

How Unilever Employs the Porter Generic Strategy to Venture into a Competitive World

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Unilever is one of the top manufacturers of fast-moving consumer goods for the food, personal care, and home industries. It is a multinational corporation located in London, England, and Rotterdam, the Netherlands. Unilever, one of the biggest companies in the world, requires strong management and business tactics to manage its products across various domestic and international markets. It's interesting to note that there are three different market orientations that, to some extent, determine how a company behaves in a competitive market. These market orientations include inter-functional coordination strategy, competitor-oriented strategy, and customer-oriented strategy. Unilever needs effective competitive strategies to succeed in today's competitive market. The company has adopted Porter's generic approach to ensure that it has a long-term survival in trading and service delivery.

The strong vision clearly indicates is envisioned and has to establish a vivid description of what they will be like in the future. The firm is in existence to meet customers' needs and gain revenue. The firm will establish its objectives and lay out a strategic plan from its mission statement. The generic Porter's strategy focuses on firm focus, cost leadership, and differentiation. Businesses can gain a competitive edge by lowering the cost of their goods or differentiating them from rivals in the most desired dimensions to justify the higher prices. A company can gain a competitive advantage by implementing a narrow focus strategy, such as niche marketing, industry niche strategy, or broad focus strategy. Although this strategy appears advantageous, it has both advantages and disadvantages. As a result, this paper aims to assess how Unilever employs the Porter generic strategy to venture into a competitive world.

Unilever's Use of Michael Porter's Generic

Cost leadership refers to lowering product costs for a company to become more competitive. In various consumer markets, Unilever's primary generic strategy is cost leadership. These strategies' main objective is to maintain market leadership through efficient value chain management by concentrating on the middle-class market, which is well-represented in all international markets. The strategy aids Unilever in increasing its market share. Through this strategy, the firm caters to middle-class consumers' needs (Johnson et al., 2020). In Unilever's financial report 2020, for instance, it is stated that the business has been able to meet its customers' needs by offering free products and services such as free delivery to customers, making our services more accessible. To accomplish their targeted sales in a given period, the company employs a lower price strategy that includes lowering

production costs, maximizing supply chain efficiency, and using coupon discounts.

Through cost leadership, the firm has been able to gain brand acknowledgment, increase its client base, achieve target sales, and encourage consumers to remain loyal to the firm by emphasizing the affordability of its products. This is evident from the annual financial reports for the year 2020, which show that the company made good profits despite the global pandemic (COVID-19). Furthermore, the “operational profit of the company for €9.4 billion decreased by 5.8 percent but increased by 0.7 percent at constant exchange rates” (Unilever, 2020).

Furthermore, the company uses differentiation as a conventional strategy to gain an advantage and enlarge its customer base. Differentiation strategy is mainly used by firms that intend to gain a competitive advantage, emphasizing producing unique goods and services from their competitors. The components or qualities of their products that set them apart from competitors are the basic conventional features of this strategy. The company, which differentiates itself from its competitors, uses equity, diversity, and inclusion to distinguish and identify its brands in international markets (Unilever, 2022). For example, they manufacture unique care products under the Dove brand name to meet customers’ demands seeking soaps for dry and sensitive skin. The business emphasizes being distinctive and easily accessible in all markets for various consumer needs as part of its differentiation strategy, which aligns with its mission and vision statements. The firm also provides different goods and services to its customers (Johnson et al., 2020). It offers substitute products with various toothpaste brands, such as Pepsodent and Close-Up, allowing its customers to decide based on personal preferences and price. Last but not least, their brand logo creates a basis for differentiation that positions them as distinct and one-of-a-kind in the market after establishing a solid brand positioning and image in the minds of their customers.

Unilever adopts Porter’s generic strategy by using a focus strategy. A focus strategy encourages a firm to focus on growing the targeted segments. Businesses frequently use this strategy to target specific market segments and gain a competitive edge through niche marketing. Unilever adjusts its strategy to low costs and gives its customers the best value possible anywhere in the world. The firm uses this strategy to focus on cost leadership, where it reduces the prices of its products to ensure that they are affordable to the customers, especially for the middle-class segment. They use their low-cost strategy to meet the niche market’s demands while ensuring that their size, taste, and design adhere to their client’s preferences to meet their most lucrative focus strategies. Unilever focuses on product attributes to meet customers’ psychological expectations and maximize value for money. As a result, the company continuously updates product design and packaging and its branding strategies. The company’s focus aligns with its mission and vision statements. A focal point that aids in uniting everyone with the organization and ensuring that everyone is working toward a single goal is provided by the alignment of the vision and mission statements. The organization’s productivity and efficiency are boosted; as a result, thus attracting more customers to be loyal to the firm. In return, this has resulted in increased sales. Before the firm embraced this strategy, its sales were 50724000 pounds in 2020. However, the firm adopted a focus strategy from 2021; there has been an increase, as in the year 2021 the made sales worth EUR 52444000. The firm has generally enhanced

customer service and become more competitive against rivals thanks to Porter's generic strategy. The company has lured more clients, grown its clientele, and generated high revenue, according to financial reports for the year 2021. The company demonstrated strong [corporate social](#) responsibility and strategic leadership, which contributed to the realization of Michael Porter's general strategy recommendation.

Pros and Cons of Porter's generic

Many [business strategies](#) are emerging in the current trading world, with pros and cons. Most of these tactics tend to benefit consumers by giving them various options. The drawback of having numerous emerging businesses is that the industry would face more intense competition. Michael Porter developed a generic strategy to help entrepreneurs venture into a competitive world (Gareche et al.,2019). The suggested techniques have their pros and cons. Organizations that incorporate leadership strategy into their strategic plans will achieve higher average product profit margins fully and benefit from a high turnover at no additional cost. Even if the products are intermediate, lowering the cost of production will always result in higher profits. Additionally, a cost leadership strategy, such as lowering the price of services and goods to attract more customers, helps the organization to gain a modest advantage in the fight for the prices of the products in the market. In my thinking and reflection, a successful cost leadership approach supports the company's high rate of overhead efficiency, limited benefits, intolerance for waste, intensive budget request screening, and a broad range of controls

Company differentiation is a form of Innovation that helps create market entry barriers for the firm for new market entries. As a result of the obstacles created due to differentiation Innovation, the firm gains a competitive advantage. Because Unilever uses a variety of products that can be used for four different purposes, their customers' demands are less elastic than those of their rivals; by focusing on the cost value of the product relative to other comparable products in the market, product differentiation helps to add value by creating a perception of value among consumers and potential customers. A value-oriented strategy emphasizes how much money can be saved and how durable a product is compared to similar products (Johnson et al.,2020). The cost savings revolve around the products' life cycle costs and selling prices. Product differentiation also helps reduce price competition in the market as it allows firms to compete in other areas apart from prices. For example, Unilever differentiates its products from others by creating or manufacturing alternative products regarding quality and uses. For example, it manufactures personal care products like Dove cream bars for consumers with harsh and drying skins. Moreover, this [strategy helps in maintaining brand loyalty](#) from the customers. Consumer loyalty may be increased using the same strategy that increases market share through perceived quality or cost savings. The business must keep customers loyal and give them quality and value. When a product in a competitive market loses quality, customers might switch to a rival.

The focus strategy helps companies focus on their brands to increase customer loyalty. The more a

company concentrates on its product offerings and the preservation of the value of its products, the fewer resources are required to maintain them. The company can gain from the expertise it has developed in the manufacturing process over time. Additionally, it aids in enhancing the company's pricing structure because businesses can charge higher prices for their products where there is a high level of customer loyalty.

However, the porters' generic strategy has disadvantages; for example, customers can easily manipulate and stimulate cost leadership, thus increasing the risk that the firm is likely to face. Customers with low levels of loyalty tend to leave the company whenever offers favor them financially. Customers will switch to the new fixed prices when the new prices are lower than the firm's differentiated prices (Sun & Lee, 2019). Technological advancement leads to customers surpassing the capabilities of production. Product differentiation is expensive and may allow rivals to eradicate the discrepancy strategy, having learned the products to be put on the market. Additionally, this technique is a price sensitivity factor where customers get to select products based on their prices rather than the uniqueness of the products. Additionally, businesses using it have few opportunities to expand because of the strategy's limited scope and disregard for the idea of economies of scale, which can be found in a larger market.

Recommendations

After weighing the benefits and drawbacks of a generic strategy, the following suggestions can implement a successful business strategy for Porter's generic model to gain a competitive advantage.

1. Cost management involves cutting costs, which harms a company's overall revenues. Unilever may consider offering its products and services at a lower price than its rivals, thus attracting a high market share and increasing its revenues.

Firms should focus on value-added and product quality to maintain and attract customers.

1. The enterprise should utilize production differentiation and economies of scale by manufacturing good-quality products. Differentiating a company's products increases revenue above average, making customers more loyal to the brand and less price sensitive.
2. Businesses should focus more on niching to have a focused audience whose loyalty can be earned by developing and maintaining a solid brand image for differentiation without incurring higher costs.

Finally, Porter's generic strategy covers how companies can pursue a competitive edge by implementing the proper procedures to preserve their competitive edge and build an advantage based on multiple capabilities, including efficiency and Innovation.

Businesses can gain a competitive edge by reducing the cost of their products or differentiating themselves from competitors in the most desired dimensions to justify the higher prices. By focusing

on the affordability of its products, the company has successfully built brand recognition, expanded its clientele, hit sales goals, and retained customers. A business may choose a narrow focus strategy through niche marketing, industry niche strategies, and broad focus strategies to gain a competitive edge. Porters' general approach has drawbacks, though. For instance, cost leadership is susceptible to customer manipulation and stimulation, raising the risk that the company will face.

Conclusion

Unilever is one of the top manufacturers of fast-moving consumer goods for the food, personal care, and home industries. The company has adopted Porter's generic approach to ensure that it has a long-term survival in trading and service delivery. The firm uses cost leadership, focus, and differentiation to gain a competitive advantage. Through cost leadership, the firm has been able to gain brand acknowledgment, increase its client base, achieve target sales, and encourage consumers to remain loyal to the firm by emphasizing the affordability of its products. The company uses differentiation as a conventional strategy to gain an advantage and enlarge its customer base. Lowering the cost of production will always result in higher profits.

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