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# HUL Brews Plan to Open Coffee Shop

Rolls out Bru World Café outlet on a pilot basis at Juhu, Mumbai

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The country's largest consumer products company Hindustan Unilever is testing waters in the coffee shop market even as US giants Starbucks and Dunkin' Donuts finalise plans to tap into increasing out-of-home consumption of coffee in the country. Hindustan Unilever has quietly opened a 'Bru World Café' outlet on a pilot basis at Juhu, an upmarket western suburb of Mumbai.

"Bru World Café will be bringing various coffee experiences across the globe to the Indian palette," HUL's beverages category head Arun Srinivas said.

Rising affluence in the country and the fact that consumers now spend more time out of home point to the high potential of coffee retailing business, he said.

The organized coffee market in India is around ₹600 crore, or 20% of the total domestic coffee consumption of ₹3,000 crore. Launched in 1962, Bru is Unilever's only coffee brand and is sold only in India.

Experts say the café entry will help Hindustan Unilever boost its coffee powder sale. "Once scaled up, their coffee shops can serve as a point of purchase and help create brand recall for in-house consumption of its Bru brand," brand advisory firm Harish Bijoor Consults Founder Harish Bijoor said.

With coffee prices at an all time high, brand visibility could allow Hindustan Unilever a better pricing power for Bru coffee, feel analysts. Nestle, Hindustan Unilever's arch rival and leader in the ₹ 800-crore instant coffee segment, has a similar format—Café Nescafé. But it has not made any remarkable progress till now.

Hindustan Unilever has been un-

## A Lot Happening Over Coffee

India's largest consumer products firm brews new plans

**600**  
crore

Size of organized coffee market in India

**800**  
crore

Size of instant coffee segment in India

Figures in ₹ crore



### Coffee with HUL

- Launched in 1962, Bru is Unilever's only coffee brand and is sold only in India
- With coffee prices at an all-time high, brand visibility could allow HUL a better pricing power for Bru coffee
- HUL has roped in Shahid Kapoor and Priyanka Chopra as brand ambassadors to push its Bru brand
- Nestle, HUL's arch rival, has a similar format—Café Nescafé
- Established coffee chains such as Cafe Coffee Day, Lavazza-Barista and Costa Coffee plan to flood the Indian street with hundreds of outlets over the next few years
- World's largest coffee shop chain, Starbucks, last month announced a deal with Tata Coffee

der pressure to maintain its margins in its core businesses and has been trying to build a portfolio of premium brands to negate rising input cost. Its beverages business accounted for 11.9% of its sales in calendar 2010, while profit contribution was around 12.6%.

Hindustan Unilever is the market leader in the overall coffee segment with a range of products in conventional coffee, ice and hot cappuccino and out-of-home vending space. It has roped in Bollywood actors Shahid Kapoor and Priyanka Chopra as brand ambassadors to push its Bru brand.

Yet, it won't be easy for the company to tap into a market that is increasingly getting cluttered by coffee shops. Established coffee

chains such as Cafe Coffee Day, Lavazza-Barista and Costa Coffee have plans to flood the Indian street with hundreds of outlets over the next few years to cash in on their increasing popularity among young Indian consumers, who have more disposable income than their previous generations. "We are a platform for hangout and in the process drive sales of not just coffee but also tea," said K Ramakrishnan, the marketing president of Bangalore-based Amalgamated Bean Coffee Trading Company, which runs 1,072 Café Coffee Day outlets.

"Macro-economic factors like higher per capita and disposable income are key sales trigger for coffee chains in the country," Ramakrishnan added.

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## Heard on the Street

### *HUL Bucks Trend as Investors Take Shelter in Defensives*

Hindustan Unilever, or HUL, lived up to its image of the defensive bet as the stock bucked the downtrend despite extremely choppy market conditions on Thursday. In a declining market, investors tend to take shelter in shares of FMCG and pharmaceuticals companies on belief that these sectors are unlikely to be affected much by adverse economic situation arising out of soaring inflation and the consequent hardening of interest rates, according to analysts. HUL shares ended flat at the weighted average price ₹280 against a 3% fall in the Sensex on Thursday. The stock, in fact, has been outperforming the broader market for the past many days on the back of open market purchases



by the company under its ongoing buyback offer. According to BSE statistics, the multinational company has so far acquired 1.3 crore shares under its ₹630-crore buyback programme which will close on July 25, 2011.

**Contributed by Vijay Gurav**