

 [THE COMPASS]

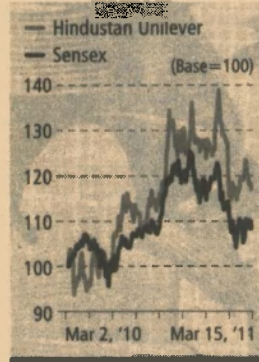
## HUL: Taking the fight to the enemy's camp

A slew of new brands and aggressive rural push is expected to keep volume growth in double digits

**A**walk through the Hindustan Unilever (HUL) headquarters in suburban Mumbai is probably the best way to understand its go-to-market strategy. The company's headquarters has the feel of a mall, as it houses a Bru World Cafe, Swirl ice cream parlour and a retail store, proudly showcasing HUL's robust portfolio of brands, most of which were not present a year ago.

Nearby are kiosks where brand managers can get live feedback from customers across India. A test counter of Knorr soups dishes out the latest offerings to employees for instant feedback. HUL calls it experiential marketing. Analysts call it a resurgent HUL.

As input costs go through the roof and competitive pressures heighten, consumer staples have become ugly duckling for the Street, with pricing power going for a toss. But HUL may well turn out to be the dark horse. Over the last decade or so, HUL has seen smaller competitors close in and the erstwhile smaller competition is large today. Godrej, one-twentieth of HUL in 2000, is today one-fifth, Dabur



is one-fifth from one-tenth and Nestle is one-fourth from one-eighth. HUL is aware of its misses.

With rivals snapping on its heels, HUL is realigning itself to the new Indian consumer. While the focus on traditional brands remain, Dove and some other international brands enjoy the pride of place. Strategically, HUL has a five-year roadmap in place to leverage the ever growing middle class, which will balloon to 11 million households by 2013.

HUL has tripled its rural reach from 2010, which puts it ahead of smaller competitors. Almost half the company's sales comes from rural India. This is already reflected in

the double-digit sales the company has been delivering over the last four quarters. HUL's third quarter volumes grew 13 per cent, while FMCG sales grew sequentially from 9.7 per cent to 11.5 per cent.

Analysts, who are taking a contrarian call on the company, are bullish on its ability to leverage the global portfolio of brands. India will soon see brands from Sara Lee and Alberto-Culver, global acquisitions by HUL. The same aggression is in place in the food business, too, which forever has been a drag. From launching multiple variants of Bru to Soupy Noodles, the company is ready to take the fight into the enemy's camp. Edelweiss is confident of HUL's underlying business turnaround and prudent cost control and says: "The company will focus on judicious price rise, increasing market-share and product innovation to counter competition." However, ad spends, at 13-15 per cent of turnover, are likely to remain high due to competitive pressures and new launches. Also margins are unlikely to return to the previous levels of 14-15 per cent.