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HINDUSTAN
UNILEVER

Rohit Jawa,
CEO & MD, HUL

PHOTOGRAPH BY NARENDRA BISHT

A PREMIUM GROWTH STORY

HUL is focusing on making its brands unmissable, growing competitively and investing in the future.

BY AJITA SHASHIDHAR

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INDUSTAN UNILEVER'S (HUL'S) iconic brands Lifebuoy, Pears and Surf have been an integral part of the shopping basket of Indians for over a century. But few know that India had its first brush with branded FMCG products when crates of Sunlight soap bars were offloaded from a ship at the Kolkata harbour in 1888. The crates were embossed with the words 'Made in England by Lever Brothers'. Today, the Indian subsidiary of the Anglo-Dutch conglomerate is a ₹62,911-crore revenue mammoth with leadership in personal care, home care and beauty & well-being categories. Its brands are so ingrained in India's consumption fabric that many consumers and retailers are surprised when told that Surf, Vim, Lifebuoy and Dove, which generations have grown up with, have

an Anglo-Dutch origin. Remember the Lalitaji ad (*Surf Ki Kharidari Mein Hi Samajhdari Hai*) in the eighties? It was perhaps the first Indian ad showing a confident homemaker daring to think out of the box and saying it was ok to pay a premium for quality. That was the time HUL was fighting the homegrown Nirma, which was gaining market share with its competitive pricing. A 1-kg pack of Nirma was priced at ₹7 vis-a-vis 1 kg of Surf at ₹28. The bold and feisty Lalitaji told consumers that Surf was better value for money; she promised better wash with just a pinch of detergent and, more importantly, no side-effects. The campaign changed the fate of Surf. Now, decades later, the FMCG major has again heightened focus on premium products. Be it premiumis-

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ing legacy brands such as Ponds, Lifebuoy, Pears and Dove with new-age products such as moisturisers, body washes and serums, innovating especially for Indian consumers with brands such as Novology, or getting brands such as Simple or Love Beauty and Planet from its global portfolio, HUL has been relentless in its premiumisation strategy. Its most recent import from Unilever is hydration drink Liquid IV. It is also acquiring premium direct-to-consumer (D2C) brands and recently bought a 90%-plus stake in personal care D2C brand Minimalist. “Our job is to go where growth is and invest in our strategy to make core brands contemporary, premiumise future core brands and lead market making,” CEO and MD Rohit Jawa said during the company’s recent quarterly earnings call.

Jawa took over in April 2023 in the midst of a consumption slowdown. The Unilever lifer believes premiumisation will ensure the next level of growth. “We want to remain operationally excellent, be competitive in outcomes and grow profitably. We want to do that by investing behind our strategy and not taking our eyes off that because the big prize is the market’s longer-term future. We are investing for that future and managing the near term by remaining competitive so that we are stronger when we come out of this slowdown,” Jawa told *Fortune India*. The Indian consumer has reduced consumption due to macro factors, but continues to buy premium products. She is either going for smaller packs of premium products of national brands or switching to premium offerings of regional brands, which offer competitive pricing. “The idea of selling premium products even in Tier II-III markets such as

HINDUSTAN UNILEVER

TOTAL INCOME (FY24)
₹62,911 crore

EBITDA
₹14,472 crore

EBITDA MARGIN
23.38%

PAT
₹10,277 crore

YoY change
1.55%

MARKET CAP*
₹5,56,301 crore

*MARKET CAP AS ON JAN 14, 2025
SOURCE: CAPITALINE, TOFLER, MCA
FILINGS

Varanasi, Jaunpur and Prayagraj came from former HUL MD Sanjiv Mehta,” says Bhagirath Jalan of Varanasi-headquartered Jalan’s Retail. “He visited our store. When I asked him for a tip or two, he hesitated at first, but when I insisted, picked up a bottle each of SunSilk and Dove and told me that the trick lied in shifting a SunSilk user to Dove. I took the advice seriously.” Similarly, during a visit, *Fortune India* found that a retailer on the outskirts of Jaunpur had just two small packs of HUL’s Indulekha oil. “I have two consumers who want only Indulekha. Others prefer premium variants of Parachute and other brands,” he says. These examples show why Jawa’s focus on premiumisation makes sense. “The size of the Indian beauty market is ₹68,000 crore. Half is affluent and affluent-plus. Our strategy is to build the number one beauty portfolio in the

country,” CFO Ritesh Tiwari said during the company’s Q3 earnings call.

Most profitable MNC

Despite a consumption slowdown, HUL is the most profitable MNC in *Fortune India*’s MNC 500 list. “Operational rigour is central to everything we do. We remain agile and vigilant in a dynamic environment, taking calibrated actions to manage costs effectively. There are two programmes that have institutionalised this spirit across the organisation. The first is our design-to-value framework. We know that ‘value’ will continue to be important for Indian consumers. Our framework optimises value across perceivable aspects, including product design, consumer willingness to pay, price points and others. The second is our ‘net productivity’ programme that forensically looks at every cost across the value chain and brings together a cross-functional team for end-to-end optimisation. We view these savings as fuel for growth, enabling us to invest in brands and long-term strategic capabilities,” says Jawa.

Jawa’s predecessor, Sanjiv Mehta, was especially proud of cost-saving initiative Project Symphony. Unlike most consumer goods companies where such initiatives are led by supply chain and finance departments, Mehta involved others as well. The proposals ranged from optimising trade spends and using technology for improving productivity to asking if an expenditure that was a necessity, say, five years ago, made sense now. A good FMCG company usually saves 3-4% of its turnover. HUL managed 6-8%, Mehta told *Fortune India* in an earlier interview. “This saving didn’t flow down to the bottom-line. We used it for market development, product superiority and ensuring we have a certain rhythm on profitability,” he said.

Demerging the ice-cream business

Unlocking value is the flavour of the season. Just after ITC announced

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the demerger of its hotel business, HUL decided to hive off its ₹1,500-odd crore ice-cream segment. “It is a high-growth business with iconic brands such as Kwalita Wall’s, Cornetto and Magnum. The decision to demerge it into a listed entity, Kwalita Wall’s (India) (KWIL), is aimed at unlocking significant value for both HUL and the ice cream business,” says Jawa. “KWIL will be a leading listed ice-cream company in India with an experienced management equipped with greater focus and flexibility to deploy strategies that suit its distinctive business model and market dynamics, thus realising its full potential. Further, the business will continue to be equipped with portfolio, brand and innovation expertise from the largest global ice-cream business, enabling it to keep winning. The demerger will facilitate a smoother transition for business as well as our people. It will also unlock value for HUL shareholders and give them the flexibility to stay invested in ice-cream’s growth journey,” says Jawa.

Recalibrating distribution
Just when FMCG companies were getting used to ecommerce landed another beast—quick commerce, whose 10-minute delivery promise has disrupted the traditional distributor-led ecosystem. Amid growing protests from *kirana* store owners and distributors, in a few cities, HUL has moved to a model where it distributes directly to *kirana* stores. The intent is to reduce the supply time from three days to less than 24 hours. The *kirana* stores are also getting a facelift by adding premium offerings; shortage of premium products was a major reason they were losing out to quick commerce. Traditional trade accounts for three-fourth of HUL’s revenue. “With increase in consumer awareness, portfolio offerings and premiumisation, demand for wider assortment and immediate

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PER CENT

Ecommerce's contribution to HUL's revenue

WHAT WENT RIGHT FOR THE COMPANY

- Selling premium products even in Tier II-III markets.
- Differentiating offerings via a conscious 'design for channel' assortment and tailored pricing strategies.
- Unlocking value; HUL has decided to hive off its ice-cream segment.

gratification has intensified. *Kirana* stores have to maintain a broader range while managing costs. This necessitates more frequent deliveries and effective portfolio management. The challenge is particularly pronounced in major metros, where consumer demand is higher, assortment requirements are wider and space is limited. To address the needs of *kirana* stores and reduce the burden on distributors, we are leveraging technology and automation for warehousing, bulk breaking and delivery,” says Jawa. He says his 3,500-odd distributors won’t lose out and will continue to handle payments and orders from the neighbourhood stores, while the company will handle backend logistics, including warehousing and delivery to retailers. “We believe in a distributor-inclusive model and consider distributors as key partners. We expect the

technology-led centralised fulfilment model to be relevant only for about 10% of our business, essentially in a few big cities.”
Like most consumer goods companies, HUL, too, has a separate quick commerce vertical. “Shoppers use different channels for different shopping missions. In quick commerce, we differentiate offerings to complement these varied journeys. This is achieved through a conscious ‘design for channel (D4C)’ assortment and tailored pricing strategies. For instance, our quick commerce assortment is distinct from other channels such as general and modern trade, ensuring we meet the specific needs of each shopping mission. We have established a dedicated quick commerce team within our e-commerce organisation to ensure agility and faster decision-making. We work with partners to build categories of the future,” says Jawa. Ecommerce contributes 7-8% of revenue; a large chunk of it is quick commerce.
Since frequent ups and downs in consumption, climate change and other disruptions are here to stay, how does Jawa intend to build a business of perpetuity? “In today’s dynamic world, it is essential to lead with humility and a growth mindset. At HUL, we build resilience by embracing volatility and practising agile, adaptive leadership to achieve business excellence. Our strategy for the next decade, ‘Aspire: Unlocking a Billion Aspirations,’ serves as a lighthouse for allocating resources across three key pillars—portfolio transformation, excelling in demand drivers and widening distinctive moats. Upholding these are our core values of integrity, respect, responsibility and pioneering, which continue to guide our actions.”
Like his predecessors, Jawa’s favourite line is, ‘What is good for India is good for HUL’. “It ensures we contribute positively to the nation’s growth while securing our continued success.” ■