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How HUL keeps growth intact in times of inflation

A mix of analytics and innovation across categories has kept the company ahead of the curve, says R. Sridhar, Chief Financial Officer

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How does a company the size of Hindustan Unilever (HUL), all of Rs 19,700 crore in revenues, plan to keep growing in double digits even as inflation takes a toll on consumer spending? By using a whole lot of analytics to assess the pulse of the consumer and adapt quickly to her needs, seems to be the company's answer. Asked what has helped hold up the company's volume growth in recent quarters, Mr R. Sridhar, the company's Chief Financial Officer, in an interview to *Business Line*, points to the company's accelerated pace of 'innovation' across categories.

One instance he cites is in skin care, where HUL has rolled out a new range under the Dove brand to cater to such specific needs as premium facial cleansing and premium skin lightening.

Insights into what the consumer wants comes from the company's recent drive to ensure that every employee stays constantly 'connected' to the consumer. Thus came the phone booth-like kiosks in HUL's Mumbai office where employees from any function can listen in to the 'Voice of the Consumer' from stores across the country. Or mandatory field visits by non-sales staff whenever a new product is rolled out.

Then comes the company's focus on execution, which means transitioning the company's one-and-a-half million retail outlets into "perfect stores", where HUL's products are replenished on shelves before stocks are out so that consumers always find what they need. But how does HUL plan to tackle the increasingly wild swings in prices of its key inputs such as palm oil and detergent chemicals? By closer tracking of these variables, says Mr Sridhar. As he explains, "One of the key learnings from 2009 was that we should be far more dynamic. This meant stepping up the frequency with which we were reviewing costs, (forward) covers and competitor action." Where the company was earlier tracking these metrics once a month, this has now become a weekly exercise.

Mr R. Sridhar, Chief Financial Officer, HUL

Does that mean more frequent tweaks to product prices? Not exactly, says the CFO. Mr Sridhar outlines a three-step process which HUL uses to assess whether product prices need to be raised. "What underpins our pricing decisions is competitiveness. Having ensured that, if we face challenges of input cost inflation, we look at what we can do within our procurement and supply chain to offset higher costs." 'Judicious' price increases are the last resort, if the company finds that inflation cannot be offset in full. Here, the company's large portfolio helps, as consumers for some products and categories may be less price-sensitive than others.

"The question is for different kinds of brands and price points, what is the most sensible way to manage inflation? In some brands and pack sizes it is a straight price increase. In others, it may be a grammage adjustment because the price point is important to the consumer. He or she comes to the market looking to spend only Rs 10 on a soap cake, for instance. There we deliver value by making sure that the effective price increase we have taken is much lesser than the actual impact of the cost inflation." The company uses analytics here too. It has proprietary tools to assess the price elasticity for each of its brands, so that it knows exactly how consumers may react if it raises the MRP by, say a rupee.

What HUL hopes to achieve through all this number-crunching is a wider gap between it and its ever-active competitors. Says a confident Mr Sridhar, "Our global R&D strengths when married with our consumer insights can deliver an enormous competitive advantage."