

Unilever China

Outpacing the market

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- Unilever China: the context
- The opportunity and our strategy
- The challenges and our responses
- The outcome

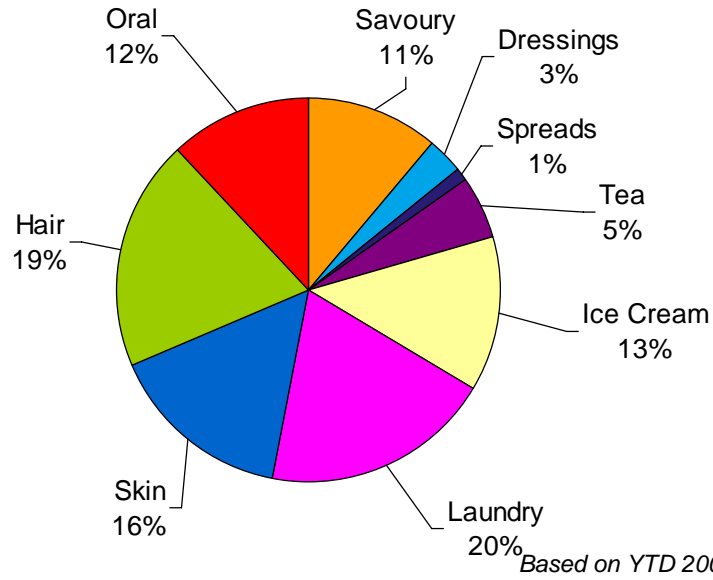
Unilever and China - A long history

Lever Brothers entered China in 1923

Unilever returned to China in 1986

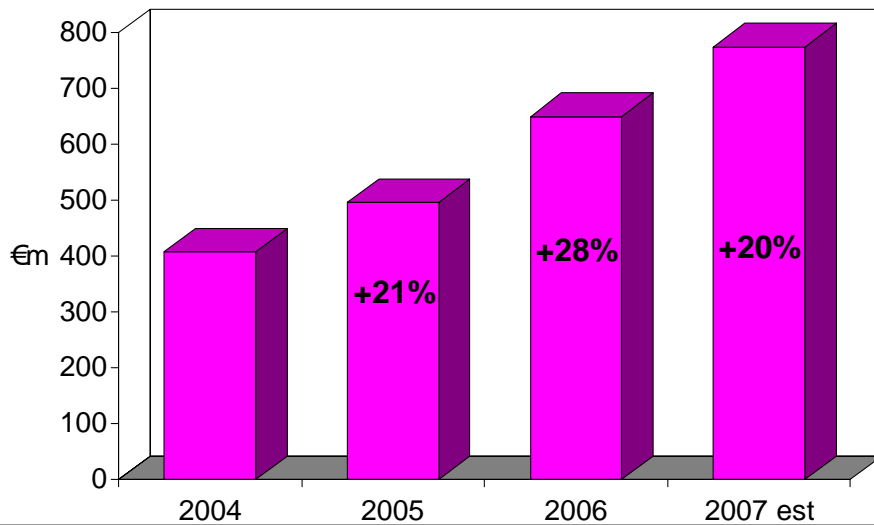


Unilever China by Category



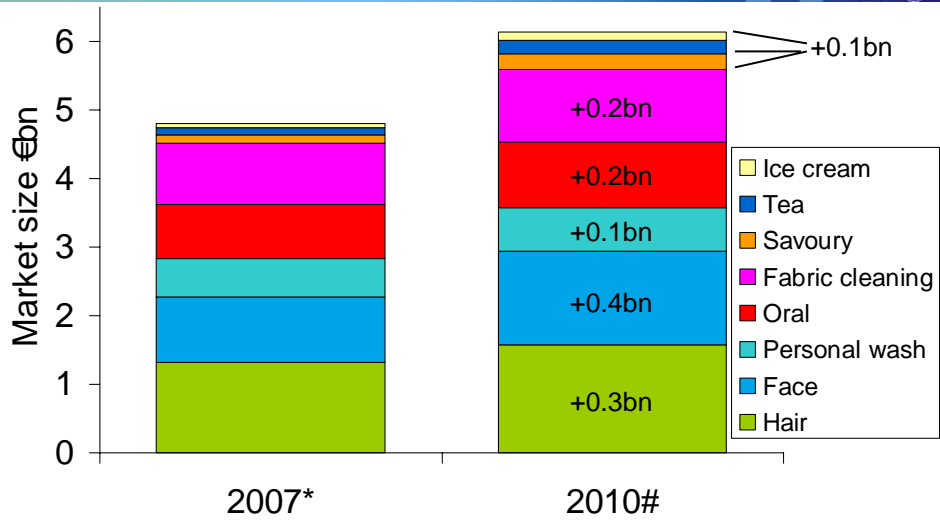
Doubling the business in three years

Unilever China annual turnover and USG



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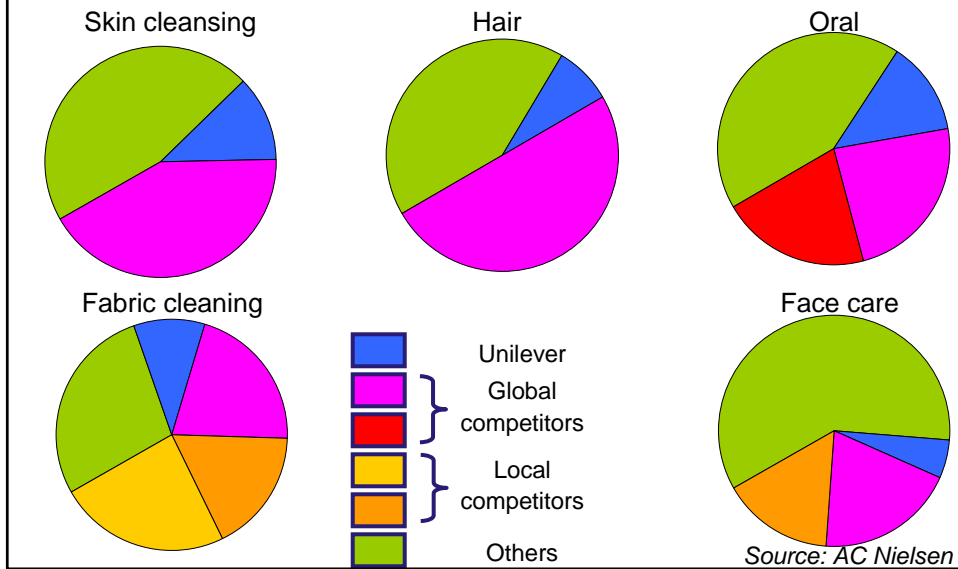
The size of the prize



* Source: AC Nielsen

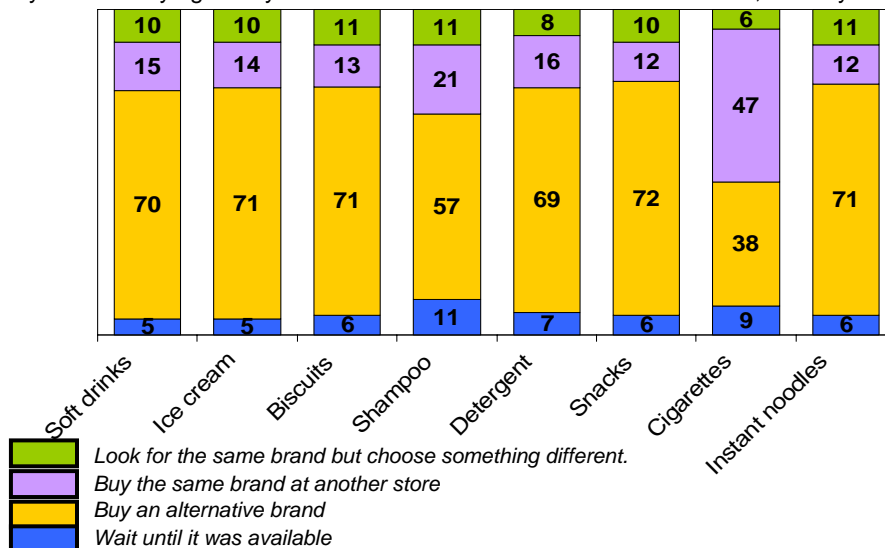
Source: Unilever estimates

HPC market still consolidating

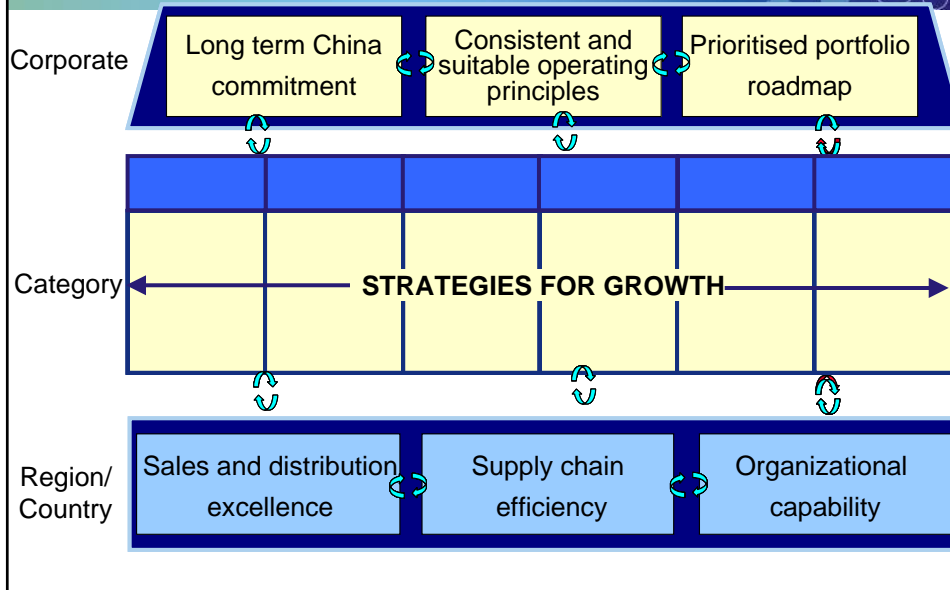


The race is still open - Brand loyalty

Q. If you were buying from your usual store and the brand is not available, would you...?"



Unilever China strategy



- Unilever China: the context
- The opportunity and our strategy
- The challenges and our responses
 - **Understanding the Chinese consumer**
 - **Connecting with the Chinese consumer**
 - **Sustainable expansion of distribution**
 - **Building a world class supply chain**
 - **Managing complexity**
 - **War for talent**
- The outcome

Challenge – Understand the Chinese consumer



vs.



Response – In market innovation capability

- Focused Brand Development teams co-located in Shanghai
- Structured interface with Brand Building teams
- Dedicated Customer Marketing resource
- Expertise in Consumer and Market Insight, R&D
- Career development across 'Go to market' functions



Case study - Clear anti-dandruff

Unmet consumer need

- 70 % of Chinese have dandruff concerns
- Professional AD shampoos account for only 18% of the market
 - 40 % of users are not satisfied with the current offering
 - AD needs are same cross gender.
 - There is no AD brand speaking to me in my language.

Key success factors

- Integrated support plan
- Superior product performance
 - Sharp brand position
- Deep consumer understanding

Clear brand activation

The collage is divided into two main sections: **Advertising** and **Promotion**.

Advertising:

- Airport Billboard:** Large outdoor advertisement at an airport.
- Bus body:** Advertisement on the side of a bus.
- Metro:** Advertisement on a subway platform.
- Office LCD:** Advertisement on a computer monitor in an office.
- Bus shelter:** Advertisement on a bus stop shelter.
- Launch conference:** A formal event with speakers and a product display.
- Symposium:** A professional meeting or conference.
- Magazine:** Advertisement in a magazine.

Promotion:

- Road-show:** A mobile promotional event on a truck.
- Sampling:** Free product distribution to consumers.
- ISA:** In-store activation or sampling.
- Flagship store wrap up:** A large-scale promotional event at a flagship store.

Case study – Building Lipton through Milk Tea

- High average growth 2004-2007: 94% p.a.
- Strong activation with rainbow campaign
- Winning innovations
- Strong category management



Case study – Knorr convenient thick soup

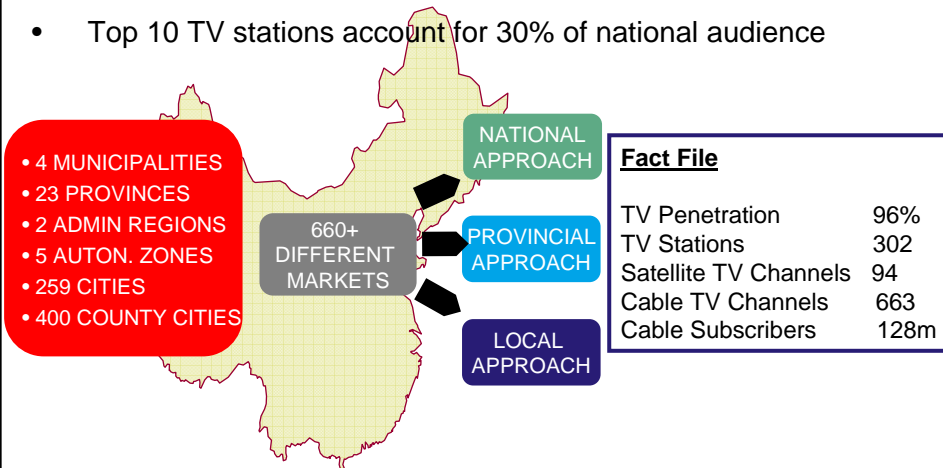
Consumer insights:

- 99.9% of all soup consumption in China is in-home
- Knorr Thick Soup Treasure produces the taste and nutrition of thick soup in instant soup time.



Challenge – Connect with the Chinese consumer

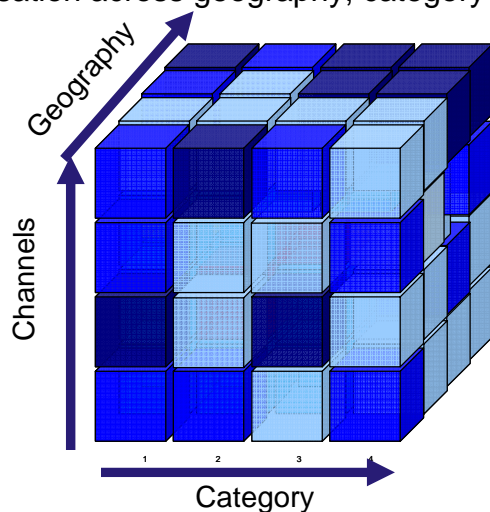
- Highly complex media environment segmented nationally, provincially and locally (660 discrete markets)
- Top 10 TV stations account for 30% of national audience



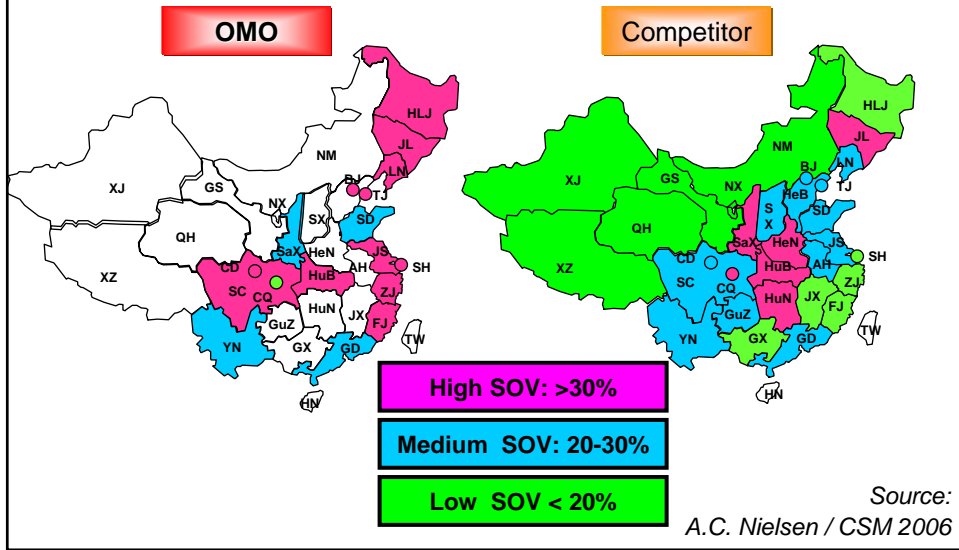
Source: ACNielsen Media Monitoring

Response – Micromarketing

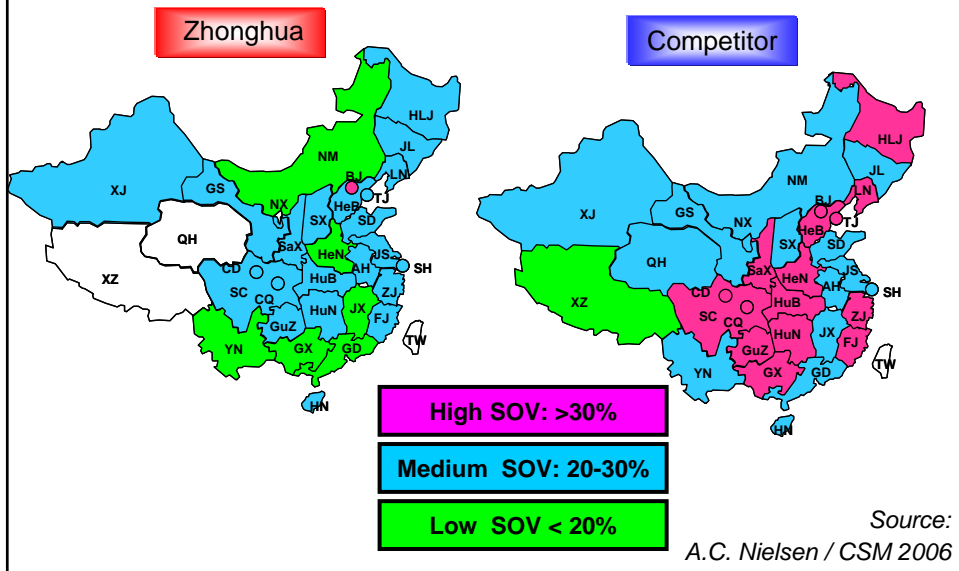
The 'Heat cube' –
Prioritisation across geography, category and channel



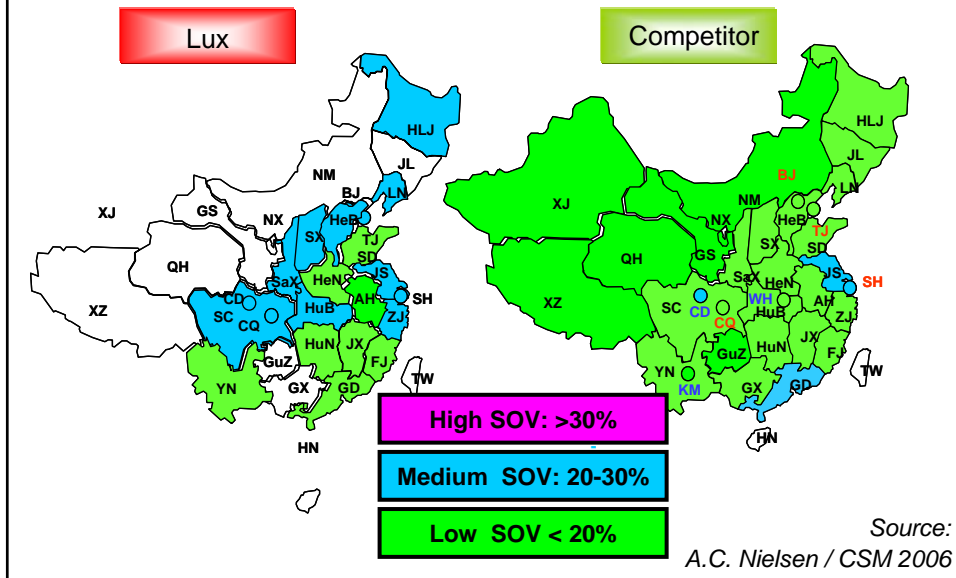
Micromarketing – Laundry



Micromarketing – Oral



Micromarketing – Shampoo



Micromarketing – Lux body wash in South China

Opportunity

- Guang Dong Province is the largest shower gel market

Objectives

- Grow turnover +50%
- Increase market share >6%

Expansion plan

- Increase share of voice
- Expand media footprint
- Continuous promotion schemes to drive consumer uptake
- Increase in-store visibility



Outcome



In 200 stores
110% increase in uptake
60% sales growth
8% market share *



Micromarketing – Cornetto

Opportunity

- Increase trial and frequency of use among target consumers (aged 15-25)

Objective

- Grow turnover >20%

Plan

- Simple digital marketing –
 - 'Flip the lid for a ring tone'
 - Celebrity 'love song' resonates with target consumers



Outcome

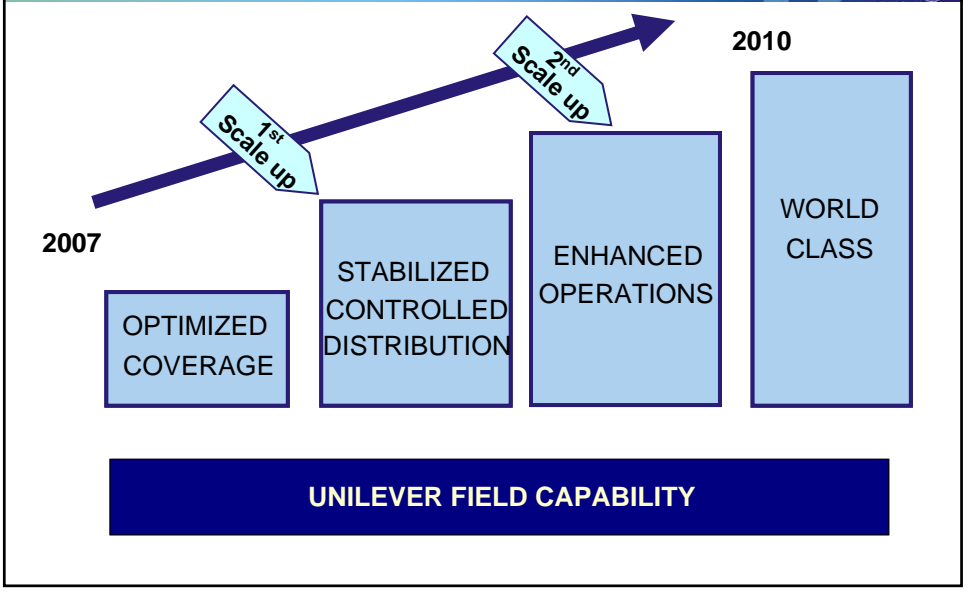
160m pieces annual sales
No.1 global sales of Cornetto
30% sales growth
30m website hits



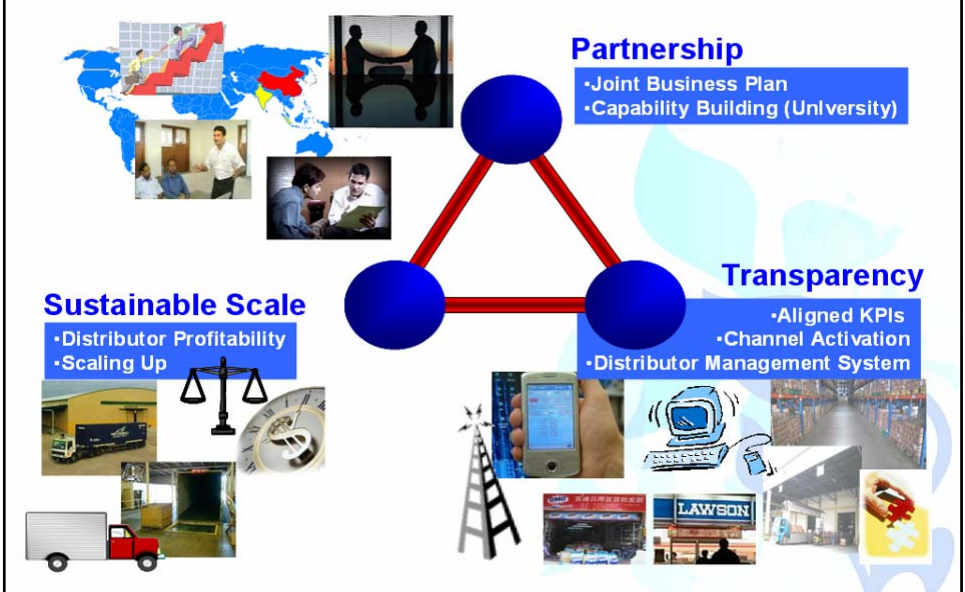
Challenge – Sustainable expansion of distribution

- Sustainability
 - Balance trade push and consumer pull
 - Scale sufficient to make distribution viable
- Strength of relationship with route to market partners
- Capability build

Response – Implementing best practice distribution model

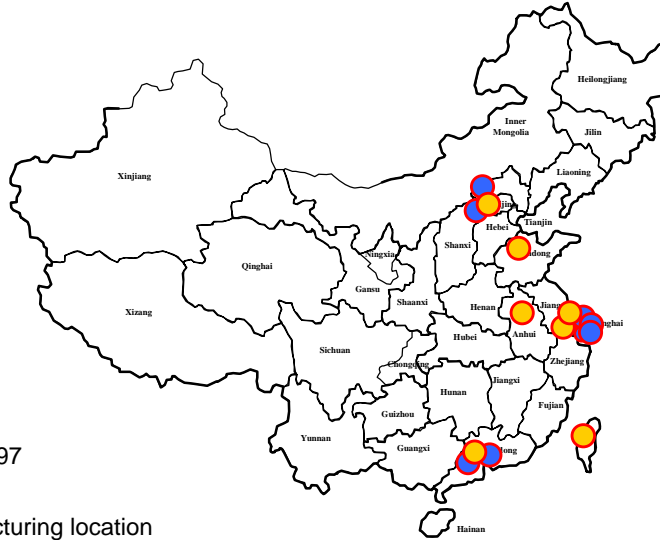


Essence of the next generation distribution model



Challenge – Building a world class supply chain

Manufacturing locations	
1997	16
2007	7



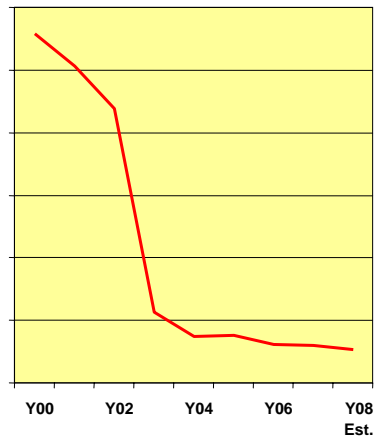
- Closed since 1997
- Current manufacturing location

Conversion cost reduction

Laundry Powder Conversion Cost per Ton



Personal Wash Liquids Conversion Cost per Ton



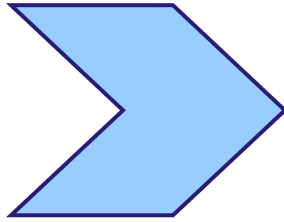
Challenge – Managing complexity

From (1997)

10 joint ventures

13 business units

29 senior executives



To (2007)

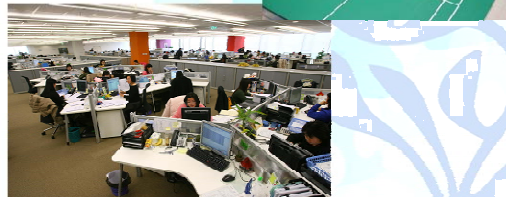
1 wholly owned business

1 operating unit for
Foods, Ice Cream and
HPC

Simplified management
structure led by 12
senior executives

Response – A rewarding Vitality environment

- Correct leadership objectives
- Developing Asian leaders
- Simplification
- De-layering
- Stimulating environment



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The outcome

A Unilever growth engine with sustainable 20% growth momentum



Unilever China

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