

Serving Many Indias

was the subject of the speech,
delivered by Mr Harish Manwani,
Chairman, Hindustan Unilever Limited,
at the Annual General Meeting
held on 29 June 2015.

SERVING MANY INDIAS

India - A land of growing opportunities

“The Indian economy is the bright spot in the global landscape...,” said the International Monetary Fund in a recent statement and added that India is now one of the fastest-growing emerging market economies with a growth rate that is set to accelerate further.

Rating agency Fitch has forecast that India’s gross domestic product will grow at 8.3 per cent in 2016-17, up from a projected 8 per cent in the current fiscal. And there is much more to come as many of the promised reforms become a reality. A recent issue of The Economist noted this about India: “Within a generation, it will become the planet’s most populous nation. It could be one of the world’s three largest economies.” There is no reason why the most populous nation should not dream of being the largest economy in the world.

These changes come just as India is seeking an accelerator to meet the rising aspirations of a new generation. This is a generation that has seen incomes and aspirations rise. When the next round of reforms begin to kick in and rural India starts benefitting more from the India growth story, change will be nothing short of transformational.

Homogeneity in Diversity

India is indeed a land of diversity. We are 1.22 billion people across 29 states and seven union territories with 1,652 spoken languages, 86 different scripts and over six major religions. The per capita income within different states range from ₹17,000 to ₹ 1.5 lakh. This diversity is further augmented by ethnicity, beliefs, traditions and consumer preferences.

As is typical of a diverse nation like India, the rapid pace of change presents as many challenges as opportunities. One out of four undernourished people in the world live in India. Around 97 million Indians do not have access to an improved source of drinking water and shockingly, there are more households in India with a mobile phone than a toilet.

The statistics are alarming and call for immediate action from the government, companies and communities. Each must play their role in being a part of the solution to these challenges as we continue to focus on driving growth.

Hindustan Unilever Limited (HUL) – a part of the India growth story

HUL has participated in India's growth agenda over the years with the firm belief that 'what is good for India is good for HUL'.

Our journey in India started over 100 years ago with the arrival of a few crates of Sunlight at the Kolkata harbour. Today, nine

out of 10 Indian households use our products. Our brands are manufactured in over 30 factories and are made available in over seven million retail outlets across India of which, almost three million are reached through our distributor partners and the Shakti network.

Over 18,000 people work in our offices and factories. Thousands more work along with us as our suppliers, distributors, stockists and there are other stakeholders who are associated with our company through the length and breadth of our operations.

HUL's growth and evolution has reflected the needs and development of India. We have always embraced the priorities of the country with zeal and enthusiasm. This drove us to take the lead at critical junctures when the country needed the support of businesses to contribute to the national cause, be it our pioneering initiatives towards integrated rural development, our manufacturing investments in backward areas, import substitution to save precious foreign exchange or our renowned leadership and skills development programmes.

Our success has come from the firm belief that our brands and operations must touch and positively impact every single Indian across the socio-economic gradient.

At HUL, we have a simple model to ensure that we leverage the full opportunity that India presents by serving the many Indias

within the country. This is essential for the long term growth of the Company and more importantly, it also fulfills our commitment to contribute to India's growth and development in an inclusive and sustainable manner.

Serving many Indias

We believe that serving many Indias essentially requires having a portfolio of brands that reach out to a wide section, ensuring that everyone has access to our brands – rich or poor. Through our operations, we create a virtuous circle which benefits every geography of India, and we build talent both in terms of leadership as well as skills across the value chain of our operations.

Serving diverse consumers

As the market leader in the FMCG segment in India, we have a portfolio of products that address the needs of every Indian consumer – be it the affluent consumers or the ones at the bottom-of-the-pyramid.

Take the laundry segment for example – on one hand, we have Wheel for those who are entering the consumption cycle, we have Rin for the aspiring middle class and then we have an entire range of Surf Excel for our higher income consumers, including those who are upgrading to using washing machines.

Our approach of developing innovations with consumer price as the starting point is at the heart of our inclusive innovation

strategy. At HUL, we have institutionalised a 'challenge cost' mindset where the target price for consumers drives innovation in each segment and category. Pureit is a recent example of this approach. It addresses the main barriers to providing access to safe drinking water – lack of electricity and non-availability of tap water. More importantly, Pureit provides safe drinking water at an affordable running cost of just 30 paise per litre. Simultaneously, the brand has also developed a portfolio of offerings that address the needs of the higher income consumers through RO and UV purifier devices.

Reaching diverse markets

We provide access to our wide range of products through one of the most extensive sales and distribution networks not just in India but anywhere in the world. This network serves us well in making our brands available in every single town and most villages in India. At the same time, it enhances livelihoods of thousands of small distributors and millions of shopkeepers. In the last four years, we have more than doubled our distribution reach. We not only enjoy strong leadership positions across categories in the traditional trade, but also in the emerging modern trade channel. Our success in the traditional as well as in the modern trade is reflective of our efforts to continuously reinvent ourselves with the changing India.

The advent of technology and penetration of mobile phones has resulted in a large and increasing number of young consumers who are well connected. They are the consumers who are

comfortable watching a movie online, booking a doctor's appointment over the internet or shopping for their favourite clothes via their mobile phones. Today, the internet is shaping not only what people watch, but where people buy.

At HUL, we recognised this shift in consumer preference and identified the growing e-commerce opportunity ahead of the curve. Today, we are partnering with several e-retailers and bringing in global best practices from the Unilever network to better serve the more affluent consumers shopping through this channel.

More recently, we have embarked on another major organisational transformation. In line with our underlying objective of winning in all parts of our business and across channels and geographies, we have developed an operating framework called 'Winning in Many Indias' (WiMi). Under this framework, we have segmented the market into 14 consumer clusters that are homogenous and added a fifth branch in Central India, an underpenetrated but high-potential region.

This model brings us even closer to our local consumers and provides us a more granular understanding of customers and competitors. It helps us serve our diverse consumer base in a more differentiated and relevant way across the country. For example, there is a higher concentration of consumers of premium beauty products in West Bengal and of fabric conditioners in Tamil Nadu. This knowledge allows us to

differentiate our marketing efforts in each of the regions and meet the needs of our consumers more effectively.

Our ability to serve our consumers better is driven not only by how easily they are able to access our products, but equally by how effectively we are able to engage with them. This has driven us to explore innovative marketing initiatives to engage with our consumers in the farthest and remotest corners of our country.

Today, there are more mobile phones than there are television or radio sets. In fact, India is home to the third largest number of internet users in the world following China and the United States of America. At HUL, we were early to recognise this growing digital trend as a game changer. We are not only increasing investment in digital media, but are also innovating to increase our impact in this space. HUL set up the first-of-its-kind media lab in the country in 2013 to drive more effective brand engagements with consumers across digital devices and platforms. Our capabilities in the digital space have evolved further with the launch of 'HUL Now'. HUL Now is a digital media command centre that helps our brands to have real-time conversations with consumers and amplify our marketing campaigns.

Equally, we are using mobile technologies to reach parts of rural India that are still media dark. In these areas there is lack of access to traditional media like television but the reach of mobile phones is ubiquitous. After all, there are over 960

million mobile phone subscribers across India. This gave birth to a breakthrough idea of integrating one of the oldest mediums of entertainment, the radio, with the most-used device today, the mobile phone. By transforming the mobile phone into a free entertainment device, we are giving our consumers in deep rural India an on-demand, entertainment channel – The Kan Khajura Tesan (KKT).

Through this innovation, we have provided 700 million minutes of entertainment to our consumers and our brand messages have been heard 425 million times in the last 15 months. KKT is now available to every Indian who owns a mobile phone and was recognised as the top media innovation globally at the Cannes International Festival of Creativity in 2014.

Another digital initiative for our personal care brands, 'BeBeautiful', is an example of how we are using social media to build powerful brands and meet the needs of our consumers. With 3.5 million visitors annually to the website, seven million engaged users on Facebook and over 40 million views on YouTube, it is amongst the largest beauty advisory platforms in India.

KKT and BeBeautiful are just two of the many examples of how we are engaging different segments of the diverse Indian population through media innovation.

Serving diverse communities

Our brands are manufactured in 30 different factories in remote areas of India. These factories play a major role in creating ecosystems and enhancing livelihoods in the communities they operate. For example, we have our biggest personal care plant in Haridwar and we have seen several suppliers mushroom in the same area, creating employment opportunities for the local community.

As a company, we have always responded to the national agenda of inclusive growth. We were amongst the first to go to various underdeveloped areas with little or no infrastructure to support factory operations and in the process helped build industrial ecosystems in each of these remote regions across India.

Our wide manufacturing footprint has opened up unique opportunities to reach out to communities and build on our larger purpose, which is to make sustainable living commonplace.

'Prabhat' is a community development initiative running across our different manufacturing units and focuses on promoting health and hygiene, enhancing livelihoods and water conservation in and around our factories. This is a holistic programme that has now been scaled up and has been launched across most of our manufacturing locations.

HUL's experience of developing the local ecosystems around its manufacturing units, offers a perspective on just how well the 'Make in India' agenda can be scaled across the country to make a difference.

Developing inclusive talent

Our people agenda, like everything else we do, embodies the spirit of inclusiveness and serving the many Indias – both for skill building and for leadership development.

Building 'employable' talent is key to securing the long-term socio-economic progress for India. India requires 500 million skilled workers by 2022, according to an estimate made by the Planning Commission of India. This is an agenda that has to be addressed by the government as well as corporate India. We need to equip the youth with the required skills to enable them to reap the economic benefits of India's development.

Across our value chain, from the smallholder farmers to our suppliers, distributors and even factory workers, we are endeavouring to develop skills and capabilities of those who work with us.

We have undertaken a host of programmes in the space of capability building among factory workers. For example, our Shopfloor Skill Upgrading Programme, 'Sparkle', assesses training needs, skills and the performance of our shopfloor employees. 'Stepping into One' is another programme that

develops technical and leadership skills among shopfloor employees, providing them with career advancement opportunities into supervisory roles. It is initiatives like these that help to drive our efforts to develop talent in an inclusive and sustainable manner.

We are also working with smallholder farmers to help them implement sustainable methods while significantly improving their crop yields. We help them adopt good agricultural practices such as drip irrigation, nutrient management, pest and disease management. Our unique rural distribution model, Project Shakti is another good example. Through Project Shakti, we have so far trained over 70,000 women from low-income households in small villages to become entrepreneurs, thus providing them sustainable livelihoods.

Our efforts at building skills and enhancing employability goes beyond our operations network to the communities in which we operate. HUL's Prabhat livelihood programme equips the youth and the women in the communities around our factories with employable skills and competencies. Under Prabhat, there are 12 Livelihood Skill Development Centers in collaboration with LabourNet, a training partner of the National Skill Development Corporation. More than 1,500 people have already been certified through the programme and over 500 of them either have a job or have been up-skilled or are self-employed.

Alongside skilled workers, India will need leaders who have the vision to understand the challenges and leverage the opportunities that a country as diverse and complex as ours presents. We need leaders who have a point of view on the future. We need leaders who can combine the right values and vision to drive inclusive growth so that we not only deliver sustainable growth, but also serve the many Indias at the same time.

Through the years, HUL has had an enviable track record of building leaders. Our culture of building leaders was recognised by Aon Hewitt and we were ranked third in the 2014 Global Aon Hewitt Top Companies for Leaders survey. In fact, we were the only Indian company to feature in the Top 10 list.

The Unilever Future Leaders Programme provides us a strong foundation to groom and develop talent from the entry level itself. Large responsibilities early on in the career, open and honest career development discussions, cross-functional and international exposure coupled with coaching and mentoring helps us to consistently develop a strong leadership pipeline.

In 2014, the programme entered its 60th year reinforcing the fact that it has developed and shaped trainees who have grown to become some of the finest leaders in HUL and Unilever today.

We also believe that diverse and inclusive talent will be key to serving the many Indias. Diversity will help bring richness of perspectives and better understanding of our stakeholders to

ensure that we are not only driving business growth, but we are doing this inclusively. Winning gender balance is one step towards building a diverse and inclusive workplace. At HUL, we recognise that a gender balanced workplace makes more business sense. Around 32 per cent of our managers in India are women and we recognise this as an area where more needs to be done.

Serving India through sustainability

Fundamental to inclusive growth and serving many Indias is providing the basic needs of health, hygiene, nutrition and a clean environment.

For a country like India, the low human development index becomes a barrier for socio-economic progress and denies millions of people access to a decent standard of living. Today, approximately 792 million Indians live without improved sanitation, of which some 597 million continue to defecate in the open. Over 60 million Indian children are stunted – the highest prevalence in the world. India has the highest number of child deaths from diarrhoea and pneumonia globally – with 609,000 children dying each year before their 5th birthday from these diseases.

We are convinced that businesses, which work alongside the government to address these social and environmental challenges, will thrive in the long term. It is this belief that led

us to launch the ambitious Unilever Sustainable Living Plan (USLP) in 2010 which aims to double the size of our business while decoupling our growth from our environmental impact and increasing our positive social impact. The USLP lies at the heart of our business model and is firmly embedded across every part of the organisation.

As a part of the USLP, we have been driving a behaviour change model for handwashing with soap to help prevent child mortality due to diseases like diarrhoea and pneumonia. We have already helped over 60 million people through our various handwashing programmes. Last year, we entered into a partnership with Children Investment Fund Foundation and the Government of Bihar to promote handwashing behaviour change among children in Bihar. The main aim of the programme is to help prevent childhood illness and mortality. We piloted the programme in two districts of Bihar – Begusarai and Khagaria, reaching out to nearly one million people. We are scaling up this initiative and over the next three years, we expect to reach out to an additional 45 million people.

Domex, our leading toilet cleaner brand, launched the Domex Toilet Academy (DTA) in 2013. Through DTA, we are working to provide access to improved sanitation in villages across Odisha, Maharashtra, Madhya Pradesh, Uttar Pradesh and Bihar to assist in eradicating open defecation. Our water purifier brand, Pureit, in partnership with Population Services International

has been working towards providing safe drinking water at a minimal cost to families in rural areas.

To address the impact of depleting water resources on food, energy and livelihoods, we set up the Hindustan Unilever Foundation (HUF) in 2010. HUF partners with NGOs, government agencies and members of the local community. HUF has so far created a water conservation potential of nearly 100 billion litres. A cumulative agricultural production of 23,000 tonnes has been achieved due to improved availability of water and improved agriculture practices in the project areas and nearly seven lakh person days of employment has been generated across several villages in India.

On the back of our success in rural India, we are now initiating projects to address these issues in urban areas where the barriers are different but equally challenging.

With our proven expertise and experience in addressing challenges in the Water, Sanitation and Hygiene (WASH) area, we are uniquely positioned to support the government's 'Swachh Bharat Abhiyan'.

Conclusion

India thrives in its diversity and the only way forward is inclusive growth.

At HUL, our journey of over 100 years is a testament to our commitment to serving the many Indias. We have a portfolio of brands that cater to the needs and aspirations of every Indian household, a distribution network that reaches consumers everywhere including in the remotest rural areas and manufacturing units spread across the country that catalyse economic development in the regions they operate in. Underpinning these is the overarching purpose of making sustainable living commonplace.

If corporate India has to reap the rewards of the huge India opportunity, it must also be a part of the solution for the many challenges that lie ahead of us.

As India enters a higher growth trajectory, at HUL, we are ready to embrace the momentous opportunity that awaits us and reaffirm our commitment to doing well by doing good.

Published by Prasad Pradhan,
Head – Sustainable Business & Communications,
Hindustan Unilever Limited,
Unilever House, B. D. Sawant Marg, Chakala,
Andheri (E), Mumbai - 400 099,
and printed by Kohinoor Printers,
C-7, Laxmi Mills Premises, Kasturchand Mill Compound,
Senapati Bapat Marg, Dadar (West),
Mumbai - 400 028.

The speech can also be accessed at
Hindustan Unilever's website <http://www.hul.co.in>



Hindustan Unilever Limited

Hindustan Unilever Limited, Unilever House,
B. D. Sawant Marg, Chakala, Andheri (E),
Mumbai - 400 099.