

Hind Unilever betting big on beauty business

Fast moving consumer goods giant Hindustan Unilever (HUL) is confident of the growth potential of its beauty business, which is being driven by changing structure of consumption and where it has garnered a significant share across various categories. It has been focussing on and investing in growing the beauty business in the last two years, with the cornerstone being innovation.

The Rs.6,000-crore business cuts across categories such as laundry, household cleaning, skin cleansing, hair care, skin care, deodorants, and Lakme salons. The beauty business comes under its Home & Personal Care (HPC) category, which accounts for about 70 per cent of the turnover.

HPC Executive Director Gopal Vittal told *The Hindu* that HUL's game plan for the domestic beauty segment was defined by the change in the consumption structure across the country and not by competition.

Standard of living

To illustrate, Mr. Vittal referred to the LSM (living standards measure) scale, which measures the standard of living such as the number of durables consumers owned. The basic LSM 1-4 constitutes about 84 per cent of the country and the balance LSM 5 plus. "However, if one were to project from 2007-15, we believe 60 per cent of the incremental growth will come from LSM 5 plus. This is fundamentally because of the changing nature of consumption with increasing affluence. That is the biggest shift and the category that will see most elasticity is beauty.

Among HPC categories, consumption grows four times between LSM1-4 and LSM 8 plus. However, for beauty products, it rises 80 times. In that context, we identified beauty as a big area of focus in the HPC business."

The personal products business grew 9-10 per cent annually for about a decade and 15 per cent plus in the last



An array of personal care products of Hindustan Unilever. - PHOTO: E-MAIL HANDOUT

eight quarters. "Beauty is an important part of how we are going to win in the next 5-10 years and resources will follow the opportunity."

Innovation

To expand presence, HUL has taken several actions that include presenting its entire portfolio across beauty categories - Lakme, Pond's, Fair & Lovely, Vaseline and Dove. Moreover, the pace of innovation intensity has increased in the last three years given the requirement for high innovation and customisation.

Mr. Vittal said "innovation is the lifeblood of the business and especially in beauty. In the last two years, we launched 70-80 innovations a year with the skin category alone having about 40 innovations last year as we dramatically stepped up growth and increased advertising investment. In three years,

Dove has moved from being almost non-existent here to being a Rs.500-crore plus business across several categories. Vaseline, from being a petroleum jelly, is today in men's range, body lotion, skin lightening lotions and moisturizing lotions."

Being consumer-centric, market creation and development are at the core of business. "Market creation is about getting more users, more usage or more value. In facial cleansing, Pond's is about getting more users; in shampoos, Clinic Plus is about getting more usage; and the Dove range is about getting more value. Each brand has a clear role that it is trying to drive," he said.

For market development, HUL entered into medical marketing programmes by tying up with dermatologists. There is also the service opportunity with consumers

spending around Rs.4,000-5,000 crore in beauty salons. "Around 65-70 per cent of the brands in HPC are home grown in terms of turnover and the balance are global brands here. The reality is that technology behind brands is common. But brands such as Fair and Lovely, Pond's talcum powder, Clinic Plus shampoo and soaps such as Lifebuoy, Hamam, and Liril are home-grown.

"We see it just as a brand and some travel like Fair and Lovely and Clinic Plus, which is Lifebuoy shampoo in Vietnam and Indonesia. For us, synergy of the R&D, technology and marketing opportunities where we can find them are synergised on a global basis," Mr Vittal said.

Commenting on the perceived rural-urban bias in the beauty category, Mr. Vittal said, "We do not look for differences but similarities and a deep understanding of the consumer. Increasingly, the difference between rural and urban is only a census definition. But strategically there are different challenges. In the rural market, you are dependent on the wholesale channel and distribution and access is the challenge. "Secondly, we are creating awareness particularly in media-dark areas from a marketing stand-point. It is expensive to have an impact as you have to go directly. But we have an advantage in our scale of brands."

The company also has a successful platform called 'Khushiyon ki Doli' and plans to reach 70,000 villages this year from the current 30,000, taking a clutch of its brands and showing targeted entertainment and communications. While rising input costs have become the bane of industry,

Mr. Vittal said input price volatility is linked to crude oil price movements affecting linear alkyl benzene, an input for home care and cleansing products and vegetable oil that go into skin cleansing.

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