

'Core segments will feel the pinch'

Food price inflation is worrying, says HUL's Vittal.

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What about your presence in colour cosmetics? It is not as prominent as other brands on the shop shelves?

We are the leaders by far with a market share of 30 per cent. We have done two things for Lakme. One is (consolidate) our leadership position itself, and second, we have premiumised Lakme. For example, three years ago, 90 per cent of our business was below the Rs 350 price point. Today, almost 35 per cent of our business comes from above that price point. So, we've premiumised by innovating much more. We have the largest spread on counters, almost 1,100 counters across the country and we have stepped up the pace of innovation. This segment is small but is going to grow.

What about the Lakme salons business, is it a logical extension of what you are doing?

Well, it's a logical extension of the Lakme brand, but it's a different business altogether. Very different from our products business as it's a retail business and the metrics applied to it are different as in return on capital employed, return per sq. ft. and so real estate is a big issue. We've spun it off as a separate business, so it does not interfere with our products business. There's a separate CEO as well; we want it to be separate to assess it on the right metrics and also have the right culture and capabilities. We have about 150 salons and our ambition is to scale up that business. We're opening close to a salon a week, salons could be a Rs 4,000-crore business.

Have the salons emerged as an innovation hub for your brands?

We get a lot of feedback. It can inform us of some of the trends. We've created a Lakme brand council to make sure that innovation on the product side is simultaneously delivered through a service. For example, we launched a Sleek Mystique range of products which is being leveraged to deliver a Sleek mystique experience. We are moving from selling products to selling experiences. The shift is important and the salon gives us the capacity to make that shift.

Are you concerned about the talked-about slowdown and food inflation?

I am worried about food inflation. The reality is that the bottom 70 percentile of India's population earns 30 per cent of its income, and less than 10 per cent of savings. The bottom two quintiles, 40 per cent of India, spends 65 per cent of its income on food. With food prices growing there is bound to be pressure. Core categories will feel the pinch. It's a schizophrenic market, there is skin and hair which are exploding and all the core categories which are more equitably consumed are seeing pressure.

Your pricing strategies have to reflect that. Do you pass on higher prices in the premium categories while holding prices in the core categories?

That's a good point! We are well poised as we have a portfolio unlike many other companies. Each category has many brands. As a



Gopal Vittal, Executive Director, Home & Personal Care, HUL

consequence, we can make adjustments in passing on inputs costs and using all the levers, we look at the price elasticity of brands and market mix modelling. We are putting our money in levers that drive growth. One of the things we are driving is return on marketing investment.

Segment margins in the laundry business are under pressure and price increases are not back at earlier levels. Do you see the risk of this happening in other categories?

In laundry some of our competitors have been a bit irrational in the pricing. But the reality is that we will not cede our edge. So we will do what is needed to hold on to our positions, if that means taking a knock in margins for a couple of quarters, so be it.

That's a new philosophy for you?

No, if you go back in time, every time there has been a price battle, we have responded unblinkingly. In the mid-'90s, margins dropped for the same reasons. Wherever we can make judicious pricing moves, wherever we can calibrate it, where there is lower price elasticity, we will pass on costs judiciously. Gaining back a position is much more difficult than retaining it.

But, in toothpastes you have not been able to get back share, and you've not been as aggressive as before?

You are right, in the last three-four years, particularly on Pepsudent, we have lost share. We have been accused of being confused about its handling. It lost its core essence, which was germ fighting, and ventured into other areas, but now we have come back to the core. In the last 15 months we have seen good results. We are satisfied with where this shift has come back, we are not losing share, this year YTD April over last year, we are actually up on toothpaste.

In hair care, is premiumisation on because a large part of the market comes from low-unit packs?

About 60 per cent of the market in shampoo is sachets. Two things are happening: One, the market itself is growing at 15-18 per cent due to growth in consumption. Two,

there is an acceleration in premiumisation. The sachet is an access point for consumers who aspire to better brands. I met a young consumer in a village. I saw her using an expensive soap and asked her why she wasn't using a cheaper brand. She said, "That soap is meant for poor people!" That was an eye-opener on how consumers are aspiring to buy better brands and products.

Did you lose share to Garnier or other premium brands?

I don't think so. Dove has done extremely well and last year we grew the hair category share substantially. The only place where we haven't been able to make headway is with the Clear brand. It has lost share in the dandruff segment. However, we have re-launched it after tests. Clinic Plus, however, remains the largest shampoo brand determining half of our revenues in shampoos.

Consumers seem to have a preference for natural ingredients and HUL doesn't seem to have a strong natural association ...

Some consumers may be showing a preference, but I don't think that is a trend that is exploding. Consumers are looking for is efficacious solutions. We are not at a disadvantage because we don't have this in our portfolio. The Dove brand is not natural but is strongly positioned on being gentle. Pears is not a natural soap but is clearly positioned as mild and gentle on the skin. We are gaining share in soaps after many decades. The cleansing portfolio is looking stronger. We are poised for premiumisation and yet have brands at the middle and lower end.

What are your plans for the male grooming segment?

The Fair & Lovely men's range is doing extremely well. We re-launched it as Max fairness. On the men's side, Vaseline has a strong presence. We have Axe in deodorants. Clear too should be a strong men's brand for hair care, a specific solution.

With modern retail not doing so well, will premiumisation work?

Modern trade was in bad shape in 2009 but has improved since. In the last 10 months, we have grown our positions in modern trade in almost every category. The growth we are seeing in modern trade has been much stronger than we have seen in other channels. The mix that we are delivering through modern trade is very different as it plays on our strengths in those segments.

Which categories excite you?

Skin care is a very exciting category. Salons too. Paradoxically, our laundry business is exciting too. You have innovation at the top end — conditioners, Surf Excel and such. At the lower end, you have to remain competitive on price. This is one category where we have to work backwards from a target price because that's the price the consumer is willing to pay. The TLC categories — salons, hand wash, toilet cleaners, surface cleaners — are also exciting.

Hand wash is doing well, isn't it?

Yes. It's growing at a fantastic rate — 40-50 per cent. Last year we added about Rs 450 crore of turnover from the TLC categories. This is incremental turnover ...