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Interview with Paul Polman

Louisa Bojesen

Consumer goods giant Unilever says it's encouraged by a 4% jump in underlying sales in the second quarter thanks to growth in all of its regions. Here's someone you might just recognise.

Ross Westgate

Good show, this.

Louisa Bojesen

Excellent; do you like it?

Ross Westgate

I like this show; I might have to come back and host it someday.

Louisa Bojesen

Excellent; tomorrow?

Ross Westgate

Yes, ok, I'll give that a shot if that's all right.

Louisa Bojesen

That'll be absolutely fine. I'll watch it from outside, though.

Ross Westgate

I recommend you do that, Louisa. Unilever numbers today are actually pretty good. The stock was up, as you can see, quite sharply this morning; it opened up around 5%. It's interesting to contrast what Unilever is saying with Procter & Gamble. Procter & Gamble, of course, had a fall in its underlying sales of around 1%, and they had a drop in volumes of 4%. Consumers have been moving to their cheaper or private label brands. What is interesting, of course, here is that we had underlying sales jump up, as Louisa says, and it's due to innovation. This is what the CEO, who I spoke to earlier today, had to say, Paul Polman.

Paul Polman

The main driver of that growth is clearly the innovations we've done. In all of the categories that we are in, we've stepped up the pace of innovations. Be it the Small & Mighty detergents on laundry that are performing very well, the Temptation ice creams or the pyramid bags of Lipton, there are good innovations coming in the market. As you've seen in these results as well, our A&P is up by 50 basis points over the quarter, so we're spending behind that. I would say, all in all, quality growth.

Ross Westgate

You have some growth, but is there any translation at all from that into the wider economy? Are we seeing some economic stabilisation?

Paul Polman

No, I wouldn't say economic recovery. I've always said, and I will continue to say, that we're in for a long recovery. There's a lot of deleveraging to be done in the economy still, but for us and our industry, the most important drivers are consumer confidence and unemployment. It's very clear, especially in Europe, you still see it in the US figures, unemployment is still going up and consumer confidence doesn't really show yet significant changes. We will be closely watching that. The markets definitely have come down a little bit, but we are 50% in the developing markets of our business, and that business is growing; those

markets are growing. The Americans, for our businesses, are still growth, and Europe continues to be a tough environment. Markets, at best: stable.

Ross Westgate

You do seem to have some pressure on margins. What's the outlook for that for the next six months?

Paul Polman

There is a slight margin decline in the quarter. As you've seen, we are 60 basis points down in margin but 50 basis points up in A&P, and then there is some effective disposal: 30 basis points. We still, in the first half of the year, suffered from the high input costs that we're seeing that we think will ease. All indications are that they will broadly ease over the second half. Some of that will go to the bottom line and strengthen our margins. We've always said we want to grow volumes without compromising operating margins or cash flow, and we will do that. Some of that will go to A&P to further fuel growth.

Ross Westgate

One of the things I was looking for in the figures was any detailed forecasts. I couldn't seem to find one. Why not?

Paul Polman

Well, because first of all, the economic environment is fairly volatile, but more importantly, I think some of the issues that we see in society are due to the fact that we probably started chasing our tails and trying to make the quarterly forecasts that we put out there. Businesses need to do the right thing for the long-term. That's the strength, I think, of companies like ours, and we will focus on that. I've made a clear commitment that we'd rather deliver, talk about what we do, but rather deliver the numbers than talk the numbers.

Ross Westgate

Even though you're in a business that, perhaps more than others, could deliver those forecasts?

Paul Polman

Some analysts, if I may be frank, prefer exact numbers for the future that are continuously revised versus another forecast. I just come from a part of the country that we rather deliver than talk. That's what we're focused on. We obviously have forecasts internally in the company that you understand very well, but I don't see any need to go out and issue broad guidance now to the market. There's absolutely no need for that.

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