



MANAGEMENT OUTLOOK



Business as Usual on Growth, Business Unusual on Costs'

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About Hindustan Unilever Limited



Hindustan Unilever Limited (HUL) is India's largest Fast Moving Consumer Goods Company, touching the lives of two out of three Indians. HUL's mission is to "add vitality to life" through its presence in over 20 distinct categories in Home & Personal Care Products and Foods & Beverages. The company meets everyday needs for nutrition, hygiene, and personal care, with brands that help people feel good,

look good and get more out of life. If Hindustan Unilever straddles the Indian corporate world, it is because of being single-minded in identifying itself with Indian aspirations and needs in every walk of life.

HUL mantra for 'Winning in Turbulent Times'

Hindustan Unilever Chairman, Mr. Harish Manwani, while addressing shareholders at the company's 76th AGM held at Mumbai dwelt on the actions the Company is taking to use the current economic crisis as an opportunity to win amid the turbulence through a unique 'paradox' in strategy, which Mr. Manwani referred to as 'business as usual on growth, business unusual on costs.'

Speaking about the company strategy, he

said that crisis and opportunity are two sides of the same coin. He elaborated saying, "This inspires us to push for business as usual on growth – straddling the pyramid, delivering superior value and functionality while pushing the boundaries of our understanding and responding to consumer and shopper behaviour. Simultaneously, this is an opportunity to drive for business unusual on costs – reengineering core processes, declaring a war on waste, dynamic performance management and cash conservation."

Business as usual on growth

Stating that the company was determined to use this crisis to continue to be singularly focused on growth and that consumer understanding was key to achieving this, Mr.



RMS 9 Step Business Growth System™



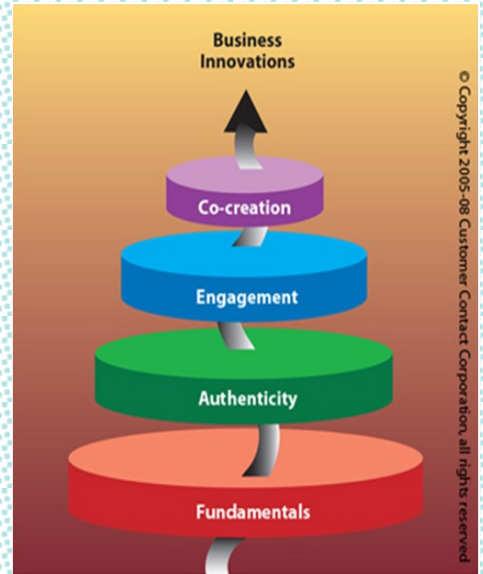
at the same time is aesthetically stunning. Similarly, Bru delivers a far more delightful consumer experience through packaging that retains the aroma of coffee for a longer time. “

Referring to the diversity of consumer landscape in India with diverse needs in each segment but at the same time with same hopes, same aspirations and same dreams for a better life, he said, “This is what inspires us to serve the needs of all our consumers in a manner that is most relevant to them – what we describe as our strategy of 'straddling the pyramid'.”

Manwani said, “Consumer understanding has always been and will continue to be at the heart of our business. At a time like this, it is crucial to understand and respond to changing consumer and shopping behaviour.”

“Delivery of stronger functionality and value has always been important. Leveraging science and technology, however, to deliver even better value and create stronger differentiation becomes absolutely vital at a time of uncertainty,” he said. He illustrated this approach of the company citing some of the recent innovations saying, “We have leveraged the power of our deep consumer understanding to develop a patented shape for the new Lifebuoy soap that signals better value, reduces mush and

He observed that in India there were simultaneous movements of some consumers uptrading and increasing consumption while others were cutting back consumption or indeed downtrading as a



response to the economic uncertainty. “The strategy of ‘straddling the pyramid’ at a time like this gives us the ability to capture the uptrading opportunities while simultaneously insuring us against the inevitable downtrading that also occurs in a downturn. This allows us to retain and strengthen our competitiveness through the power of our portfolio even in uncertain times,” he said referring to the inherent competitive advantage HUL enjoyed through its portfolio of powerful brands, packs and product formats at varying price points that make its offerings affordable and accessible to consumers.

Mr. Manwani spoke about how consumers tended to go back to trusted brands during difficult times and said, “Brands must therefore renew their contract with consumers to understand them better and offer solutions that are accessible, affordable and available while continually seeking to deliver superior value

危機
 The Chinese word for crisis shares a character with the word for opportunity.
機會



Competitive Strategies Three Generic Business Strategies

Cost Leadership	– producing and marketing a good quality product or service at a lower cost than your competitors.
Differentiation	– creating a product or service that is perceived as being unique "throughout the industry".
Focus	– addressing a "focused" segment of the marketplace, product form or cost management process

Source: "Competitive Advantage", Michael Porter

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through the leverage of science and technology."

reduces complexity at the front end and enables efficiencies

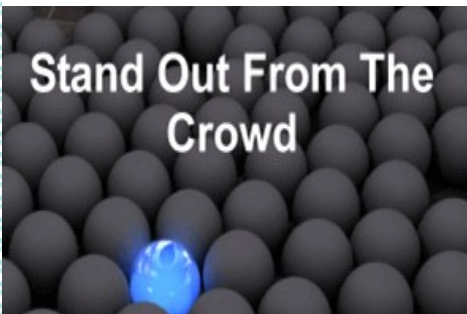
Business unusual on costs

Mr. Manwani reiterated the need for companies to address the volatility of these turbulent times. "A responsible business must ensure that while it continues to invest in growth, it is simultaneously reshaping the cost structure for the worst-case scenario, that is 'business unusual on costs,'" he said.

Recognizing this reality, HUL has rolled out the new Go-To-Market distribution model. This model



across one extended supply chain and consequently considerable reduction in cost. Similarly, the company has embarked on a 'War on Waste' to driving efficiencies in turbulent times. Mr. Manwani elaborated on the steps the company has taken to improve the Return on Marketing Investment (ROMI). These include identification of media elasticity of every brand to drive superior ROMI and also advanced marketing mix modelling techniques



to assess all the marketing levers to drive for growth and superior yields from marketing investment.

He emphasized on the need to plan for and manage the business more dynamically given the tremendous volatility in the input costs. "This calls for much shorter planning horizons. As a consequence, we have now done away with the earlier system of annual plans and moved to a continuous 12-monthly planning cycle. This enables us to manage the business

The Right To



Be Heard



Be Informed



Safety



Choose



Consumer Education

far more dynamically than in the past," he said.

He also spoke about how the company has also launched a relentless drive to reduce working capital and capital expenditure with out at the same time cutting back on innovation and growth yielding expenditure. "In doing so, we are raising the hurdle rates for every element of expenditure in order to improve return on capital," he said.





Marketing Strategy Development

Right Target, Right Action, Right Timing

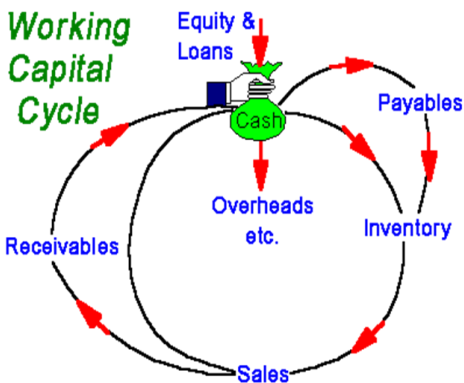
"You're headed in the right direction when you realize the customer viewpoint is more important than the company viewpoint. It's more productive to learn from your customers instead of about them." – John Romero



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Leadership matters

Putting the global economic crisis into context, he spoke about how the combination of lack of regulatory oversight, poor judgment



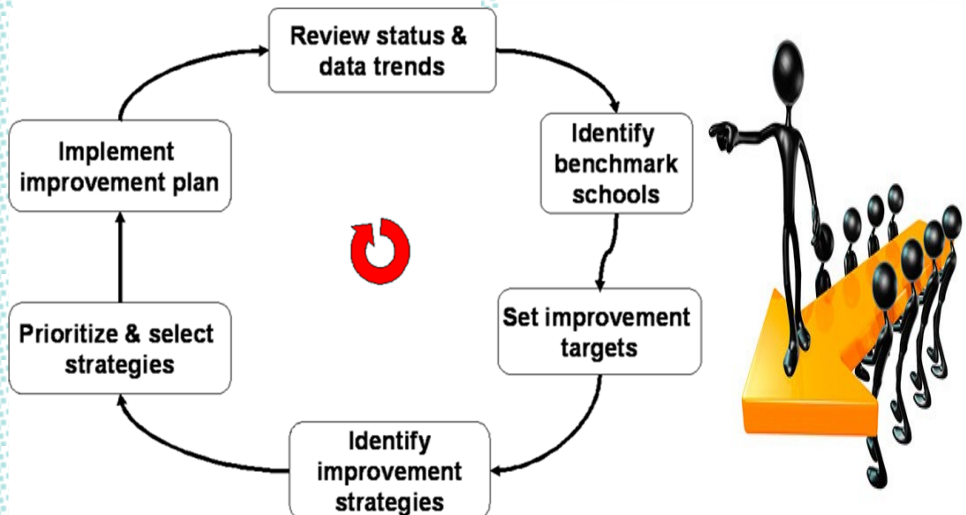
but above all hubris has contributed to this crisis. "In the end, winning over the long haul demands a deep seated belief in principles and values that are non-negotiable. That is the moral underpinning of a successful enterprise," he said.

Referring to the key role of leadership in managing crisis, Mr. Manwani said, "The lessons from the global crisis are simple and

must not be lost. Businesses must be fair, must be honest, must be transparent and above all must be responsible. Those that walk a different path will attract questions on their very relevance and role in society. Replacing long-



term principles with short-term profits cannot be good business – not even in the short term. At a time of crisis more than any other it is ultimately leadership that



matters." Hindustan Unilever has always sought to serve the larger interests of society in the course of doing business. Doing well by doing good has defined the conduct of HUL over the 75 years of its existence. "Our conduct and standing over the years is the best proof of the philosophy that businesses can grow and thrive only when they work in consonance with the needs of society," he said.

Mr. Manwani concluded saying, "In the end, however, the difference between winning and losing in the long run is leadership and integrity. After all, it is not just what you do or what you achieve but how you do it and how you achieve that will ultimately stand the test of time."

SOURCE: HUL

