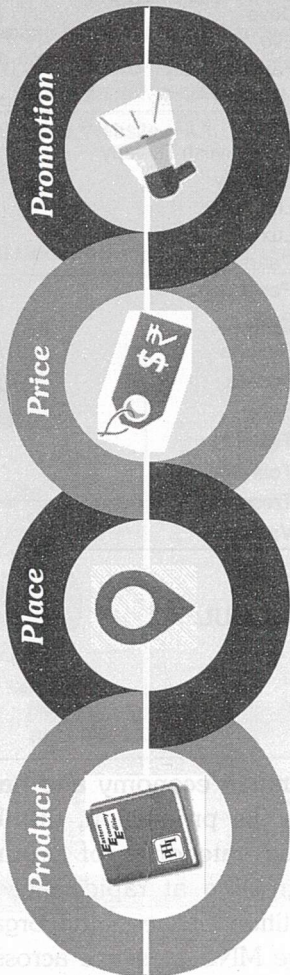


CASE

10

HINDUSTAN UNILEVER LIMITED

MARKETING



HUL ORIGIN

In 1931, Unilever set up its first Indian subsidiary, Hindustan Vanaspati Manufacturing Company, followed by Lever Brothers India Limited (1933) and United Traders Limited (1935), and these three companies merged to form HUL in November 1956. HUL offered 10% of its equity to the Indian public, being the first among the foreign subsidiaries to do so. Unilever now holds 52.10% equity in the company. The rest of the shareholding is distributed among about 3,60,675 individual shareholders and financial institutions.

TABLE 1 HUL Fact File

	<i>Founded</i>	<i>1933</i>
Vision	To earn the love and respect of India, by making real difference to every Indian.	
Mission	Our mission is to add vitality to life. We meet every day needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.	
Net Sales (2012-2013)	25,206 crores	
Net Profit (2012-2013)	3,797 crores	
Number of employees	16,000+	
Chairman	Harish Manwani	
Headquarters	Mumbai, India	
Website	www.hul.co.in	

HUL MILESTONE

HUL is the market leader in most of the categories it operates in

- Laundry
- Skin care
- Soaps
- Oral care
- Hair care
- Deodorants
- Home care
- Tea

<i>Food and drink</i>	<i>Home care</i>	<i>Personal care</i>
Annapurna	Active Wheel	Aviance
Brooke Bond	Cif	Axe
Bru	Comfort	Breeze
Kissan	Domex	Clear
Kwality Walls	Magic	Clinic Plus
Knorr	Pure it	Close Up
Lipton	Rin	Dove
Magnum	Sunlight	Elle 18
Modern	Surf Excel	Fair & Lovely
	Vim	Hamam
		Lakme
		Lever Ayush Therapy
		Lifebuoy
		Liril 2000
		Lux
		Pears
		Pepsodent
		Pond's
		Rexona
		Sunsilk
		Sure
		Tigi
		Toni & Guy
		Tresemme
		Vaseline

Source: Corporate Website, HUL

FIGURE 1 Brand portfolio of HUL.

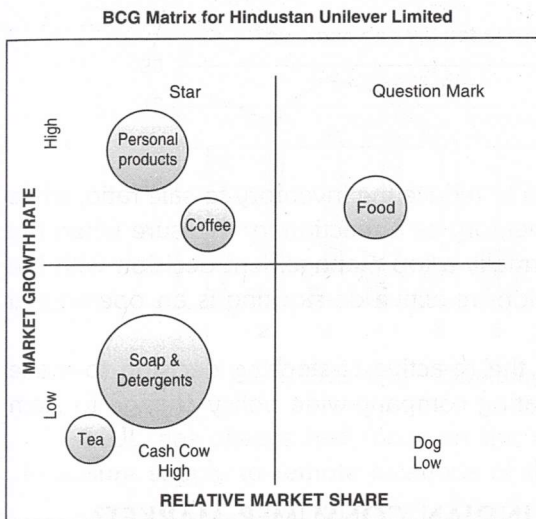
THE INDIAN FMCG INDUSTRY

The Indian FMCG sector is the fourth largest in the Indian economy and has a market size of \$13.1 billion. This industry primarily includes the production, distribution and marketing of consumer packaged goods, i.e., those categories of products which are consumed at regular intervals. The sector is growing at rapid pace with well-established distribution networks and intense competition between the organised and unorganised segments. It has a strong and competitive MNC presence across the entire value chain. (CII).

1930	Unilever formed through the merger of Lever Brothers and Margarine Unie.
1931	Hindustan Vanaspati Manufacturing Company registered
1956	Three companies merge to form Hindustan Unilever Limited, with 10% Indian equity participation
1982	Government allows 51% Unilever shareholding
1992	HUL recognised by Government of India as Star Trading House in Exports
1993	HUL enters the foods business with acquisition of Kissan brand
1994	HUL's largest competitor, Tata Oil Mills Company (TOMCO), merges with the company, the biggest such in Indian industry till that time.
1995	HUL enters branded staples business with salt; HUL recognised as Super Start Trading House
1996	HUL and Indian cosmetics major, Lakme Ltd., form 50:50 joint venture-Lakme Lever Ltd.
1998	Group company, Pond's India Ltd., merges with HUL
2000	HUL acquires 74% stake in Modern Food Industries Ltd., the first public sector company to be disinvested by the Government of India.
2003	Launch of Hindustan Lever Network
2007	Company name formally changed to Hindustan Unilever Limited Sale of Brooke Bond and Surf Excel each cross the ₹1,000 crores mark
2013	HUL completes 80 years

Source: Corporate Website, HUL

FIGURE 2 Milestones for HUL.



Particulars	Key Brands	Market Size (in Rs Cr.)	Market Share	Rank
Fabric wash	Surf Excel, Wheel	8988	37.5%	1
Personal Wash	Dove, Lux, Lifebuoy	6632	54.3%	1
Dish wash			57.3%	1
Skin	Ponds	2792	54.5%	1
Shampoo	Sunsilk, Clinic plus	2168	47.8%	1
Telcum Powder			59.7%	1
Packet Tea	Red Label	4452	22.7%	1
Coffee	Bru	708	44.0%	1
Jams			67.5%	1
Toothpaste	Pepsodent Closeup	2764	29.5%	2
Ketchups			28.1%	2

FIGURE 3 BCG matrix.

SWOT ANALYSIS

Strengths

- Low operating costs.
- Established distribution networks in both urban and rural areas.
- Presence of well-known brands in the FMCG sector.

Weaknesses

- Lower scope of investing in technology and achieving economies of scale, especially in small sectors.
- Low exports levels.
- 'Me-too' products which illegally mimic the labels of the established brands. These products narrow the scope of the FMCG products in rural and semi-urban markets.

Opportunities

- Untapped rural market.
- Rising income levels i.e. increase in purchasing power of consumers.
- Large domestic market – population of over one billion.
- Export potential.
- High consumer goods spending.

Threats

- Removal of import restrictions resulting in replacement of domestic brands.
- Slowdown in rural demand.
- Tax and regulatory structure.

DE-STOCKING

Active de-stocking refers to a conscious decision to reduce the inventory-to-sale ratio, while re-active de-stocking refers to reducing the inventory as a reactionary measure when the sales go down. While active de-stocking is normally a top management decision with the financial team being responsible for the decision, re-active de-stocking is an operational decision taken by those in charge of logistics.

In this case, we look at how HUL used the re-active re-stocking decision to make it more of an active de-stocking decision initiating company-wide policy change to stem the losses of a world-wide recession.

HOW HAS RECESSION AFFECTED THE INDIAN CONSUMER MARKET?

The Nielsen Global Survey of Consumer Confidence and Spending Intentions, established in 2005, measures consumer confidence, major concerns, and spending intentions among more than 29,000 respondents with Internet access in 58 countries. Consumer confidence levels above and below a baseline of 100 indicate degrees of optimism and pessimism.

According to the survey, Indian consumer confidence index dropped by one point to 120 in the first quarter of 2013 after topping the global list at 121 in fourth quarter of 2012. The survey indicated that the consumers would prefer to put more into savings rather than into spending in consumer goods segment.

However, in 2012, despite the low consumer confidence, HUL reported a 15% increase in its net profit in the quarter ending March 2013 over the previous quarter despite the volume growth being slower than market expectations.

In this case, we look at HUL's strategy in the supply chain segment and HUL's strategy in penetrating the rural Indian market.

According to the reports there has been sharp acceleration in rural consumption in India while consumption growth in urban areas has been on a steady decline.

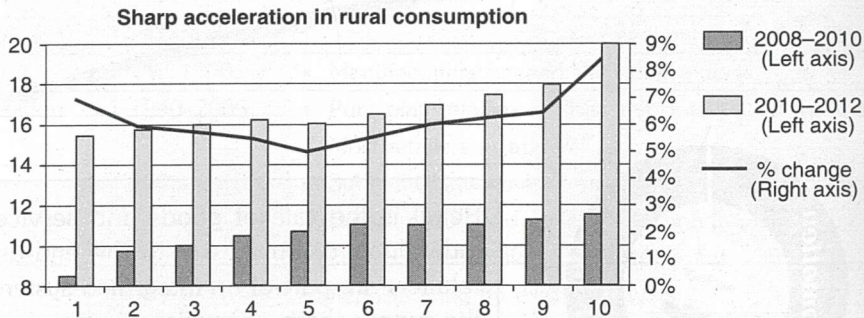


FIGURE 4(a) Consumption growth in rural areas.

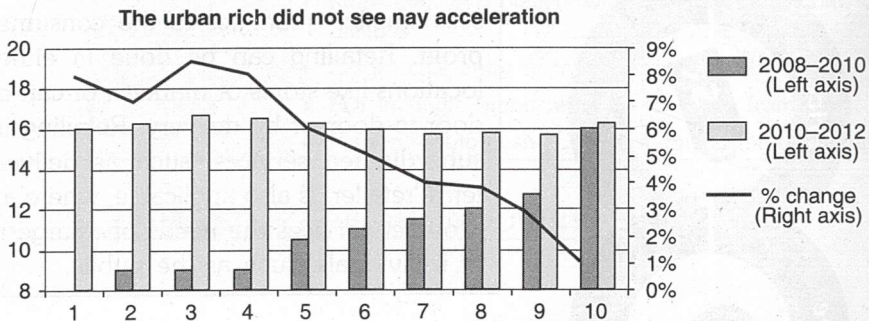


FIGURE 4(b) Consumption growth in urban areas.

HUL has always had focus on the rural market enabling strong distribution chain to ensure supply to remote locations of the country.

ISSUES FOR DISCUSSION

1. List out possible causes for the stagnation in consumption growth in urban areas?
2. How has rural consumption seen a growth despite the recession?
3. Do a SWOT analysis for the active de-stocking strategy undertaken by HUL.
4. What are the other measures that can be taken by the FMCG giant to beat the recession?
5. List out the reasons for the retained confidence of the Indian consumer even during recession.