Unilever

Background

Hindustan Lever Ltd (HLL) was formed in 1956, out of the merger of three Unilever subsidiaries in India operating since 1931. The first Unilever product to have been introduced in India was Sunlight in 1888. HLL, a 51.6 per cent subsidiary of Unilever Plc, is the largest FMCG company in India. It operates in two segments:

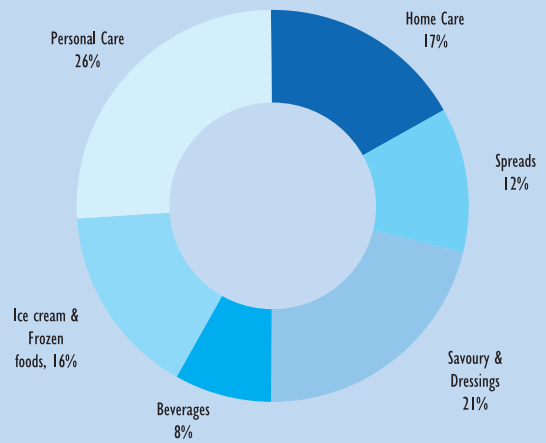
- Home and Personal Care (HPC): It includes soaps, detergents, oral care products, hair care products, skin care products, cosmetics, deodorants and fragrances
- Food and Beverages: It includes tea, coffee, wheat flour, salt, ice creams and culinary products.

With sales of over US$ 2100 million in 2004, HLL employs over 40,000 people across the country. An unmatched distribution reach directly covering over a million retailers and a wide, price-competitive product portfolio are the reasons for its market leadership.

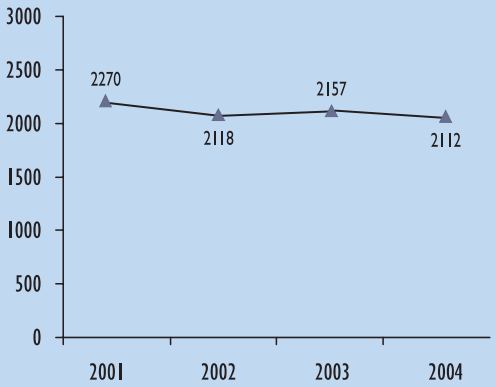
Sales of HLL have shown steady performance over the past few years.

HLL is the market leader in almost all of the segments it operates in, like jams (75 per cent), deodorants (62 per cent), personal wash (58 per cent), hair wash (54 per cent), fabric wash (38 per cent), packaged tea (31 per cent), and occupies second position in toothpastes, instant coffee and ketchups.

Contribution of different categories to Unilever revenues (%)



Sales (US$ million)



Source: Company Website

Highly respected brands in the Indian FMCG sector

HLL has developed some of the best brands in the country in the FMCG sector over the years. With an experience of several decades in India and an unmatched distribution network directly covering over a million retailers and price-competitive products, it has emerged as the market leader in the sector.

It is the country's biggest FMCG exporter and has earned the distinction of being a Super Star Trading House. In the HPC division, HLL's exports grew by 7 per cent in 2003 despite a sharp appreciation of the Rupee against the Dollar.

HLL has won many awards like:

- Best Consumer Household Products Company from Forbes Global
- India's Most Respected Company from Far Eastern Economic Review
- Adjudged one of India's Best Managed Companies by Asia Money

HLL has adopted Total Productive Maintenance (TPM) for achieving manufacturing excellence. Eight factories have already won different TPM awards from the Japan Institute of Plant Maintenance (JIPM). TPM has been launched in all key factories.

Factors for Success

Rationalising the product portfolio

HLL has adopted a focused growth strategy by concentrating on brands which constitute most of the business. From marketing 110 brands in 2000, HLL now focuses on 35 power brands, chosen for their scale and potential. Non-core business has been divested or transferred through joint ventures. This has helped HLL achieve product differentiation and improvement in sales.

Extensive distribution network

HLL's products, manufactured across the country, are distributed through a network of about 7,000 redistribution stockists covering about one million retail outlets. The distribution network directly covers the entire urban population. HLL has taken the following initiatives to improve its distribution network:

- Set up a full-scale sales organisation comprising key account management and activation to impact, fully engage and service modern retailers as they emerge.
- Revamped its sales organisation in the rural markets to fully meet the emerging needs and increased purchasing power of the rural population. HLL's distribution network in rural India already directly covers about 50,000 villages, reaching about 250 million consumers through about 6,000 substockists.

- Implemented a supply chain system that connects stockists across the country, and also includes a back-end system connecting suppliers, all company sites and stretching right up to stockists.
- Launched Project Shakti through which the company is able to extend its operations in over 12,000 villages spread across 8 states. HLL has also included several NGOs and state governments as the initiative helps rural women to improve their financial position.
- Launched the HLL Network to leverage the channel of direct selling by presenting customised offerings in 11 home and personal care and food categories. Started in 2003, it already has a base of 300,000 consultants across the country.
- Started franchised Lakme Beauty Salons and Ayush Therapy centres to offer standardised services, in line with the strategy to leverage the equity of its brands through relevant services.
- Innovatively reached out to its consumers, particularly in rural areas by leveraging nonconventional media like wall paintings, cinema vans, weekly markets (haats), fairs and festivals.

Acquiring weak companies and turning them around

HLL has in the past taken over sick enterprises and converted them into viable businesses. HLL took over the Union Home Products in Mangalore, which is now HLL Detergent factory. It also revived the Rajpura soap manufacturing facility after acquiring it from Stepan Chemicals. In the process, HLL has saved jobs and developed local economies. HLL acquired Modern Foods, which was the first public sector divestment in India, and since then is implementing a similar turnaround strategy.

Leveraging the India Advantage

As a research and development (R&D) base

HLL's Hindustan Lever Research Centre (HLRC) is involved in developing new products and processes, improving the benefits and quality of existing products, finding ways for optimal use of resources, energy conservation and pollution control. HLL has over 184 patents till date and has taken the following initiatives:

- HLL has developed a proprietary technology, which reduces water consumption and time taken for rinsing by 50 per cent. Novel detergent bars, like Nil Mineral Bar and next generation pre-treatment products have also been developed.
- HLL scientists have developed a patented technology to stabilise iodine in salt, following work on the stability of iodine under Indian conditions of storage and cooking. The technology developed by HLL encapsulates iodine, protecting its bioavailability.
- HLL has also developed the capability to design and manufacture machines in-house or have them assembled by third parties as per given specifications.

HLL has the expertise to set up plants at half the cost of others. Such technological developments have also led to significant improvement in productivity.

As a business process outsourcing (BPO) hub

Unilever has made BPO an integral part of its overall growth strategy. The company has started managing back office processes for Unilever operations in Malaysia, Australia and New Zealand.

As a manufacturing sourcing base

Currently Unilever sources products worth about US$ 165 million from HLL. Based on manufacturing cost benchmarking studies across Unilever globally, HLL has emerged as one of the most competitive home and personal care products production centres.

HLL exports a diverse range of products

- HPC: The categories are soaps, skin care products and oral care products
- Tea: The categories are branded packet tea, and instant tea for Unilever's ready-to-drink tea business
- Marine Products: HLL offers a comprehensive portfolio, ranging from Surimi, crabsticks to shrimps and several value-added products
- Rice: The categories are basmati rice and basmati rice-based ready-to-eat rice meals
- Castor: The categories are castor oil and castor oil-based products/derivates

Future Plans

- HLL is planning to enhance its distribution and product communication strategy.
- Unilever plans to increase outsourcing to US$ 1,000 million over the next three to four years.

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