

Hindustan Unilever, which has struggled in the foods business for a decade, is taking yet another crack at it. Now, it is using experiential marketing to pry open the segment, reports Kala Vijayraghavan

And the fight goes on...



TASTE AND SEE HUL is taking its new marketing strategy everywhere from local trains to shops to homes

BHARAT CHANDRA

Foods & beverages, processed foods and ice-creams are at a point of inflection. With modern trade coming in and disposable incomes going up, consumers' willingness to experiment and spend on convenience foods has gone up

SHRIJEET MISHRA HUL'S EXECUTIVE DIRECTOR, FOODS



(excluding the US and Europe).

Nestle India, maker of Maggi instant noodles and KitKat chocolates, said it reached more than 2.2 million Indian customers last year.

Also fuelling competition are big modern retailers such as Food Bazaar, Spencer's Retail, Aditya Birla Retail's More and Reliance Retail. They have launched private labels (in-house brands) in categories such as soup, pasta, snacks and breakfast cereals, which are cheaper by 15-20%.

NOW, finally, HUL is firing up its portfolio of foods brands. "We are looking very closely at nutritional profiling, offering healthy choices, reducing transfat and sugar," says Mishra. Its food and beverages (F&B) brands include Brooke Bond, Red Label, Annapurna, Bru, Kissan and Kwality and Knorr. It has also just re-launched its ready-to-eat chapattis under the Modern Foods umbrella, exactly a decade after the first attempt made under ex-chairman Dadiseth bombed. "Modern has a strong equity and a large base of consumer homes in cities. We have leveraged the learnings from our bakery business in Modern Foods in launching this product," says Mishra. HUL acquired Modern Foods from the government in 2000.

HUL has launched nutritional tea, Brookebond Sehatmand, in the mass segment, Red Label dust tea in select markets and got into new formats such as cappuccino in coffee. Knorr was re-launched to fill the vacant pre-dinner snack spot. It has done a makeover of its ice-cream business by offering a variety of products with Indianised tastes. HUL has also re-energized Kissan, launching low-priced squeeze jam tubes.

However, a recent innovation, Kissan Amaze brain foods has failed to make it beyond the test-market phase. Annapurna and Modern are also no longer a drag on HUL's business, claims Mishra. "They are profitable. Modern has been completely re-energized, as has Annapurna salt, with the low-sodium Annapurna Zinda Dil."

But every where, the launch or re-launch strategy is built on one peg — taste and see. In September 2010, the Knorr brand started an outdoor campaign across colleges, popular hang-outs, residential and commercial areas called "Snack on Wheels" to promote its soups and soupy noodles. The campaign was carried out through a mobile unit, which facilitated sampling and selling of soups and soupy noodles on the spot.

During the same month, HUL began a Brooke Bond 3-Roses sampling campaign in six districts of Tamil Nadu. It centered around traditional weddings. All guests at weddings were given a sachet of 3-Roses with the Tambula bag — a return gift consisting of coconuts, sweets, and so on. And as a gift to the bride and bridegroom, HUL offered three months' worth free samples.

HUL seems to have found some traction with this approach. "HUL is now doing well in a market which is largely upbeat and consumers are willing to spend. Knorr Soupy Snax has gained a lot of traction with consumers and hopefully that should fuel their risk appetite," says Food Bazaar's Mall. But Mishra's team will have its fingers crossed. They know that HUL has had too many false starts in the foods business.

CONSCIOUS CAPITALISM

Health is Wealth

HERE IS SOME FOOD FOR thought — HUL is now working closely with key tea plantations and Rainforest Alliance (RA), an international certification body in the area of sustainable agriculture. Nine tea estates in the Nilgiris (Tamil Nadu), and 10 tea estates in Assam were certified 'Sustainable Estates' by RA in 2008 and 2009. This certification is currently sought for 52 other tea estates in Assam and Darjeeling.

This is part of Unilever's 'beyond business' approach. It wants to source raw materials from agriculture and forestry in a sustainable manner. It is following the Unilever Sustainable Agriculture Code for growers of key crops — this covers 11 indicators, including water, energy, pesticide use, biodiversity, social capital and animal welfare.

The company has also started developing Indian producers for the tomato paste it makes under Kissan brand. HUL is working closely with key producers on initiatives including water conservation, use of authorized pesticides, land conservation, and improvement of farmer incomes.

HUL has also begun putting a 'Healthy Choices' stamp on its food products. The Choices programme started by establishing Choices International Foundation by Unilever, Campina and Friesland Foods in 2003 is a world-wide initiative set up to make the healthy choice the easy choice. The programme has introduced a simple front-of-pack stamp on food products that meet international dietary guidelines.

HUL's relaunched range of Knorr soups has excluded preservatives and has seen a 5-7% reduction in sodium content. "As part of this programme, we are committed to reducing the quantity of fat, salt and sugar in our products. Currently, 85% of our portfolio qualify for the 'Healthy Choices' stamp," Mishra said.

IN SEPTEMBER 2010, WOMEN commuters in suburban Mumbai trains were in for a tasty surprise — they had Hindustan Unilever representatives serving out freshly cooked food prepared with Knorr Ready to Cook spice mixes. The 'Baje ki Knorr Local' campaign touched the right chord: the aroma of piping hot food was a treat for consumers enduring hours of travel after a hard day at work.

"Taste and see" is HUL's new battle cry as it tries, for the umpteenth time, to push ahead in the foods business. It managed to get 50 million consumers to sample its foods products in 2009 and the number is likely to be higher this year, says Shrijeet Mishra, HUL's executive director, foods. The idea is to hit at source, influence purchase decisions and propel the foods business, which has historically been a weak spot in its portfolio and has not had same level of success as enjoyed by its rivals such as ITC.

"We believe that the foods and beverages, processed foods and ice-creams markets are at a point of inflection," says Mishra. "With modern trade coming in and disposable incomes going up, consumers' willingness to experiment and spend on convenience foods has gone up sharply."

Sales of packaged processed foods such as biscuits, chocolates, ice-cream, confectionery, snacks, ready-to-eat food, cheese and butter are worth ₹50,000-60,000 crore and growing 30-35% annually.

In a segment that has major players such as Britannia, Nestle, Amul, ITC Foods, Parle, Kellogg's, GlaxoSmithKline, Wrigley and Frito-Lay, besides hundreds of smaller firms, HUL's processed foods business (excluding beverages) share is less than Rs 1,000 crore.

That's why it is now mounting a massive consumer connect offensive.

And HUL is taking its experiential marketing strategy everywhere — from trains to shops to homes — to make customers taste and see. It has deployed 250 food ambassadors at stores across Delhi, Mumbai, Chennai, Hyderabad and Bangalore with the help of its in-store execution partner Smollan Holdings of South Africa. Why? Because 78% of purchase decisions are made at the point of sales.

In April, the consumer products giant initiated a home-to-home marketing blitz with trade execution partner India One in Mumbai, Delhi, Kolkata, Pune, Hyderabad and Lucknow. Brand promoters made home visits and got consumers to taste its food brands, noting details and making a sales pitch.

HUL has no choice now, but to go on the offensive. Its beverages, foods and ice-creams businesses account for only 18% of its ₹17,524-crore revenues, while parent Unilever earns 50% of its ₹10.1 billion revenues from foods.

Unilever CEO Paul Polman, faced with stagnating sales in the US and Europe, wants India to deliver more. And that's been communicated in no uncertain terms.

Initially, till 2006, HUL was not convinced that Indian consumers were ready for processed foods. "It was content with beverages and coffee," recalls an ex-HUL senior official who was part of its foods business. These are still the mainstay, accounting for 70% of its foods business. Its early attempts in processed foods were half-hearted and even in these it did not persevere long enough. "HUL floundered between 2000 and 2005, owing to its reluctance to stay invested and drive sales before worrying about profits. Its strategy was inconsistent," he adds.

THE FOODS BUSINESS has been a long-standing problem for HUL.

Even a slew of acquisitions done by former chairman Keki Dadiseth way back in 2001 could not give it the desired momentum. Under him, HUL acquired Kissan from Vijay Mallya's UB group, Captain Cook from DCW Chemicals, Kwality ice-cream from the Ravi Ghai group, Dollops ice-cream from Cadbury's and Milkfood ice-cream from Jagatjit Industries.

While HUL's foods business (excluding beverages) is yet to cross ₹1,000 crore, rival ITC, a late entrant, has already raced past ₹3,000 crore with brands such as Aashirvaad, Sunfeast, Bingo, Kitchens of India, Minto and Candyman. ITC launched its foods business in 2001 with Kitchens of India ready-to-eat preparations and followed it up with a slew of launches across categories. Today, ITC is the market leader in atta (flour), occupies second slot in confectionery, salt and packaged snack, and ranks third in biscuits.

Analysts say ITC did well primarily because of its sustained focus on innovations that suited Indian tastes,

huge distribution network and strong supply chain as its agri-business division helps in procuring commodities and connects with 5 million farmers in 170 districts across 16 states.

Industry people like Damodar Mall, director of Food Bazaar, the country's largest modern food retailer, feel HUL ought to take more risks. "Organised foods companies are still sticking to the soups and noodles categories and modern retailers are struggling to meet the consumers' need for variety in processed foods," says Mall. Why, for instance, is HUL not launching a Knorr Chinese bhel, a popular snack in Mumbai, he asks.

"Why is it left to the Haldirams in the country to cater to local tastes?" Anand Shah, senior FMCG analyst at Angel Broking, says, "HUL is not thinking beyond its legacy brands." Unilever should launch more global foods brands in India, while HUL needs to identify new categories and improve its appetite for new segments, he added.

Many of Unilever's top food brands such as Beceel, Flora, and Bertolli are not in India yet. "HUL's performance is disappointing. It needs to do more to be ahead of the curve," he says. While HUL's foods business (excluding beverages) is marginally profitable, ITC's food business is still loss-making. "ITC has shown the willingness to stay invested and has put growth ahead of profitability in its early years," says the former HUL official.

ITC is not the only competitor. Many nimble rivals are quickly adapting to India's unique requirements. Says Mall: "Even within a particular region, the taste changes from district to district. Food companies have to innovate in segments such as health & nutrition, indulgence and convenience platforms, which have huge potential for growth."

GlaxoSmithKline Consumer Healthcare, maker of milk-based health drinks such as Horlicks and Boost, has recently launched a range of nutrition bars, health food drinks and biscuits. By the end of this year, Horlicks will also announce a range of ready-to-eat breakfast cereals. The global parent will invest more than ₹270 crore in the Indian arm, now its fastest growing market

FIGURE OF MERIT					
Hindustan Unilever	Mar 2006	Mar 2007	Mar 2008	Mar 2009	Mar 2010
SALES					
Beverages	1,277.46	1,330.74	1,532.78	2,299.51	2,142.43
Foods	313.72	394.91	537.73	808.30	730.78
Ice-creams	98.15	137.07	160.64	235.32	231
PBDIT					
Beverages	242.42	220.51	231.61	308.15	319.75
Foods	-16.1	12.86	18.72	1.45	4.44
Ice-creams	8.08	18.72	13.65	8.62	12.89
ITC	Mar 2006	Mar 2007	Mar 2008	Mar 2009	Mar 2010
SALES					
FMCG - Others	1,013.47	1,689.46	2,511.05	3,014.04	3,641.68
PBDIT					
FMCG - Others	-171.81	-201.99	-263.52	-483.45	-340.51

Figures in ₹crore; Source: ETG