

Strategic Management & Sustainability

LCBB6004

Dumitrita Ciudin (2030848)

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1.0 Introduction

The contemporary world has seen a massive increase in the number of global business corporations, which has increased the competitiveness in the global business world. So, business corporations have to strategically manage their organisation and create business processes and objectives strategically to compete in the global industries. Moreover, the world is also plagued by various sustainability issues which have increased the importance of conducting business operations sustainably. In this context, this report aims to analyse the business and corporate strategies of the British Plc corporation Unilever, identify the resources and how they are aligned with their strategies, evaluate the effectiveness of their strategies, and their sustainability efforts, and provide some recommendations to enhance their sustainability initiatives.

2.0 Background of Unilever Plc

Unilever Plc is one of the most reputed British Plc corporations that operates in the FMCG industry. It sells various kinds of consumer goods products, such as beauty and well-being personal and home care, nutrition, and dairy products and sells its products through its 25 trusted brands. It operates in more than 190 countries and its global operations are managed by more than 127,000 employees globally and around 3.4 billion consumers see their products daily. Moreover, 14 brands under Unilever ranked among the top 14 FMCG brands globally with a turnover of around €1 billion in 2022 while their total turnover was around €60.1 billion in 2022 (Unilever, 2023).



Figure 1: Popular Brands under Unilever

(Source: Unilever, 2023b)

3.0 Identifying Key Business and Corporate Strategies

Johnson et al. (2020) argue that the corporate strategy of a business organisation is concerned with the scope of their business holistically, such as which businesses to include in their product portfolio, and how much levels of diversification are needed, while the business level strategy is concerned with the strategic choices the organisation needs to make to pursue their individual business units, such as becoming a low-cost competitor. The authors also argue that Ansoff's Growth Matrix is the best strategic framework for identifying the best corporate strategies for organisational growth and Porter's Generic Model is the best framework for identifying the best business-level strategy. So, these two frameworks will be used to identify and discuss the business and corporate-level strategies of Unilever.

3.1 Porter's Generic Strategies- Business Strategy

Islami et al. (2020) argue that Porter's Generic strategies consist of three broad strategies, Cost leadership, Differentiation Strategy, and focus strategy which can be divided into cost focus and differentiation focus strategy. The primary business-level strategy utilised by Unilever is creating differentiated products that offer more value to the customers which in turn aids in separating the

corporation from its competitors and creating a unique position in the global markets. This can be seen from the fact that Unilever spends massively on product research and development which aids in creating more consumer-centric products that perfectly fulfil the needs and expectations of their global consumers. They invest highly in product innovation by using advanced technologies and even partner with external groups to develop products that have a superior value which aids massively in creating a unique image in the minds of the consumers, thereby increasing its sales, revenues, and competitive advantage (Kay, 2023).



Figure 2: Porter's Generic Strategies

(Source: Digital Leadership, 2023)

To understand what kind of product differentiation is valued by the customers, Unilever focuses on extensive market and product research and development and has spent around €908 million to date on research and development as well as €818 million on their various business units (Unilever, 2023). This has aided Unilever in developing products that are unique and offer special value to global customers which differentiates them from the competitors and aids in placing them uniquely (Young, 2023).

3.2 Ansoff's Matrix- Corporate Strategy

Lynch (2018) argues that Ansoff's growth matrix is one of the most efficient frameworks for identifying long-term corporate growth strategies and consists of four strategies, Market Penetration to increase sales and revenues, Market Development to expand to new markets, Product Development for offering new products to existing customers, and diversification for entering a new market with innovative products. Unilever strategically utilises all the growth strategies in different aspects to expand its business and product portfolio.

Unilever uses Market Penetration to increase the sales of its existing products in the markets it operates, such as its Dirt is Good brand which offers laundry products and is present in around 500 million global households due to its market penetration strategy and generated sales of more than €4 billion in 2023 (Unilever, 2023c).

Unilever used Market Development to expand its business operations and sell its existing products in newly expanded markets to increase its customer base. Unilever acquired the brand Domestos in 1961 and it was sold in the European markets but in the 2000s, it was launched in Turkey, followed by South Africa (Unilever, 2022). Moreover, in 2021, Domestos launched Domestos in China and currently Domestos are manufactured in China for local customers due to its huge demand (China International Import Expo, 2021).

Unilever uses Product Development to modify and upgrade their products and sell them to their existing customer base. Unilever launched the Clean Future Strategy recently and partnered with Arzeda, a reputed enzyme development and innovation company and launched a new cleaning product that was developed using AI and needs around 50% less raw materials to achieve higher cleaning performance (Guhl, 2023).

Unilever also uses a diversification strategy to expand its product portfolio and introduce its products to new markets. Back in 2009-2010 when Unilever was attempting to expand its product portfolio to include personal care products, it acquired the personal care brands of Sara Lee for around €1.27 billion and entered the Asian market with personal care products (Parsons, 2014).

4.0 Analysing Resources and Capabilities

Johnson et al. (2020) argue that the performance of a business entity is not only dependent on the external environment but also on organisation-specific differences, such as resources and capabilities. The authors also argue that resources are the primary tangible and intangible assets of the business corporation while capabilities refer to how the organisation utilises or employs the resources to attain their strategic goals and objectives. Moreover, the authors opine that the value chain analysis can aid in evaluating the resource allocation of the corporation while the VRIO framework can aid in identifying the strong resources that can drive sustained competitive advantage.

4.1 Value Chain Analysis

Zamora (2016) argues that the Value Chain analysis was developed by Porter in 1985 and is used to describe and identify all the activities done by a brand to design and manufacture a product which aids in identifying the activities that add value to the product and the brand, leading to sustained competitive advantage.

Primary Activities

Inbound Logistics: Unilever is well known for technological innovations and since 2001 Unilever has partnered with BravoSolutions which uses an advanced RFP process for their inbound logistic operations (Man, 2017).

Operations: Unilever has around 208 world-class manufacturing units globally where the raw materials are turned into high-quality products (Annual Report, 2022).

Outbound Logistics: Unilever has around 500 logistic warehouses globally from where the Customer operations Team coordinates outbound logistic and distribution activities to supply the products to around 25 million customers annually (Annual Report, 2022).

Marketing and Sales: Unilever has an efficient marketing and Sales team and spent around €7.8 billion on marketing investments in 2022 due to which 14 of their brands came under the top 50 most bought FMCG brands globally (Annual Report, 2022).

After-Sales Service: Unilever has an internal team of analysts who process massive amounts of consumer data from various digital and offline platforms as well as look after consumer feedback to provide the best after-sales service (Unilever, 2022b).

Secondary Activities

Procurement: The Procurement team of Unilever works closely with around 52,000 suppliers globally to source raw materials from over 150 countries, and spend around €41.3 billion on procurement activities in 2022 (Annual Report, 2022).

Technology Development: Unilever invests massively in technological innovations and they have invested around €850 million in technology-based research and innovation in 2022, and have around 5000 leading experts operating in various research and development centres (Unilever, 2023d).

Human Resource Management: Unilever uses technologies like online assessments, and online interviews for selection and recruitment while the innovative “Una Hub” aids in clearing all the transactional human resource queries of the employees (Khetarpal, 2021).

Infrastructure: Unilever has various committees, such as the Audit, Compensation, Nomination and Corporate Governance, and the Disclosure Committee which handles the crucial infrastructural elements of Unilever (Unilever, 2023e).

4.2 VRIO Analysis

Resources	Valuable	Rare	In-Imitable	Organisation	Competitive Advantage

Availability of Raw Materials (Annual Report, 2022)	Yes	Yes	Yes	Yes	Sustained Competitive Advantage
Manufacturing Capabilities (Annual Report, 2022)	Yes	Yes	Yes	Yes	Sustained Competitive Advantage
Human Resource (Unilever, 2022)	Yes	No			Competitive Parity
Technological Innovation (Unilever, 2023d)	Yes	Yes	No		Temporary Competitive Advantage

Table 1: VRIO Analysis of Unilever

The VRIO analysis has identified that the availability of raw materials and the manufacturing capabilities of Unilever are the most important resources of Unilever which aid in generating sustainable competitive advantages.

5.0 Evaluating Strategy in Action

5.1 SAF Framework

The SAF framework will be utilised to analyse the effectiveness of the strategies of Unilever:

	Differentiation Strategy	Market Penetration	M a r k e t Development
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Suitability	This is a suitable strategy as Unilever has a robust product innovation team which aids in creating value-added differentiated products (Unilever, 2023d)	It is suitable as it aids in increasing the sales of their existing products.	It is suitable as it aids in expanding their business and selling their products in new markets.
Acceptability	It is highly acceptable as consumers love differentiated value-added products.	It is acceptable for the stakeholders as it will lead to more sales and revenues, and provide more returns to the investors and shareowners.	This is extremely acceptable to the stakeholders as it aids in offering high-quality products to global customers.
Feasibility	It is feasible as Unilever has a strong financial performance which aids in backing research and development (Annual Report, 2022).	It is feasible since Unilever has numerous brands and products and by utilising market penetration, they can increase the sales of all their products (Unilever, 2023b).	This is feasible as Unilever created the Unilever International group in 2012 aiming to offer their products to underserved global markets (Unilever, 2022c).

Table 2: SAF analysis of Unilever

5.2 Evidence for successful execution of the strategies

The effectiveness of its differentiation strategy as well as its focus on differentiated science and technology utilisation can be seen from the fact that in 2020 Unilever enjoyed a massive growth in sales and revenues. Sales increased by around 1.9%, volume by 1.6%, dividend increased by around 4%, and free cash flow increased to around €7.7 billion from €1.5 billion (Unilever, 2021). Moreover, in 2021, the total revenues generated by Unilever were around €52.4 billion which increased massively to around €60.07 billion in 2022 (Petruzzi, 2023). Moreover, their operating profits in 2022 also increased massively to €10.76 billion from the previous year's €8.7 billion (Petruzzi, 2023b).

The Market penetration strategy is also extremely effective for Unilever as 14 of their brands have been selected in the top 50 global FMCG brands and generated turnovers of more than €1 billion in 2022 (Unilever, 2023). Moreover, the DIG brand of Unilever, which goes by various names in different countries, such as OMO, Surf Excel, Breeze, or Persil has an immense penetration rate and is used in around 500 million global households, and generated sales of more than €4 billion in 2022 (Unilever, 2023c).

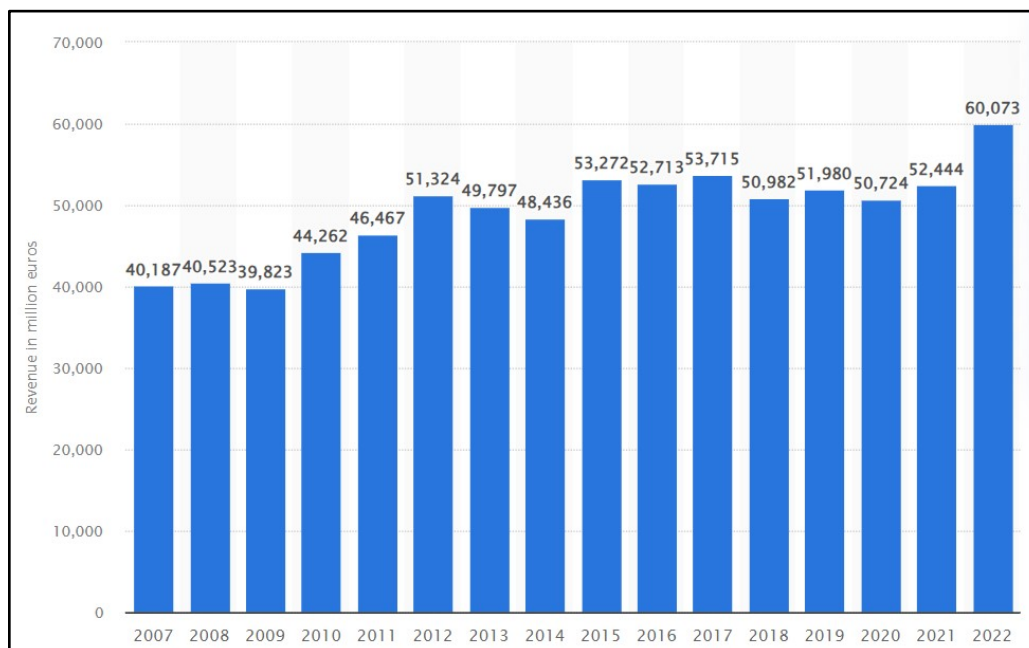


Figure 3: Revenues of Unilever

(Source: Statista, 2023)

The Market Development strategy is also extremely effective as through this strategy Unilever has been able to expand its business to various countries, such as Turkey, Vietnam, and South Africa. Unilever introduced its existing Brand Domestos in Turkey in the 2000s and its sales and turnover have increased six times in the last ten years, while Domestos has acquired a 50% penetration rate in Vietnam and Unilever business in South Africa has tripled (Unilever, 2022).

6.0 Evaluating Sustainability Efforts

To evaluate the sustainability activities of Unilever, the Triple Bottom Line (TBL) framework will be utilised as Correia (2019) argues that it is one of the most efficient models to evaluate the sustainability activities of an organisation.

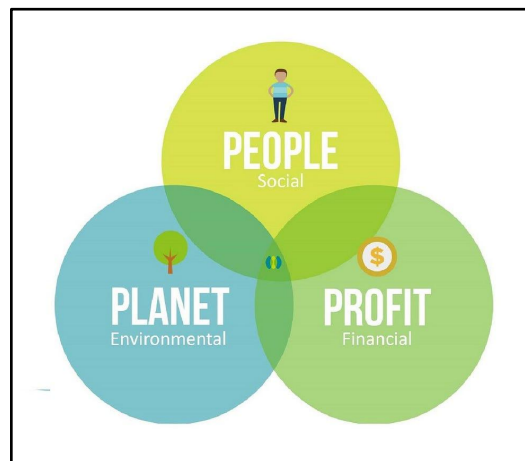


Figure 4: TBL Framework

(Source: Medium, 2018)

People: Unilever is committed to ensuring equity, diversity, inclusion, and gender balance in their organisation and has started the Act 2 Unstereotype programme to increase the representation of underrepresented groups within their organisation as well as society. In 2022, they invested around €818 million to enhance the skills and talents of their underrepresented supplier groups and provide them with training and education to cultivate the essential professional skills and talents needed to be self-sustainable. Through this program, Unilever was

able to partner with Citibank in Kenya and offer finance for supplier businesses owned by Kenyan women (Annual Report, 2022).

Profit: Unilever has had a strong financial performance over the years despite facing numerous challenges like the pandemic. In 2019, its revenues amounted to around €51.9 billion but due to the pandemic, it declined to €50.7 billion in 2020. However, due to the effective implementation of various strategies, it increased to €52.44 billion in 2021 and €60.07 in 2022 (Petruzzi, 2023).

Planet: Unilever has been able to reduce the GHG emissions from their operations by around 68% in 2020 which increased to around 68% in 2022. They have also reduced the GHG impact from their product lifecycle by around 19% in 2022, regenerated around 0.2 million hectares of land and forests, achieved 81% sustainable sourcing of their raw materials, implemented water stewardship programs in 8 locations, and used 55% recyclable plastic packaging materials in 2022 (Annual Report, 2022).

Sustainability Goals: Unilever aims to achieve net-zero emissions in its operations by 2030, regenerate 1.5 million hectares of land, forests, and oceans by 2030, halve the GHG impact of its products across its lifecycle by 2030, design water stewardship programs in 100 locations by 2030, reduce virgin plastic materials by 50% within 2025, and use 100% recycled or reusable plastic packaging materials by 2025 (Annual Report, 2022). These sustainability goals are aligned with their strategies as Unilever aims to develop new sustainable products through product development and is trying to reduce the GHG impact of their products by developing innovative ways to manufacture products through their Clean Future Strategy (Guhl, 2023).

Recommendations for Future Sustainability Initiatives

Unilever aims to eliminate plastic packaging by 2025 but the packaging materials they have already sold often end up in oceans. So, it is recommended that Unilever focus on collaborating with ocean clean-up groups and fund ocean clean-up camps to eliminate existing packaging materials from oceans.

7.0 Conclusion

It can be concluded that Unilever uses a differentiation strategy for business levels and market development, penetration, product development, and diversification as its corporate strategies. Moreover, the value chain analysis has shown that Unilever has efficiently allocated its resources at strategic positions, and sourcing of raw materials along with manufacturing capabilities are its main sources of sustained competitive advantage. Their strategies are extremely effective in providing results and they have efficient sustainability activities and numerous sustainable goals that will ensure their long-term sustainable growth and expansion.

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