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TOWARDS A GREATER LEVER-AGE

Global chief Paul Polman wants to see another HUL — same size, same scale, just in a shorter time frame. To get there, HUL must fire up the engines of emerging categories. But the road from consumer goods to consumer centricity isn't an easy one to navigate, even for India's largest FMCG company

Rajiv Banerjee

IT'S lunchtime at the sprawling campus — the walk through inside the corporate nerve centre of India's largest FMCG Company — the ₹17700 crore turnover (March ended 2010) HUL. The campus is crowded with employees taking their post prandial walk, some using WiFi to work out of their work stations and some milling around the branded food court from the company stable.

So there's Swirl Parlour, Bru Cafes and the latest addition Knorr Food Kiosk. It's at the Knorr Food Kiosk that one finds Shrijeet Mishra, ED - foods, HUL. Mishra is with a group of senior managers at Knorr encouraging them to try out the soups and other offerings at the recently launched kiosk. Mishra incidentally doesn't have lunch. He doesn't need to, he says. "The business that I am in requires sampling and tasting food all the time. So I keep having small meals throughout my stay in office," he says.

It's not just Mishra who loves to be on the street soaking in customer reaction, but even Gopal Vittal, ED - Home & Personal Care (HPC) likes to spend a disproportionate amount of time on what he calls tender love and care (TLC) businesses. "Businesses like Lakme salon call for a different business model mindset. Add to that skin care as I am most excited by the potential of the category in the next five to ten years," says Vittal.

Both Vittal and Mishra may be handling a diverse set of businesses, but the common thread between them and indeed across HUL is renewed customer focus. The change, which some market observers will tell you has come a little late in the day, comes as HUL increases its focus on new categories in the past five years. Sure, Wheel is a ₹2000 crore

try. Innovation in the business model, apart from product and pricing has also played a significant role in Wheel's success, he says. "The traditional model is essentially about cost + margin = price. In the bottom-end or bottom of the pyramid, one can't have the same model. So what we do is first set the price. Here price minus desired margin equals the target cost. And target cost is the end-to-end cost of the total business system. So to arrive at better efficiencies in managing costs, the factories are closer to the point of sale that allows reductions in freight costs - both inwards cost for minerals and outward cost for despatch to the customer." Essentially, we have to innovate across the board to grow such a large business."

Course Correction

The processed foods business comprising of Knorr, Annapurana and Kissan range and Bakery product comprising of Moderna Foods has only begun its journey up North in the past 5 years. For the year ended March 2010, the processed foods business according to CapitalLine, clocked net sales of ₹730 crore with net profit of ₹4.4 crore. Five years back, HUL was straddled with a number of brands in the food and beverage portfolio where brands operated in silos rather than feeding off each other strengths. That has changed with all businesses in foods and beverages put together. "The core is the beverages segment, a strong play in packaged foods and turbo charge the ice cream and the out of home businesses," says Mishra. But tea and even coffee are categories that HUL has been operating in for the last two decades. So why has it taken so long for the company to correct its strategy?

POWER PLAY ON PG 2 

One can give the end users premium whitewash, more lather or a detergent adaptable to a washing machine. But beyond that, there's very marginal difference," says a senior official from a media agency in Mumbai. "HUL seems to be on the right track. The new product categories like Hair, Skin etc are the categories of the future. Although whether HUL will be successful in it is still a conjecture," says Manoj Menon, analyst at Kotak Institutional securities. The result of forays into new categories may be conjecture, but Sudipto Roy, principal partner - client leadership, Mindshare says HUL is looking at fulfilling the dearth of choices in a growing market like India. "Look at hair care with products for post rinse, pre rinse, hair colour etc. All these are coming into the mainstream slowly. Hair as a category has a lot of headroom for growth and it's a similar story in the skin care," says Roy. Vital however disagrees on the point that customer centricity and innovation is seen more in new categories than the old brands. "The underlying volume growth we have achieved in financial year 2010 is the highest we have seen in recorded history. This cannot happen if one is not growing the bigger businesses." Citing the example of innovation for Wheel brand, Vital says the formulation has been customised for different parts of the coun-

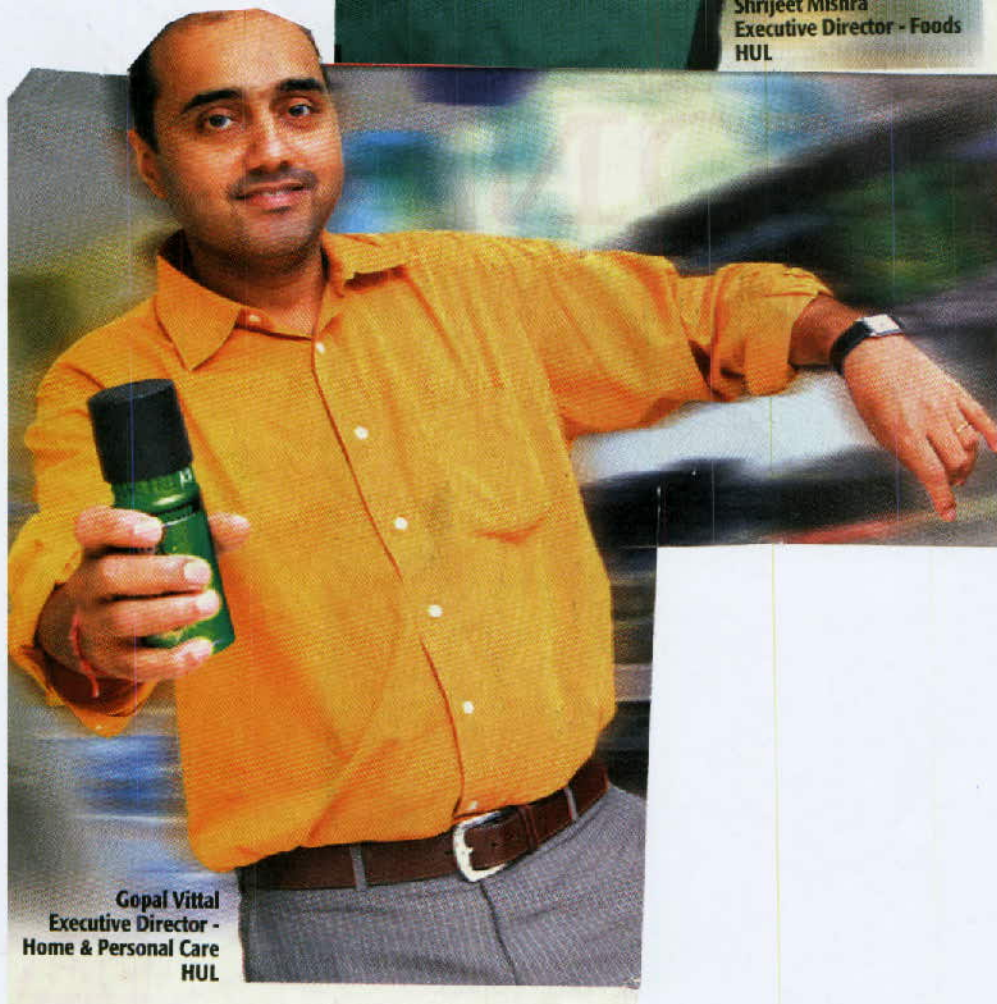
heavyweight brand and Lakme with just 139 salons may seem puny, but it's the salon business that will enable HUL to drive business for brands like Dove as both retail and product look to target the same audience. Similarly, in the foods business, HUL launched Bru World Café taking head on coffee retail chains like Café Coffee Day and Barista. HUL is testing Knorr kiosks and is increasing its roll out of Swirl Ice cream parlours. Indeed in the food business, it's not only the retail business that's witnessing rapid action. As consumers evolve, HUL's ramping up on Kissan, extending the brand to malted drinks and juices. Similar action is seen in Knorr, where the company has taken the brand from soups to noodles to meal maker. "Foods are small but important part of HUL, which is why one is seeing a lot of action in this space," says Mishra.

The Innovation Plank

HUL observers say that the company's objective to acquire greater customer centricity is based on innovation across products, pricing and even supply chain. However the focus, observers' remark, is more towards emerging categories than the regular bread winner flagship brands. "There are limitations to innovations that one can attempt in detergents space.



Shrijeet Mishra
Executive Director - Foods
HUL



Gopal Vittal
Executive Director -
Home & Personal Care
HUL

Power Play

← TOWARDS... FROM PG 1

"Many things that were done in the past were perhaps right for that time. Sometimes, we were way ahead of the curve," says Mishra. In the ice cream business involving the Swirl Parlours, Mishra says the company is adopting a citadel strategy. So instead of carpet bombardment across the market, HUL has identified around 20 odd cities in India to drive consumption of ice creams. This will ensure the company to grow these specified markets and also conserve its resources to take on competition. "Open few big fronts and stay there," says Mishra.

And one of the fronts for HUL is also the rural markets for both home and personal care (HPC) and foods. In the HPC space, Rin Detergent bar was promoted as Nil Mineral Bar in rural areas. Lifebuoy Swasthya Chetana is yet another initiative which the company has taken to rural areas. In the year 2010, HUL through activation has touched 28,000 villages and 10 million households, says Vittal. "The attempt, be it through activation in rural areas or digital to target youth in urban markets is to break out of the television trap." Analysts however believe that HUL should not just focus on pushing brands like Dove or even Kissan malted food drink only in urban markets. "The trick is to 'rurban' when it comes to these brands," says a senior official from a consultancy firm who's worked with the company.

The Challenges

One of the categories where HUL is active is the deo segment. Axe is fighting in an ₹ 500 crore deo market, growing at double digits per annum with rival brands. However along with Axe that operates in the fragrance space, HUL for sometime has tried to crack open the anti perspirant market with Rexona. Now, HUL has introduced Sure from its international portfolio as the pincer to target the anti perspirant market in India. "Anti perspirants is an exciting category and we will build this market through Sure," Vittal states. Rexona, he says, will move out of this space and will be restricted to just soaps. "Rexona after all is a soap as well as well as an anti perspirant. We want to simplify things in the consumers' mind. If you think about anti perspirant, there's Sure. But when one thinks about Rexona it is not as clear." To give HUL the benefit of doubt, the Indian consumers are yet to become aware or realise the benefits of using anti perspirants. As more often than not, brands like Axe is used both for fragrance as well as odour reduction. Market observers

The Game Plan

Reduce costs, both at back-end as well as point of sales through across-the-board innovation.

A citadel strategy for ice creams business. Focus on consolidation in around 20 major cities. Helps protect turf.

Increased focus on non-television mediums to connect with the customers – from digital to rural activation.

Greater focus to move from brands to services through retail. Expect rapid expansion of formats like Bru Cafes and Swirl parlour.

Food retail brings HUL head-on with established food formats. Absence of a distinct proposition may become a hurdle.

however feel that the Sure launch is also to protect Axe turf in the market. "Axe is positioned distinctly and is battling other 'me too' in the market. So HUL has to open up a new flank and that's happening with the introduction of Sure," states a senior official from a reputed media agency.

Even in the out of home business comprising of Bru Cafes, Swirl ice cream parlours where HUL has announced a very aggressive intent in terms of expansion of its formats, market observers advise caution. Mishra says that the out of home strategy has been fine tuned in the past six years and the primary focus is to move from brands to service. "Internally, we have roped in professionals with retailing background and beefed up our knowledge space." Instances of FMCG companies in India managing a successful retail service play is non-existent and in some instances, brands have scaled down their ambitious retail footprint. "Everything boils down to the exact focus and attention the company wants to achieve in the out-of-home space. For instance, in Lakme salons, HUL has far greater control and interaction and there's sync with their product offering. Food retailing is not an easy game as it's as much about real estate as it is about food," says a FMCG analyst.

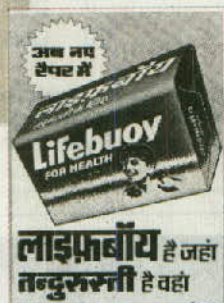
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THEN & NOW

A look at how a brand story unfolds through its campaigns over time. This week, it's Lifebuoy's journey that is in the spotlight

THEN



Above: Lifebuoy ad(1947)
 Below: The 'Where there is Lifebuoy, there is health' campaign (1977)



Amer Jaleel
 Lowe Lintas



Sudhir Sitapati
 HUL

“WHEN you go to a doctor, there are some very strict, disciplinarian ones and there are some who make light of the illness. Lifebuoy is the second kind of doctor”, says Amer Jaleel, NCD, Lowe Lintas.

Lifebuoy, for long, has been associated with a big, red, chunky bar of soap that keeps one healthy. The heritage brand, which has been around for more than a 100 years now (the first container with Lifebuoy soaps landed on Indian shores in 1895 at Bombay Harbour), was once touted to be the soap that was everything male and sporty. It has now become a family brand.

One of the market leaders — Nielsen data for the last quarter pegs Lifebuoy at 14.5% market share, a close second to Lux's 14.6% — the name of the brand came from the life-saving buoy thrown out to people at sea to prevent them from drowning, literally meaning that the brand saves lives. A global brand, it lost its original moorings in the 50s and the 60s in many markets, except in India. “It was first targeted at men and masculine health. The promise of Lifebuoy was ‘You will remain healthy if you use Lifebuoy. You will be able to play hockey or football well’. It was sporty”, says Sudhir Sitapati, category head - personal wash, HUL. Agrees Jaleel: “When it started, the focus was on men as the role of the man was prime. The symbolism of health, at the time, was the huge, sporty, macho man.” The jingle, ‘Lifebuoy hai jahan tandurusti hai wahari’ was catchy and did the trick.

Now, the brand targets women, especially mothers. “In the late 90s and early 00s we realised that the consumer had changed from what he or she was in the 50s to the 70s. Women were the decision makers, when it came to shopping, be it urban or rural. We had to communicate to women and focus on the woman's role in the family”, says Sitapati. The proposition of the brand didn't change — health was still the focus — but the advertising did. “We changed our communication from ‘You will be healthy if you use Lifebuoy’ to ‘You will not fall ill if you use

Lifebuoy’.” The appearance of the soap too underwent a change. Though the red bar remains, it is now more perfumed and less carbolic. At this point, commercials directed at mothers came on screen, a very popular one being how kids could get full attendance, thanks to Lifebuoy.



Above: The 'Active Puppy' ad (2008)
 Below: The 'Bunty' Handwash ad (2011)

NOW

Hand wash, an extension of the parent brand, is one of their fastest growing categories. “We're planning to do small films on 'hand-health', we are one of the sponsors of 'Global Handwashing Day'. In Kerala, we have now started unbranded education in schools, saying that “You must wash your hands five times a day”, says Sitapati.

The brand now, wants to adopt a friendlier tone. “There are two ways to make people aware of health. One is to scare-monger and the other is to empower. This is the only brand that can converse with you about health in such a manner that it won't scare you”, says Jaleel. The most recent commercial for Lifebuoy was one where it was pitched as the 'fastest soap'. “It was treated in a very friendly voice. The way to go about this is that we know that health is a serious concern, but we try not to treat it so seriously”, he adds.