

# 'To survive local competition, the key is to adapt, be flexible'

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MUMBAI

**H**industan Unilever Ltd (HUL), the country's largest consumer packaged goods maker, has added close to Rs12,000 crore in incremental turnover over the past five years as it battled two years of drought and rising competition from new entrants. In an interview, HUL's chief executive and managing director Sanjiv Mehta says that organizations need to be flexible and agile given the fast changing and uncertain external environment. Edited excerpts:

**The last few years India has been underperforming with its growth slowing down. Do you think the worst is over and we are now seeing a revival in consumer sentiment?**

We have been consistently growing our market for the last six years leaving aside the demonetization quarter. So we have to continue on this journey.

**But India has been called out for poor performance a couple of times in the past year.**

See, for Unilever, India is the largest DnE (developing and emerging) market. The good bit is we are accretive to Unilever on the top line as well as the bottom line. If you look at financial year ended

2014 we grew at 9% with volume growth at about 5%. Similarly in financial year 2015 we grew in double digits with a healthy mix of volume. Even in financial year 2016, (we) grew volumes at 4-5%. It's not that we had significant concerns with our growth journey. It's only this financial year because of various external factors. First was of course two consecutive years of drought and then the demonetization.

**In this quarter, premiumization drove your top line and profitability. What percentage of your portfolio is premium?**

There is about 20% of our portfolio where we invest huge resources in market development. Most of these brands are segments in the premium end. These brands have been growing consistently at 2-3 times the normal rate of the firm's growth. (HUL defines premium products as those whose price is

120% to the average category price). Premiumization is happening in laundry, skin care and with brands like Dove and Pears, they all are at the premium end.

**But today there are more brands in the market?**

As the country evolves, there will be more brands in the market and also more money in the hands of the consumer. Our quest is to make sure not only our market shares remains—if not move upwards—but also grow the size of this market. Our growth will come from improving the size of this pie.



Hindustan Unilever CEO and MD Sanjiv Mehta.

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**There is increased focus on profitability now. What does this mean for you?**

We look at efficiency and effectiveness and had been delivering 3-4% of turnover in total savings. Then, we set up project savings. Now, we have been delivering savings (of) 6% of our turnover. This allows us to invest behind new brands, consumer promotions.

**The local competition is also heating up...**

This is a trend across the world. Regional companies are chipping away at the share of multinational companies because they are close to the consumer and they are agile. These are the two big factors. It's not that they have access to better R&D. It's not that they have speed or better talent.

**What are you doing about it?**

The important bit is the organization adapt, (be) agile and flexible. Three years back, we started the Winning In Many Indias (WIMI) initiative. That was a fabulous start

and I am so happy we got into that space because India is not a homogenous country. Today, our strategies are made by clusters. They are so different.

Unilever has embarked on a 'connected for growth' journey. As a part of this, in 2004-05 we had split marketing in (to) brand developers and brand builders. I believe, it was the right thing to do then. The world was moving towards globalization and we needed consistency of all our big brands across the world. Now, we are moving to a different stage where we have got together the brand builders and brand developers.

More importantly in HUL, we have got the CCBTs (country category business teams). They have been empowered to run the business. The CCBT is like a mini operating board of the company and we have given them full authority to run these divisions. Our job is to mentor them, coach them to achieve their goals. We have 15

CCBT teams led by young managers with cross functional management and completely empowered. You would have seen during the demonetization our top line (growth) came (in at) -0.5%. That in many ways reflects the agility that it exists in HUL today.

**Can you tell us how this helps you to take on local competition?**

So the structure of HUL today with WIMI, CCBT and the coming together of the brand building and marketing teams will allow us to not only bring in the best of Unilever but also be very close to the consumer.

An example of this team's execution capabilities can be seen with Lever Ayush, which, from concept to rollout, took place in nine months. As far as efficiency and effectiveness is concerned, we are also bringing in more science and more analytics.

**What is the contribution of modern trade and e-commerce to your revenues?**

A decade back when modern trade was coming to India we invested in modern trade. Two years ago we took a bet on e-commerce. Today modern trade is about 12% of our business. E-commerce is 1%. It is growing rapidly.

**Do you think e-commerce will play a bigger role in India then it does globally?**

Look at e-commerce globally, it would constitute 6-7% of our business. All three channels will coexist, but grow at different rates. Modern trade is in a stage of consolidation.



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