

# ‘We’ll play our full portfolio’

HUL CEO Nitin Paranjpe says the company is committed to profitable growth by cutting costs and investing in product, quality and advertising. The bottomline: The consumer is king

**EXCLUSIVE**

## COMPETITIVE GROWTH

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**T**he only thing that should matter to us is the thing which relates to the consumer and customer. We are here to deal with it. Everything else, including internal issues, are irrelevant," said Nitin Paranjpe, CEO and managing director of HUL, in an exclusive interview to Kala Vijayraghavan. There is a visible sense of urgency within the Unilever system that subsidiaries such as HUL deliver strong volume growth. India and China, among the developing markets, are expected to lead Unilever out of the downturn.

**There is a marked aggression in HUL's approach since June 2009 in the market place. Is it after a Unilever diktat to drive growth?**

We are committed to competitive growth. What you are seeing in the past two months is us deploying our full portfolio. And we are not talking in terms of one or two brands here and there. It will be our full portfolio, across all categories because that is what we believe is required to successfully deliver on our ambition and goal to get competitive growth. All I can say is on and off one quarter here and one quarter there may see some reverses in sales that you may have seen in terms of categories.

**Has HUL identified the slack in the system that has led to an uncompetitive showdown in the marketplace?**

I would never use the word slack. Our commitment to competitive growth has been there at all times. There are some quarters when you deliver and some quarters when you don't. We have been here for the past 75 years and have built a strong business, and we are absolutely determined that in the years to come, we build an even stronger business with strong robust brands, represented across categories. We will play our full portfolio, straddle the pyramid and be aggressive to achieve this.

**HUL is present in highly-penetrated categories such as soaps and detergents. The criticism from company watchers is that HUL has not focused on a strategy to grow consumption.**

Market penetration varies quite dramatically — from very high to extremely low. But I would like to issue a health warning in terms of what the term market penetration means. Even if you use a shampoo once in six months, then the category is penetrated. But there are a large number of personal care categories where the penetration levels are very low like deodorants, hair conditioners, fabric conditioner in laundry, where the penetration is insignificant. If you take the dish wash segment, surface cleaners will become a very large market. Till now, parts of house cleaners that have been penetrating are really dish wash. We have now introduced 'GIF' to build and grow the market with right penetration.

**Has HUL put in a differentiated strategy to take on low-cost competitors?**

India is not one India — there are many Indias within India. So you cannot have any one set of approach for anything. We are doing what is called micro-marketing. In certain categories, the differences across regions are very significant in terms of presence and nature of competition. You need strategies which are unique even at the state level. We have organised to recognise the disparity and diversity of the country and our differ-

ent brands will play a different role in different parts of the country. For example, take categories like laundry or tea or skin cleansing. There is a significant variation which you will see across the country. So in these categories, we will have very region-specific brands.

**Last year, the HUL management's bonuses and compensation packages were linked to profitability growth. It was also the time when the company hiked prices, citing rising input costs. Now Unilever has linked compensation to volume-led growth. So how does HUL handle competitive pricing and its impact on margins?**

I want us to first recognise that any company which wishes to be delivering competitive growth must be just as tight-focused and ruthless on elimination of cost. Many people ask me are you focused on growth or cost? The way we will manage is by continuing to be really tough from the elimination of structural cost in our business, the cost across our supply chain. We will keep getting better and better. Because that is the only way which will give us the headroom that is required, i.e. to invest as required behind our brands. So if competition is going to be intensive — we want to be one step ahead and invest in product, quality and advertising. We are also committed to profitable growth. The only way you will achieve this is by creating such headroom by removing costs from your system that it will lead you enough to invest behind the product, and the topline, and yet leave a surplus to deliver your product.

**Will HUL's extensive focus on cost-cutting affect productive investments?**

We are cutting cost overheads and underheads and not brand investments. We are investing more behind our brands, as we reduce costs. As long as cost exists, there is opportunity to save. There is no end to how much more effective it would be. That will be the challenge for HUL.

**Is HUL changing the mindset of its employees to achieve the focus?**

We keep saying we want this organisation to become swifter, responsive, outward-oriented. The only thing that should matter to us is the thing which relates to the consumer and customer. Everything else, including internal issues are irrelevant. The entire organisation has to be outward looking, dealing with the consumer interest. That is the first shift which we want. All of us must be spending more time with consumers and customers because there is no substitute for the first hand feel of what is going on in the market place.

**How does HUL compare itself with strong marketing-oriented companies such as Airtel, Nokia or L'oreal?**

I do not want to comment on us versus others. I can talk about the things that we would like this company to be. We'd like this company to be externally-oriented, focused around the consumer and customer. We would like this company rising out to be nimble, swift, quick in terms of what it does, how it does it. Incompetitiveness of any kind is now intolerable. Over the past few months, we have learnt many lessons about the volatility of 2008 and 2009. We have learnt a few lessons about the criticality of speed and of managing the pipelines, which have hardened and resolved us.

**Is volatility around businesses still a concern?**

It always will be. We really can't determine what could happen in the world. How volatile the world will be. We can determine what we can do about our internal processes to gear with that. So we worked hard over the last two months, to identify certain internal processes which we have tried to shorten the cycle times, so that we can respond to changes — changes because of volatility, competition, a little faster than what it was originally. To do our job now, we have to wear a bifocal lens. A lens which will manage this quarter and the next quarter, and equally a lens which will enable us to look ahead and see what is likely to happen 3-5 years from now in the market place.

**How do you see the market panning out in FMCG? Downtrading is still a worry?**

The FMCG market will continue to see a good growth in a medium to long-term view, there are several factors that support a strong market growth. Those could be just the increase in affluence in this country. I think we must distinguish between short-term cycles and a long-term take. When you are travelling in a road — sometimes there are speed breakers which require the speed of the car to come down, but that does not stop the vehicle. The trend can be in that direction. So from time to time, there may be events in the environment which may lead to some downtrading somewhere, in some categories. It is for good reasons. The economic turmoil and the crisis which is going on, inflation, etc. But the consumption trend cannot be broken as long as India continues its growth journey. There may be an odd year when there is a dip. But overall it has to grow.

**Like Unilever, HUL is also looking at different way of doing business with its agencies to ensure more bang from the buck?**

HUL is not different from Unilever — we are one company. Agencies as our partners, we have to work together to collectively create value. That is our first principle. The second principle is that in any partnership, there has to be a certain framework of business. Just as we say it internally to our employees, we are saying it to our partners. Internally, we want performance orientation and accountability and there is the whole philosophy of pay for performance. So also with the partner, the approach has to be — there has to be an output and output must have result, and there must be a greater incentive for superior performance.

**There is this criticism that HUL brands are morphing into Unilever brands.**

Today, our largest brand is Wheel, an Indian brand. We have not morphed it. Fair and Lovely is a brand which grew up from here into other markets. People at some stage had got confused between power brands and global brands. All the brands that we have got in our portfolio today are not power brands, some happen to be global brands. Whatever pruning had to be done, happened in the past and have been left with the portfolio brands.

**As a CEO, how are you tackling growth challenges?**

Leadership has its own sets of challenges. Leadership requires you to be able to watch, be not just bifocal but multifocal. My feeling is that there is no substitute for personal involvement.



## FAST MOVING FMCG

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## STRONG MARKETING

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## BRAND PROMOTION

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»» FOR HUL, CONNECTING WITH THE CUSTOMER MATTERS MOST