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# COMPONENT 1: WRITTEN REPORT

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## Contents

|                                                            |   |
|------------------------------------------------------------|---|
| Introduction.....                                          | 2 |
| Unilever Plc - Background.....                             | 2 |
| Business and Corporate Strategies.....                     | 2 |
| Porter's Generic Strategies .....                          | 2 |
| Unilever Plc - differentiation strategy.....               | 3 |
| The Ansoff Matrix.....                                     | 3 |
| Unilever - The Ansoff Matrix .....                         | 3 |
| Analysing Resources and Capabilities.....                  | 4 |
| Value Chain and Value System analysis – Unilever Plc ..... | 4 |
| VRIO analysis .....                                        | 5 |
| Unilever Plc - VRIO analysis .....                         | 5 |
| Evaluating Strategy in Action .....                        | 6 |
| SAF (Suitability, Acceptability, and Feasibility) .....    | 6 |
| Successful strategies of Unilever Plc .....                | 6 |
| Evaluating Sustainability Efforts – Unilever Plc .....     | 7 |
| Conclusion .....                                           | 7 |
| References.....                                            | 9 |

## Introduction

The purpose of this report is to conduct a detailed analysis on Unilever, one of the most significant British multinationals operating in the consumer goods sector. The primary objective is to assess the key business strategies adopted by Unilever, how it examines its core business strategies, the alignment of its resources and competencies with these strategies, what its strategic actions are. Furthermore, it is intended to evaluate the practical implementation of these strategies and examine the company's sustainability initiatives. Using various strategic models, the report aims to provide an in-depth insight into Unilever's strategic decisions, implementation effectiveness and performance in the market.

## Unilever Plc - Background

Unilever, one of the UK's leading financial institutions, has an illustrious history rooted in the late 19th century. Its journey began in 1930, when it was formed by the merger of two industrial giants: British soap manufacturer Lever Brothers and Dutch margarine producer Margarine Unite. The impetus for the merger stemmed from the opportunity the two owners saw, competing for the same raw materials, both producing household products and using the same distribution channels. Since then, Unilever has prospered to become one of the global giants in the consumer goods industry. With a vast array of brands ranging from food and beverage categories to home and personal care products, the company operates in over 190 countries, serving billions of consumers worldwide (Unilever, 2024).

## Business and Corporate Strategies

Corporate and business strategies, also called competitive strategies, are the strategies formulated with reference to the individual business fields in which the enterprise operates. These refer to the adapted set of actions and decisions to go about building a lasting and defensible competitive advantage in a specific business sphere (Lynch, 2018)..

Unilever has several key corporate and business strategies to maintain its competitive position in the market. In this part of the report, we will evaluate its competitive strategies through Porter's generic strategies and with Ansoff's matrix to explore and plan growth strategies.

### Porter's Generic Strategies

Porter's generic strategies are a concept introduced by Michael Porter, who identified three main strategies that a company can adopt to gain a competitive advantage in the market:

- **Cost leadership:** This strategy focuses on being the lowest cost producer in its industry.
- **Differentiation:** This strategy consists of making the company's products or services unique and more desirable than those offered by competitors.
- **Focus:** This strategy focuses on niche market segments and requires a detailed understanding of the specific dynamics and needs of customers in that segment.

These strategies can be adopted individually or combined in various forms depending on the circumstances and characteristics of the sector in which a company operates (Lynch, 2018).

### Unilever Plc - differentiation strategy

Unilever adopts a wide range of differentiation as an overall strategy to gain a competitive advantage. This strategy focuses on the distinctive features of its consumer products compared to its competitors (Unilever, 2023). As an example, Unilever produces personal care items, such as Dove Cream Bars, which respond to consumer demand for gentle, moisturising soaps. Despite their higher prices, these Unilever products are competitive because they offer an alternative to conventional soaps, which often focus only on cleaning (Young, 2023).

A strategic objective related to this strategy is to foster Unilever's growth through a strong commitment to the development of new products that stand out in the market and capture the attention of consumers.

### The Ansoff Matrix

The Ansoff Matrix is a key tool for companies in analysing and planning their growth strategy. This tool offers a clear view of four strategies that can be adopted to foster corporate development (Whittington, et al., 2019).

The four main strategies of the Ansoff Matrix are as follows:

- Market penetration: involves increasing sales of existing products in existing markets.
- Product development: involves the development of new products to be introduced in the existing market.
- Market development: involves expansion into new markets using existing products.
- Diversification: involves entering new markets with new products unrelated to existing products.

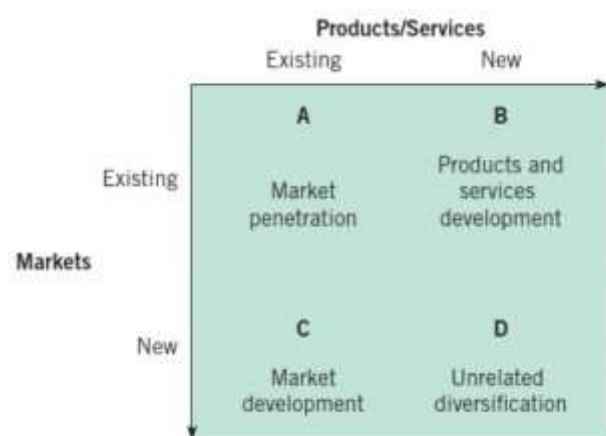


Figure 1 Ansoff Matrix, source: Whittington, et al., (2019)

### Unilever - The Ansoff Matrix

Unilever adopts a variety of strategies to promote its business expansion, using the Ansoff matrix, Unilever's strategic directions include market penetration through existing products in existing markets, product development through innovation and new product launches (Young, 2023).

Thus, at the core of these strategies is market penetration, which is considered to be the company's main strategy, as it focuses on increasing sales in existing markets. In this

intensive strategy, the company increases sales volume to improve revenue and corresponding business growth.

In parallel, the company implements product development, which aims to meet changing consumer needs through the introduction of new versions of its products that meet consumer requirements (Young, 2023). For example, completely new or new variants of Unilever's personal care products are released over time to maintain or increase the company's market share (Press, 2019). This strategy leads to the strategic goal of growing the company through continuous product innovation.

## Analysing Resources and Capabilities

A company's resources and competencies are crucial to ensure its long-term survival and can even give it a competitive advantage. Company resources are the tools that generate value within the company, where these are essential, but it is equally important to understand how the company uses and distributes them (Barney & Hesterly, 2018).

Unilever has key resources and capabilities that contribute to its success. In this part of the report, we will look at the value chain to understand how the company deploys its internal resources and then a VRIO analysis to understand how the resources benefit Unilever.

### Value Chain and Value System analysis – Unilever Plc

This value chain analysis is used to examine the internal activities of the company to identify the sources that generate value for its improvement. Value chains are divided into two main categories: primary and secondary activities. These seem to be crucial in ensuring that goods are accessible in all its shops (Barney & Hesterly, 2018).

The value chain and value system analysis reveals the effective allocation of Unilever's resources in primary activities such as inbound logistics, operations, marketing, sales and services, as well as in supporting activities including procurement, technology development, human resource management and corporate infrastructure. According to Fang-Yi (2021) this is can be examined:

- Unilever is distinguished by its global sourcing of high quality and sustainable raw materials, innovative production operations supported by digital technology and an efficient and environmentally friendly distribution network.
- Marketing is another key focus, with considerable investment to promote brands and satisfy customers through various channels. Customer service is equally crucial to maintain customer loyalty and respond to customer needs.
- Supporting activities, such as corporate infrastructure, human resource management, technology development and procurement, provide the foundation for successful primary activities. Unilever is committed to fostering a culture of innovation, diversity and inclusion among employees and actively collaborating with suppliers to ensure high quality materials at competitive prices, while promoting responsible sourcing practices.

In summary, Unilever uses the value chain to optimise its resources and deliver high quality products efficiently, while maintaining a strong commitment to sustainability and customer satisfaction.

## VRIO analysis

The VRIO model is a strategic analysis tool that helps companies assess their resources and capabilities to determine whether they can confer a competitive advantage. VRIO is an acronym that represents the four fundamental dimensions of this tool:

- **Value:** This dimension emphasises the importance of possessing resources or capabilities that contribute to the overall value of the business
- **Rarity:** Rarity indicates that resources must be unique or difficult to obtain to ensure competitive advantage.
- **Inimitability:** This dimension refers to the ability of resources to generate a sustainable advantage over time because they cannot be easily replicated or imitated by competitors.
- **Effective Organisation:** This dimension relates to the company's ability to fully exploit resources identified as valuable, rare and inimitable.

In conclusion, for resources to generate a sustainable competitive advantage, they must possess all four characteristics listed above (Barney & Hesterly, 2018).

## Unilever Plc - VRIO analysis

Applying VRIO analysis, Unilever's key assets and capabilities, such as brand value, research and development expertise and supply chain efficiency, contribute to sustainable competitive advantages by being valuable, rare, inimitable, and organised (Fang-Yi, 2021).

- **Value:** Unilever has a diverse assortment of popular consumer brands, such as Dove, Lipton, and Axe, which generate significant revenue through customer loyalty. The presence of an extensive global distribution network enables effective reaching of consumers in different markets. Unilever invests in research and development to innovate and adapt to changing consumer preferences.
- **Rarity:** Unilever's iconic brands and global distribution network represent rare assets that provide a competitive advantage not easily replicated by competitors.
- **Difficulty of imitation:** Replicating Unilever's brand portfolio and distribution network would require considerable resources and time from competitors. Unilever's commitment to sustainability and social responsibility is deeply embedded in its corporate culture, making imitation by competitors difficult.
- **Organisation:** Unilever adopts a decentralised organisational structure that favours local adaptation and fast decision-making. The company has forged strong partnerships with suppliers, distributors, and other stakeholders, thus enhancing its ability to make effective use of available resources.

In conclusion, Unilever has valuable resources and capabilities that are rare and difficult to imitate. However, to maintain these competitive advantages in the consumer goods industry, an ongoing commitment to strategic management and innovation is required.

## Evaluating Strategy in Action

Unilever has successfully implemented its corporate and business strategies to compete effectively in the market and gain competitive advantages over its rivals. The company has shown increased sales and market share (Whittington, et al., 2019).

In this part of the report, we will evaluate the strategic actions with SAF criteria analysis and present examples of how the company has been successful and the challenges it has encountered along the way.

### SAF (Suitability, Acceptability, and Feasibility)

Unilever's current business strategy is 'broad differentiation'. The SAF (Suitability, Acceptability, and Feasibility) criteria can be used to examine Unilever's strategy. The SAF framework consists of imperative criteria that help to identify the company's strategy (Fang-Yi, 2021).

According to Amjad (2023) the application of SAF criteria in analysing Unilever's broad differentiation strategy can be described as:

- **Suitability:** Unilever's strategy helps the company utilise its prevailing strengths and opportunities to achieve reliable supply. It includes innovations in production, technology, supply chain and other functionalities. This has led the company to commit to its functionalities. Because the company can provide different and unique customer experiences. For example, providing different products, including detergents, soaps, edible products such as biscuits, cakes, etc.
- **Acceptability:** acceptability refers to the adoption of practices related to the differentiation strategy. Unilever has managed to maintain a system and procedures appropriate to the differentiation strategy. Separate departments, such as production, sales and marketing, have been established in all geographic locations where the company is located to carry out the functions related to the company's overall differentiation plan.
- **Feasibility:** feasibility refers to the viability and productivity of the company's proposed business strategy. Unilever employed 1,49,000 competent and specialised people in its business sector (Unilever, 2022). The company has employed many employees to carry out the business operations in line with this strategy. Furthermore, the company makes use of various technologies such as the Internet of Things, augmented reality, virtual reality, etc. to track the company's processes and operations in real time.

The analysis thus shows that the business strategy adopted by Unilever has proven to be successful.

### Successful strategies of Unilever Plc

Unilever has been involved in several successful strategies and has faced many challenges over the years. The first was the fact that the company integrated sustainability into its business model through its Sustainable Life Plan (Dunlop & Strath, 2020). This commitment has not only improved the public perception of the company but has also generated cost savings and increased revenues. However, implementing sustainable practices along the supply chain and achieving sustainability goals in a complex economic environment have

been significant challenges, with criticisms regarding the sourcing of resources such as palm oil and water and waste management concerns (Fang-Yi, 2021).

Another challenge for Unilever is that the company has successfully embraced digital transformation, using e-commerce, digital marketing, and data analytics to better understand consumers and drive sales growth. However, rapid adaptation to new technologies and data privacy protection remains major challenges, especially considering the competition from digital native brands and technology giants (Unilever, 2023).

Unilever has been successful in its global expansion, with a presence in over 190 countries, due to its ability to localise products and marketing strategies to adapt to various cultures and economic conditions (Fang-Yi, 2021). However, economic, and geopolitical volatility, along with regulatory challenges, complicate expansion efforts, requiring flexibility and localised market analysis.

Overall, Unilever PLC has demonstrated resilience in implementing its strategies, capitalising on its strengths to exploit opportunities and address the challenges presented by the global market.

## Evaluating Sustainability Efforts – Unilever Plc

Unilever has made a tangible commitment to sustainability through its Sustainable Living Plan, which sets ambitious goals to reduce environmental impact, improve social welfare and promote sustainable sourcing practices (Fang-Yi, 2021). The company has aligned these goals with its business strategy, integrating sustainable practices into operations, supply chain and product development. Through initiatives such as sustainable sourcing and waste reduction, Unilever actively contributes to environmental and social progress. Its dedication to sustainability is evident in its annual reports, policies and concrete actions taken. Its sustainability goals, measurable and accompanied by detailed action plans, reflect the company's commitment to a more sustainable future (Unilever, 2024). In the end, Unilever has made significant strides in the field of sustainability, demonstrating a tangible commitment through clearly defined policies, actions and goals, integrating sustainability into its business strategy.

## Conclusion

Unilever has positioned itself effectively in the market, gained competitive advantages and tackled challenges with commitment to long-term success. Where Unilever stands out is in the implementation of business strategies aimed at differentiation and growth, taking advantage of the wide range of brands and products available. Porter's analysis of the strategies and the Ansoff matrix highlights the company's emphasis on differentiating its products and penetrating existing markets through continuous innovation.

The analysis of resources and capabilities reveals that Unilever has valuable, rare, hard-to-replicate, and well-organised resources, giving the company a sustainable competitive advantage. The value chain assessment and VRIO analysis highlight the effective utilisation

of internal resources to ensure the efficient and sustainable production of high-quality products.

Thus, the effectiveness of strategies is assessed through the SAF criteria, highlighting that the differentiation strategy adopted by Unilever is suitable, acceptable, and achievable, contributing to the company's success in the global market. Unilever has successfully overcome challenges such as integrating sustainability into its business model and adapting to digital transformation, demonstrating resilience and adaptability.

Finally, Unilever is actively committed to sustainability through its Sustainable Life Plan, integrating sustainable practices into all its operations and demonstrating a tangible commitment to a more sustainable future.

In summary, Unilever positions itself as a leader in the consumer goods industry, adopting innovative strategies, harnessing its key resources, and demonstrating a strong commitment to sustainability and long-term success.

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