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ABSTRACT

Unilever Kenya Limited has recently reported poor financial results, raising concerns among investors and stakeholders. The company's performance has been characterized by several key challenges that have contributed to its subpar results. Consequently, this research aimed to examine the influence of cost leadership strategy on the performance of Unilever Kenya Limited in Nairobi City County, Kenya. The study was guided by: human capital theory, generic Porter's strategy model. This research employed a descriptive research design. The subject of analysis was Unilever Kenya Limited. The study focused on 125 employees from different departments within Unilever Kenya as the units of observation. This study adopted a census technique where every individual was incorporated. The pilot test was done at the Kericho tea Company in its offices, which falls under the tea sector. Piloting consisted of 12 respondents. The study adopted the following validity testing methods including construct, content and face validity testing. This study used internal consistency method to check and ensure the questionnaire is fit using Cronbach Alpha test. The analysis incorporated descriptive statistics like frequency counts, percentages, means, and standard deviations, along with inferential statistics employing Pearson correlation to investigate connections between study objectives. Multiple regression analysis was performed to evaluate the direction and intensity of these relationships. The study revealed that cost leadership strategy, had a positive significant relationship with the performance of Unilever Kenya Limited in Nairobi City County, Kenya. The study concludes that Unilever offer competitive prices by prioritizing cost efficiency, attracting a wider customer base in a price-sensitive market leading to increased sales volume and a larger market share, essential for growth in a competitive landscape.

Key Words: *Cost Leadership Strategy Driver, Performance*

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INTRODUCTION

Organizations involved in the Fast-Moving Consumer Goods (FMCG) sector play several critical functions that contribute to their success and the overall efficiency of the market since they deal offering a variety of products that are sold rapidly at comparatively low prices (McDonald, De-Chernatony & Harris, 2019). Salam and Khan (2022) observe that the need to enhance the performance of organizations in the FMCG sector is influenced by several key factors that affect both operational performance and market competitiveness. Therefore, as consumer preferences change swiftly and market dynamics evolve, these companies must adjust to stay relevant and profitable. Strategic factors outline the organization's objectives and the strategies and activities necessary to attain those objectives. Sharabati and Fuqaha (2014) observed that strategic drivers are considered the most essential practice that sets organizations apart from one another. Typically, strategic drivers have the potential to enhance efficiency across different organizations (Kharub, Mor & Sharma, 2019). Strategic management drivers, broadly speaking, provide the overall guidance to business organizations and sectors to maintain their competitiveness in any specific market (Porter, 2009). The utilization of these drivers are present across various organizational fields. They can comprise of leadership strategy, ICT strategy, human resource development, and organization culture (Kiloh, Magutu & Ongeri, 2020; Muigai, 2018; Ngando, Anyika & Ndegwa, 2020).

Otieno and Maina (2022) observe that the Kenya's FMCG market is experiencing rapid growth, driven by a young population and increasing disposable incomes. Companies like Coca-Cola, Unilever, and East African Breweries are key players in the market. According to Mwangangi (2023), the rise of mobile money and digital payment systems has facilitated e-commerce growth, allowing FMCG companies to reach consumers in urban and rural areas more effectively. However, challenges such as infrastructure deficits and regulatory hurdles can impact distribution and market penetration. The demand for locally sourced products is also rising, prompting companies to adapt their supply chains.

The performance of an organization relies on various factors, including the efficiency of its business processes, employee productivity, the effectiveness in achieving objectives, the alignment of business functions, as well as how well these functions align with the organizational strategy, along with the organizational culture and climate (Smith, 2019). All of these factors influence the efficiency of an organization and its performance in the market. Consequently, the effectiveness of theocratization relies on the possible benefits of instilling a robust culture within the organization's systems, allowing it to carry out its operations (Rehman, 2012). Tomal and Jones (2023) characterize organizational performance as the real outcomes or results of an organization compared to the expected output. Organizational performance pertains to consistently reaching desired outcomes in the most effective and efficient manner possible. It can be evaluated by Organizational performance can be evaluated by quality service and products, satisfying customers, market performance, service innovations, and employee relationship, Makhamara *et al,* (2021) Performance can encompass elements, goods, results, effects, and can also relate to economy, efficiency, effectiveness, cost efficiency, or fairness. Company performance can be evaluated using traditional financial methods or through non-financial performance metrics. The present research assess organizational performance through: expansion into new business areas, service delivery quality, corporate social responsibility, profitability, and a rise in customer numbers.

A cost leadership strategy combines the steps undertaken to create products or services that meet customer quality standards at the lowest expense compared to competitors (Yang Ishtiaq & Anwar, 2018). Firms that successfully pursue cost leadership strategy emphasize cost minimization, look for the raw materials' competitive sourcing and introduce modern technology (Priscillah, 2019). Any organization that can be a leader in cost will always have an advantage in market entry and customer retention. Kuloba, Gicheru and Maiyo (2020) indicated that cost leadership is generally more focused on competitors than on customers, as the organization is looking for ways to increase profitability.

Unilever Kenya Limited

The research was carried out in Nairobi and Kericho counties. It centered on the major tea producers. The study population was chosen with care, as there are at least 18 companies that operate large tea plantations in Kenya (KTGA, 2022), the oldest being Unilever Tea, which has been cultivating tea in Kenya since 1924 (Unilever, 2022). Unilever (K) Ltd operates as a subsidiary of the consumer goods behemoth Unilever, which is based in London. The company was founded in 1922 (originally as Brooke Bond Kenya Ltd) and is among the biggest owners of tea plantations in Kenya (Irungu, 2012). The parent company was recognized as Brooke Bond (K) Ltd, which was subsequently dissolved, and Unilever assumed all operations. The firm possesses extensive tea plantations in Kericho, Nandi, and oversees other associated business ventures within the nation. Unilever Kenya Limited, a subsidiary of the global consumer goods company Unilever, has demonstrated strong financial performance in recent years, reflecting its robust market position and effective business strategies. Unilever Kenya has reported a steady increase in revenue over the past few years, with annual growth rates often exceeding industry averages. For instance, the company have recorded a revenue growth of around 15% in the year 2023, driven by increased demand for its diverse product portfolio. Unilever Kenya holds a significant market share in various product categories, including personal care, home care, and food and beverages. This dominance contributes to its strong revenue figures. The company has maintained healthy gross and net profit margins, often in the range of 30-40% and 10-15% since the year 2020, respectively. This indicates effective cost management and pricing strategies.

Statement of the Problem

Unilever Kenya Limited has historically been a leader in the fast-moving consumer goods (FMCG) sector. However, recent data indicates a decline in its market share compared to competitors like Procter & Gamble, Nestlé, and local brands. Unilever's share in the personal care category dropped from 25% five years ago to 18% now, reflecting a loss of competitive edge. Local brands have increased their market share from 10% to 20%, targeting price-sensitive consumers. Additionally, Unilever faces rising production costs due to inflation and supply chain disruptions, with raw material costs up 15% in the past year, affecting operational efficiency. Unilever Kenya Limited's revenues have declined, with annual growth dropping from 10% to 2% between 2022 and 2024, indicating challenges in maintaining sales momentum.

Objective of the study

Effect of Cost leadership strategy as a driver on performance of Unilever Kenya Limited in Nairobi City County Kenya

LITERATURE REVIEW

This section discusses the theories and empirical literature review of variables

Theoretical Review

The research was directed by human capital theory and Generic Porter's strategy model

Human Capital Theory

The theory was created by Schultz in 1961, and its primary idea is that training workers through organizational investments enhances productivity and performance levels. Becker (1962) noted that when companies invest in training and educational initiatives, their workers acquire skills, knowledge, and abilities that enhance productivity. Consequently, the enhanced productivity and performance at the organizational level achieved by the employees validate the costs and expenditures that the company incurred. As stated by Hayek, Thomas, Novicevic, and Montalvo (2016), training and development initiatives can serve as a motivating element for employees, resulting in enhanced earnings, career progression, and improved retention rates. These factors are beneficial and have a positive impact on the results of organizational performance.

Generic Porter Strategy Model

Porter developed Porter's Generic Strategies in 1980. Porter's (1980) generic strategies model features a cost leadership strategy, offering practitioners an analytical framework for assessing industries and rivals. Managers, management consultants, academic instructors in management, security experts and analysts, or various observers aiming to grasp and predict organizational success or failure, as well as government representatives wishing to understand competitiveness for public policy development, are all encompassed by Porter (Barney, 2014). Companies that aim for cost leadership strive to secure a competitive edge by attaining the lowest costs in the industry (Finkelstein, Hambrick & Cannella, 2009). The theory is seen as pertinent to back the present research. A tea company adopting a cost leadership strategy attains a low-cost stance by emphasizing the rapid development of efficient-scale facilities, vigorously seeking cost reductions from experience, maintaining strict control over costs and overhead, avoiding less profitable customer accounts, and minimizing expenses in areas like R&D, services, sales force, and advertising (Porter, 1980). As a result, when investigating cost reduction measures in the tea business to increase performance, the cost leadership strategy is critical. The theory supports cost leadership strategy variable in the study.

Empirical Literature Review

This section outlines the research that has been conducted earlier by different scholars concerning the study variables. These are shown as follows according to each variable.

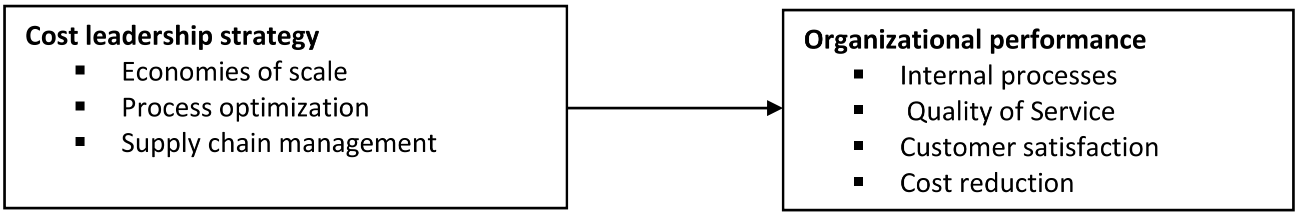
Cost leadership Strategy and Performance

Chepchirchir, Omillo, and Munyua (2018) researched how cost leadership strategy affects the performance of logistics companies at Jomo Kenyatta International Airport in Kenya. Using an explanatory research design, they carried out a survey involving 110 participants out of 151 from 10 logistics companies that have operational websites. Information was collected via a questionnaire and examined using descriptive and inferential statistics. The results showed that cost leadership positively influenced sales volume and profits while also reducing operating expenses. Nonetheless, the focus of the study on JKIA Nairobi revealed contextual and methodological shortcomings. This study evaluated the efficiency of Unilever Kenya Limited in Nairobi City County using a descriptive research approach.

Wairimu and Kirui (2020) carried out research on the impact of cost leadership strategy on the performance of tea processing factories located in Murang’a County, Kenya. They employed a descriptive survey methodology, collecting data from 407 participants across nine manufacturing sites. The researchers utilized stratified and simple random sampling techniques and examined the quantitative data through descriptive statistics. Their results indicated a strong positive relationship between differentiation, cost leadership, and focus strategies concerning organizational performance. Nevertheless, the emphasis of the study on Murang’a County revealed a contextual void, resulting in the present research that seeks to investigate the performance of Unilever Kenya Limited in Nairobi City County.

Ongere and Muturi (2022) executed a study to evaluate the impacts of cost leadership strategies on the performance of beverage firms in Nairobi, Kenya, employing a descriptive research design. The study focused on five strategic planning divisions within 22 firms, utilizing systematic sampling to choose 66 participants from a group of 600 management staff. Information was collected via surveys and examined using descriptive statistics.

The findings indicated that cost leadership strategies greatly influence company performance. This research examined beverage firms between 2017 and 2021, whereas the current study explored the performance of Unilever Kenya Limited in Nairobi from 2020 to 2024.



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

Source: Researcher (2025)

METHODOLOGY

Research Design

The research design is a comprehensive outline of the study, showing where and how information was sourced to respond to the research questions (Abbott & McKinney, 2013). This research employed a descriptive design that is useful for offering answers without any interference. It was perfect for gathering information about the study topic.

Target Population

Population denotes a complete set of individuals, events, or objects sharing a noticeable attribute that is relevant to the researcher (Mugenda & Mugenda, 2003). The target population was 125 employees in various departments i.e. 33 Accounts department 17 operation's department 17 production departments 32 training department, 16 Human Resource department and 8 from ICT department as per the (KTDA, 2023). The reason for picking these staff was because they are more conversant with the production and marketing dynamics of Tea sales both locally and internationally.

Sampling Technique and Sample Size

This study adopted a census technique where every individual was incorporated.

Data Collection Instrument

The research gathered primary data. This was achieved by employing a semi-structured questionnaire containing both open-ended and closed-ended questions. Consequently, the data gathered possessed both quantitative and qualitative characteristics.

Pilot study, validity and reliability of the research instrument

The pilot test was done at the Kericho tea Company in its offices, which fell under the tea sector, Piloting consisted of 12 respondents which constitutes 10% of the sample size for the study and covering the departments. This study adopted the construct validity, Content validity and supervisor input was utilized. Cronbach Alpha standardization of 0.7 and above was adopted in this study, as an indication of a reliable questionnaire of the research instrument. This study achieved a correlation coefficient of 0.764.

Data Analysis and Presentation

All gathered data was verified, sanitized, and coded in preparation for analysis. The information subsequently input into Ms. Excel and the Statistical Package for Social Science (SPSS version 25.0) for examination. The analysis encompassed descriptive statistics, including frequency counts, percentages, averages, and standard deviations. A multiple regression analysis was performed to illustrate the direction and intensity of the relationship between the study variables.

FINDINGS AND DISCUSSION

This chapter outlines the findings from the analysis of field data, focusing on the response rate, the background information of the respondents, descriptive statistics, and inferential analysis.

Response Rate

The study included a sample of 125 respondents and the questionnaires were distributed to all of them. The response rate is detailed below.

Table 1: Response Rate

Status of questionnaires	Total number	Percentage
Returned	114	91.2
Not returned	11	8.8
	125	**100**

Source: Research Data (2025)

The results in Table 1 showed that 114(91.2%) of participants responded, while 11(8.8%) did not. Fox, Crask and Kim (2021) suggest that a response rate of 80% or higher is adequate for data analysis. Therefore, the overall return rate of 91.2% was noteworthy, primarily due to the researcher's ability to engage directly with the respondents.

Results of Descriptive Statistics

The results of the descriptive analysis, which utilized Mean (M) and Standard Deviation (SD), are discussed below:

Cost Leadership Strategy

The respondents were required to rate their level of agreement on statement concerning the impact of a cost leadership strategy on the performance of Unilever Kenya Limited in Nairobi City County, Kenya and the results were determined in using Mean and Standard Deviations and presented in Table 2.

Table 2: Cost Leadership Strategy

Statement	Mean	Standard Deviation
Economies of scale lead to cost reduction enabling the company to maintain its competitive pricing in the market	4.30	0.607
Economies of scale improve operational effectiveness enabling Unilever to create superior products at more affordable prices than rivals	4.01	0.837
Process minimization enables the company to improve on quality control resulting to lead to reduced returns and increased customer satisfaction	4.14	0.854
An optimized process allows Unilever to be more flexible in its operations enabling the company to earn a competitive edge	3.77	1.541
Efficient supply chain management allows organizations to produce goods in larger quantities, reducing the per-unit cost	3.31	1.489
Strong relationships with suppliers can lead to better quality materials and components, reducing defects and returns	4.15	0.943
Aggregate Score	**3.95**	**1.045**

Source: Research Data (2025)

The results in Table 2 indicated that the respondents agreed on the following statements; economies of scale lead to cost reduction enabling the company to maintain its competitive pricing in the market (M=4.30, SD=0.607), process minimization enables the company to improve on quality control resulting to lead to reduced returns and increased customer satisfaction (M=4.14, SD=0.854), an optimized process allows Unilever to be more flexible in its operations enabling the company to earn a competitive edge (M=3.77, SD=1.541) and economies of scale improve operational effectiveness enabling Unilever to create superior products at more affordable prices than rivals (M=4.01, D=0.837). This collective feedback suggests that the participants recognize the critical impact of these factors on Unilever's market performance and overall success. The finding agree with Chepchirchir, Omillo, and Munyua (2018) research observation that cost leadership positively influenced sales volume and profits while also reducing operating expenses.

The results also indicate that the respondents presented a neutral view on the following statements; efficient supply chain management allows organizations to produce goods in larger quantities, reducing the per-unit cost (M=3.31, SD= 1.489).

This suggests that there is no strong consensus among the participants regarding the perceived benefits of supply chain management in terms of cost efficiency and production capacity. The finding is contrary with the finding of Wairimu and Kirui (2020) research, who observes a strong positive relationship between differentiation, cost leadership, and focus strategies concerning organizational performance. Moreover, the results indicate that there was a general agreement from the respondents on all the statements concerning the impact of a cost leadership strategy on the performance of Unilever Kenya Limited in Nairobi City County, Kenya as shown by aggregate mean and standard deviation of 3.95 and 1.045 respectively. The finding concurs with Ongere and Muturi (2022) research observation that cost leadership strategies greatly influence company performance.

The respondents were asked to indicate other ways in which cost leadership strategy had affected Unilever performance. The responses given are presented as follows;'Unilever has focused on optimizing its supply chain management, which has allowed the company to reduce production costs while maintaining product quality. The company has invested in technology and innovation to streamline operations. Automation and advanced manufacturing techniques have enabled Unilever to minimize labor costs and enhance productivity. Unilever has adopted a rigorous approach to cost control across its various business units contributing to improved profitability and overall performance.'

Organizational Performance

The respondents were required to rate their level of agreement on statement concerning the performance of Unilever Kenya Limited in Nairobi City County, Kenya and the results were determined in using Mean and Standard Deviations and presented in Table 3.

Table 3: Organizational Performance

Statement	Mean	Standard Deviation
The strategic management drivers have led to improved internal processes of the organization	3.12	1.880
The strategic management drivers have led to improved quality of service of the organization	2.91	2.090
The strategic management drivers have led to improved internal customer satisfaction	2.63	2.370
The strategic management drivers have enabled the organization to cut its costs	3.05	1.950
Aggregate Score	**2.93**	**2.073**

Source: Research Data (2025)

The results indicate that the respondents indicated neutral that; the strategic management drivers have led to improved internal processes of the organization (M=3.12, SD=1.880), the strategic management drivers have led to improved quality of service of the organization (M=2.91, SD=2.090), the strategic management drivers have led to improved internal customer satisfaction (M=2.63, SD= 2.370) and that the strategic management drivers have enabled the organization to cut its cost (M=3.05, SD=1.950). This finding suggests that while the respondents recognize some positive effects of strategic management drivers, their overall sentiment remains neutral, indicating a need for further exploration into the specific areas where these drivers may have a more pronounced impact. The finding is in contrary to Tomal and Jones (2023) research observation that organizational performance pertains to consistently reaching desired outcomes in the most effective and efficient manner possible.

Results of Multiple Regression Analysis

Regression analysis was done to establish how one variable influences the other. The results are presented in in the following sub-sections as follows.

Model Summary

Table 4: below: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.869	0.755	0.697	1.0023

Source: Research Data (2025)

The results presented in Table 4 indicated that the adjusted R-squared value is 0.755. This suggests that 72.9% of the performance variation of Unilever Kenya Limited in Nairobi City County, Kenya, can be attributed to changes in cost leadership strategy, with a confidence interval of 95%. Consequently, it can be inferred that the remaining 24.5% of Unilever Kenya Limited's performance in Nairobi City County is influenced by factors not examined in this study.

Coefficients

Table 5: below: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.603	0.305		1.977	0.003
	Cost leadership strategy	0.795	0.298	0.0261	2.668	0.002

Source: Research Data (2025)

The results indicate that the cost leadership strategy has a positive and statistically significant effect on the performance of Unilever Kenya Limited, specifically in Nairobi City County, Kenya, with a coefficient of β=0.0261 and a p-value of 0.002. This finding suggests that the implementation of a cost leadership approach has contributed to enhancing the company's overall performance in this region. The finding agrees with Chepchirchir, Omillo, and Munyua (2018) research observation that cost leadership positively influenced sales volume and profits while also reducing operating expenses.

CONCLUSIONS AND RECOMMENDATIONS

The study sought to evaluated the effect of a cost leadership strategy on the performance of Unilever Kenya Limited in Nairobi City County, Kenya. The study revealed that cost leadership strategy had a positive significant relationship with the performance of Unilever Kenya Limited in Nairobi City County, Kenya. The company's strategic focus on economies of scale strengthens its market position and also fosters a positive relationship with consumers. The company is better positioned to outperform its competitors, innovate more rapidly, and ultimately achieve sustained growth and profitability. The organization can achieve higher standards of quality by streamlining processes, ultimately fostering a more positive experience for its customers. When suppliers are engaged in a collaborative partnership, they are more likely to prioritize quality control and adhere to higher standards, which in turn reduces the likelihood of defects and the need for product returns.

The study concludes that Unilever offer competitive prices by prioritizing cost efficiency, attracting a wider customer base in a price-sensitive market leading to increased sales volume and a larger market share, essential for growth in a competitive landscape. Adopting a cost leadership approach enables Unilever to optimize its operations.

The study recommends that the company should optimize supply chain management by streamlining logistics and reducing transportation costs to achieve greater efficiency. This may involve negotiating better terms with suppliers, consolidating shipments, and utilizing technology to track inventory and demand more accurately.

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