

# HUL eyes opportunity over a cup of coffee

Namrata Singh | TNN

**Mumbai:** Hindustan Unilever (HUL) has invested behind a clutch of businesses that are not typically FMCG. It began vending tea and coffee eight years ago and recently piloted the Bru World Cafes in Mumbai. Why is a company, which sells packaged consumer products, pushing service-driven models vastly different from its core operations?

When a consumer makes Brooke Bond tea in the morning, she uses a spoon of HUL's packaged brand, yielding the company about 50 paise per day. HUL wondered why not serve the consumer an entire cup of tea and introduced vending machines. This fetched the company Rs 3 per cup instead of 50 paise from selling packaged tea. The consumer goods behemoth was just beginning to tap the more profitable and contemporary consumption opportunities.

The exploding network of urban cafes serving liquid coffee and tea at Rs 50 and above to mostly younger consumers made HUL research this segment as well. Now, Bru World Cafes plans to compete with Café Coffee Day, India's largest



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and pioneering café chain with nearly 1,200 outlets.

The single thread playing out here is the accelerating out-of-home (OOH) consumption that is driving fresh ideas in business. "Our interest with respect to OOH is on leveraging our brands and moving up the value chain. More consumers are spending time out of home—at work, waiting at airport, railway stations or bus stops, hanging out in malls and multiplexes. This creates a very large and unique experience not just for consumption, but also for the brand where you have the chance to engage with the consumer," said Anand Khurana, business head, OOH & Modern Foods, HUL.

The on-premises vending

opportunity for hot beverages is estimated at Rs 1,500 crore today. HUL's vending business has grown 30% annually in the past five years. "We have 40,000 machines in market serving 2 billion cups a year," said Khurana. This brings HUL into a close contest with Nestle, the other major player in vending. But action in vending is revving up with Café Coffee Day and Fresh and Honest expanding presence and pitching for BPO-office contracts which are growing in number.

Antonio Helio Waszyk, CMD, Nestle India, had said a year ago that OOH was among Nestle's five growth drivers.

HUL has already opened six cafes in Mumbai on pilot basis and the plans to increase the network to 10 this year. "It has been four months since we launched the first cafe and consumer response has been encouraging. OOH consumption is an important category driver for coffee as a category," said Arun Srinivas, general manager beverages, HUL.

There are very few examples of product companies emerging with successful service businesses, said Harish Bijoor, a brand expert and a keen observer of the café culture.