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ET INTERVIEW

ALAN JOPE
Global CEO, Unilever

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'Happy with High Levels of Price Growth... if that's Part of Maintaining Competitiveness'

Since the pandemic began two years ago, Unilever's global executive team went from an ordinary operating rhythm of meeting once a month or 12 times a year in person to a routine of online meetings daily for the first year and then every other day for the subsequent year. "Unfortunately, we had to begin every meeting literally on a daily basis with asking Sanjiv (Sanjiv Mehta, MD at Hindustan Unilever) to update us on what's happening on the ground and in India. It was pretty gruelling stuff to be honest," said Unilever's global chief executive officer **Alan Jope**. Since then, HUL has outpaced both the Indian market and is among the fastest-growing countries for the global consumer giant. In an interaction with **Sagar Malviya** and **Bodhisatva Ganguli**, Jope outlined his strategy to navigate cost inflation while ensuring shoppers pay even more for its brands in the coming months as well as the potential of having an Indian at Unilever's helm in the coming years. Edited excerpts:

How challenging is inflation for you in terms of maintaining margins as well as generating demand?

If we look at Unilever globally, the number one challenge that we face this year is the inflationary cost environment. And that is true equally in India. We are seeing people adjusting their consumption patterns. The first is people are downsizing to smaller products. And we have a good portfolio of affordable products. The second is people are titrating and eking out the products that they have. And the third actually is that some people in some categories are uptrading because the price per ml is cheaper and so that's a very smart way of behaving. What we are not seeing at scale yet are significant shifts in brand preference. Big brands tend to do quite well in difficult economic times and we see that in India. But I have to say we are still in the foothills of this period of inflation.

Do you fear consumers moving

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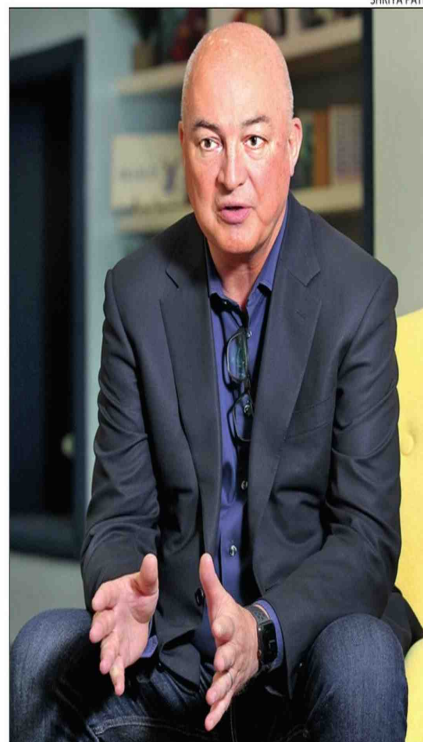
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away from your brands due to consistent price hikes?

We are going to, both globally and in India, titrate price, volume, competitiveness, and margin. Now, what we have learned from high inflationary environments over the years, is that if you lag on taking price increases, the shape of the P&L collapses, and you lose the ability to invest in the strength of your brands for the long term and it's very, very hard to recover from that. I am perfectly happy with high levels of price growth, with moderate volume losses particularly if that's part of maintaining a healthy level of competitiveness, but it's important, we preserve our margin, not for our shareholders, but because of the ability to invest. Savings are important and that's the first thing we turn to. But in this magnitude of inflation, they are not going to cover 900 basis points of either margin loss, or lost ability to invest in the business.

Since last year, has the situation worsened, and are there any visible green shoots?

Last year in the third quarter, I met with very senior people from the IMF, the World Bank, the European Central Bank, the Fed, Bank of England, and challenged each of them. Why are you not calling inflation? It is obvious to us. Agricultural raw materials are through the roof, any petrochemical-derived materials went through the roof, energy going through the roof, starting to see labour costs, and of course logistics and transportation. Now the first thing you will see in the commodity markets, is that inex-



SHRIYA PATIL

orable inflation is happening right now and it is impossible to predict. But it does seem that it is moderating, at least as the incremental inflation has stopped. That will be a very important signal for us on what we do around price and volume.

How do you see the decoupling of supply chains playing out for your business?

Supply chain resilience comes not from nationalising the supply chain. It comes from our main supply chain that has got multiple points of backup. Our supply chain held up so well through Covid, precisely because we have done a lot of work on resilience. And when initially, the chemicals industry fell over in China, we shifted sourcing to Latin America and South Asia. And then, when South Asia was having its travails, we shifted back and then changed back up. So with great discipline, we go through our supply chain and make sure that we are not dependent on one source.

How do you respond to investors' criticism that climate change and inequality should not be the main focus of the company?

We are not an NGO. We are here to create outstanding returns for our shareholders. And we are only interested in sustainability to the extent that drives stronger business performance. Now the fact that it happens to put you on the right side of the moral argument and makes people proud is great. But there are really four elements to our business case. We measure whether consumers see our brands as having a positive impact on society or the environment, country after country, category after category, every month. The brands that index over 105 on that metric, are growing three times faster than the rest of our portfolio and now make 60% of our sales. Consumers, particularly young people really care about the social and environmental impact of the brand. And that's probably just about being relevant to consumers in the future.

The second and actually counterintuitive is cost. We have saved about €1.2 billion of costs through sustainable

sourcing and cost avoidance through sustainability. Now in the short term, we are paying more for sustainable palm oil than if we use regular palm oil. Same for recycled plastic versus virgin plastic, but overall, sustainably, if you are using fewer resources, it should cost you less money. After consumer relevance, the second most important point is that it's a magnet for talent. Good luck paying people to come and work for business these days if you can't explain and express your position on climate issues, loss and degradation and nature, equality. So that's the business case. And that's why we do it. And it is not some moral imperative. There is an anti-sustainability backlash in some parts but it is not going to deflect us from our mission. Every shareholder we speak to (about ESG, the term has gone from a peripheral issue in the discussion to a central discussion point).

Do you foresee an Indian CEO heading Unilever?

I would be delighted and absolutely thrilled if we could have an Asian leader for Unilever and a female Asian leader would be even better.

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within countries, the rich are getting richer and the poor are getting poorer. And that's not really good for our business. The third is the climate crisis is a bigger deal for us than tensions between state A and state B. Part of the reason why soy, rapeseed, and sunflower oils have gone up so much is crop failures. It is not a great place to be selling soaps if the place is underwater

Between inflation and supply chain disruptions, which is the bigger worry?

I try to rank the geopolitical pressures that we are feeling right now. Commodity inflation is by far, the greatest. And that comes out of all kinds of economic effects, of which the war in Ukraine is part but it's not the majority part at all. Our supply chains have been relatively uninterrupted and held up remarkably well. So the next thing that I would put up there is the inequality around the world. We serve everyday people with everyday products, and what's happening at the moment is