

GOPAL VITTAL/HUL

Our culture is to act fast and take approvals later

BY SAPNA AGARWAL
sapna.a@livemint.com

MUMBAI

Hindustan Unilever Ltd (HUL) faces an aggressive international competitor Procter and Gamble (P&G) on one side, and several hungry Indian rivals on the other. Neither seems to worry Gopal Vittal, executive director in charge of the home and personal care business, which contributes around 70% of HUL's revenue. In an interview, the man in the hot seat says his company is, in fact, regaining market share it lost to competitors over the past few years. Edited excerpts:

mint INTERVIEW

Why did a less-expensive version of P&G's Tide cause so much uproar and eventually end up with you and that company slugging it out in the court?

The cheaper version of our competitor's brand was a different product from the other version (of Tide). Based on extensive testing in our own laboratories as well as third party laboratories we found that the product was inferior to our brand.

We also found that our consumers were being misled to believe that the cheaper version offered the same quality. We clarified this for them. Be-



ABHJIT BHATLEKAR/MINT

Regaining growth: Gopal Vittal, executive director of HUL.

yond that I cannot comment since the matter is sub judice.

Is this battle between the two of you restricted to the detergents market?

(Around) 65% of the detergents market is what we would

TURN TO PAGE 3 ▶

Our culture is to act fast and take approvals later

► FROM PAGE 1

call mass market. We have a 25% share of this market by value. Our share in the premium segment of the market is about 60-65%. We were hit in the mass market in the early part of 2009 and have been strengthening our position every month since that initial bump.

In the latter part of 2008 and early 2009, (the price of) crude came down from \$140 (a barrel) to about \$45 (around Rs2,000 today) in a matter of months. Our detergents business is strongly linked to the price of crude. We brought down prices immediately. However, given the large pipelines and inventory across millions of retail stores in India, the time that most organized players took to ensure prices reached consumers was about three to four months.

It was at this time that we lost almost 300 basis points (100 bps is 1%) of market share in a matter of six months. In fact all organized players lost share to the extent of about 600 bps to about 600 small players operating in one or two districts (each). In the last eight months we have gained back most of that share. Take washing powders, for instance. We have moved our volume share from 31.8% in the June quarter of 2009 to 33.5% in February 2010, a gain of 170 bps. We are making progress every month.

How does the detergents war play out?

We have a 60-65% market share of the premium detergents market with our brands like Rin and Surf Excel. As I said earlier, we have been gaining volume shares consistently in the last eight months. We have also been increasing our gap against our key competitor in this segment.

In the mass market, we are winning back shares from a host of small local players who entered during the volatility of late 2008 and early 2009. The long-term game for this category is upgradation as people get richer and buy better products. With the entry of washing machines, better clothes, a different wardrobe, this upgradation will continue.

Is this war between the two of you really about winning market share in detergents or are we missing something?

Our key competitor in the fight for upgradation within the laundry market is under pressure. Even in a category like hair(care), an extremely profitable category, they have lost share and we have increased our gap with them by about 150 bps. We have done this through premiumizing our portfolio, the success of Dove, our relaunch of Clinic Plus which has grown share for what is the largest brand in the category. What this means is that we have strengthened our position. When something like this happens, there is bound to be desperation.

What about the personal wash (or toilet soaps) category? You have been losing share to competitors?

Personal Wash is a category where we lost share between early 2008 and mid-2009. This is a category where we are determined to turn around.

We have relaunched several of our brands, we have clarified their positions, restored consumer value, stepped up investments and activated

many of our local brands with strong presence in a few regions. As a consequence, we have started inching up share in this category by about 60 bps in the last eight months. This is an encouraging sign.

Are we seeing a more aggressive HUL than we have in the past?

There is nothing to suggest that we have become less aggressive or more aggressive. First, we want to do what is right for the consumer. Second, we want to make sure that we have far more paranoia and passion for how we are exploiting the Indian opportunity.

The market is reshaping and we need to be at the forefront in shaping that change. Without doubt there is a sense of urgency we are seeing now.

On his recent visit, Paul Polman, Unilever's CEO, said there is potential to double business revenues in India. That looks like a formidable task, especially in the home and personal care (HPC) area.

HPC accounts for 70% of our revenues. It is a large business, but remember, we are playing in large markets as well. As a market leader we have to lead market development. We have to grow most of our categories. Take skincare. This market is growing at over 20% led by many initiatives that we are taking. If we continue to grow this market, we will double our skincare business in the next three years.

The same applies for hair, for deodorants, for household cleaners, for colour cosmetics. Or look at laundry. The biggest driver for growth is upgradation. As India becomes richer, this category will continue to upgrade and we are well poised to exploit this.

What about market share? With competition intensifying, how do you plan to defend your space?

All our markets are going to continue to grow. We have a leading share in most of the categories we play in. Our job is to lead the growth of these markets—to lead market development; in the process if we lose a few hundred basis points, it is inconsequential. What we are obsessed about is category growth. When we do this we have a greater business.

There is a perception that multinational firms such as yours are at a disadvantage while dealing with local competitors. Unlike you, who may have to wait for approvals from global headquarters, these firms can react quickly.

That is a totally misplaced comment. We are here to run the business. We have a responsibility to deliver market share, margin and growth. We do not need any clearances to do this or that operationally. We have goals to meet. How we meet these goals or how we choose to compete is a decision that is left to HUL. We are organized by categories and our category teams take the decisions that are right for their categories. In fact, when it comes to doing what is right for consumers to drive growth of our categories, we are moving to a culture of acting fast and taking approvals later. At the end of the day, we are accountable for delivering growth and value to the shareholders and keep our competitiveness intact. Everything else is secondary.