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Unilever sales plan boosts share price

Chief executive cheers analysts with new focus on sales volume growth and revamped bonus system

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Unilever's new chief executive added sparkle to its shares with plans to reignite sales growth and change the way executives are rewarded at the underperforming consumer goods firm.

Paul Polman took over at the start of the year, only to see Unilever's shares fall 17% in recent months. But better than expected first-quarter results and his first thoughts on revival sent the shares up more than 10%.

Key to the Dutch-born executive's plan is to focus on sales volume growth rather than rely on price rises. He has also shifted targets for executive bonuses towards sales volume and away from earnings.

Unilever is struggling like all its rivals. Nevertheless, the maker of Dove soap and Lipton ice tea has seen sales start to improve through a difficult first quarter.

"It's like changing the engine while keeping the car going," Polman said.

The executive came to Unilever after spending 28 years at larger rivals Procter & Gamble and Nestlé, and left the Swiss food firm only after being beaten to the top job there by Paul Bulcke.

He sees Unilever as more internally focused and less consumer-orientated than his two previous employers, but aims to change that with fewer and bigger innovations and faster launches to make it difficult for competitors to catch up.

The Anglo-Dutch company beat forecasts with a 4.8% rise in first-quarter underlying sales compared with analysts' predictions of 4.1%, but this increase relied heavily on price rises as sales volumes were 1.8% lower.

Polman is not alone in finding volumes growth difficult – his last employer managed only a 0.3% first-quarter rise while P&G saw them fall in the same period.

His own executives are likely to have to work harder to earn their bonuses, as Polman is assuming conditions will be difficult for some time, and Unilever has had a tough time in Western Europe with volumes down 3.7% after it saw customers switching to cheaper products.

Polman said the group's share rating was low because there was an inherent assumption the company would not grow.

Analysts said there were signs of improvements in the first quarter with North American sales recovering and strong growth in detergents and other homecare products helping to offset the poor performance in Europe, making some turn more positive on the group.

"The Unilever turnaround looks both sustainable and positive for earnings," said Harold Thompson, an analyst at Deutsche Bank.

Independent analyst James Amoroso said: "Unilever has given the impression of being more decisive and in control of its business than it was three months ago."