



COLLABORATE
TO GREAT!



Continuous Improvement Through Delivering Category Level Promotional Insights to Retailers

Presented by

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March 14, 2011

Safe Harbour statement



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1 in 2 households in the world have a Unilever brand at home



160 million times a day, in 170 countries, people use our products at key moments of their day



Big global brands



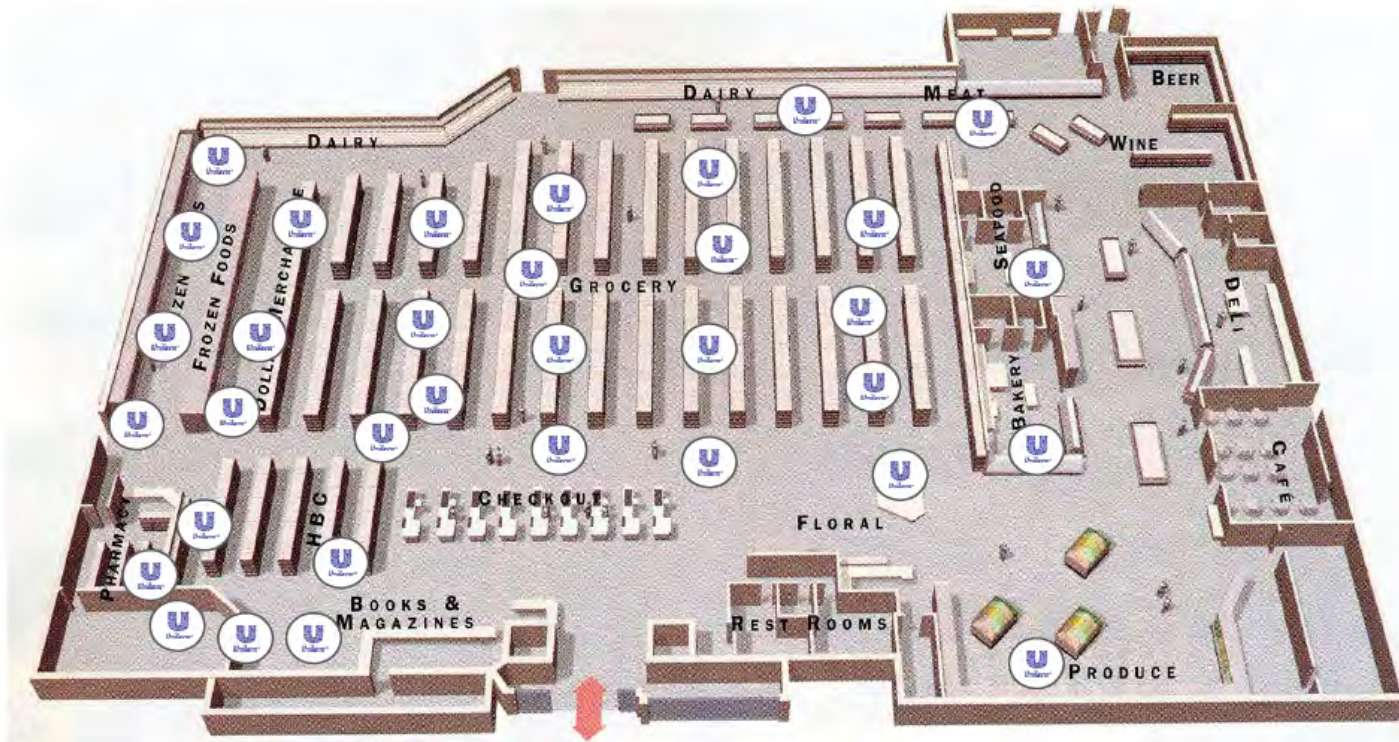
Top 25 brands = around 3/4 of Unilever's sales



Winning in the Market Place

Customer partnerships

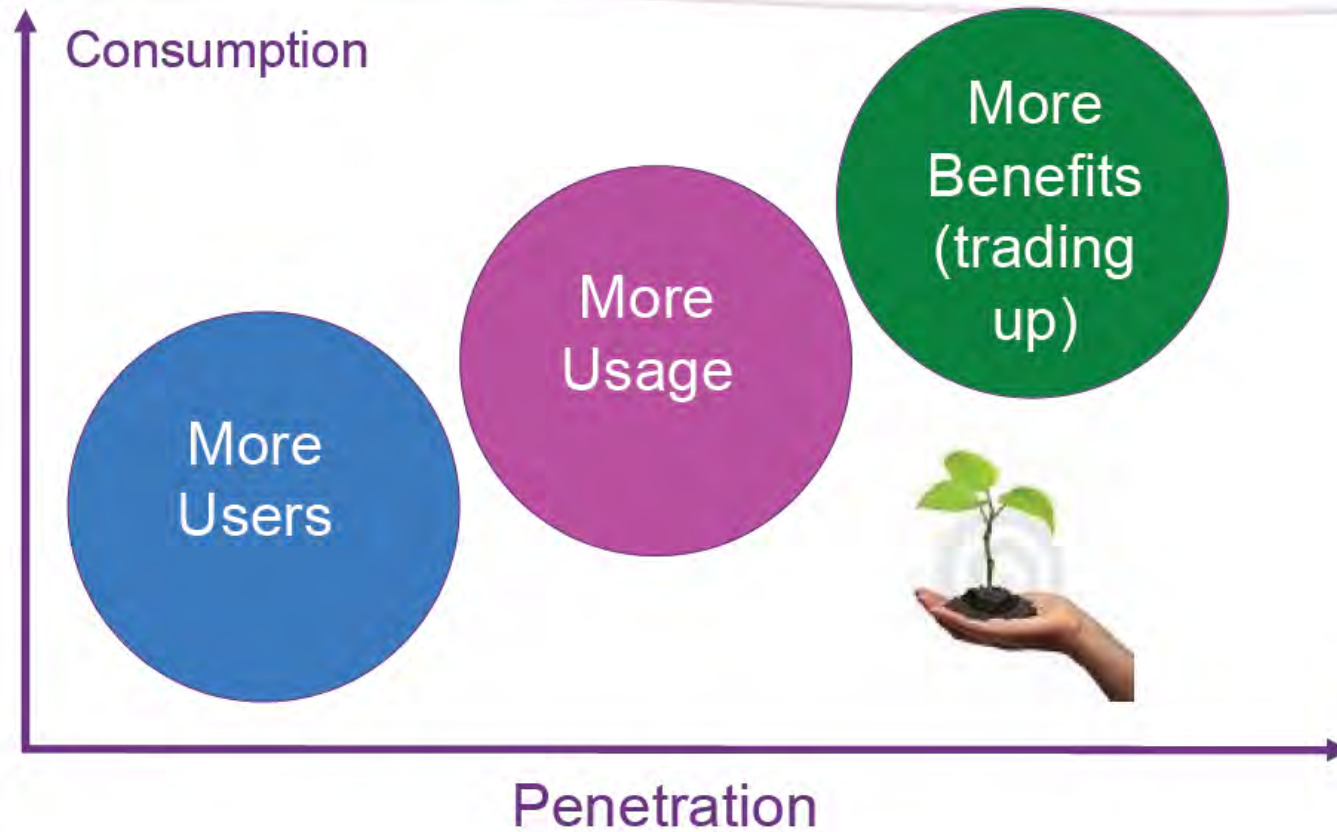
Unilever has unparalleled reach across the store, bringing unique 'shopper insight' to our partnership with customers



1
Winning in the Market Place
Customer Insight and Innovation Center Roll Out



Winning in the Market Place Market Development



I Winning with Brands and Innovation

Appeal to more consumers across needs and price points





The “One Unilever” Initiative

- Align the organization behind a single strategy, simplify our business and leverage our scale more effectively
- Our mission 'to meet everyday needs for nutrition, hygiene and personal care with brands that help people look good, feel good and get more out of life' was launched in 2004
- Reaching across the whole organization, how we 'bring Vitality to life' continues to provide the basis for our strategies today





The “One Unilever” Initiative Implications for Category Management



- **Objective for Category Management:**
 - Use the scale of “One Unilever” to become the trusted advisor to retailer partners in our Strategic categories
- **Key Challenges:**
 - Cross brand training
 - Consolidate tools and capabilities
 - Extensive training on new capabilities
 - Increase the skill set of Cat Man professionals





Through a combination of homegrown innovation and vendor collaboration, Unilever has developed a first-class “toolbox” for Category-level insights to retailers



Capability Needed	Action Taken
Strategic and consistent Category Insights at Retail	One Unilever; new CatMan Org Structure
Shopper Insights	Shopper Insights team; Major Issue White Papers (e.g. Trip Marketing, Hispanic)
Total Store Optimization	TABS Total Store Analytics™. Space Allocation by Category and Adjacency Optimization
Virtual Store Layouts/Testing	Kantar Red Dot Square Software
Assortment Planning	Unimix; SKU Optimization software with proprietary shopper insights
Planogram Development	Expanded training on advanced capabilities of Pro Space and similar software
Promotional Insights	Exploratory work on Category-level impact of promotions by Category





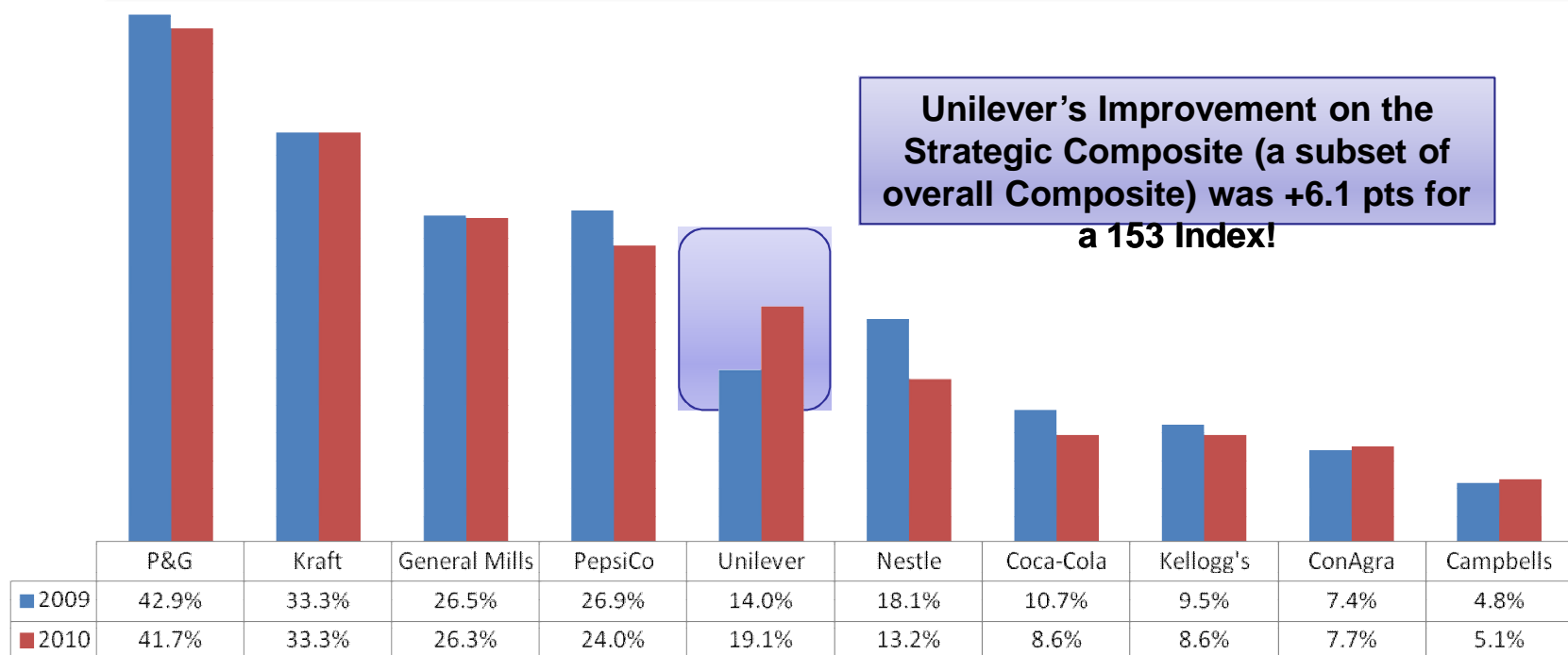
Early results for the Unilever's efforts are very strong: Significant improvement in rankings in Kantar PowerRanking Composite.



Kantar CPG PowerRanking© Composite

Point Chg
Index vs.
YAG

-1.2	0.0	-0.2	-2.9	+5.1	-4.9	-2.1	-0.9	+0.3	+0.3
93	100	66	56	136	73	80	91	104	106





While results are encouraging, there is still a long way to go



- **Continuous Improvement:**
 - Continue to innovate with respect to Category Insights and business building ideas
 - Support product level innovation, a key priority of the company
- **Areas of opportunity:**
 - Total Store Analytics >> Every Store Analytics
 - Better co-ordination of Virtual Store capabilities with other functions
 - **Promotional Insights**





The Challenges of Trade Promotion Optimization have made it difficult for companies to add this capability to their Category Management portfolio



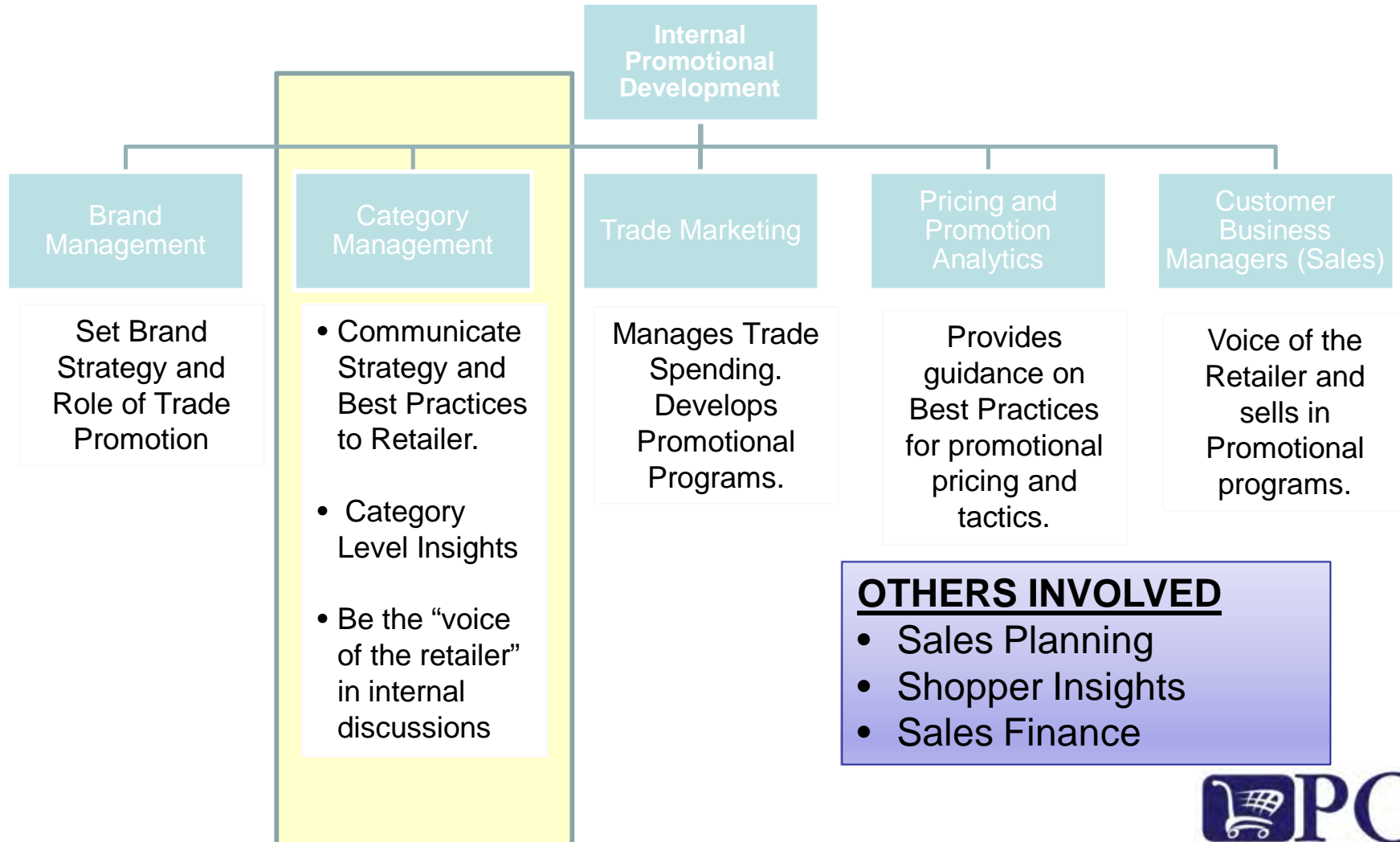
Optimize (verb) 1. to make as effective, perfect, or useful as possible

- ❑ Not enough time to devote to Promotion analysis
- ❑ Baseline spikes during Promotions altering Lift
- ❑ Difficult to determine true ROI for various event
- ❑ Can't analyze top retailers, like Wal-Mart and Whole Foods since not available in Nielsen or IRI.
- ❑ Need to arm Sales people with facts to change Retail Buyer paradigm (balance the power)
- ❑ Need to simplify trade planning process

ACCOUNT



Key Internal Challenges: Many Owners of Trade Promotion Management





Arming Our Customer Business Managers with Relevant Promotional Facts



- Category Best Practices
- Category-Level Impact of Promotions
- Market Share Effects
- ROI for Manufacturer *and* Retailer





The Role of Category Management function in Trade Promotion Optimization



- **Promotional Best Practices**
 - Price Points
 - Vehicles
 - Depth vs. Frequency
- **Category Impact of Promotion**
 - Who to Promote?
 - How Often to Promote?
 - How Deep?
 - What tactics?
- **Contribution of Incremental Volume on Sales**
 - The effect of incremental on assortment decisions
 - The effect on category-level sales projections





Promotional Example





Trade Promotion Best Practices – Retailers X and Y Half Gallon Ice Cream

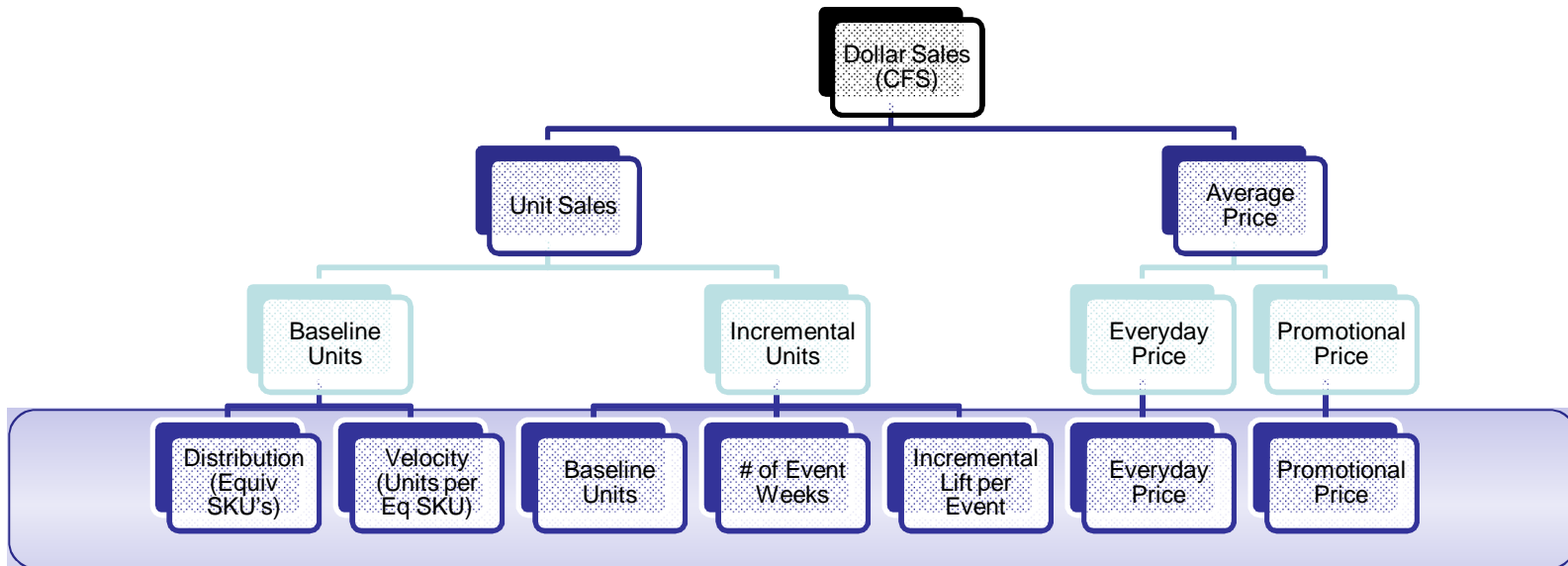
- Promotions on all brands generate increases in category sales. Breyer's promotions generate the biggest gains.
- Deep discounts generate much more incremental sales than more frequent, lower discount promotions. Choose depth over frequency.
- It's OK to feature 2 and even 3 brands in the same Ad as long as visibility to each consumer offer is not impaired.
- Incremental Factor should be incorporated into space planning decisions. Over 2/3 of sales are incremental due to promotions, but this number varies significantly by brand.
- There is no benefit to front-loaded, seasonal-loaded, or back-loaded promotional schedules. The promotional calendar should be spread evenly through the year.





Sales Decomposition

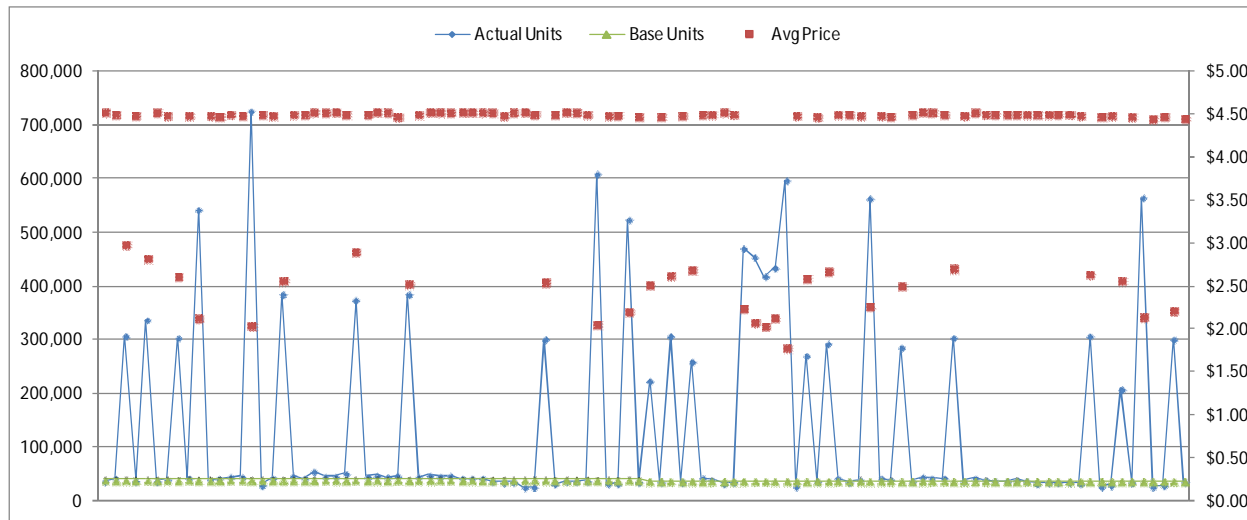
7 Variables Drive Changes in Year-over-Year Sales





Breyer's Half Gallon – Eastern Chain X

Unit Sales gained a strong +17% (+6% in dollars) due to a big jump in the number of Ad Weeks. This gain offset on Baseline sales. Dollars per Event, though, is -21%



MEASURE	FY2009	FY2010	% Chg
DOLLARS (000)	\$20,367	\$23,703	16%
UNITS (000)	6,448	7,521	17%
BASE	2,092	1,870	-11%
EQ SKU	45.00	42.60	-5%
U PER SKU	46.5	43.9	-6%
INCREM	4,356	5,651	30%
WKS	11	17	55%
INCREM LIFT	9.8	9.2	-6%
BASE	2,092	1,870	-11%
PRICE	\$2.94	\$2.68	-9%
EVERYDAY	\$4.51	\$4.50	0%
PROMO	\$2.49	\$2.38	-4%
INCREM \$ PER EVENT (000)	\$1,250.8	\$1,047.6	-16%
INCREM FACTOR	68%	75%	11%

Breyer's Weekly Average Unit Sales (000) by Promo Condition (2010)

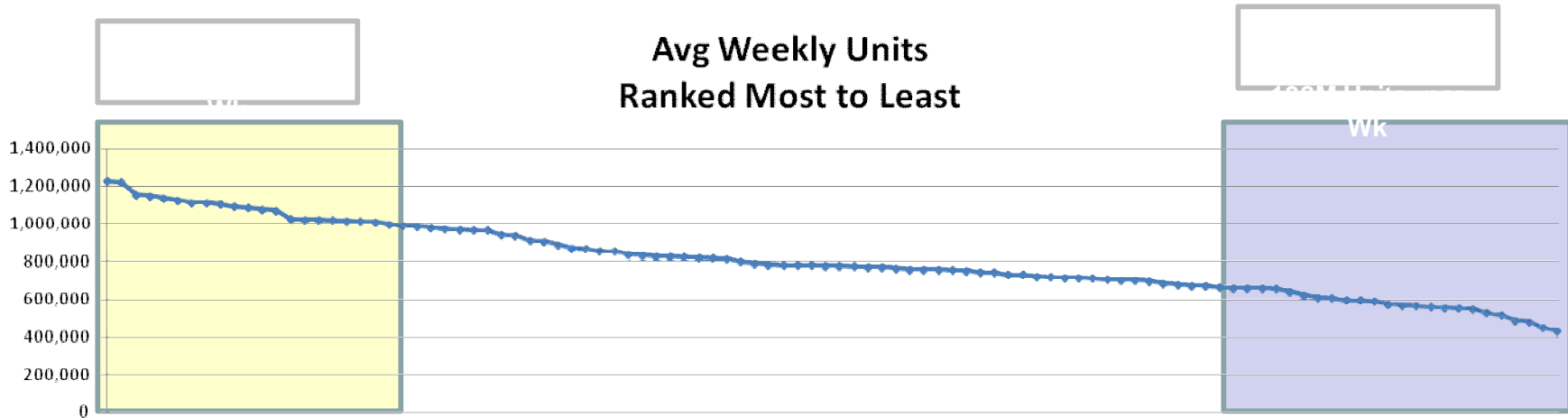
BREYERS		
	DREYERS/EDYS	
BREYERS	NO	YES
NO	37.4	35.0
YES	363.5	391.0

DREYERS/EDYS		
	DREYERS/EDYS	
BREYERS	NO	YES
NO	12.3	138.1
YES	12.2	16.8

BOTH COMBINED		
	DREYERS/EDYS	
BREYERS	NO	YES
NO	49.7	173.1
YES	375.7	407.8

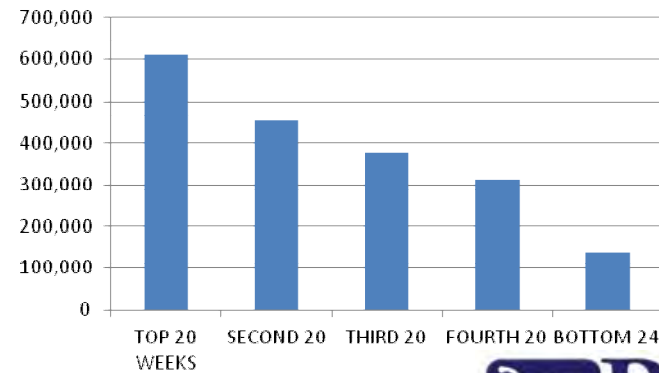


Half Gallon Category – Eastern Chain X
There is a huge difference in the Category Sales between the Top 20 weeks and bottom 20 (almost 5x the sales). Breyer's and Turkey Hill were involved in at least half of the best weeks; Edy's only had 4 Events during the strong weeks
Events during the strong weeks



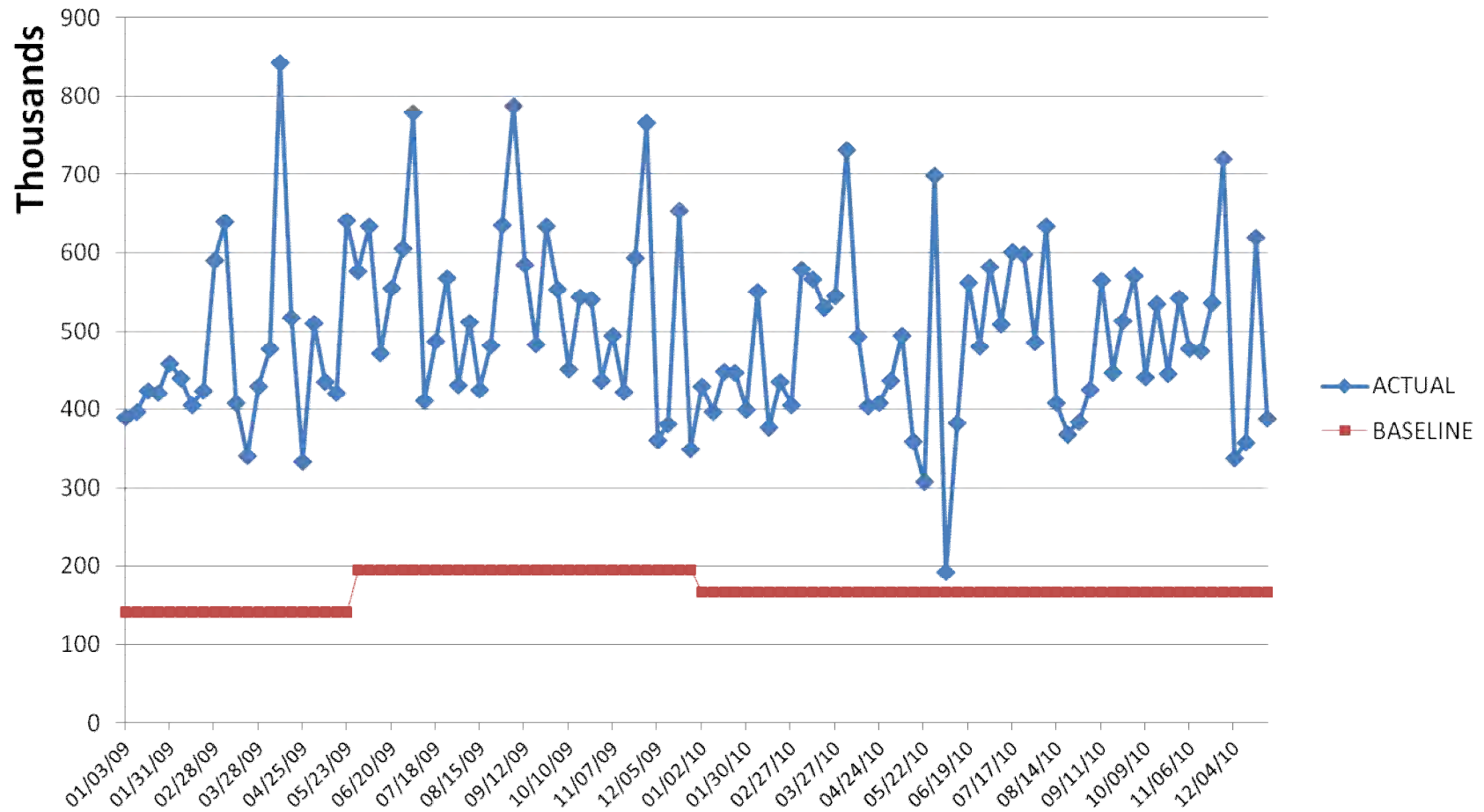
	OF TOP 20 WEEKS	BOTTOM 24 WEEKS
BREYER'S	11	0
EDY'S	4	6
TURKEY HILL	10	0
0 BRANDS	0	18
1 BRAND	16	6
2 BRANDS	3	0
3 BRANDS	1	0

AVERAGE WEEKLY UNIT SALES BY TOTAL SALES GROUP





Half Gallon Ice Cream Weekly Unit Sales - Category Eastern Chain X



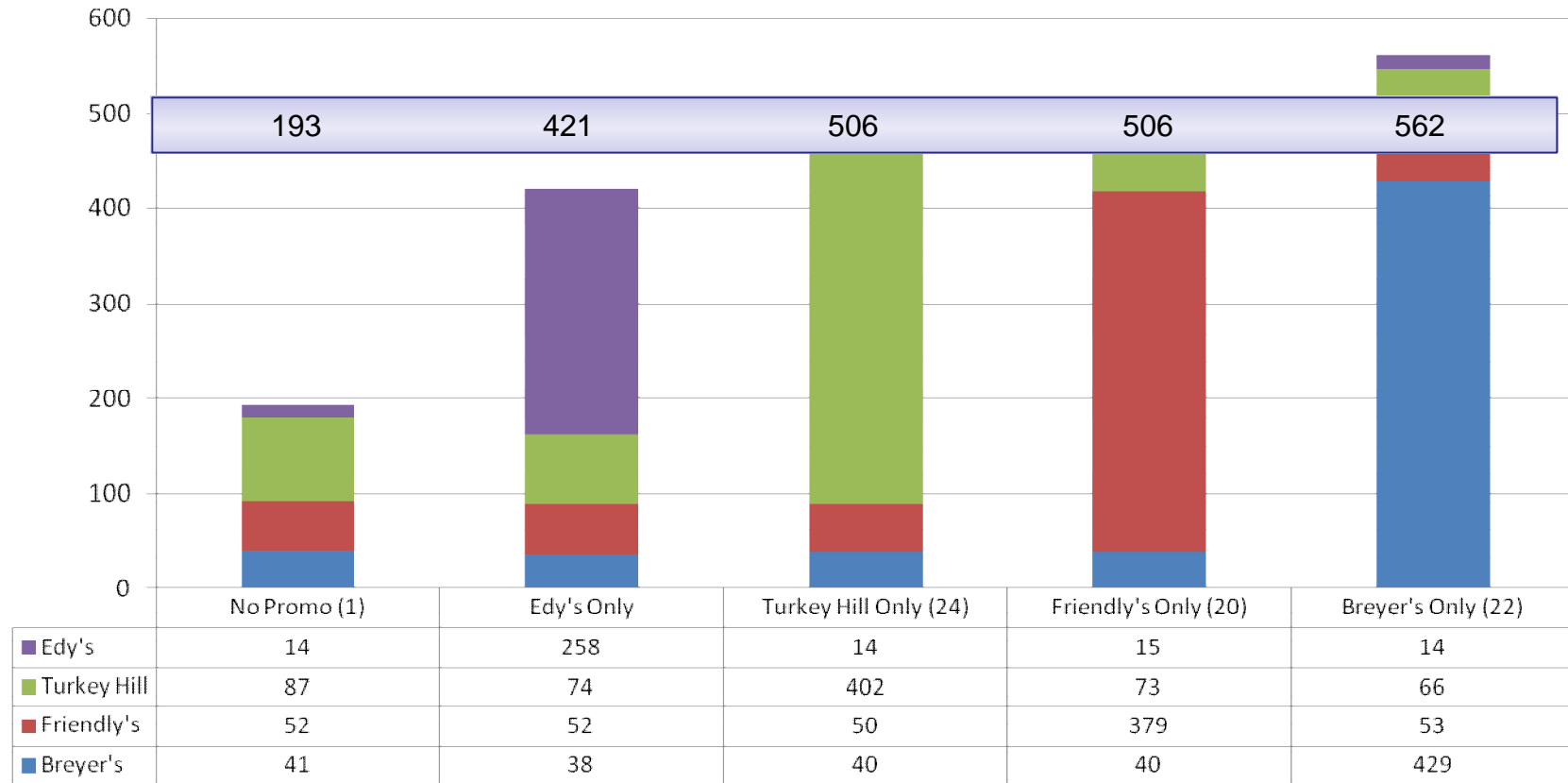
Source: Nielsen and TABS Simple Baseline Model





Category Expansion Effects – Eastern Chain X

Average Weekly Units by Brand – Half Gallon Ice Cream



Brand on Feature

Number of Observations in Parentheses





THE PATH TO PROFITABILITY– Chain X Every Event can be profitable assuming Unilever follows Best Practices on Price Promotional Execution

BASE UNITS	35,000
PROMO UNITS	350,000
INCREM UNITS	315,000

EVERYDAY RETAIL PRICE	\$4.49
WHOLESALE COST (Est.)	\$3.15
EVERYDAY RETAIL MARGIN	\$1.34
EVERYDAY GM %	29.8%

PROMO PRICE	\$2.25
NET COST ON PROMO	\$2.00
PROMO MARGIN	\$0.25
PROMO MARGIN %	10.9%

BUYDOWN PER UNIT	\$1.15
PROMO SPEND	\$402,500
AD COST	\$50,000
TOTAL SPEND	\$452,500
INCREMENTAL FACTORY SHIP \$	\$992,250
ROI (CFS / SPEND)	2.2

RETAIL PROFIT - EVERYDAY	\$46,900
RETAIL PROFIT - PROMO	\$85,750
PROFIT INCREASE	82.8%

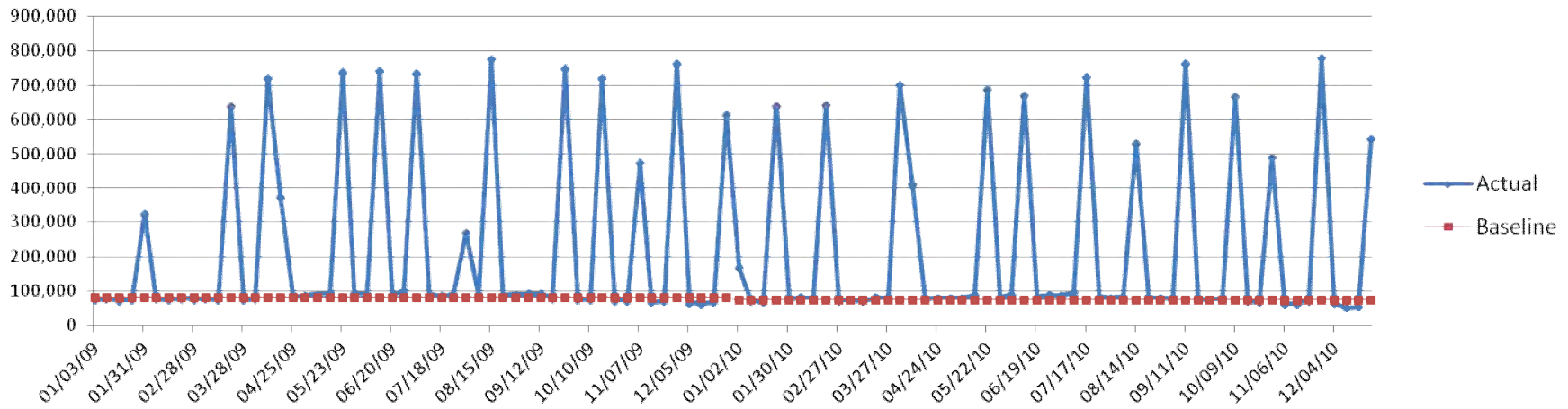
Best Practices

- Pay on Scan; not shipments
- Retailers must accept lower margin in return for higher units
- Manufacturer subsidizes consumer discount. Split subsidy with retailer roughly proportional to Gross Margin per Unit in the Value Chain.
- Off Shelf Support essential for deep discounts.





Breyer's Half Gallon – Eastern Chain Y
Sales at Chain Y are down 6% due to slight declines in
Baseline sales, as well as a 3% reduction in Average Price.
Promotional Lifts continue to be very strong



MEASURE	FY2009	FY2010	% Chg
DOLLARS (000)	\$41,849	\$39,291	-6%
UNITS (000)	11,710	11,351	-3%
BASE	4,203	3,992	-5%
EQ SKU	47.65	46.16	-3%
U PER SKU	88.2	86.5	-2%
INCREM	7,507	7,359	-2%
WKS	14	14	0%
INCREM LIFT	6.6	6.8	3%
BASE	4,203	3,992	-5%
PRICE	\$3.31	\$3.20	-3%
EVERYDAY	\$5.11	\$4.94	-3%
PROMO	\$2.74	\$2.65	-3%
INCREM \$ PER EVENT (000)	\$1,916.3	\$1,819.5	-5%
INCREM FACTOR	64%	65%	1%

**Breyer's Weekly
Average Unit Sales
(000) by Promo
Condition (2010)**

BREYERS

	DREYERS/EDYS	
BREYERS	NO	YES
NO	77.3	75.4
YES	617.2	---

DREYERS/EDYS

	DREYERS/EDYS	
BREYERS	NO	YES
NO	39.5	245.0
YES	38.4	---

BOTH COMBINED

	DREYERS/EDYS	
BREYERS	NO	YES
NO	116.8	320.4
YES	655.6	---



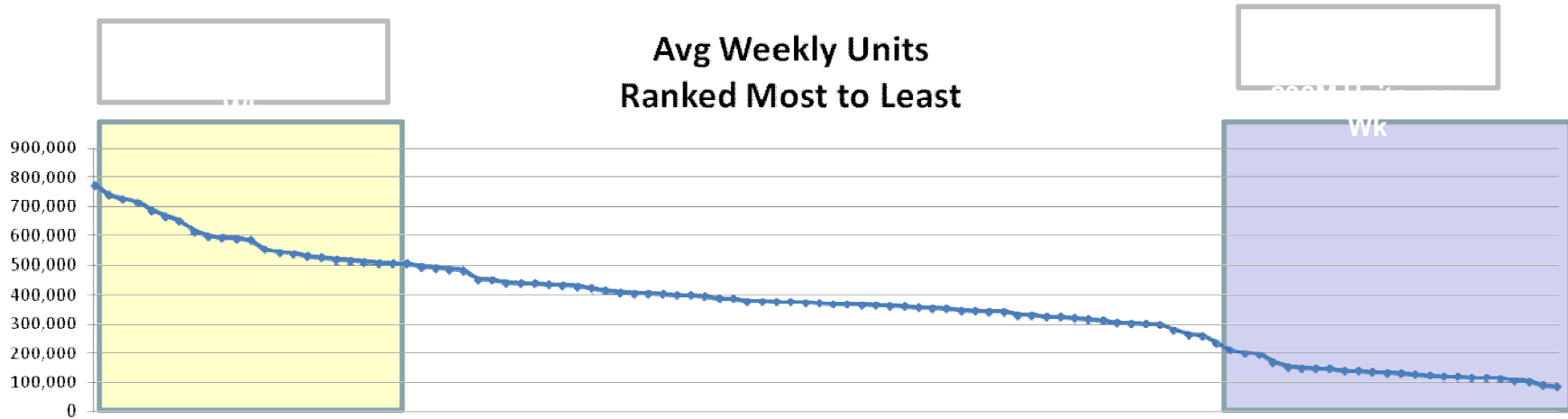


Half Gallon Category – Eastern Chain Y

17 of the Top 20 weeks at Chain Y were when they ran Breyer's Ads

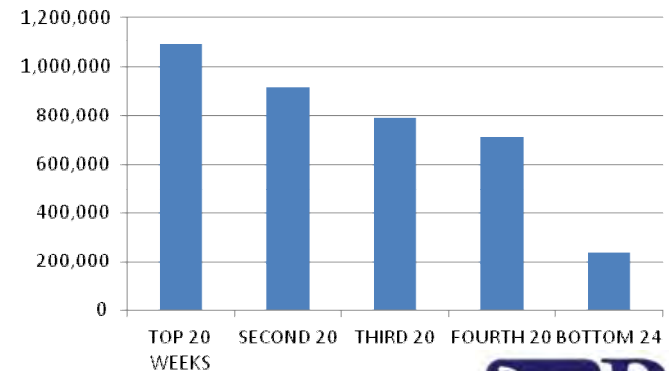


Breyer's is critically important to driving incremental promotional sales at Chain Y



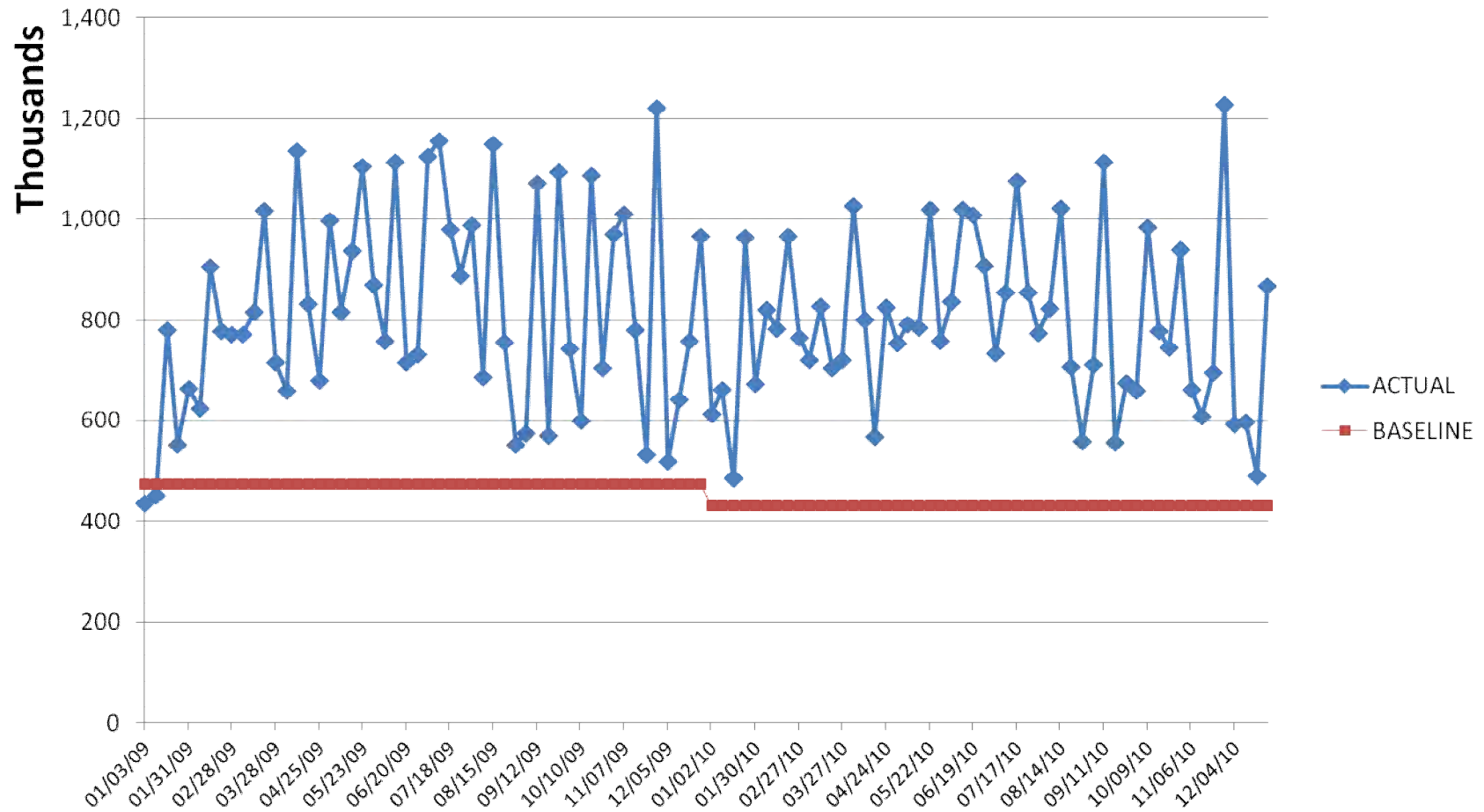
	OF TOP 20 WEEKS	BOTTOM 24 WEEKS
BREYER'S	17	1
EDY'S	5	14
BLUE BELL	0	4
PVL	5	4
0 BRANDS	0	2
1 BRAND	16	20
2 BRANDS	4	2
3 BRANDS	0	0

AVERAGE WEEKLY UNIT SALES BY TOTAL SALES GROUP





Half Gallon Ice Cream Weekly Unit Sales - Category Eastern Chain Y



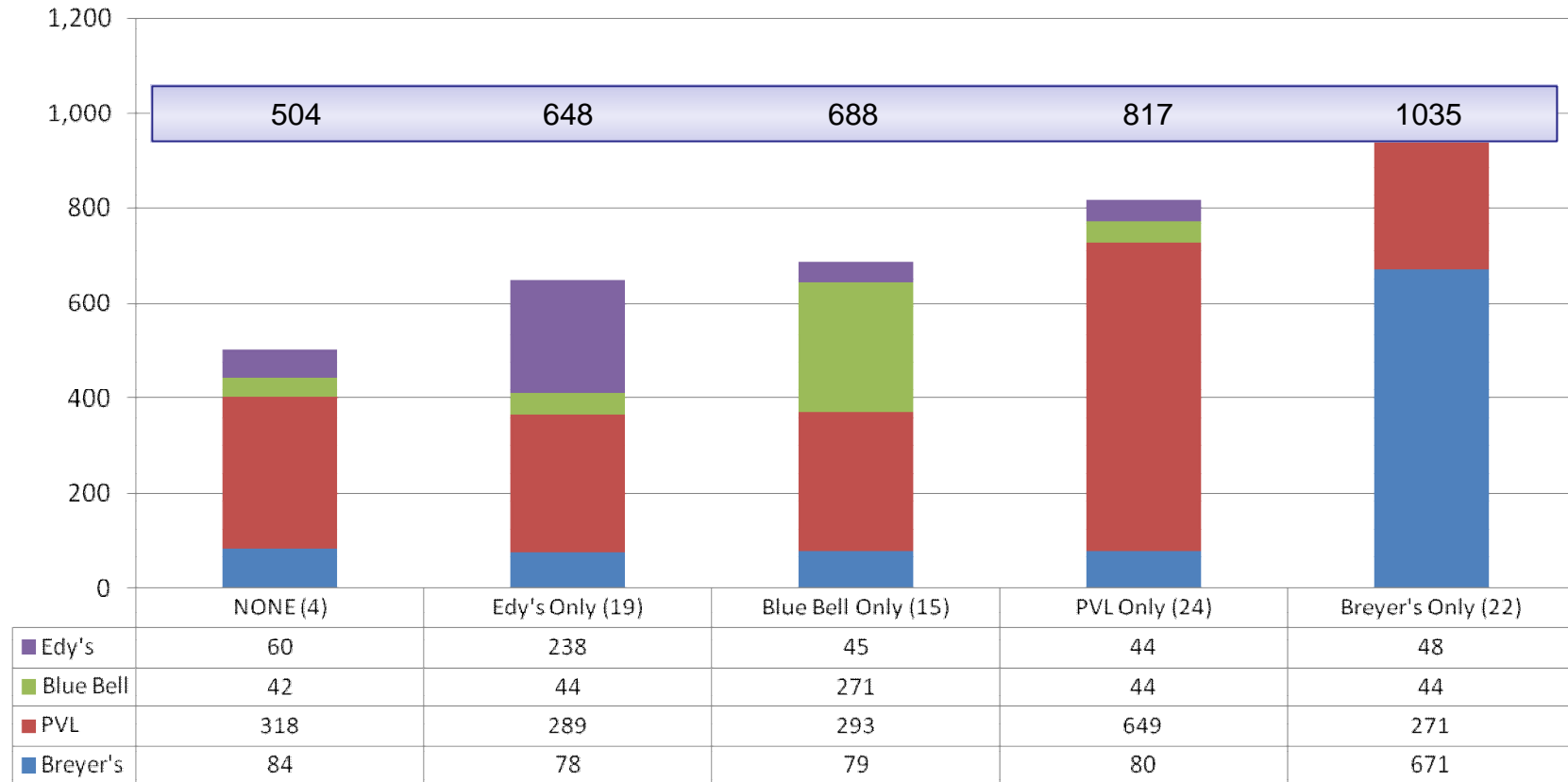
Source: Nielsen and TABS Simple Baseline Model





Category Expansion Effects – Eastern Chain Y

Average Weekly Units by Brand – Half Gallon Ice Cream



Brand on Feature

Number of Observations in Parentheses





This Analysis provided the following:

- Positive news for the Unilever brand.
- Objective analysis of all brands and category-level effects.
- Specific data supporting conclusions
- ROI analysis to demonstrate both sides made money on the promotions
- A forum for retailers to provide feedback on margin requirements and logistical issues surrounding promotions.

