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Leveraging strengths to drive growth

In An Exclusive Chat, CEO Paranjpe Discusses Growth, Inflation & Much More

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MUMBAI

STRATEGY execution is the most underleveraged capability in most organisations, says Nitin Paranjpe, CEO and managing director of Hindustan Unilever (HUL). Three months into the job, Mr Paranjpe is ensuring that there is greater aggression and speed displayed by India's largest consumer goods company in growing businesses across personal care and home care categories. "We are leveraging capabilities and scale of the parent company and focusing on the value of execution. There is far more role clarity and the programme launched a few years ago has raised our performance, and consequently Unilever's," he says in the course of his first in-depth interaction with the media after assuming his new role. HUL has stepped up the pace of new product launches and is investing in ad-spends and marketing. The entire product portfolio is also being tweaked to include premium offerings such as more variants under Knorr and Kissan Amaze in foods and Pond's Age Miracle and Dove shampoo in skin and hair care.

What are the implications of the inflationary trend and rising food prices on the consumer?

Inflation is a real challenge. Despite rising inflation thus far, the markets are holding out and growing at double digits, although the balance between volume and price has undergone a change. Having said that, from a consumer's point of view, consumers are spending.

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'Price hike in some products inevitable'

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SO, we continue to see good growths in FMCG. While some amount of downtrading is inevitable, we are simultaneously seeing some uptrading as well. For instance, in skin care, it is amazing how people are willing to pay Rs 500-600 for the little beauty jars. The growth is good in both urban and rural markets. In fact, it is one of the most balanced growth across urban and rural markets in recent years. Published numbers indicate that FMCG is growing at around 13-15%, with some categories growing faster at 17% and others a little slower. Overall, we haven't seen the compression of demand on account of inflation as yet.

How is HUL combating soaring input costs?

Our strategy is two-pronged. To begin with, we leverage scale and technology to mitigate the impact of cost increases. We have a relentless focus on cost reduction. Equally, our understanding of technology allows us to formulate products from a bouquet of alternative materials. Only after having exhausted the above we explore price increases. It is here that the strength of our brand equities help us. Given the extent of input cost increase, some price increases are inevitable.

Today, HUL is seen as far more proactive in the market.

We have got the whole organisation far more externally oriented. The important thing is that across the organisation we have one definition of winning. And that means not just growing, but growing competitively. It is no good if you are growing at 10% and the market is growing at 15%. Equally, if the market is growing at 8% and you are growing at 10%; that's good performance. Thus, market shares in the end reflect whether we are making a difference to the consumer. The growth needs to be profitable and consistent. Aligning the entire organisation around a common understanding, what winning means has made a big difference. So, our focus today is on competitive growth, profitable growth and consistent growth. We may not succeed every quarter, but that is our goal.

So what is HUL doing differently now that it didn't do earlier?

We have implemented the 'One Unilever' programme which has helped in bringing scale. We recognise that winning in the increasingly competitive markets needs greater specialisation and domain expertise. The days of generalists are over. Hence, we have got some people to focus on brand development and some on 'go to market' and making the brand come alive. It is not about one being better than the other, but about recognising the skills, temperament and the mindset required for these two roles. Therefore, if you try to do both, the chances are you may do both badly, so we separated the two roles — Brand Building and Brand Development. We have also become more aggressive in leveraging Unilever expertise. For example, we understand general trade better than anyone else, but we realised that the structure of trade was changing; modern trade was coming in. We could have developed the modern trade expertise ourselves but it would have taken time. It was much better to leverage the superior understanding and the expertise that existed in other parts of Unilever. Finally, we have substantially increased our focus on execution. No strategy can generate value unless it is executed flawlessly. We have consciously made a lot of effort to get people to understand this and make execution a lot more glamorous and exciting.

Does HUL have a better grip on attrition rates now?

We are pleased that we have a bunch of energised people today and our overall attrition rates are lower than the FMCG sector average. Our regretted losses are even lower. It gives us the confidence that we are doing the right thing. People are not leaving us for want of opportunities. We are working hard to ensure rich and exciting roles that are challenging. But the battle for talent is not over, and we have to be on (our) toes.

Is the mindset in HUL different from HLL?

Twenty years ago, local knowledge and understanding was the differentiator as the world was not integrated. Today, we live in a global economy. To succeed in today's competitive world it is critical to be able to marry global technology and scale along with local understanding. The change in mindset is only a reflection of the changing times.

Is HUL tweaking strategy to be more focused on the premium end of the market, compared to the earlier mass-market strategy?

As an observation it may appear so. However, we have always said our strategy is to straddle the pyramid, and therefore, we need to have a presence at every price point. Earlier, the proportion of affluent Indians was small and our portfolio reflected this. The India of today has changed. Today, there are 7-8 million affluent households and during the next three years this number could double. These homes are likely to spend more than twice their current average. Our offerings have to reflect the change and sometimes lead it. Today, segments like conditioners, body washes and deodorants are growing and our portfolio is geared to address these segments. But our strategy is unchanged. If we want to earn the love and respect of our consumers, we have to be present in the bottom of the pyramid too.

As an FMCG company, how is HUL tackling the challenges in driving growth of the services business like Ayush or Lakme salons and Pureit, which is a quasi-durable business?

We review all our businesses from time-to-time; whether it is Pureit or Lakme. They are all important for us. Pureit is at the heart of our vitality mission. Performance is key and effective business models have to be worked at. We have to get that right, it is not a short-term play. We are dealing with people's lives. The competencies required in Pureit business are different and we have built them systematically over the past few years. We are in the process of a national extension and should be in a position to give details about our progress in 2009.

HUL's direct-selling business has also been struggling for a long time now? Is the company serious about backing it?

In categories like personal care, consumer migration from the retail channel to the direct channel is likely. Therefore, we need to be present there as well. The challenge is about building the capabilities required to succeed in the business and we are working on it.

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