



# WINNING IN TURBULENT TIMES

Even as we enter 2009 in what is a difficult environment, we must recognise that long-term fundamentals support strong growth

**T**HE global economy has been through what has aptly been called a "once-in-a-hundred-years storm". Such a whirlwind inevitably alters the landscape. We saw dramatic collapses of global financial institutions and wild swings in the prices of commodities. Many lost wealth. Many more lost confidence.

So it's not surprising that the mood as we approach the New Year is somber. This is despite the fact that commodity prices have cooled and inflation has moderated. While our growth rate has come off the heady 9% levels of the last three years, we are still projected to grow between 6% and 7%, at a time when many major economies are in recession. There are several reasons why the Indian economy is better placed to weather the current storm. High savings rates and a growth model dependent more on domestic consumption rather than exports reduce our vulnerability to the global turmoil. In the near term, Indian businesses must watch out for sudden twists and turns as the global economy adjusts to the tighter conditions. But in the longer run, our economy is expected to keep up its growth momentum.

The long-term outlook for the FMCG market remains extremely positive for several reasons, not the least of which is

our high growth trajectory which has changed the demographics of demand in our country. The Indian market had a rigid pyramid formation, with a vast class striving at the base, the smaller aspiring class somewhere in the middle and the affluent forming a point at the summit of the pyramid. Now, this pyramid is projected to change into a diamond, the shape we would get when the base narrows, the middle widens and the tip becomes a small table top. Years of growth have pushed some of the striving up to the aspiring class, and some of the aspiring up to the affluent class.

This will provide enormous opportunities as consumption will increase from the extremely low levels in our country as compared to some of the more developed nations. Take the example of skin care: India's per capita consumption is 1/20th that of Thailand, giving us a glimpse of just how much the market in India remains to be grown.

In addition to the consumption opportunity, increasing affluence is also driving 'premiumisation' across categories as those moving up the ladder are demanding more premium products. Separately, we are on the cusp of a huge opportunity in foods. Today, processed foods form just 5% of our food consumption. This is projected to grow fast

because of rising incomes, more women in the work force, a younger population thriving on impulse snacking habits amid increased commuting and socialising and changing attitudes. In addition, the rapidly growing modern trade is changing the trade landscape and the shopping experience.

So even as we enter 2009 in what is a difficult economic environment, we must recognise that the longer term fundamentals support strong growth. Challenging as these times are, they will provide opportunity for companies that remain resolute in their focus on the consumer and continue to invest in their brands. Scenario planning becomes key in these times of uncertainty and volatility. Gone are the days when you could lock an Annual Plan and drive the organisation towards it.

Plan horizons will have to be shorter and businesses will need the ability to make quick course corrections. All costs will need to be challenged and fixed costs need to be variabilised to the extent possible. Everyone will need to cut the flab and deliver more value than ever before. Those who do this well will not just survive these turbulent times but will emerge stronger and fitter, well poised to win in the prospering India of tomorrow.

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