

Food for thought

Even as HUL wants to focus on its global brands in the foods division, it's busy indigenising and tweaking its products to local tastes.

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Ever got into a soup wondering what broth to have before dinner? Baffled by the bewildering variety on offer? This winter, Hindustan Unilever Ltd (HUL) has attempted to ease decision-making for its customers by categorising its soups under three simple heads - Snacky, Oriental and Classic. Explaining the strategy for Knorr soups, Sidharth Singh, General Manager-Category Head Foods, HUL, says, "What we found is that consumers could not distinguish among the 14 different kinds of soups that we have whenever they went to a soup shelf. Today we have made it easier to navigate." In fact, the segmentation strategy even comes into play at a distribution level when deciding on the right kind of soups meant for a particular outlet or region. So while its Oriental soups in Thai and Chinese flavours would find more visibility in modern trade and upmarket outlets, its classic tomato soups would probably be more visible at kirana stores and smaller towns and cities.

At the same time, Knorr is becoming a high-profile brand in HUL's foods kitty. As Singh says, "Today Knorr is a high-focus brand for us and getting a lot of attention from the company." The brand, almost 150 years old, belonged to International Best Foods and was acquired by Unilever. It has been part of HUL's portfolio for the past 12 years. Now with HUL increasingly banking on its global portfolio of brands, building higher margins in the foods business through its more premium brands is a conscious strategy being adopted by the FMCG behemoth better known for its soaps and detergent brands.

Knorr has been positioned as a savoury brand and globally is into soups and cooking aids. In India too, HUL has extended the brand into cooking aids and today intends straddling the entire value chain of the cooking process. "We have found that there is an opportunity to convert from cooking from scratch and that Knorr can play a big role in it."

Bringing in Chinese gravy-bases, there are chances the brand could be extended to a range of cooking aids which could include basic flavoured cubes for vegetarian and non-vegetarian dishes. "We intend playing the entire piano from simple to complex cooking aids as we believe in developing this market in India," states Singh. HUL is betting on Knorr to make a mark in its category.

Soups is a relatively small category (estimated at Rs 50 crore) recording growth rates in excess of 40 per cent. HUL's nearest competitor is Maggi and both brands are running neck and neck. According to Minitha Saxena, Vice-President, Cogito Consulting, "The



High-profile brand: Knorr, HUL's soup brand, is a priority for the company. (Above) Dancer Vani Ganapathi (right) releases *Soups and More*, a recipe book that is a collaborative effort of Knorr and Good Housekeeping magazine (file picture).

Knorr brand is more serious about its soups than Maggi. It has the connotation of a functional brand and after coming into the Levers fold, its visibility and presence has been noticed more by consumers. On the other hand, Maggi came into soups at a much later stage and it is more than just a soup brand."

Industry observers say Knorr has always had an edge over Maggi in soups as the latter was never a big player. However, soups is still a small market, and for its consumption to become a habit, companies need to invest heavily. In fact, unlike the rest of the categories where some amount of indigenisation may be required, Unilever can always import its Knorr soups and its ice-creams as it wants to build better margins in the foods business through its international portfolio. But HUL certainly does not believe in merely transporting its products from its international portfolio.

Drawing from the strengths of its global technology, today HUL wants to build and create products for the Indian palate where regionalisation would also play a key role. "We are taking our global technological capabilities and applying Indian taste and consumer understanding to create products for this market," says Singh.

Besides, there will be no clubbing of its

food brands unlike the past where subsets such as Knorr Annapurna and Kissan Annapurna (for ready-to-eat *chapattis*) had been created to represent brands such as Soupy Snax, Stormy Sauces and 4 o'clock Tiffins. For the past few years, HUL has discarded its strategy of having its food brands ride on each other; today it has independent food brands such as Annapurna (for *attas* and salt), Kissan (for jams, squashes and ketchups) and Knorr (for soups and cooking aids) and Modern (a bakery brand). "The positions and categories of our four food brands are distinct. All of them are either market leaders or a distinct Number Two in their respective segments," claims Singh.

HUL's other indigenous brands such as Annapurna and Kissan are also being getting their due from the company. Kissan recently launched a new variant (Kissan Chatakdar) with ingredients such as chillies, tomato, raisins and cardamoms keeping in the mind the need for such a variant to go with the traditional Indian snacks such as *idlis* and *dhoklas*. The Rs 250-crore ketchup category is estimated to grow at 20 per cent and Maggi continues to be HUL's closest competitor in this segment. "In volume terms we have overtaken Maggi while in value terms we are a just a little behind," says

Singh. With a 26.9 per cent value share in the category, HUL is tapping into new opportunities in this segment.

Being a market leader with its Kissan jams, it is attempting to make its jams exciting enough to go with the traditional fare of *rotis* and *chapattis*. "We are coming up with recipes for mothers on how to pleasure up food with our jams," says Singh. According to industry analysts, "While squash is a dying category, jams is a peculiar category where penetration and regular usage reveal huge differences. HUL is a market leader in jams and it all depends on how it wants to take this category further. But, ketchup is a category which has opportunities for HUL as it is now looking at ways to grow the category further."

The 10-year-old Annapurna *atta* has been confined to being a regional brand in the West and East. "We have plans to develop the Annapurna brand either in new staples or in different kinds of products within staples," says Singh. But Annapurna Salt continues to be a national brand and comes second to Tata Salt in terms of shares. There are chances of more value additions to the salt brand.

According to a former marketing manager of foods at HUL, "There was a time when HUL even thought of divesting its Kissan brand as it wanted to focus on its high-margin international brands. Even a brand like Annapurna which started out well and was built from scratch was found not to be feasible as Levers did not want to build a commodity brand any longer. Today HUL is growing its foods portfolio on the back of its beverage brands. It is still struggling in the foods business and it all depends on how much focus it wants to put on localising its foods portfolio. It wants to focus on value-added products, drive up its margins and become a premium player and stress on its global brands."

Today HUL has a much smaller chunk of its business dedicated to foods. (Unilever has nearly 55 per cent of revenues coming from foods.) The domestic growth rates justify the future potential of the category. For the quarter ending September, the Rs 12,000-crore FMCG company declared that its foods business continued its strong performance and grew by 17 per cent for the quarter. The contribution from processed food increased from Rs 97.27 crore last year to Rs 128.92 crore for the quarter ending September 2007.

However, there continue to be challenges in the foods category as HUL realises the diversity of the Indian sub-continent. Regionalisation of products, a robust supply chain and creation of new recipes are some of the factors which are constantly needed to add vitality to this business.