

Strategic Analysis and Sustainable Strategy Development



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Executive Summary

This report evaluates Unilever's strategic position in the global fast-moving consumer goods (FMCG) sector. The analysis shows that Unilever remains competitively strong because it combines powerful brands, broad geographic reach, science-led innovation, disciplined portfolio management and increasingly formalised sustainability governance. This interpretation is consistent with contemporary strategy analysis, which stresses the fit between industry positioning and internal capability development (Grant, 2021).

However, the company also faces intense rivalry from multinational peers and private labels, weak consumer confidence in several developed markets, tightening packaging and due-diligence regulation, and persistent execution risks in decarbonising complex global supply chains. Using PESTEL, Porter's Five Forces, RBV, Value Chain, SWOT/TOWS, Porter's Generic Strategies and Ansoff's Matrix, the report argues that Unilever's current position is best understood as broad differentiation supported by selective premiumisation and productivity-led reinvestment rather than pure cost leadership.

The report recommends four priorities: accelerate scalable packaging redesign, deepen supplier decarbonisation and living-wage governance, sustain a dual affordability-premium strategy, and continue bolt-on acquisitions in high-growth categories. Overall, sustainability is not separate from strategy at Unilever; it is increasingly a condition for long-term competitiveness.

Introduction

Unilever is one of the world's largest consumer goods companies, operating across Beauty & Wellbeing, Personal Care, Home Care and Foods. In 2025, continuing operations generated turnover of €50.5 billion, with products sold in around 190 countries and a strong presence in both developed and emerging markets (Unilever, 2025a). The firm is strategically relevant because FMCG combines scale economics, branding, distribution power, input-cost exposure, regulatory pressure and growing stakeholder expectations around sustainability. Unilever is therefore a useful case for analysing how corporate strategy and sustainability intersect in a mature but still highly dynamic industry.

The company's key strategic challenges are threefold. First, growth is harder to secure in a subdued macroeconomic environment where consumers remain price sensitive and retailer power is significant. Second, competition is intensifying not only from global branded peers such as Nestlé and Procter & Gamble but also from expanding private-label offerings (Ndlovu, 2024; Schena, Morrone and Russo, 2023). Third, Unilever must improve financial performance while meeting stronger expectations on plastics, climate transition, labour standards and supply-chain transparency (European Commission, 2024; European Commission, 2025). Against this backdrop, the report evaluates Unilever's external environment, internal capabilities, strategic positioning and sustainability direction.

External Analysis

A PESTEL analysis suggests that Unilever operates in a demanding but opportunity-rich environment. Politically and legally, the European Union's Corporate Sustainability Due Diligence Directive and new packaging rules will increase expectations for traceability, risk management and recyclable packaging across value chains (European Commission, 2024; European Commission, 2025). These rules raise compliance costs, but they also favour large firms with stronger governance systems and investment capacity. Economically, global growth remains subdued and uncertainty remains elevated, while inflation has eased only unevenly across markets (IMF, 2025). For Unilever, this means continuing tension between affordability and margin management. At the same time, the company benefits from emerging markets, which represented 59% of turnover in 2025 and provide stronger structural demand than many mature markets (Unilever, 2025b).

Socially, consumers are increasingly attentive to health, wellbeing, ethics and environmental impact, although willingness to pay remains inconsistent. In practice, this means sustainability can support differentiation, but it does not remove the commercial pressure to remain affordable in everyday categories. This creates demand for premium, purpose-linked and scientifically positioned products, but also for value formats during cost-of-living pressure. Technologically, digital commerce, AI-enabled demand forecasting and faster innovation cycles are reshaping FMCG competition. Unilever's own strategy explicitly prioritises digital commerce and becoming "fit for the AI age" (Unilever, 2025a). Environmentally, climate risk, plastic waste and resource scarcity remain material strategic issues, especially in Home Care, where decarbonisation depends on difficult upstream

feedstock transitions (Unilever, 2024). Overall, macro forces reward firms that can manage complexity at scale.

Porter's Five Forces reinforces this picture. Rivalry is high because the FMCG market is saturated, promotional intensity is persistent and category differentiation can be copied quickly. Competitors with comparable brand portfolios and marketing budgets limit excess profitability. Buyer power is moderate to high: large retailers exert significant pressure on pricing, shelf space and promotional support, while consumers can switch brands easily in many categories. Supplier power is moderate. Unilever's scale gives it bargaining leverage, but dependence on agricultural commodities, packaging inputs and specialised ingredients creates volatility and sustainability-related supply risks.

The threat of substitutes is moderate to high because consumers can trade down to private labels or switch to niche, local or specialist brands. (Gielens et al., 2023). The threat of new entrants is lower, though not negligible, because digital channels reduce some barriers and challenger brands can scale quickly in premium niches. Nevertheless, building global distribution, trust and advertising scale remains difficult. The five-forces assessment therefore indicates an industry in which advantage is difficult to defend over time; for Unilever, scale and branding remain important, but they must be continually renewed through innovation, affordability management and operational discipline.

Internal Analysis

From an RBV perspective, Unilever possesses several strategically valuable resources and capabilities. However, these only become a sustained advantage if they translate into outcomes that rivals find difficult to match.

First, its brand portfolio is a major intangible asset. In 2025, 78% of turnover came from Power Brands, showing the commercial relevance of brand concentration around stronger assets (Unilever, 2025a). Second, Unilever has science, formulation and innovation capabilities supported by €836 million of R&D spend in 2025, which strengthen product performance, premium positioning and speed to market (Unilever, 2025a). Third, its global route-to-market system across 190 countries, combined with scale in procurement and marketing, is costly to imitate. Fourth, the company is building organisational capabilities in data, digital commerce and AI-enabled operating models. Recent RBV scholarship suggests that sustainable advantage increasingly depends not only on resource ownership but also on dynamic capability, knowledge integration and adaptation to sustainability transitions (Cooper et al., 2023; Correggi, Di Toma and Ghinoi, 2024). In this respect, Unilever's formal Sustainability Progress Index, linked to incentives, is strategically important because it embeds sustainability within performance management rather than treating it as a peripheral communication tool (Unilever, 2025a).

Value Chain Analysis shows both strengths and bottlenecks. In inbound logistics and procurement, Unilever's scale supports sourcing efficiency, but supply resilience is constrained by agricultural exposure and decarbonisation challenges in upstream materials. In operations, the company has improved productivity and reduced complexity, including a reduction of

more than 20% in stock-keeping units since 2022, which should support service levels and margin discipline (Unilever, 2025b). In marketing and sales, the business is shifting towards social-first branding, stronger in-market execution and premium innovation, especially in Beauty & Wellbeing and Personal Care, which were the fastest-growing groups in 2025 (Unilever, 2025b). In service and customer relationships, digital commerce and category management strengthen retailer collaboration and consumer insight. This operational integration matters because recent work on sustainability and Industry 5.0 highlights the growing strategic value of digitally enabled, resilient and sustainable operations systems (Garrido, Muniz Jr. and Ribeiro, 2024). However, weaknesses remain in packaging circularity and end-to-end emissions reduction, where technological and ecosystem constraints still limit progress (Unilever, 2024; Unilever, 2025c). This is consistent with recent green supply chain research, which highlights supplier engagement, technology adoption and distribution redesign as central to sustainable sourcing and execution (Hariyani et al., 2024).

A SWOT/TOWS interpretation helps connect these findings. Key strengths include brand equity, geographic diversification, innovation capability and sustainability governance. Weaknesses include reliance on complex global supply chains, uneven category performance and exposure to regulatory compliance costs. Opportunities include premium wellbeing segments, emerging-market growth, AI-enabled productivity and sustainable packaging innovation (Branca, Resciniti and Babin, 2024; Herbes et al., 2024; Mudgal, Pagone and Salonitis, 2024). Lau and Wong (2024) similarly argue that sustainable packaging becomes strategically valuable only when firms can connect materials choices, stakeholder integration and implementation capability. Threats include private-label

competition, geopolitical and commodity volatility, and rising scrutiny over plastics and labour practices (Ndlovu, 2024; European Commission, 2024). From a TOWS perspective, Unilever should use its brand scale and innovation strength to expand sustainable and premium product formats (SO). It should also use governance capability and supplier partnerships to reduce exposure to tightening regulation and labour scrutiny (ST). To address internal weaknesses, the firm needs to use AI, procurement discipline and packaging innovation to reduce complexity and improve execution (WO). Finally, it should limit strategic drift by focusing investment on categories where differentiation is strongest and private-label substitution is weaker (WT).

Strategy Formulation and Competitive Positioning

Unilever's current competitive positioning is best interpreted through Porter's Generic Strategies as broad differentiation. The company does not compete primarily on lowest price. Instead, it seeks superior brand salience, product quality, science-based claims, sensory appeal, distribution excellence and selective premiumisation. This is visible in its focus on "Desire at Scale", Power Brands and faster growth in Beauty & Wellbeing and Personal Care (Unilever, 2025a; Unilever, 2025b). However, broad differentiation must be balanced with affordability in essential categories, especially in emerging markets and during weak consumer sentiment. Therefore, Unilever's practical position is differentiation supported by productivity savings that fund reinvestment and protect competitiveness, rather than a pure premium strategy. This positioning is strategically attractive, but it is also fragile: if premiumisation moves too far ahead of affordability, Unilever risks losing volume; if it leans too heavily towards value, it may weaken the brand distinction that supports margins and sustainability investment.

Ansoff's Matrix suggests that Unilever is simultaneously pursuing market penetration, product development and selective market development. Market penetration is evident in increased support for core brands, improved in-market execution and digital commerce expansion. Product development is visible in premium beauty, wellbeing and science-led innovation. Market development is strongest in priority growth markets such as India and the United States, which management identifies as strategic priorities (Unilever, 2025a). Diversification is limited but not absent: the firm continues to reshape its portfolio through focused moves into faster-growing segments rather than unrelated expansion.

This makes the M&A element important. Unilever's capital allocation framework explicitly rules out transformational acquisitions but supports bolt-on deals and portfolio reshaping (Unilever, 2025a). This appears strategically coherent. The acquisitions of Minimalist in India and Dr Squatch in personal care, alongside the continued development of Nutrafol, strengthen capabilities in premium, high-growth and digitally resonant spaces without undermining organisational focus (Unilever, 2025a). Equally, the separation of Ice Cream sharpens the strategic logic of the remaining portfolio. The limitation is that bolt-on acquisitions alone cannot solve structural issues such as retailer power or packaging regulation; they must complement, not replace, internal capability development. For that reason, bolt-on acquisitions are most effective when they deepen existing category strengths rather than distracting management from core execution problems.

Sustainability and Strategic Recommendations

Unilever's sustainability agenda has strategic depth. Its 2024 Climate Transition Action Plan commits to net zero across the value chain by 2039 and prioritises absolute emissions reduction over near-term offsetting (Unilever, 2024). In 2025, the business reported that it had reached 25% recycled plastic use in packaging and collected or processed more plastic than it sold, while continuing to link management incentives to sustainability performance through the Sustainability Progress Index (Unilever, 2025a; Unilever, 2025c). The company has also extended living-wage and livelihood commitments into its wider value chain (Unilever, 2025d). These actions can strengthen legitimacy, regulatory readiness and capability building. Even so, these indicators are easier to state at corporate level than to deliver consistently across thousands of products, multiple packaging formats and fragmented supply networks.

However, the strategic challenge is execution. Unilever acknowledges that some of the hardest emissions reductions are still unresolved and that flexible packaging, especially sachets, remains difficult to redesign at scale (Unilever, 2024; Unilever, 2025c). Recent research also shows that sustainable packaging succeeds only when environmental gains, consumer usability and whole-life economics are aligned (Barca et al., 2024; Corona et al., 2024; Mudgal, Pagone and Salonitis, 2024). These recommendations follow directly from the earlier analysis: the first two address packaging and supply-chain execution weaknesses, the third addresses affordability pressure and downtrading risk, and the fourth supports focused growth without strategic dilution. First, Unilever should accelerate packaging redesign in formats where regulation and waste intensity are highest, prioritising scalable material shifts rather than isolated pilots. Second, it should strengthen supplier contracts by tying procurement

more explicitly to carbon, traceability and living-wage metrics. Third, it should sustain a dual strategy of affordability in mass categories and premiumisation in beauty and wellbeing, reducing exposure to consumer downtrading. Fourth, it should continue targeted acquisitions and partnerships in health, beauty and sustainable materials where it can add distribution and capability leverage quickly.

Conclusion

This report has shown that Unilever retains a strong strategic position in global FMCG, but its advantage is contingent rather than automatic. Externally, the company faces high rivalry, price-sensitive consumers, expanding private labels and tightening sustainability regulation. Internally, however, it benefits from valuable brands, global scale, innovation capability and increasingly embedded sustainability governance. The analysis suggests that Unilever's most defensible position is broad differentiation supported by productivity, selective premiumisation and disciplined portfolio management. Sustainability is central to that position because regulation, consumer expectations and supply-chain resilience now affect competitive advantage directly.

The wider lesson is that strategic management in a sustainable business environment requires more than model application in the abstract. Firms must integrate external analysis, internal capability assessment and long-term social and environmental commitments into one coherent strategic logic. For Unilever, this means turning sustainability from a set of targets into a source of operational resilience, innovation and market relevance. The company is moving in that direction, but the next stage will depend on whether it can scale

circular packaging, decarbonise upstream inputs and balance premium growth with affordability. Strategic success, therefore, will depend on execution as much as intent.

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