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Impact on Unilever

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Introduction

Globalisation connects multinational companies with customers, suppliers and technology across countries, but it also increases their exposure to disruption and regulatory change (Hill, 2022).

Unilever is a UK-based multinational consumer goods company operating in more than 190 countries (Unilever, 2025). Its international reach makes the company dependent on global transport networks, digital systems and sustainability requirements.

This essay evaluates how AI, Red Sea disruption, China–Taiwan tensions and the Corporate Sustainability Reporting Directive (CSRD) affect Unilever (European Commission, 2025). PESTEL supports the analysis of their effects on Unilever's operations, innovation, talent management, market position and ability to compete globally.

AI Opportunities and Challenges for Unilever

Within PESTEL, artificial intelligence (AI) is a technological factor that can influence forecasting, innovation and competitiveness. This is important for Unilever because consumer preferences and demand can change quickly (Hill, 2022; Mullins and Rees, 2023).

One valuable use of AI for Unilever is demand forecasting. Unilever applies AI and data analysis when planning production and making operational decisions (Unilever, 2025). Better forecasts can reduce empty shelves, excess stock and waste while improving product availability across international markets (Davenport and Ronanki, 2018).

However, AI does not automatically improve performance. Its value depends on accurate data, suitable systems and employees who understand the results. Poor-quality data may produce incorrect production or stock decisions, while over-reliance on automated recommendations may reduce management judgement. Unilever must therefore combine AI-based information with human experience and responsible data management.

AI can also support innovation by helping Unilever analyse consumer behaviour and market trends. In 2024, the company invested €987 million in research and development, showing the importance of innovation to its strategy (Unilever, 2025). However, competitors can use similar technologies. AI alone will not create a lasting

advantage unless Unilever turns the information into products that customers value and brings them to market faster than competitors.

Introducing AI changes the skills Unilever requires from its workforce. Employees need stronger digital and analytical abilities, making training and reskilling necessary (World Economic Forum, 2025). Training creates costs, but without these skills Unilever may not gain full value from its technology. AI can therefore strengthen efficiency and innovation, but its effect on competitiveness will depend on data quality, employee capability and effective management.

Supply Chain Challenges and Geopolitical Tensions

Unilever's global supply chain provides access to international suppliers but exposes the company to political and economic risks. Insecurity in the Red Sea has caused shipping lines to divert vessels around the Cape of Good Hope. Longer journeys raise freight charges and delay expected arrival dates (UNCTAD, 2024). For Unilever, this can delay materials and products, increase logistics costs and reduce availability, affecting customer satisfaction and profit margins.

The company therefore faces a difficult decision. Passing higher transport costs on to consumers may weaken competitiveness, particularly when customers can choose cheaper brands. However, absorbing the costs reduces profitability. If competitors maintain more reliable supplies or lower prices, Unilever may lose market share (Christopher, 2022).

China-Taiwan tensions create a different type of risk. Unilever is not a semiconductor producer, but its factories, logistics systems and AI-based planning depend on digital technology. Semiconductor production is highly concentrated in East Asia, particularly Taiwan (UK Government, 2023). A serious disruption could increase the cost or reduce the availability of technology used in automation and data systems. However, this effect would be less direct than disruption to shipping routes or raw materials, so Unilever should assess the level of risk before making expensive changes.

These pressures create an opportunity to improve resilience. Unilever can use more than one supplier for important materials, source closer to key markets and prepare alternative transport routes. These actions may reduce dependence on one country, supplier or shipping route and support business continuity.

However, maintaining additional suppliers and transport options requires more coordination and may raise purchasing costs. Christopher (2022) argues that companies must balance efficiency, flexibility and cost. Unilever should therefore focus diversification on its highest-risk materials and routes rather than changing the entire supply chain. Concentrating resources on the most exposed areas would protect business continuity without creating unnecessary costs.

Sustainability Requirements and CSRD: Opportunities and Challenges for Unilever

Sustainability creates both environmental and legal pressures within PESTEL. For Unilever, it is not only about reducing environmental harm. It can also affect customer trust, investor decisions, its ability to attract employees and the company's position against competitors. Unilever's Climate Transition Action Plan includes working with suppliers to reduce emissions across its value chain, where much of its environmental impact occurs (Unilever, 2024).

Strong environmental performance may protect Unilever's reputation and strengthen relationships with customers and investors. Whittington et al. (2023) explain that stakeholder expectations increasingly influence business strategy. However, these benefits depend on measurable results rather than public promises.

The Corporate Sustainability Reporting Directive (CSRD) requires companies within its scope to provide more detailed sustainability information. For Unilever's relevant European operations, consistent disclosures would give investors clearer evidence for judging its results against other companies (European Commission, 2025). Because Unilever already publishes sustainability information, it may be better prepared than companies with less developed reporting systems.

However, reporting creates costs and practical problems. Unilever must collect reliable information from suppliers operating across many countries. Differences in data quality and reporting systems can make this process difficult. The company may need to invest in technology, monitoring, employee training and supplier support. These costs may be significant, particularly if suppliers are unable or unwilling to provide accurate information.

CSRD reporting will not create a competitive advantage by itself because competitors must also follow the rules. Unilever will gain value only if managers use the collected evidence to identify weaknesses and demonstrate improvement. If reported results do not match its public targets, customers and investors may lose trust. Rather than viewing CSRD as only a reporting duty, Unilever should use supplier information when managing its operations and making sourcing decisions.

Impact on Unilever's Market Position, Innovation, Talent Management and Competitiveness

AI, supply chain disruption and sustainability requirements affect different parts of Unilever's business at the same time. Its market position depends on keeping products available, controlling prices and maintaining trust in its brands. AI-based forecasting can support availability, but shipping delays may still create shortages and higher costs. If Unilever increases prices or cannot supply retailers reliably, customers may choose competing brands.

Innovation is also changing. AI can help identify customer trends, while sustainability pressures encourage changes in products, packaging and production. However, spending on supply chain resilience and CSRD compliance may reduce the money and management attention available for other innovation. Unilever must therefore prioritise investments instead of spreading its resources across every area.

Talent management is another challenge. Unilever needs employees with digital, analytical and sustainability skills. Training existing staff may take time, while recruiting specialists may be expensive. Mullins and Rees (2023) identify employee development as an important part of managing organisational change. Unilever must therefore combine recruitment with practical training for its current workforce.

These forces can strengthen competitiveness when they are managed together. However, competitors can also adopt AI, diversify suppliers and comply with CSRD. Unilever's advantage will therefore depend less on using these approaches and more on how effectively it combines them to control costs, maintain product availability and meet customer expectations (Daft, 2021).

Recommendations

For AI investment, Unilever should focus on areas where results can be measured, particularly demand forecasting and stock planning. The company should provide practical training for employees who use these systems and compare forecast accuracy, product waste and stock availability before and after implementation. Starting with selected markets would allow Unilever to identify problems before expanding the technology. This would reduce the risk of costly mistakes caused by poor data or limited employee skills (Davenport and Ronanki, 2018).

To strengthen supply chain resilience, Unilever should identify the materials, suppliers and transport routes that create the highest risk. It should use alternative suppliers and routes for critical products rather than diversify its entire supply chain. Regional suppliers may reduce dependence on long shipping routes, although they may charge higher prices. Concentrating on the most critical points would strengthen protection without paying to redesign the whole supply network (Christopher, 2022).

For CSRD reporting, sustainability information should guide Unilever's purchasing and operational choices. The company should introduce common reporting requirements for key suppliers and provide support where data quality is weak. Verification should begin with suppliers producing the largest share of Unilever's environmental impact. This would make monitoring more manageable, support measurable progress and reduce the risk that public sustainability claims are not supported by evidence (European Commission, 2025).

Together, these actions would help Unilever improve the use of AI, protect important supply routes and connect sustainability reporting with operational performance.

They would also address the main risks identified in the analysis without requiring the company to change every part of its global operations at the same time.

Conclusion

The analysis shows that Unilever faces connected pressures from AI, geopolitical supply risks and sustainability rules. Forecasting tools may improve planning, although unreliable data or limited employee skills can reduce the benefits. Red Sea disruption increases transport costs and delivery times, while China–Taiwan tensions create a less direct risk to the technology supporting Unilever’s operations. CSRD can improve transparency, but it also increases reporting costs and stakeholder expectations.

Managing each issue in isolation would be ineffective. Investment in AI depends on skills and reliable technology, supply chain decisions affect cost and product availability, and sustainability data must influence operational decisions. Unilever should therefore focus on measurable AI projects, protect its highest-risk supply routes and use CSRD information to improve performance.

Understanding these global forces is important because decisions made in one area can affect prices, innovation, employee requirements and customer trust across many markets. Unilever’s competitiveness will depend on balancing these connected pressures without creating unnecessary costs.

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