



**UNIVERSITÉ  
DE GENÈVE**

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GENEVA SCHOOL OF ECONOMICS  
AND MANAGEMENT

**Research Project:** Analyzing growth strategy of Unilever

**Course:** Strategic Management

**Professor:** Prof. Sebastian Raisch

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**Student No:**24-332-769

Master of Responsible Management

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## Introduction

Provide a short description of the company and its current businesses.

Unilever is one of the largest consumer goods companies in the world, with a presence in 190 countries and 4.4 million retail stores. Nearly 3.4 billion people use Unilever products daily. Unilever's operations are divided into five business groups: Beauty & Wellbeing, Personal Care, Home Care, Nutrition, and Ice Cream. The company's portfolio includes 30 leading brands, which contribute approximately 75% of its total turnover. Unilever works with 57,000 suppliers and operates over 280 factories worldwide. The company invests heavily in research and development, spending €949 million annually, and holds more than 20,000 patents, generating €1.8 billion in turnover from innovation. Unilever employs around 128,000 people worldwide, with women making up 55% of its managers. Unilever is committed to sustainability, aiming to make sustainable living commonplace<sup>i</sup>.

Unilever's growth action plan involves unlocking potential and delivering consistent value creation through faster growth, increased productivity, simplicity and performance culture<sup>iii</sup>.

**Faster growth:** Their strategy focuses on its 30 power brands, ensuring they consistently perform well in the market. The company aims to meet all aspects of consumer preference, including product quality, packaging, and pricing. They plan to invest more in various marketing and sales channels, especially digital platforms, to enhance effectiveness. By prioritizing innovations that can drive market development and category growth, Unilever leverages its strong science and technology capabilities. The company will continue to optimize its product portfolio without pursuing major acquisitions<sup>iv</sup>.

**Productivity and simplicity:** Unilever aims to simplify its operating model to improve efficiency while strengthening roles that focus on customer relationships and sales. The company prioritizes overall productivity gains, with a focus on key sustainability areas such as climate action, nature conservation, reducing plastic use, and improving livelihoods<sup>v</sup>.

**Performance culture:** Unilever plans to create clear and specific targets for individuals, defining their responsibilities and accountability. These targets will be linked to rewards to encourage value creation and high performance<sup>vi</sup>.

**Part 1: Growth Objectives :** Identify and analyze the company's growth corridor for the 8 years from 2015 to 2022.

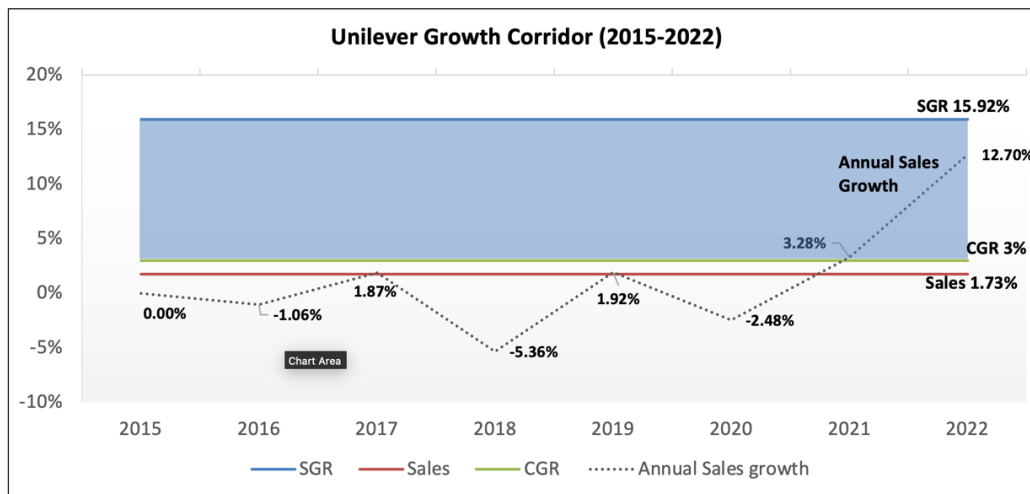


Figure 1: Growth corridor of Unilever for the year 2015 to 2022 (Annex 2)

**Key index to analyse performance of Unilever (2015-2022)**

1. **Annual Sales Growth:** The sales growth rate fluctuated, peaking at 12.70% in 2022.
2. **Sustainable Growth Rate (SGR):** 15.92%.
3. **Sales CAGR:** The compound annual growth rate of sales was 1.73%.
4. **Competitive Growth Rate (CGR):** 3%.

The growth corridor (Figure 1) from 2015 to 2022 indicates that Unilever's sales growth rate has been slower than its potential growth rate and its competitors' growth rate. This suggests that Unilever has been cautious in its growth approach, and has not made significant investments in its business. The company has prioritized stability and low risk over aggressive market moves. However, this could mean that Unilever is planning to make substantial investments in the future, such as acquisitions or research and development. Analyzing this corridor suggests that Unilever should focus on both profitability and growth strategies to further expand its market presence.

Unilever's sales demonstrated substantial growth (Figure 1) in 2021 and 2022 (within growth corridor) compared to sales between 2015 and 2020 (below growth corridor). During these years, Unilever divested major brands like Lipton, PG Tips, and T2<sup>vii</sup>, as well as smaller brands like margarine and Country Crock<sup>viii</sup>. While divesting from non-core businesses might have contributed to the company's growth, other factors, such as increased demand for Unilever's remaining products or successful marketing campaigns, could also have played a role.

From 2015 to 2022, Unilever's largest business unit was Personal Care (41% of sales), followed by Food (20%), Home Care, and Refreshment (each <20%). Within Home Care, the "fabric" category was the main driver of revenue, contributing 15% of the segment's total 19%. In contrast, "home and hygiene" products only accounted for 4%. Similarly, in the Nutrition segment, the "tea" category was a minor player, contributing just 2% to the segment's 14% total revenue. To boost sales, Unilever could consider divesting from these lower-performing segments. By doing so, Unilever could streamline operations, focus on higher-growth areas, and potentially generate capital from the sale of non-core assets (Annex 2 and Annual report Pg 180)<sup>ix</sup>.

While Unilever's cautious approach has ensured stability, the company should adopt a more aggressive investment strategy and divest from non-core businesses to unlock its full growth potential.

**Part 2: Growth Paths:** Describe and analyze one of the company's past growth initiatives for the 8 years of your analysis and suggest and analyze a potential new growth initiative, using the capability screening and growth matrix for the two initiatives.

Unilever's core competencies:

Customer	Asset	Expertise
a. Consumer Brand Management	a. Brand portfolio	a. Product Knowledge
b. Distribution Management	b. R& D	b. Branding & marketing
c. Diverse customer base	c. Supply chain mgmt	c. Internationalization
d. Customer's preference data	d. Manufacturing unit	d. Portfolio management
e. Tailored market approaches	e. Tech- infrastructure	e. Operational efficiency

**Past Growth Initiatives: The Vegetarian Butcher**

Unilever acquired "The Vegetarian Butcher" in 2018. Founded by Dutch farmer Jaap Korteweg and officially launched in 2010, The Vegetarian Butcher offers plant-based meat alternatives and focuses on sustainability practices. This acquisition aligns with some of Unilever's core competencies but also presents new challenges (Annex 3).

**Alignment with Core Competencies:** The acquisition targets a similar customer base but focuses on a niche market of vegan and vegetarian consumers. The distribution channels for The Vegetarian Butcher are similar to those of Unilever's existing brands, facilitating integration .

**Non-Alignment with Core Competencies:**Expertise-As Unilever's first venture into plant-based food technology, the company lacked expertise in this field at the time of acquisition.

Considering these factors, I have rated the acquisition of The Vegetarian Butcher by Unilever with a single positive linkage to customer base, assets, and expertise. This acquisition represents a strategic move to enter the growing market for plant-based foods while leveraging Unilever's existing distribution network and commitment to sustainability (Annex 1).

**Potential New Growth Initiative: Sustainable Skincare**

Unilever can consider acquiring a sustainable beauty and wellness brand in the skincare category. Sustainable skin care valued at 176.6 billion in 2023 expected to grow at an CAGR 8.26% to reach 326.8 billion in 2031<sup>xiii</sup>. By acquiring growing sustainable skincare brand, Unilever can strengthen its market position and meet consumer demand for sustainable products. This strategic move aligns with the increasing demand for sustainable products and Unilever's sustainability goals (Annex 3).

**Alignment with Core Competencies:** Unilever already has a customer base that values sustainability, which aligns well with the target market for sustainable skincare products. It has extensive experience and expertise in the skincare category, which can be leveraged to enhance the acquired brand. Its existing distribution network can be utilized to effectively market and distribute the new sustainable skincare products.

**Non-Alignment with Core Competencies:**Sustainability Integration: Unilever's commitment to sustainability hasn't yet translated into the operational activities needed for its skincare category.

Considering these factors, I have rated the acquisition of sustainable skin care by Unilever with a double positive linkage to customer base and single positive linkage to assets, and expertise. This acquisition strategically positions Unilever to tap into the expanding market for sustainable

skincare products, capitalizing on its established distribution network and enhancing the sustainability factors in its core business (Annex 1).

Unilever's past acquisition of The Vegetarian Butcher allowed it to enter the plant-based food market, leveraging its existing distribution network despite initial expertise gaps. This move has already begun to show positive results<sup>xiv</sup>. Similarly, a potential acquisition of a sustainable skincare brand would align with current market trends in beauty and wellness, as well as with Unilever's broader sustainability goals. By acquiring such a brand, Unilever could consolidate its position in the growing sustainable skincare market. Both initiatives demonstrate Unilever's commitment to sustainability and its ability to adapt its core competencies to capitalize on new growth opportunities (Annex 3).

**Part 3: Growth Structures** -Describe organizational structures that are most appropriate for the two initiatives. Discuss possible alternatives and select the best structure for the past growth initiative and the potential new growth initiative, respectively.

#### **The Vegetarian Butcher Acquisition: Organizational Structure-Independent Unit**

An Independent Unit structure is suitable for The Vegetarian Butcher. This allows the brand to operate autonomously, focusing on its unique identity and strategy. This approach fosters innovation and agility while minimizing potential conflicts with the core business<sup>xv</sup>.

##### **Why Independent Unit?**

- **Preserves Innovation:** By operating independently, The Vegetarian Butcher can maintain its innovative edge and agility.
- **Focuses on Core Competencies:** It allows the brand to focus on its core competencies, such as plant-based food development and marketing.
- **Minimizes Bureaucracy:** A more streamlined structure can lead to faster decision-making and quicker adaptation to market changes.

Alternatively, an independent network could integrate cultural and structural integration where they could get large network to explore new market.

#### **Sustainable Skincare Acquisition: Organizational Structure-Dependent Network**

A Dependent Network structure is ideal for the sustainable skincare acquisition. This structure allows Unilever to leverage its existing resources, such as its supply chain, marketing expertise, and distribution network. At the same time, it empowers the new business unit with the autonomy to innovate and grow<sup>xvi</sup>.

##### **Why Dependent Network?**

- **Leverages Existing Resources:** By utilizing Unilever's existing resources, the new business unit can benefit from economies of scale and operational efficiencies.
- **Fosters Innovation:** A degree of independence allows the new business unit to innovate and develop new products and services.
- **Ensures Alignment with Corporate Strategy:** The dependent network structure ensures that the new business unit aligns with Unilever's overall strategic goals.

Alternatively, an dependent unit where Unilever could bring in high degree of control enabling innovation through flexible structure.

By carefully considering the specific needs and challenges of each growth initiative, Unilever can implement the most effective organizational structure to drive long-term success.

## References

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## Annex 1: Capability screening

Unilever	Vegetarian Butcher	Sustainable skincare
Linkages in customers	+	++
Linkages in Asset	+	+
Linkages in Expertise	+	+

## Annex 2: Excel

## a. Unilever's Financial Data along with its competitor's data for the year 2015 to 2022

Unilever

Source: Orbis, Refinitiv Eikon, Annual Reports 2024

Data in billion EUR

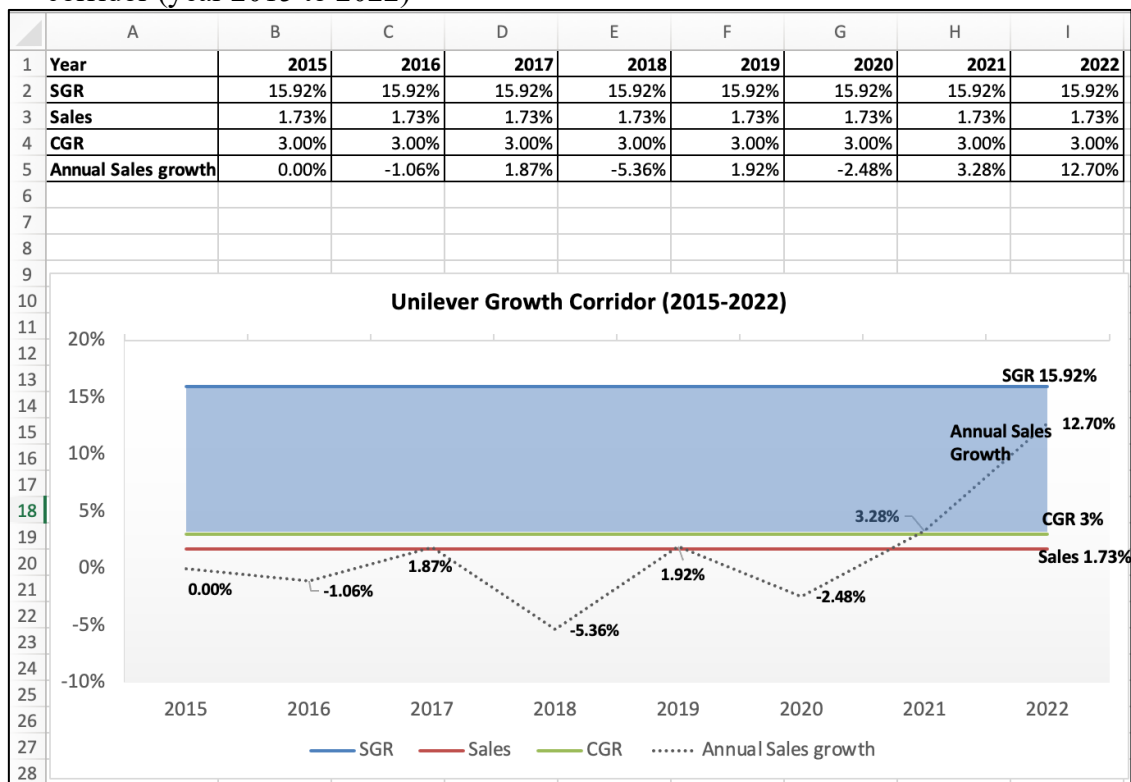
Unilever's Financial Data										
Item	Unit/BSU	2015	2016	2017	2018	2019	2020	2021	2022	
Total sales	Firm-level (overall)	53,272	52,713	53,715	50,982	51,988	50,724	52,444	60,073	
Sales growth year on year	Firm-level (overall)		-1.05%	1.90%	-5.09%	1.90%	-2.42%	3.39%	14.55%	
Net income	Firm-level (overall)	4,909	5,184	6,053	9,389	5,625	5,581	6,049	7,642	
Dividends paid	Firm-level (overall)	3,321	3,609	3,916	4,066	4,209	4,279	4,483	4,325	
Total equity	Firm-level (overall)	15,439	16,354	13,629	11,572	13,192	15,266	17,107	19,021	
Dividend Payout Ratio	Firm-level (overall)	67.85%	69.62%	64.70%	43.31%	74.83%	76.67%	74.11%	56.65%	
ROE	Firm-level (overall)	31.80%	31.70%	44.41%	81.14%	42.64%	36.56%	35.36%	40.18%	average
SGR	ROE*(1-Dividend Payout Ratio)	10%	10%	16%	46%	11%	9%	9%	17%	15.92% SGR
SGR		0.00%	-0.58%	1.96%	2.50%	2.45%	-0.11%	9.16%	5.63%	3% CGR
Sales CAGR										1.73% Sales CAGR
			-1.06%	1.87%	-5.36%	1.92%	-2.48%	3.28%	12.70%	

Unilever's Sales Data by Business Segment										
Item	Unit/BSU	2015	2016	2017	2018	2019	2020	2021	2022	
Sales (as sum of segments, without special effect)	Firm-level (overall)	53,272	52,713	53,715	50,982	51,988	50,724	52,444	60,701	
Sales	Foods	12,919	12,524	12,512	10,276	9,291	9,361	10,217	11,811	
Share of SBU Sales in Parent	Foods	24%	24%	23%	20%	18%	18%	19%	19%	
Sales	Home Care	10,159	10,009	10,574	10,131	10,825	10,461	10,572	12,414	
Share of SBU Sales in Parent	Home Care	19%	19%	20%	20%	21%	21%	20%	20%	
Sales	Personal Care	20,074	20,173	20,897	20,634	21,468	21,124	21,901	25,519	
Share of SBU Sales in Parent	Personal Care	38%	38%	39%	40%	42%	42%	43%	43%	
Sales	Refreshment	10,112	10,008	9,932	9,951	9,997	9,798	9,791	10,849	
Share of SBU Sales in Parent	Refreshment	19%	19%	18%	20%	19%	19%	19%	17%	

Note: The data shown in this table may have been cleaned, aligned and stratified over time (to account for restructured business units) which explains some deviations from the reported figures.

Unilever's Competitors' Sales Data										
Unilever's SBU	Competitor (SBU, if applicable)	2015	2016	2017	2018	2019	2020	2021	2022	
Foods	Nestlé	88,785	89,469	89,791	91,439	92,568	84,343	87,088	94,424	
Foods	Kraft Heinz	18,338	20,487	26,232	26,248	24,977	26,185	26,042	26,485	
Foods	Danone	22,412	21,944	24,812	24,651	25,287	23,621	24,281	27,661	
Foods	General Mills	17,431	16,563	15,621	15,741	16,865	17,627	18,127	18,993	
Home Care	Procter & Gamble (fabric and home care)	76,279	65,499	65,058	66,852	67,684	70,951	76,118	80,187	
Home Care	Henkel	18,081	18,744	20,029	19,899	20,114	19,251	20,866	22,397	
Home Care	Reckitt	8,874	9,891	11,512	12,597	12,846	13,993	14,234	14,453	
Personal Care	Johnson & Johnson	70,074	71,891	76,451	81,581	82,059	82,584	93,775	94,943	
Personal Care	Colgate-Palmolive	16,094	15,195	15,454	15,544	15,693	16,471	17,421	17,867	
Personal Care	Beiersdorf	6,686	6,752	7,056	7,233	7,653	7,025	7,627	8,799	
Refreshment	Coca-Cola	44,294	41,863	35,411	31,856	37,266	33,014	38,655	43,004	
Refreshment	PepsiCo	63,056	62,799	63,525	64,661	67,161	70,372	79,474	86,392	

## b. Application of the calculation of CAGR, SGR and CGR in the chart for Unilever growth corridor (year 2015 to 2022)



### Annex 3: Growth Matrix

