



STRATEGIC ANALYSIS AND SUSTAINABLE STRATEGY DEVELOPMENT

A Strategic Analysis of Unilever

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Executive Summary

This report provides an in-depth study of the strategic position of global FMCG giant Unilever. Through PESTEL analysis, external factors present challenges such as political instability, economic pressures and legal regulations, but also show the potential opportunities in technological and environmental areas. The more micro analysis about Porter's Five Forces theory reveals intense competition and strong bargaining power of buyers, but due to Unilever's giant position, there is a moderate threat of substitutes, suppliers and new entrants.

From the internal factors, Unilever has sustainable competitive advantages in terms of brand equity and R&D. However, it also faces weaknesses such as raw material price volatility and over-reliance on third-party logistics in certain regions.

Strategically, Unilever uses a hybrid strategy that combines cost leadership, differentiation and regional focus for growth, and its recent M&A activity has focused on high-growth areas, aligning with its strategic goals.

Sustainability is a key focus of its growth, and the company has taken various initiatives on the environmental and social areas. However, it also faces challenges such as rising costs and the risk of 'greenwashing', needing further tactics.

The conclusion is that Unilever is in a relatively positive strategic position but with both opportunities and risks. Thus, strategic management is critical for its growth. To thrive, Unilever should expand its sustainability-driven markets, embrace agility and compatibility while promoting sustainable product innovation.

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1. Introduction

Unilever is a one of the world's largest multi-national FMCG company based in the UK and the Netherland, with more than 400 brands from different sectors. As a global leader in the FMCG industry, Unilever sells its products across 190 countries, impacting the lives of more than 2.5 billion consumers every day through its extensive a global reach (Cheng, 2021).

Strategic analysis of Unilever is critical because the global FMCG industry requires it to respond agilely to changing market trends, consumer preferences and macroeconomic challenges (Kpoku, 2021). In addition, under the increasing sustainable development requirements and the wave of digital transformation (Korada, 2024), Unilever needs to continuously optimize its strategy to ensure market competitiveness.

Currently, Unilever is facing challenges including rising costs led by global inflation and supply chain crises (Basu, 2023), fierce market competition from major competitors such as P&G and Nestle, and sustainable development pressure including new regulations and consumers concerns (Hu and Zeng, 2024). Thus, it is necessary to adopt an in-depth analysis within today's global context. This report is going to analyse the external and internal environment of Unilever and to better understand the gaps and strengths of its current strategy, and further explore the path to the strategic and sustainable growth in the future based on various models, dedicating to provide helpful takeaways for stakeholders.

2. External Factors

It is important to study the external environment of the firm because uncontrollable factors can affect organizational behaviour and its direction (Buye, 2021). The PESTEL model is an effective tool used to analyse the external environment. The purpose is to examine what is happening in the wider business environment, helping organizations to consider all the important factors that could affect business strategies (Effendi and Putro, 2023). The PESTEL analysis for Unilever is as follows.

Impact Category	Description
Political	Trade Policies & Tariffs: Unilever may be affected by international trade policies, tariffs, and geopolitical tensions (e.g., Brexit, US-China trade wars), leading to adjustments in organizational structure or resource allocations (Altuntas Vural et al., 2024).
	Government Stability: Political instability in key markets like emerging economies can disrupt operations and supply chains (Tazviving & Poee, 2024), such as Russia-Ukraine war and geopolitical situation in the Middle East.
	Taxation Policies: Changes in corporate tax rates or VAT can affect profitability, sales rates, production, and enterprise size, particularly in markets with high taxation on FMCG products (Qavami, 2023).
Economic	Inflation & Currency Fluctuations: Inflationary pressures and currency devaluations impact Unilever's raw material costs, with a 17.1% increase in 2022. Actions are made to raise product prices, but leading to a slight decline in sales volume (Unilever PLC, 2023).
	Cost of Living Crisis: Economic downturns, such as recessions, reduce consumer spending on non-essential FMCG products. The premium product sales were particularly affected, forcing it to focus on offerings and promotional strategies (PwC, 2023).
	Interest Rates & Credit Access: Rising global interest rates increased Unilever's borrowing costs, with net finance costs reduced by €7 million to €486 million in 2023. This affected capital investment decisions, particularly in expansion projects in emerging markets (Unilever PLC, 2024).
Social	Changing Consumer Preferences: A shift towards sustainable, organic, and health-conscious products like plant-based foods, eco-friendly packaging will influence Unilever's product development (Nygaard, 2024).
	Aging Population: In markets with aging demographics like Europe and Japan, the demand for health-focused products and senior-friendly items is increasing, which has prompted the diversification product lines to cater elder consumers' needs (Allied Market Research, 2024).
	Cultural Diversities: Unilever faces audience from various nations. They face the challenge to embrace cultural diversity in its marketing strategies to effectively engage with global consumers (Chepkorir, 2023).
Technological	Digital Transformation: Technological advancements like AI, big data, and cloud computing enable real-time data analysis, driving personalized marketing and enhancing decision-making capabilities, which must be effectively applied (Selvarajan, 2021).
	Automation & Smart Manufacturing: Automation in manufacturing process, powered by AI and IoT, can increase production speed and precision. By harnessing this wave properly, Unilever can ensure its competitive advantage and sustainability (Govindarajan & Venkatraman, 2024).
	E-commerce Growth: The surge in online shopping and DTC models has led Unilever to prioritize digital sales platforms. E-commerce allows for wider customer reach, targeted promotions, and faster feedback loops, driving growth in global markets (Tuten, 2022).
Environmental	Climate Change & Natural Disasters: With the increase in extreme weather events due to climate change, the EU Climate Law (2021) sets a target of achieving carbon neutrality by 2050. This requires companies to increase their efforts to reduce emissions, address environmental risks and adapt to policy changes.
	Ethical Sourcing: With rising environmental concerns and consumer demand for sustainability, Unilever is pressured to ensure responsible and ethical sourcing of raw materials like palm oil to comply with the CSR values (Kopnina et al., 2023).
	Packaging & Waste Management: Growing regulations and shifting consumer preferences towards sustainability compel Unilever to innovate in packaging and recycling to meet environmental standards (Patel, 2023).
Legal	Consumer Protection Laws: Regulations on product labeling, advertising, and safety standards influence Unilever's product development and marketing strategies, guiding the company's compliance with ethical standards (FSA, 2023).
	Labor Laws & Compliance: Labor regulations, like the UK's Employment Rights Bill 2024-25, address wages, working conditions, and diversity. Unilever must align its HR practices with these laws to comply with global employment standards (UK Parliament, 2025).
	Intellectual Property Protection: Trademark disputes and patent protections are critical for brand identity. Unilever must navigate new regulations, like the EU Digital Markets Act (2022) that impacts how IP is enforced online, to ensure brand differentiation and preventing infringement.

Table 1

To summarize, based on the six factors above, the challenges Unilever face is mainly including political uncertainty, economic pressures, tightening regulations, and environmental sustainability requirements, which may affect its costs on supply chain and market competitiveness (Unilever PLC, 2024). However, technological factors and social trends like health-conscious and sustainable products present opportunities. The key is to flexibly respond to changes in the external environment through optimizing cost structures and brand differentiation, as well as leveraging technology to increase market penetration for long-term growth.

Although PESTLE can provide a macro view of the external environment in a multidimensional way, some scholars like Buye (2021), argue that it lacks an in-depth analysis of an enterprise's internal resources and capabilities, which cannot directly generate a competitive advantage analysis. Thus, a more micro perspective should also be incorporated. Porter's Five Forces model is a suitable framework, which is strategic planning tool widely used in company analysis to assess the competitive structure of their industry (Burra & Ushadevi, 2022). The micro-market is closer to us and offers more controllable elements containing many external stakeholder groups including competitors, suppliers, customers, etc., The analysis of them will help the company understand the strengths and weaknesses of its current and future competitive position.

Five Forces	Threat level	Increasing power(Red)	Weakening Power (Blue)
Threat of New Entrants	Weak	There is low capital investment for digital-only brands. Traditional FMCG companies require large-scale production facilities, but new brands outsource manufacturing and use drop-shipping or third-party logistics (3PL) to reduce costs (XPDEL, 2024).	- Unilever has strong brand loyalty and consumer trust with decades of brand equity, making it difficult for new entrants to steal market share. - With large economies of scale and cost advantages, Unilever benefits from global procurement, advanced manufacturing, and extensive distribution, keeping production costs lower than new entrants. - Unilever's global retail partnerships and exclusive shelf space agreements limit opportunities for new brands to enter major supermarket chains. For example, Unilever's long-term partnerships with Walmart, Tesco, and Carrefour create entry barriers for new FMCG brands trying to secure shelf space (Mason & Jarvis, 2023).
Bargaining Power of Suppliers	Moderate	- Price volatility and inflation make suppliers of key raw materials like palm oil, dairy, chemicals, and plastics gain power when commodity prices rise (Kpoku, 2021). - Unilever's commitment to CSR and sustainable sourcing increases dependency on certified suppliers, giving them more leverage. - Trade wars, sanctions, and political instability can limit supplier options and increase costs.	- Unilever sources materials from over 56,000 suppliers worldwide, reducing dependency on any single supplier (Unilever PLC, 2024). - Unilever reduce supplier power by forming long-term contracts and forward or backward integrating parts of its supply chain (Lieu et al., 2021). - Many raw material suppliers compete to serve FMCG giants like Unilever, lowering their bargaining power.
Bargaining Power of Buyers	High	- Wide availability of alternatives, including P&G and Johnson & Johnson, means customers can easily switch brands. Retailers are also expanding private label products (e.g.Tesco,Walmart), offering lower-cost alternatives to Unilever's brands (Dekimpe & van Heerde, 2023). This increases buyer power by reducing reliance on branded goods. - Price-sensitive customers are likely to choose cheaper alternatives and promotions, forcing Unilever to adjust pricing strategies. - Consumers are highly informed, affected by the internet, online reviews, and price comparisons, increasing their ability to demand better products (Hufnagel et al., 2022).	The huge customer base of global FMCG industry has enabled Unilever to attract considerable audiences, and strong brand equity and loyal also retain them in Unilever.
Threat of Substitutes	Moderate	- Consumers are shifting towards homemade, organic, or natural alternatives, especially in personal care and household cleaning segments like Simple and Ponds. - Direct-to-Consumer brands and digital services companies are disrupting traditional FMCG markets by offering customized, subscription-based, or eco-friendly alternatives (Küster, 2022). - Due to the rising health and wellness trends, consumers are moving away from processed foods, sugary products, and chemical-based skincare, affecting demand for certain Unilever products (Narcin, 2022).	- Unilever's portfolio includes globally recognized brands with loyal customers, reducing the likelihood of switching. - Unilever combats substitutes by investing in product innovation, premium formulations, and sustainability efforts (Baragiola and Mauri, 2021). - Unilever's massive supply chain and distribution networks ensure availability and affordability, making it harder for substitutes to gain market share.
Competitor Rivalry	High	- Unilever faces direct competition from major multinational FMCG giants that have extensive product portfolios and global reach. In 2023, Unilever reported €59.6 billion in revenue, while its competitors had similar or higher revenue figures (P&G: \$82 billion; Nestlé: \$105 billion) (TBH, 2024). - Consumers in the FMCG sector exhibit low brand loyalty, particularly in price-sensitive categories such as detergents, personal care, and packaged foods (Ganepola, 2022). Price competition is also fierce, with companies frequently using promotions, discounts, and loyalty programmes to attract consumers. - The rise of DTC (Direct-to-Consumer) brands and digital-focused companies has further intensified competition (Bahadur, 2025).	Unilever's portfolio of over 400 brands, including Dove, Ben & Jerry's, Hellmann's, and Persil, gives it a significant competitive edge, and it has a strong presence in diversified markets like emerging regions, which account for 58% of its revenue (Unilever, 2023)

Table 2

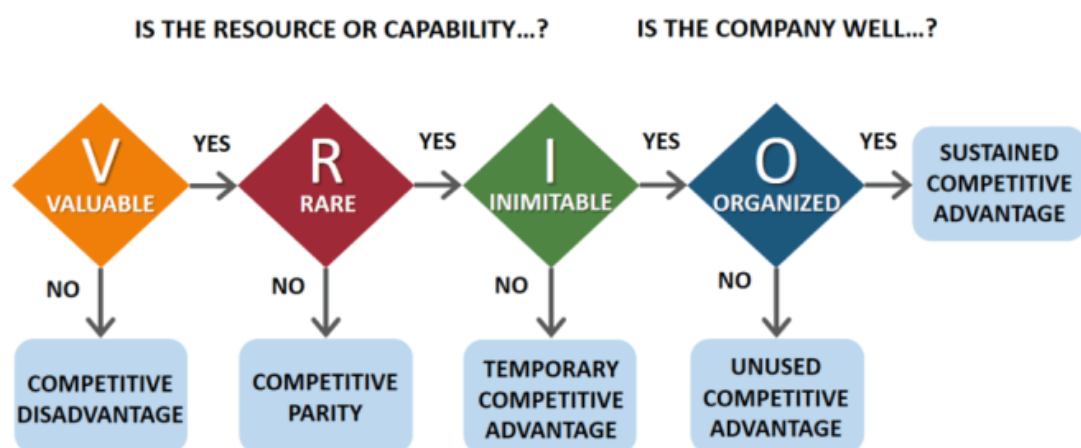
The analysis of Unilever's five forces suggests that Unilever faces fierce competition (TBH, 2024), and bargaining power of buyers (BPB) is also high as consumers have access to substitutes and online price comparison. The study from Olubukola (2024) confirms the positive correlation between BPB and FMCG innovation, where in a competitive market and under the pressure of consumer empowerment, companies must innovate to stand out. This dynamic validates the need for Unilever to prioritize brand differentiation and customer retention strategies. Essentially, increased BPB is both a market pressure and a catalyst for innovation, resulting in a strategic cycle where consumer bargaining power drives product upgrades to remain competitive.

Other factors like the threat of substitutes and new entrants are moderate because Unilever's brand loyalty limits significant change, which is an established fact for industry giants. Supplier power is also moderate with potential challenges, but Unilever reduces risk through integration and long-term contracts (Lieu et al., 2021). Therefore, Unilever need to strategically prioritize competition and the bargaining power of buyers, as well as to maintain a stable supplier relationship and market position.

As a static model, Porter's five forces model provides a snapshot of the industry at a given time. This is useful for developing short-term strategies, which is convinced by mass applications, but researchers including Beattie (2022) have questioned that its applicability has narrowed due to the rapid evolution of external factors. Therefore, continuous updates and other models' aids are needed for its immediacy.

3. Internal Factors

Under the context external analysis provides for strategic growth, internal analysis really focuses on the core of the business. Internal factors include everything within the company's control, which can affect how a company meets its objectives. The resource-based view (RBV) is a model that see resources are the key to business performance, which are categorized as tangible and intangible resources. If a resource shows VRIO (Valuable, Rare, Inimitable, Organized) attributes, then this resource enables a firm to gain and maintain a sustained competitive advantage (Mahdi & Nassar, 2021). However, the limitation of this model is that the criterion of is difficult to quantify, causing inaccuracy. Although scholars Murcia et al. (2022) have provided theoretical framework to quantify VRIO model, its application is complex with multiple parameters, so this report will only apply basic mechanism in Picture 1.



Picture 1

Capability	Valuable	Rare	Inimitable	Organized	Impact	Explanation
Brand Equity	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage	Valuable: Strong brand influence increases consumer loyalty and price premiums, and reduces price sensitivity. Rare: Brand equity is built up by long-term market accumulation and consumer trust, and is not easy to copy. Inimitable: Brand loyalty, historical reputation and long-term marketing investment make it difficult for competitors to copy. Organized: The brand management system is mature and the branding strategy is well organized.
Global Distribution & Retail Partnerships	Yes	Yes	No	Yes	Temporary Competitive Advantage	Valuable: Extensive distribution channels ensure market coverage and increase sales. Rare: Some key partnerships are unique, such as long-term contracts with large retailers. Inimitable: Distribution channels can be imitated and other companies can build similar networks. Organized: The company has an established supply chain management system to effectively coordinate the global retail network.
Sustainable & Ethical Supply Chain	Yes	Yes	No	Yes	Temporary Competitive Advantage	Valuable: ESG-compliant supply chains enhance brand image and reduce environmental and social risks. Rare: The number of companies adopting sustainable procurement policies is growing, but still relatively small. Inimitable: Other companies can invest in replicating sustainable supply chain models over time. Organized: Supply chain management and sustainability strategies are effectively implemented.
Innovation in R&D	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage	Valuable: Continuous product innovation to meet evolving consumer needs. Rare: Unilever is a leader in R&D investment in technologies such as AI formulation optimization and smart packaging. Inimitable: Patents, technology barriers and an in-house R&D team make it difficult to be imitated by competitors. Organized: The company has a well-established R&D team and global labs to ensure that innovations keep running.
Digital Marketing	Yes	No	No	Yes	Competitive Parity	Valuable: Digital marketing increases brand exposure and customer interaction. Rare: Most companies have a digital marketing strategy, so it is not scarce. Inimitable: Strategies such as social media and online advertising are easily replicated. Organized: Unilever has an established marketing department that can efficiently run digital marketing campaigns.
Blockchain Tracing Systems	Yes	Yes	Yes	No	Emerging Competitive Advantage	Valuable: Transparency in the supply chain enhances consumer trust and meets ESG regulatory requirements. Rare: Still an innovative application in the FMCG industry, implemented by a few companies. Inimitable: High technical difficulty, difficult for competitors to replicate in a short period of time. Organized: Still in the development stage, not fully integrated into business processes.

Table 3

Unilever's sustainable competitive advantage lies in brand equity and R&D innovation, as these are deeply rooted in its market positioning and are difficult for competitors to replicate. This is also the explanation of the weak threats of substitutes and new entrants in Five Forces analysis, demonstrating the interactive effect of internal competitiveness and external factors.

Global distribution and sustainable supply chains provide temporary advantages, but they are increasingly being imitated by industry rivals. Digital marketing, while essential, does not offer a unique advantage due to its widespread adoption. Blockchain tracking system is an emerging strategy, which could be a strength in the future if integrated effectively (Natarajan et al., 2021). These selected internal factors are actually summarized from another tool called Value Chain Analysis, which presents the whole process of business operation. It is argued to be a useful tool to assess the company's competitive advantages (Stobierski, 2020), but during practical applications, it did not present more information outside the fundamental workflow of production. Thus, the report uses it as a base for VRIO analysis rather than detailed analysis, which is proved to be effective in driving useful information.

In order to integrate the internal and external analysis, a phased summary is necessary. SWOT can be a useful tool, which is a framework used to help a company identify the strengths, weaknesses, opportunities and threats associated with business competition (Benzaghta et al., 2021). The TOWS Matrix, as a further step, can be seen as an extension of the SWOT process, shaping the actions to be taken of key areas, which often be shown as a more comprehensive presentation of business situations

(Đalić et al., 2021). Therefore, the report adopts TOWS to analyse Unilever as follows.

Internal Factors External Factors	Strengths	Weaknesses
	- Strong brand portfolio (Dove, Knorr, Hellmann's). - Global supply chain and retail distribution network. - Sustainability and ethical sourcing initiatives. - Advanced R&D and digital marketing strategies.	- Vulnerability to fluctuating raw material prices. - Dependence on third-party logistics (3PL) in some regions. - Regulatory inconsistency and complex international tax structures. - No absolute competitive advantage in personal care and food categories.
Opportunities - Expansion in emerging markets with rising disposable incomes. - Growth in DTC and e-commerce-driven FMCG sales. - Rising demand for sustainable and organic products. - AI-driven personalization and supply chain optimization.	SO Strategies – Use strengths to take advantage of opportunities - Leverage strong brand portfolio (S1) to introduce organic and sustainable product lines, meeting rising consumer demand (O3). - Expand DTC and e-commerce channels (O2) using advanced digital marketing strategies and AI-driven personalization (S4). - Enhance R&D (S4) to develop AI-powered customization (O4) in personal care and food products.	WO Strategies – Take advantages of opportunities by overcoming weaknesses - Reduce reliance on third-party logistics (3PL) (W2) by investing in localized distribution hubs in emerging markets (O1). - Mitigate regulatory risks (W3) by strengthening tax and compliance strategies before expanding into new markets (O1). - Develop in-house logistics capabilities (W2) for more control over e-commerce expansion (O2).
Threats - Increasing competition from P&G, Nestlé, and local FMCG brands. - Economic downturns affecting consumer purchasing power. - Regulatory challenges and global trade restrictions. - Changing consumer preferences (health-conscious shift).	ST Strategies – Use strengths to avoid threats - Use supply chain strength (S2) to counteract economic downturn (T2) effects by optimizing costs and logistics efficiency. - Strengthen brand differentiation (S1) to maintain market share against competition from P&G, Nestlé, and local FMCG brands (T1). - Utilize sustainability initiatives (S3) to navigate regulatory risks (T3) and appeal to environmentally conscious consumers (T4).	WT Strategies – Minimise weaknesses and avoid threats - Improve financial resilience (T2) by hedging against raw material price fluctuations (W1). - Strengthen risk management in supply chain operations (W2) to minimize disruptions from global trade restrictions (T3). - Invest in cost-efficient production (W4) and automation to remain competitive in the face of rising operational costs (T1).

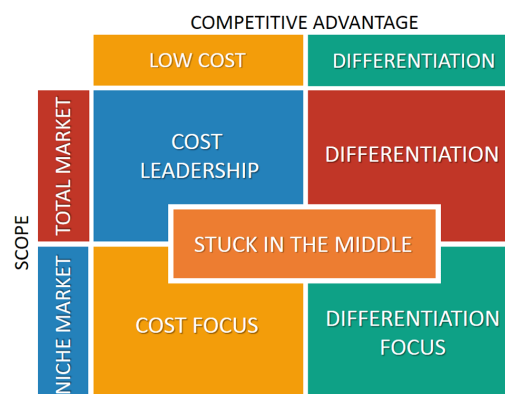
Table 4

Unilever's TOWS analysis reveals a strategic approach that builds on its strengths while addressing internal weaknesses and external threats. By leveraging its strong brand portfolio and digital marketing expertise, Unilever can enhance its strengths and catch emerging opportunities driven by technology advancement. However, its reliance on third-party logistics and vulnerability to raw material price fluctuations require it to strengthen supply chain control and financial resilience. Investments in cost-effective production and automation will also help mitigate global economic uncertainty and maintain long-term competitive advantage (Aithal, 2023).

Overall, the situation Unilever faces are complex and multifaceted, requiring comprehensive strategic considerations including cost and differentiation, and given the frequent mentions of sustainability in the TOWS analysis, subsequent analysis process also should incorporate related factors.

4. Strategy Formulation & Competitive Positioning

During planning further strategy development, it is necessary to review the current strategy situation and market positioning. Porter's generic strategy is a strategic framework that identifies three core approaches that firms can use to gain competitive advantage. These strategies help firms to position themselves in the market based on cost, differentiation and focus on specific market segments (Ateljević et al., 2023).



Picture 2

However, sometimes more complex strategy can be adopted in real world, especially for international FMCG giants like Unilever, so it is just a simplified model for references.

For most of the studies, Unilever is classified as Differentiation strategy user including Lieu et al. (2021), with Alhosseiny (2023) proving that Differentiation strategy achieved the highest market share. However, when combining ideas from Ismaeel and Alsariera (2023), a hybrid strategy is a better description because it balances Cost Leadership with an emphasis on promoting brand innovation and sustainable differentiation (Table 6). This combination ensures broad consumer appeal, market resilience and long-term competitive advantage. In addition, it has selectively adopted the Focus Strategy in localized areas to expand market coverage (Unilever PLC, 2025).

Differentiation Strategy (Primary Strategy) - Unilever distinguishes itself through strong branding, innovation, and sustainability efforts. - With various famous brands among the industry, it offers high-quality, great-value products that cater to diverse consumer needs. - Its focus on sustainability and ethical sourcing (e.g., reducing plastic waste and promoting fair trade) strengthens its brand image. - Significant investment in R&D and digital marketing ensures continuous product innovation and consumer engagement.
Cost Leadership (Secondary Strategy) - Unilever adopts economies of scale through its vast global supply chain. - It optimizes procurement, logistics, and operational efficiency to keep costs low while maintaining product quality. - In developing markets, Unilever employs affordable pricing strategies to cater to price-sensitive consumers, achieving cost competitiveness.
Focus Strategy (Regional Adaptation) - Unilever adapts its product offerings to specific regional preferences, integrating local flavors and cultural insights. - Example: Ayush in India (traditional herbal care) and Knorr's localized product ranges tailored to regional tastes (Unilever PLC, 2025).

Table 5

Additionally, Unilever's M&A activities also reflect its hybrid growth strategy:

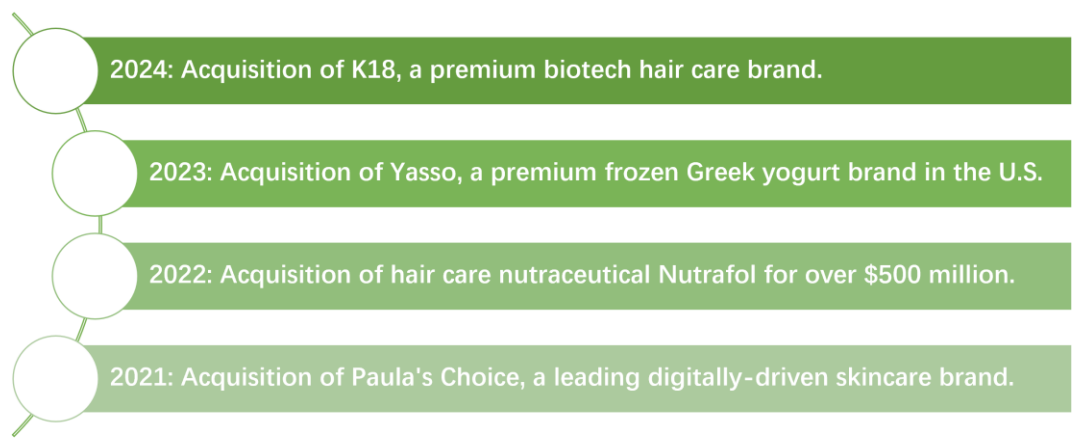


Table 6

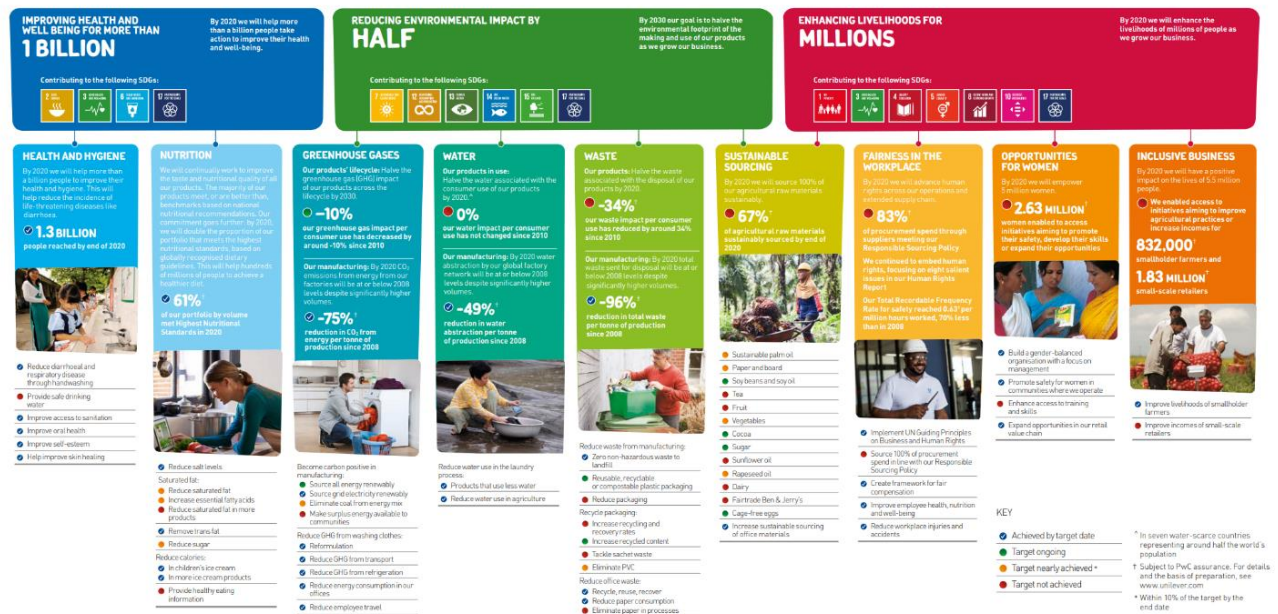
The core of its strategy is to acquire established brands through acquisitions, on the one hand, to focus its resources on high-margin markets, such as beauty, health food and high-end ice cream, to efficiently differentiate itself from traditional FMCG. On the other hand, avoiding the capital to innovate from scratch (Bradt and Pritchett, 2022) facilitates the creation of a price advantage under cost leadership strategy.

Similarly, in the Ansoff Matrix, Unilever has adopted a hybrid strategy that includes expansion in both existing and new markets & products (Evatt, 2023), resulting in an ambiguous positioning, so no more discussions here, but turn to the more worthwhile sustainability section.

5. Sustainability & Strategic Recommendations

Unilever has always been at the forefront of sustainable development with its Sustainable Living Programme (USLP) (2010-2020) and Compass Strategy (2021 to present). Its progress in recent years can be found in the *Unilever Sustainable Living Plan: Summary of 10 years' progress*, published on the official website 2021.

Unilever Sustainable Living Plan: Summary of 10 years' progress



Picture 3

Its key initiatives in recent years can be divided into two parts. Environmentally, it strives to halve virgin plastic use by 2025 and net-zero emissions along the entire value chain by 2039 (Segal, 2024), and has achieved 97.5% deforestation-free in its sourcing of key commodities (McMillan, 2024). Socially, it puts efforts on fair living wage and employee well-being, and also stands as a benchmark for age, gender and ethnicity diversity with 50% of managerial roles represented by women after 2018 (Savoy, 2021).

Expect for benefits to the world, Unilever's sustainability Initiative is strategically significant in branding level. For consumers, ethical appeal strengthens brand loyalty

(Kotler & Keller, 2022). For investors, sustainable brand excellence enhances ESG investment attractiveness. For competitors, Unilever also differentiates itself through sustainable product innovation.

While sustainability is a competitive advantage, it also poses financial and operational challenges: In terms of cost pressures, green supply chain and ESG programmes increase operating costs due to ethical sourcing, renewable energy investments and packaging innovations. Mitigating these risks will require Unilever to offset higher costs by investing in sustainable productivity and leveraging economies of scale. Secondly, reliance on third party suppliers creates sustainability compliance risks. Unilever can manage this risk through rigorous supplier audits, blockchain transparency programmes and long-term sourcing partnerships. Regulatory risks posed by evolving global sustainability laws also require proactive policy engagement and adaptation by Unilever. Lastly, if sustainability claims are not substantiated, there is a risk of being accused of “greenwashing” by consumers (Shanor & Light, 2022), which further emphasises the importance of supply chain transparency.

To address the above risks and help Unilever improve its strategic positioning in line with environmental and social sustainability, this report makes the following recommendations.

Recommendation	Reason & Explanation
Expand Sustainability-Driven Market Entry	Target emerging markets with affordable sustainable products (e.g., water-efficient cleaning products in water-scarce regions) to enhance brand relevance and market penetration (Brennan, T. et al.,2023) .
Leverage Digital Transformation for Supply Chain Transparency	Implement blockchain and AI-driven tracking systems to ensure ethical sourcing and reduce greenwashing risks, improving consumer trust.
Strengthen Circular Economy Initiatives	Increase closed-loop recycling and partnerships with governments to improve waste collection, particularly in developing markets.
Invest in Regenerative Agriculture	Beyond carbon neutrality, focus on soil health, biodiversity, and water conservation to future-proof agricultural supply chains (Stockdale et al., 2024).
Enhance Supplier Accountability	Establish stricter monitoring of fair labor practices in supply chains to align with human rights regulations and avoid reputational risks.
Expand Decentralized Renewable Energy Use	Invest in local renewable energy projects (e.g., solar-powered production facilities) to reduce carbon footprint and energy costs.
Develop Sustainable Product Innovation	Accelerate plant-based, biodegradable, and refillable packaging solutions to meet rising eco-conscious consumer demand.
Increase Radical Transparency in ESG Reporting	Strengthen real-time sustainability disclosures to align with stricter global ESG regulations and investor expectations.

Table 7

From the previous analysis, the external PESTLE and Porter's Five Forces analyses help to identify the impact of the general environment and industry dynamics on the sustainability strategy, and the recommendations on green product innovation and digital transformation are based on the internal VRIO resource analysis. Combined with the strategy analysis, Unilever should stick to its current strategy, while considering the use of sustainable planning for market expansion and adopt actions in the TOWS to work on transforming sustainable advantages into competitiveness.

6. Conclusion

In summary, this report provides an overall strategic analysis of global FMCG giant Unilever. The external analysis through PESTEL reveals challenges such as political and economic uncertainty, but also opportunities presented by technology and changing consumer trends. The Porter's Five Forces analysis shows intense competition and strong buyer power, but new entrants face high barriers. Internally, Unilever has sustainable competitive advantages in brand equity and R&D, with other key advantages needing optimization, with TOWS linking internal strengths and weaknesses to external opportunities and threats. Strategically, Unilever employs a mix of cost leadership, differentiation and focus strategies with balanced growth of targeted M&A. Sustainability is the core of its strategic focus. Despite leading in both environmental and social initiatives, potential risks need addressing by adaptation and tactics.

Overall, strategic management is critical for Unilever to navigate the sustainable business environment, which requires external agility, internal compatibility and a focus on sustainability to remain competitive *(2181 words)*.

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