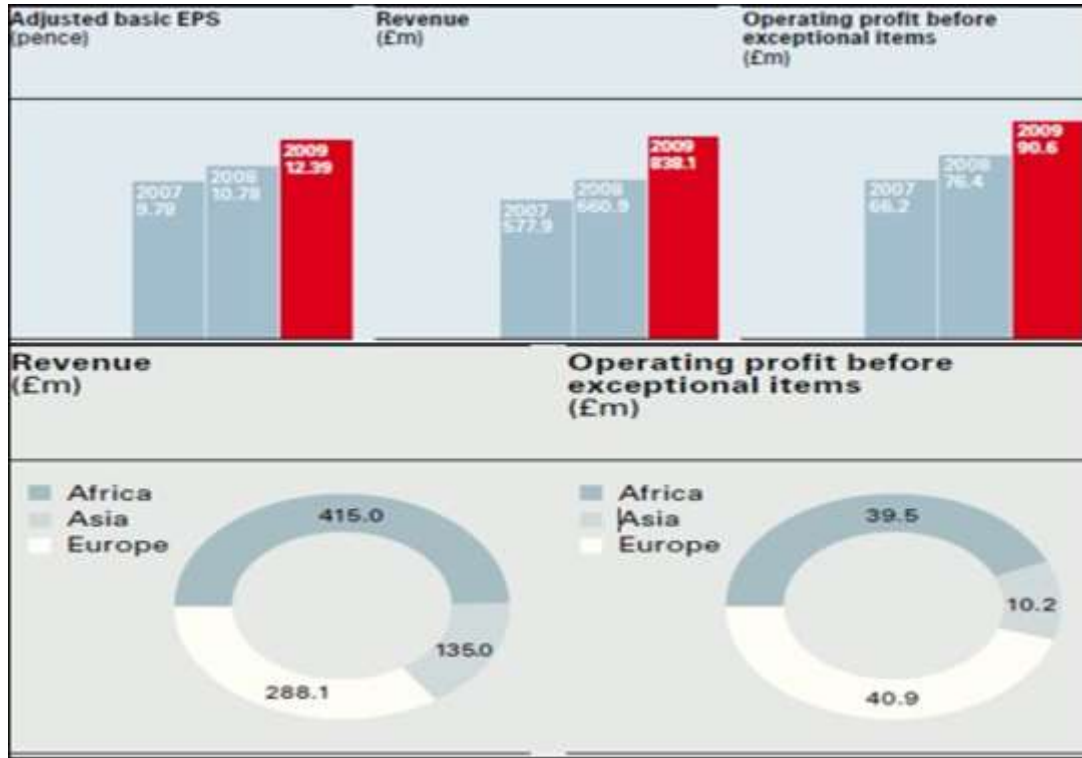
Develop leading brands that are locally focused, creating products that are locally suited to the people and growing them to achieve category leadership.

First-class distribution networks vary by market, adapting it to specific market needs.

As shown in tab 1.5, PZ Cussons revenue split shows its most vital presence in Africa and Asia (69%), while Unilever has a combined 22% in this region. The impact of this strategy was enumerated in tabs 1.0 – tab 1.2. Both companies have contrasting results in their financials. PZ Cussons, mainly in the emerging market, is isolated from the credit crunch and reduced consumer purchasing power.

Unilever faced a dip in revenue with reduced sales. The singular location strategy sustained sales and profits in the PZ Cussons and dip for Unilever. As pictorially depicted below, the list affected during the time in question was sub-Saharan Africa and emerging markets, with advanced countries taking the worst hit.





*PZ Cussons annual report 2019*

Even though Africa makes 50% more in revenue than Europe, profit is the same as Europe due to the effects of foreign exchange. This shows that PZ Cussons' business strategy of focusing on select markets worked for PZ Cussons as it lessened the impact of the Great Recession.

**PZ Cussons – Surviving into the future**

In 2020, the world grappled with the far-reaching effects of the COVID-19 pandemic caused by the emergence of the novel coronavirus known as SARS-CoV-2. This global crisis has had profound implications for public health and the global economy as it spread rapidly across the globe, affecting millions of individuals. The pandemic prompted nations to implement unprecedented measures, including widespread lockdowns, the closure of educational institutions and non-essential businesses, and stringent travel restrictions to contain the spread of the virus and alleviate the strain on healthcare systems.

Consequently, these measures significantly disrupted global economic activity, resulting in substantial declines in consumption and investment and challenges in labour supply and production. The impact was also felt across financial markets, global trade, supply chains, and tourism. In the face of these challenges, the role of our stakeholders, including investors, employees, and management, has been crucial in navigating these uncharted waters and ensuring the resilience of PZ Cussons.

Moreover, the pandemic gave rise to social unrest on a global scale, with mass demonstrations against government responses and calls for social justice. In Nigeria, a key market for PZ Cussons, the pandemic exacerbated existing social and economic challenges, leading to heightened insecurity, social unrest, and widespread job losses.

Analysts have projected a 6.91% contraction in Nigeria's GDP in the fourth quarter of 2020, with a year-end growth projection of -4.15%. These economic ramifications are attributed to the ongoing impact of COVID-19-induced restrictions and curfews across the country, representing a continuation of the challenges faced earlier in the year.

In 2020, the world was significantly impacted by the global COVID-19 pandemic caused by the novel coronavirus, SARS-CoV-2. This unprecedented health crisis has affected millions of people worldwide, leading to substantial human and economic toll. Many countries have implemented stringent measures such as lockdowns, closure of schools and non-essential businesses, and travel restrictions to control the spread of the virus, resulting in profound disruptions to global economic activity.

These measures have led to a sharp decline in consumption and investment and labour supply and production challenges, ultimately affecting financial markets, global trade, and the tourism industry. The pandemic has also sparked social unrest globally, with protests against government restrictions and calls for social justice.

In Nigeria, a key market for PZ Cussons, the pandemic has contributed to heightened insecurity, social unrest, and significant loss of jobs and livelihoods. Analysts have estimated that Nigeria's GDP could contract by 6.91% in the fourth quarter of 2020, with a year-end growth projection of -4.15%. This economic decline is attributed to the continuation of COVID-19-induced restrictions and curfews.

Real GDP <sup>1</sup> (Percent change from previous year)						Percentage point differences from January 2020 projections	
	2017	2018	2019e	2020f	2021f	2020f	2021f
	<b>World</b>	<b>3.3</b>	<b>3.0</b>	<b>2.4</b>	<b>-5.2</b>	<b>4.2</b>	<b>-7.7</b>
<b>Advanced economies</b>	<b>2.5</b>	<b>2.1</b>	<b>1.6</b>	<b>-7.0</b>	<b>3.9</b>	<b>-8.4</b>	<b>2.4</b>
United States	2.4	2.9	2.3	-6.1	4.0	-7.9	2.3
Euro Area	2.5	1.9	1.2	-9.1	4.5	-10.1	3.2
Japan	2.2	0.3	0.7	-6.1	2.5	-6.8	1.9
<b>Emerging market and developing economies</b>	<b>4.5</b>	<b>4.3</b>	<b>3.5</b>	<b>-2.5</b>	<b>4.6</b>	<b>-6.6</b>	<b>0.3</b>
Commodity-exporting EMEs	2.2	2.1	1.5	-4.8	3.1	-7.4	0.2
Other EMEs	6.1	5.7	4.8	-1.1	5.5	-6.2	0.3
Other EMEs excluding China	5.4	4.8	3.2	-3.6	3.6	-7.6	-0.8
East Asia and Pacific	6.5	6.3	5.9	0.5	6.6	-5.2	1.0
China	6.8	6.6	6.1	1.0	6.9	-4.9	1.1
Indonesia	5.1	5.2	5.0	0.0	4.8	-5.1	-0.4
Thailand	4.1	4.2	2.4	-5.0	4.1	-7.7	1.3
Europe and Central Asia	4.1	3.3	2.2	-4.7	3.6	-7.3	0.7
Russia	1.8	2.5	1.3	-6.0	2.7	-7.6	0.9
Turkey	7.5	2.8	0.9	-3.8	5.0	-6.8	1.0
Poland	4.9	5.3	4.1	-4.2	2.8	-7.8	-0.5
Latin America and the Caribbean	1.9	1.7	0.8	-7.2	2.8	-9.0	0.4
Brazil	1.3	1.3	1.1	-8.0	2.2	-10.0	-0.3
Mexico	2.1	2.2	-0.3	-7.5	3.0	-8.7	1.2
Argentina	2.7	-2.5	-2.2	-7.3	2.1	-6.0	0.7
Middle East and North Africa	1.1	0.9	-0.2	-4.2	2.3	-6.6	-0.4
Saudi Arabia	-0.7	2.4	0.3	-3.8	2.5	-5.7	0.3
Iran	3.8	-4.7	-8.2	-5.3	2.1	-5.3	1.1
Egypt <sup>2</sup>	4.2	5.3	5.6	3.0	2.1	-2.8	-3.9
South Asia	6.5	6.5	4.7	-2.7	2.8	-8.2	-3.1
India <sup>3</sup>	7.0	6.1	4.2	-3.2	3.1	-9.0	-3.0
Pakistan <sup>2</sup>	5.2	5.5	1.9	-2.6	-0.2	-5.0	-3.2
Bangladesh <sup>2</sup>	7.3	7.9	8.2	1.6	1.0	-5.6	-6.3
Sub-Saharan Africa	2.6	2.6	2.2	-2.8	3.1	-5.8	0.0
Nigeria	0.8	1.9	2.2	-3.2	1.7	-5.3	-0.4
South Africa	1.4	0.8	0.2	-7.1	2.9	-8.0	1.6
Angola	-0.1	-2.0	-0.9	-4.0	3.1	-5.5	0.7
<b>Memorandum items:</b>							
<b>Real GDP<sup>1</sup></b>							
High-income countries	2.4	2.2	1.7	-6.8	3.8	-8.3	2.3
Developing countries	4.8	4.4	3.7	-2.4	4.7	-6.7	0.2
Low-income countries	5.4	5.8	5.0	1.0	4.6	-4.4	-0.9
BRICS	5.3	5.3	4.7	-1.7	5.3	-6.6	0.4
World (2010 PPP weights) <sup>4</sup>	3.9	3.6	2.9	-4.1	4.3	-7.3	1.0
<b>World trade volume<sup>5</sup></b>	<b>5.9</b>	<b>4.0</b>	<b>0.8</b>	<b>-13.4</b>	<b>5.3</b>	<b>-15.3</b>	<b>2.8</b>
<b>Commodity prices<sup>6</sup></b>							
Oil price	23.3	29.4	-10.2	-47.9	18.8	-42.5	16.9
Non-energy commodity price index	5.5	1.8	-4.2	-5.9	3.0	-6.0	1.3

PZ Cussons have had to re-strategise in the face of all these challenges. It has made wholesome changes to its structures and business outlook to survive the economic and future challenges better. Below are some of them:

#### Disposal of Non-core activities:

The Greek food business Polish skincare brand Luksja. In addition, The Nigerian milk business Nutricima and several other small African brands were sold off. This is to mitigate the risk of type 1 Vulnerability. These businesses have been noted to divert from the core areas PZ Cussons chooses to play. This focuses on core competency to meet set targets.

#### Structure Simplification:

Introducing a new leadership team and structure will cover all Nigerian business units, streamlining decision-making and fostering collaboration while reducing overheads. These simplification efforts have also included cutting the number of products and pack sizes we manufacture while reducing working capital, driving down inventory levels and improving trade receivables.

#### Focused investment on core brands:

The ambition is to grow revenue from Focus Brands annually by between 2 and 4%, the majority of our marketing investment, accounting for roughly two-thirds of our revenue.

By region, they are:

- **Europe & the Americas:** Imperial Leather, Carex, Original Source, St. Tropez and Sanctuary.
- **Asia Pacific:** Cussons Baby, Morning Fresh and Rafferty's Garden.
- **Africa:** Premier, Cussons Baby, Morning Fresh and Electricals. Even though this does not entirely mitigate type 2 Vulnerability of bought-it goods, it streamlines priorities to brands that are profit and growth drivers.

**Locally sourced raw materials:** PZ Cussons is looking into individual markets where they play to locally source materials and packaging. In Nigeria, as the Naira continues to weaken against the Dollar, it is crucial to start the switch so that profits will not be wiped out.

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