Unilever is proving that climate change can create business opportunities. The company “has a simple but clear purpose—to make sustainable living commonplace,” which Unilever believes is the best way to grow business in the long term. In 2010, Unilever adopted a Sustainable Living Plan that informs all elements of the company’s business strategy, from product development to supply chain. This plan reflects the company’s commitment to sustainable and inclusive business activities, charting growth in a way that takes into consideration environmental issues. As Paul Polman, CEO of Unilever, stated: “There is no trade-off between business and sustainability;” and in the case of Unilever, it has created substantial financial value for the company. In 2015, over half of Unilever’s growth came from Sustainable Living Brands alone, and since 2008, the company has been able to save €244M by reducing its energy consumption during production.

Unilever continues to be a success story of how to make sustainability a core feature of the business model.

COMPANY OVERVIEW

Unilever is a multinational consumer goods company that produces food, beverage, cleaning, and personal care products. The company’s portfolio is expansive, with over 400 brands, including Axe, Dove, Heartbrand, Knorr, and Lipton, reaching 70% of households globally and operating in over 190 countries. Founded in 1929 by an Anglo-Dutch merger between British Lever Brothers and Dutch Margarine Union, Unilever still has two headquarters—one in the UK and another in the Netherlands. Unilever delivers sustainable products and services as part of its core mission as a company.

UNILEVER’S INCLUSIVE BUSINESS EDGE

Unilever is proving the business case for sustainability. The company has made a firm commitment to inclusive growth that takes into consideration environmental changes. Unilever’s inclusive business strategy is executed through the three pillars of its Sustainable Living Plan: Improving Health and Wellbeing, Reducing Environmental Impact, and Enhancing Livelihoods. The plan is applied to the entirety of Unilever brands, in all markets where they operate, and drives all business strategy, including new innovation, marketing, sourcing, and manufacturing. One key development from this plan was the alteration of operations in order to lower the carbon footprint of the company through waste, energy, and water reduction initiatives. These operational shifts resulted in a 20% decrease in CO₂ emissions since 2008 and €244M in savings. Additionally, Unilever has recognized that 54% of consumers now want to buy more sustainably, and it has been financially rewarded for producing these types of goods.

Unilever was also an early mover among multinational corporations (MNCs) to recognize the way climate change is impacting people’s lives and business operations. Since implementing its Sustainable Living Plan, Unilever has successfully identified upcoming environmental challenges and closely studied shifts in consumer behavior in order to adapt its supply chain and products accordingly. In particular, it has adopted a client-centric approach that reflects the unique needs of bottom of the pyramid (BOP) consumers, as over half of Unilever’s revenue is generated in developing markets. Consumers, especially in emerging markets, respond to the stresses of climate change more quickly than...
MNCs are able to create products that address these new challenges. Unilever, however, stands out as the exception. Contrary to other MNCs, Unilever’s business strategy considers current environmental challenges and adapts the products accordingly, setting it apart from many of its competitors.

**EXECUTION:** Among MNCs, Unilever is a leader in creating commercially viable products that respond to immediate climate change challenges. For example, in Brazil, Unilever has responded to water shortages by making shampoos, laundry detergents, and hand soap that require minimal water for production and usage. Likewise, the company has also created ice creams that consume less energy by freezing at higher temperatures. Unilever’s goal is to match its “innovation program up to the levels that drive these consumer habits.” Consumers are demanding access to more fair trade, energy efficient, and locally sourced goods, and Unilever has adapted its business model to cater toward these shifts. According to Polman, “Change is happening. People are looking for cleaner labels. You see the carbohydrate markets going down. You see people eating healthier food. And these are consumers that are changing faster than many companies.”

**APPROACH:** In addition to internally executing its sustainability plan, Unilever relies on strategic partnerships with NGOs, governments, international organizations, and other industry players to move forward the global sustainability policy agenda. According to Polman, global governance has not yet met the demands the integration of markets has created, therefore businesses play an important role in de-risking the political process. Unilever targets a few key market players to create the necessary tipping point to move the agenda forward, “and once you create a tipping point, the other companies will join.” Unilever has worked on many public advocacy and social campaigns, including eliminating deforestation, increasing sustainable agriculture practices, improving the livelihoods of smallholder farmers, and working toward universal access to clean water. It is able to champion these causes through strategic partnerships with NGOs, governments, and international organizations, as well as the creation of industry-led self-regulation commitments, such as the Roundtable on Sustainable Palm Oil (RSPO).

**THE BUSINESS CASE FOR UNILEVER**

It is still difficult for many companies to make a profit selling products that are specifically targeted to BOP consumers. The profit margins on these goods and services tend to be smaller than those targeted toward middle and higher income consumers. Scaling products to the point where they are profitable and constitute a significant percentage of a company’s market share remains a challenge for many MNCs. As a result, many companies where inclusive business includes sustainable products as part of its traditional business line will often end up quietly transferring it over to their corporate social responsibility (CSR) initiatives. Unilever stands out as an exception, and has managed to sustain a wide variety of products as part of its inclusive business activities and core business model. The expansive size of Unilever’s customer base allows it to scale new products more quickly than competitors. Unilever has also recognized that climate change is tangibly impacting lives in emerging markets, and there is demand for sustainable products to help manage these new constraints. Unilever’s client-centric approach has enabled it to recognize the immediate needs of people confronting climate change, and its massive supply chain infrastructure and customer base allows it to efficiently and profitability deliver these products.
“We are creating a much stronger ecosystem that takes our risk away, but it also creates enormous opportunities to broaden our products. Because once you work in partnerships often with governments or with civil society, it creates other opportunities to grow your business.”