

## **Strategic Analysis Of Unilever: PESTEL, Porter's Five Forces, VRINE Essay.**

Strategic analysis of a company is a critical aspect for organizing and improving the market strategy. Strategic analysis assists businesses to achieve their objectives and overall vision. It is a process of investigating a business and its operational setting to create a strategy. This report will provide a strategic analysis of a Publicly Traded Company named Unilever using PESTEL analysis, Porter's five forces and the VRINE model. Following that, the company's performance in the last three years has been discussed. Lastly, a recommendation for the company has been provided.

Unilever is among the largest multinational company in the FMCG sector globally. It was established in the year 1929 by the merger of British soapmaker Lever Brothers and Dutch margarine producer Margarine Unie. Unilever has its headquarter in London, England. It is Anglo Dutch company with more than 400 brands, out of which 13 brands had a turnover of over €1 billion in 2021 (Unilever 2022). These thirteen brands are Sunlight, Lux, Lifebuoy, Lynx, Knorr, Magnum, Lipton, Omo, Hellmann's, Rexona, Sunsilk, and Dove. Unilever is segregated its business into three divisions: home care, beauty and personal care and foods and refreshment.

Unilever operates in more than 190 countries, and over three billion people use their products on a daily basis. In 2021, Unilver had a turnover of € 52 billion with 58 per cent in emerging markets. The products of Unilever include breakfast cereal, toothpaste, tea, cleaning agents, condiments, minerals and supplements, coffee, pet food, wellbeing vitamin, ice cream, foods, air and water purifiers, personal care and beauty products. It has research and development departments in the United States, India, the Netherlands, the United Kingdom, and China (Unilever 2022).

Unilever is a publicly listed company with its listing in London Stock Exchange, Euronext Amsterdam and New York Stock Exchange. Unilever is also a part of the FTSE 100 Index and AEX Index. Further, Unilever was also part of the Euro Stoxx 50 stock market index. The company has 148k employees working under them (Unilever 2022).

The mission and vision statement of Unilever serves as the basis for the success of the organization.

Mission statement: "to add vitality to life. We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life" (Johnson et al., 2020).

The mission statement of Unilver signifies the organizational strategies. It specifies how the company meets the demands of the customers. It explains the significance of the products and how they work in favour of the consumers. Moreover, with the help of its products, Unilever draws more consumers to look and feel better. The product kinds specified in the mission statement is a basis of foundation for the product range in the marketing mix of Unilever

Vision statement: “to make sustainable living commonplace. We believe this is the best long-term way for our business to grow” (Johnson et al., 2020).

The vision statement directs the development of Unilever. The vision statement clearly states what the organization must do in order to prosper in the long run. The statement signifies how the organization develops and sustains its accomplishment in the international market. The company recognizes the significance of sustainability.

Environment al Factor	Events, trends and possible developments for the foreseeable future	Potential significance for the focal organization
Political /geopolitical and regulatory	<ul style="list-style-type: none"> <li>· Health and safety laws</li> <li>· Employment laws</li> <li>· Consumer Protection Laws</li> <li>· Trade Agreements</li> </ul>	The political landscape describes how governments affect the external environment of a company. To begin with, the majority of countries are politically stable, allowing Unilver to expand in the sector in which it runs. Secondly, a free trade agreement has been developed, allowing Unilever to reach a wider audience (Tien 2019). Thirdly, the EU has had political problems that have almost always resulted in political instability.

Economic (national and international )	<ul style="list-style-type: none"> <li>· Employment Rates</li> <li>· Foreign Exchange Rates</li> <li>· Inflation Rate</li> <li>· Corporate and Sales Tax</li> <li>· Interest Rates</li> <li>· Wages</li> </ul>	<p>The state of the world's economies has a significant impact on Unilever's economic performance, just as it does on any other company's performance. Wage increases in rapidly emerging nations, economic stability in emerging nations, and huge growth in emerging nations are just a few of the macroeconomic factors influencing Unilever's consumer performance. Wage increases provide the company with an excellent opportunity because increased disposable income may lead to increased sales (Murphy, P.E. and Murphy 2018).</p>
Social/cultural phenomena	<ul style="list-style-type: none"> <li>· Health-conscious consumers</li> <li>· Environmentally friendly products</li> </ul>	<p>Unilever is influenced by three sociocultural factors, which provide opportunities for the consumer goods company. These include an increase in general public health consciousness. Unilever has a sizable market because health-conscious consumers buy more products that promote sanitation/health (Chiedu 2017). Because it allows for environmentally friendly products, Unilever is an environmentally conscious company. Finally, the company's sales have increased as female employee salaries around the world have raised.</p>

Technological developments	<ul style="list-style-type: none"> <li>Automation</li> <li>Research and Development</li> </ul>	<p>Unilever relies on readily available technologies to support its consumer goods business. Three technological factors influence Unilever's operations and eventual profitability. To begin with, business automation is on the rise all over the world. Business automation is both an opportunity to improve. Second, spending on research and development has increased (Mukiira, Musau, and Munya, 2017). Third, transportation costs have decreased, resulting in lower operational costs.</p>
Environmental (ecological) issues	<ul style="list-style-type: none"> <li>Environmentalism</li> </ul>	<p>Three ecological factors influence Unilever: the business is raising its hard work to remain in the market, environmental programmes are becoming more complicated, and business environmentalism interest is growing (Ullah 2021). Unilever can attract customers who care about the environment by embracing business environmentalism and implementing environmental programmes. The three factors mentioned above will benefit Unilever because they will eventually attract more customers.</p>
Legal issues	<ul style="list-style-type: none"> <li>Environmental issues</li> <li>Consumer protection legislation</li> </ul>	<p>Three legal issues must be resolved by Unilever. The first point to mention is that environmental regulations are becoming more complex. Second, internationally recognized patent laws have been strengthened. Finally, consumer protection legislation has been preserved. The factors listed are opportunities for Unilever because all of</p>

	Patent laws	the companies have been judged to be socially responsible (Ullah 2021).
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Sectors	Industry	Reason
Porter's Five Forces	High / Low	

Bargaining Power of Buyers (High)		
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1. Smaller individuals buyers	1. Low	Customers could swiftly switch from Unilever's products to other companies as the switching costs are low. This external factor adds to the high bargaining position of the buyer. Furthermore, customers now have a way into superior quality details regarding consumer goods, making it even easier for them to choose whether to switch from Unilever to another provider. On the other hand, the high information quality and low switching costs overshadow this third external factor in the industry environment (Birahim 2020).
2. Superior quality of information	2. High	
3. Switching Cost	3. High	

Bargaining Power of Suppliers (Medium)		
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<div>1. Overall Supply</div> <div>2. Number of Suppliers</div> <div>3. Size of individuals suppliers</div>	<div>1. Medium</div> <div>2. Medium</div> <div>3. Medium</div>	<p>Unilever has large suppliers such as oil companies and foreign paper, but the average supplier is few. The external factor has a moderately strong impact on the environment of the FMCG sector (Birahim 2020). Moreover, due to the moderate number of suppliers, they can wield considerable but restricted pressure over Unilever. In the same way, the moderate level of total supply aids suppliers’ significant but limited influence. Other companies in the industry are also being impacted in the same way.</p>
Threat of Substitutes (low)		
<div>1. Substitute performance-to-price ratio</div> <div>2. Substitute Availability</div>	<div>1. Low</div> <div>2. Low</div> <div>3.</div>	
<p>Due to the low switching costs, customers can easily utilize replacements for products of Unilever. However, due to a scarcity of substitutes, the total result of the substitution is weakened (Henry 2021). When compared to readily available consumer goods, most substitutes provide deprived performance at a minimal or insignificant price difference. The situation makes the products of Unilever more alluring than substitutes, reducing the risk of substitution more.</p>		

3. Switching cost	Strong	
Threat of New Entrants (High)		
1. Switching cost	1. Low	Because switching costs are low, new entrants can put significant pressure on Unilever. Developing better brands, such as Unilever, on the other hand, is an expensive endeavour (Grant 2021). This external factor mitigates the threat faced by new company competitors. Unilever also profits from large economies of scale that allows for high organizational efficiencies and competitive pricing that are typically lacking in new entrants. Therefore, the company remains strong even in the face of new entrants.
2. Brand Equity	2. High	
3. Economics of scale	3. High	
4. Entry barriers	4. Low	
Rivalry among Competitors (High)		

1. Exit Barriers	1. High	The consumer goods industry is brimming with businesses. This external factor has a substantial impact on Unilever (Lakada, Lapian, and Tumiwa 2017). Furthermore, these companies are aggressive in general, raising the stakes of the game. Unilever is also facing stiff competition as a result of its low switching costs.
2. Market Size	2. High	
3. Number of Competitors	3. High	

No	Resource / capabilities	Valuable	Rare	Inimitable and Non-substitutable	Exploitable	Competitive Advantage
1	Financial Resources			X		Sustained competitive advantage
		It is because it aids in investing in possible potentials. It also assists in	Only a few businesses in the sector have substantial financial resources (Siddique and	Imitating Unilever's financial resources is costly. Long-term profits enabled the company to	It is deployed deliberately to invest in suitable areas, capitalize on opportunit	



		minimizing threats.	Sultana 2018).	acquire these resources.	ies, and fight threats.	
2	Employees	<p>A sizable portion of the employees is immensely skilled, resulting in increased organizational productivity.</p> <p>Employees are also devoted, and the company has a high retention rate (Shaikat, 2020)</p>	<p>The employees are highly skilled and trained, and that's not the case with other companies' employees. Better pay and a more pleasant working environment keep these employees from leaving for other companies.</p>	<p>Unilever employees are also cheap to imitate. These companies can also hire Unilever employees by providing advancement opportunities, benefits, work environments, better pay packages, and among other things. As a result, Unilever employees are transformed into a capability which creates a competitive edge in the short run. Competitors might purchase</p>		<p>Temporary Competitive Advantage</p>

				these in the future.		
3	Patents			X	X	Unused Competitive Advantage.
		<p>These enable the company to sell its products without interference from rivals. Unilever's revenue rises as a result. Unilever earns licensing revenue when these patents are licensed to other producers.</p>	<p>The patents are complicated to gain and are not detained by rivals. It allows Unilever to utilize them without fear of rivalry.</p>	<p>Unilever's patents are really complicated to imitate. It is because of the fact that it is against the law to imitate a patented creation. Similar resources must be created, and obtaining a patent for them is a time-consuming and expensive process.</p>	<p>It implies that Unilever is not completely utilizing its patents (Lieu et al., 2019).</p>	

4	Distribution Network			X		
		It allows it to reach a growing number of customers. Unilever will benefit from increased revenue as a result. Since the products are easily accessible, promotional activities are more likely to result in sales.	Competitors will also find replicating Unilever's distribution network prohibitively expensive (Podowska 2021). Unilever has made small steps forward in this area over the years.		This network is used by Unilever to connect with customers by ensuring that products are available at all of its locations.	Sustained competitive Advantage

According to Standard & Poor's ratings, Unilever ranks among the "top 50 companies" in the "list of 500 leading MNCs". Overall net income, in the last three years, has reduced by 0.67 per cent, at the same time as the gross margin has increased at a steady rate of 43.25 per cent. The market capitalization is \$ 57.43 billion, with 1.28 billion issued shares outstanding (Unilever 2022). Dividends increased by 5 per cent in comparison to the last year. Investors are agreeable to pay almost \$ 24 for a one-dollar profit, indicating that it has the best profit to equity ratio among its main competitors. Unilever's financial performance has become extremely volatile as a result of currency

exchange volatility, according to recent news. The company reported a 2.3 per cent decrease in revenue in the first quarter, which led to price increases and the introduction of new premium and moderated versions of its products. Due to the insistent development of its rivals, Unilever shifted from a food oriented producer to a seller of personal care products.

According to the PESTEL analysis, Unilever faces a number of opportunities and threats. As a result, the company should devise strategies to address its customers' growing health consciousness. Unilever can look into rising customer health consciousness in order to improve the food products it produces. Secondly, in order to address opportunities related to business sustainability, sustainability programmes should be strengthened (Ze et al., 2018). Finally, Unilever should be aware that increasing automation poses a risk because it empowers competitors while decreasing Unilever's competitive advantage. Unilever should ensure that its production processes are automated in order to maintain or improve its competitiveness.

## Conclusion

Unilever is the largest FMCG company globally, according to the research findings. Because of its global reach and diverse product offering, this is the case. Second, Unilever has a huge audience base as it offers goods that satisfy the demands of the majority of consumers. As a result of price differentiation, customers have also purchased products that are within their financial means. Finally, Unilever has a fantastic opportunity to expand.

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