

BRAND EQUITY

THE ECONOMIC TIMES, 21 SEPTEMBER 2011



Nitin Paranjpe
CEO, HUL

LESS LATHER, but FAIRER & LOVELIER

Kala Vijayraghavan & Sagar Malviya

That's how Hindustan Unilever's bottom line will look as it hastens the pace of a shift to personal products after decades of depending on soaps and detergents

IN THE 1920s and 1930s as radio caught the imagination of Americans, Procter & Gamble (P&G) moved in to sponsor programmes, giving birth to the term 'soap opera.' Over the decades, P&G even began producing soap operas. Suddenly something changed a year ago. The maker of Tide detergent and Ivory soap discovered Facebook, Twitter, Youtube and its countless cousins. By the end of 2010, P&G announced that it had bid goodbye to its association with soap operas and instead embraced social media.

Back home, P&G's global rival Unilever too is moving along similar lines. It's not as if the Indian affiliate, Hindustan Unilever Ltd (HUL), is washing its hands off soaps. Rather, soaps and detergents are no longer the biggest winners for HUL. The new hero: the personal care portfolio - from Pond's cream to Dove shampoo - which now accounts for three

fifths of profits as against two fifths eight years ago.

At 47%, soaps and detergents still contribute the most to the top line but only a third of profits. Personal products (PP) account for 28% of sales and that will keep increasing in the years ahead on the back of new product launches, new category creations and brand extensions. Consumer analysts at Standard Chartered Research expect "continuous launches in the fast growing personal care segment such as Vaseline for men, Pond's Gold radiance, Dove hair care range to increase PP's contribution to 32 per cent in 2013."

That shift will be even more pronounced in the years to come. For two reasons: Unilever's CEO Paul Polman wants three fourths of the global operations' sales to come from developing markets. And most of that growth is going to come from health and personal products as awareness levels and exposure to new

lifestyles increase in countries like India and China.

What's more, soaps and detergents are well penetrated categories where growth rates have to taper off sooner than later. Cut-throat competition on price with P&G and a rush of domestic brands will also play its part in slowing growth in this segment. On the other hand, penetration levels in personal care and packaged foods are still in low double digits.

"Our strategy is consumer-led," explains HUL CEO Nitin Paranjpe in an emailed response. Growing affluence levels, a younger population and changing aspirations and attitudes towards consumption are driving growth in personal care and packaged foods, Paranjpe points out. "Our investments in these segments reflect the changing consumption structure in India."

Mirror Mirror On The Wall

← LESS LATHER BUT... FROM PG 1

Hair care or shampoo is clearly HUL's mainstay in PP. With brands like Clinic Plus, Sunsilk and Dove, the consumer products giant has a share of just under 46% of the shampoo market. The other pillars of growth are skin care where, in the premium fairness category in urban areas, HUL has almost 38% of the market in the bag.

Meantime, HUL has also been entering

other categories. Over the past year, for instance, it extended the Dove brand into face wash and launched the Sure brand of antiperspirant deodorants for men. Fair & Lovely (FAL) has also been extended to FAL Multi Vitamin Face Wash and to the Anti Marks Eraser Pen.

Bringing in international brands like Sure is one part of the game plan. Extending some of HUL's timeworn brands – including those of soaps and detergents – is the other prong. For instance, mass soap brand Hamam can now be seen in the hand wash segment; and the Rin detergent bar has been stretched into fabric whitening. And one of HUL's oldest brands Vaseline has found its way into male grooming segments such as skin cream, face and body wash.

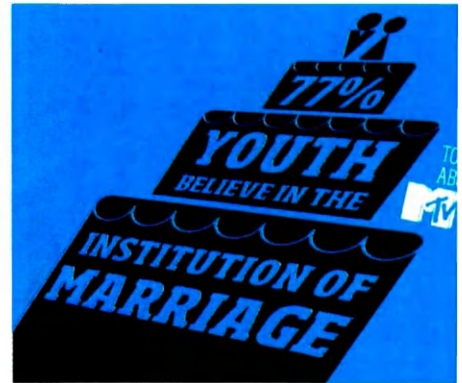
In a recent internal presentation, marketers let on that HUL has a 30% share in the hair conditioner category worth 27 million euros, which is growing at 40% annually. Business in the face cleansing segment has doubled in a year through deployment of a portfolio of brands including Ponds, Pears, Lakme and Fair & Lovely. The presentation also made the point that “in the case of premium skin care products we are focusing on premium skin lightening and anti-ageing with Ponds, Vaseline in hand, body wash and men's grooming.”

If Paranjpe and the HUL top brass

are keen to pump up the PP volume, it's also because profit margins are higher there. Analysts reckon that operating margins in PP are 25% whilst in soaps and detergents they have declined from highs of 14% a few years ago to 7.5-9% now.

Rivals, however, sound a note of caution. “The personal care industry was seen as a high margin business, but the recent spike in raw material prices and the disruptive competition in the market have seen margin profile of this business change completely,” says Dabur India CEO Sunil Duggal. Analysts reckon that margins in PP would have come down by 150 basis points over the past 3-4 quarters.

Adds Harsh Agarwal, Director, Ema-



mi: “There is a misnomer that the personal care segment has very high margins. But it may not be so in mass-priced products where gross margins depend purely on the brand's pricing power.”

Just like in soaps and detergents, HUL too has to reckon with intensifying competition in PP. Emami with brands like Fair & Handsome, which is a market leader in skin care for males with a 60% share. In 2010-11, Dabur's skin care portfolio reported a near 17% growth led by robust growth across the Fem, Gulabari and Uveda brands.

And a clutch of international cosmetic and personal care majors from L'Oreal to Shiseido are keeping HUL on its toes in higher end segments. Still, with relatively new-found categories face wash, hair conditioners and anti-ageing creams opening up, HUL may well be looking at a fairer and lovelier in the road ahead.

kala.vijayaghavan@timesgroup.com

