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Unilever Plans Fivefold Boost in China, Asia Chief Says (1)
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(Updates with comment in fifth and sixth paragraphs, shares in seventh.)

By Haslinda Amin and Femi Adi

June 13 (Bloomberg) -- Unilever, the world's second-biggest consumer-goods company, plans to increase its business in China to as much as five times the current level, Asia chief Harish Manwani said.

"Our business has been growing steadily about 18 percent to 19 percent per annum," Manwani, president of Unilever's Asia, Africa, and Eastern and Central Europe operations, told Bloomberg TV in Jakarta at the World Economic Forum on East Asia. "Our commitment in China is to build a business four- or fivefold" what it is now, he said, without giving a timescale.

The maker of Dove soap and Magnum ice cream, which made 40 percent of its revenue last year in Asia and Africa, is looking to developing economies to drive growth as sales stagnate in Europe and the U.S. More than 55 percent of Unilever's business now comes from emerging markets, Manwani said.

"Asia, emerging Asia, is a very important part of it," he said. "I'm very excited about business prospects in Asia."

China, the world's most populous nation, may show economic growth of 9.5 percent this year, according to Bloomberg data. That's triple the pace of the U.S.

Unilever's Chinese expansion goal is realistic, according to Shaun Rein, managing director of China Market Research Group, a Shanghai-based consumer consulting company. Premium brands in the fast-moving consumer-goods industry are growing about 20 percent annually in the country, he said in a phone interview.

Price Increases

"The government is trying to shift the economy from manufacturing-oriented to consumption-led," Rein said. "Unilever are well poised because they have a strong branding and they created trust with the consumer."

Unilever's shares fell 1.5 cents, or 0.1 percent, to 22.09 euros as of 11:19 a.m. in Amsterdam, giving the company a market value of 66.8 billion euros ($95.8 billion).

Unilever has reduced its promotional intensity and started raising prices globally amid higher costs for commodities such as crude oil and palm oil. The Rotterdam- and London-based company last month said it accepted a 2 million-yuan ($309,000) fine imposed by Chinese authorities for informing media about plans to raise prices.

Higher expenses will cause profitability to drop in the first half, the company said in April, adding that it expects an improvement in the second half. Unilever said it expected the impact of rising input costs to be 500 to 550 basis points of sales in 2011, up from a February forecast of 400 basis points.

Edible Oils

Commodity-cost volatility is “unprecedented” this year, Unilever Chief Financial Officer Jean-Marc Huet said April 28.
Crude oil costs have affected the company’s health and personal- care business, while prices of edible oils including palm oil affect the spreads business, he said.

Inflation in the developing world “is something we probably know how to handle better, having been in the market for so many years,” Manwani said. “Of course we have inflation, but the point we’re making is we also have a portfolio which allows us to manage our business somewhat better than if you were just a single-play company.”

Manwani is also chairman of India unit Hindustan Unilever Ltd., the country’s biggest listed maker of consumer products, according to data compiled by Bloomberg. PT Unilever Indonesia is the largest household-goods maker in the Southeast Asian country, according to the data.

Unilever’s underlying first-quarter sales growth, which excludes the effect of acquisitions, disposals and currency fluctuations, was 4.3 percent, missing the 4.4 percent median estimate of eight analysts surveyed by Bloomberg News.

‘Exciting Brands’

Unilever, which Manwani said has 2 billion customers globally, acquired an 89.35 percent stake in PT Sara Lee Body Care Indonesia in June 2010. Last month, it completed the purchase of Alberto Culver Co. for $3.7 billion in cash.

“At this stage, we are trying to make sure that we make the most of some of the exciting brands,” Manwani said.

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--With assistance from Liza Tan in Jakarta. Editors: Paul Jarvis, Celeste Perri.

To contact the reporters on this story:
Femi Adi in Jakarta at +62-21-2355-3023 or fadi1@bloomberg.net;
Clementine Fletcher in London +44-20-7330-7285 or cfletcher5@bloomberg.net

To contact the editors responsible for this story:
Celeste Perri at +31-20-589-8505 or cperri@bloomberg.net; Frank Longid at +852-2977-6643 or flongid@bloomberg.net