



Management

## **MARKETING & DISTRIBUTION OF HUL: ITS RURAL ORIENTATION**

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### **Abstract**

Hindustan Unilever Limited (HUL), formerly known as Hindustan Lever Limited (HLL), is the largest consumer products company in India. The name HUL came into vogue in late June 2007. The Head office of the company is located in Mumbai. There are in all 41,000 employees of different categories working in the company. The company is headed by a non-executive Chairman (presently Mr. Hareesh Manwani. HUL is number one Fast Moving Consumer Goods (FMCG) Company in India.

**Keywords:** Marketing & Distribution; HUL; Hindustan Unilever Limited.

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### **1. Introduction**

In the summer of 1888, visitors to the Kolkata harbour noticed crates full of Sunlight soap bars, embossed with the words "Made in England by Lever Brothers". With it, began an era of marketing branded Fast Moving Consumer Goods (FMCG). Soon after followed Lifebuoy in 1895 and other famous brands like Pears, Lux and Vim. Vanaspati was launched in 1918 and the famous Dalda brand came to the market in 1937.

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). 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 360,675 individual shareholders and financial institutions.

The erstwhile Brooke Bond's presence in India dates back to 1900. By 1903, the company had launched Red Label tea in the country. In 1912, Brooke Bond & Co. India Limited was formed. Brooke Bond joined the Unilever fold in 1984 through an international acquisition. The erstwhile Lipton's links with India were forged in 1898. Unilever acquired Lipton in 1972, and in 1977

Lipton Tea (India) Limited was incorporated. Pond's (India) Limited had been present in India since 1947. It joined the Unilever fold through an international acquisition of Chesebrough Pond's USA in 1986.

The liberalisation of the Indian economy, and deregulation in 1991 permitted alliances, acquisitions and mergers. Tata Oil Mills Company (TOMCO) merged with HUL, effective from April 1, 1993. In 1995, HUL and yet another Tata company, Lakme Limited, formed a 50:50 joint venture, Lakme Unilever Limited, to market Lakme's market-leading cosmetics and other appropriate products of both the companies. Subsequently in 1998, Lakme Limited sold its brands to HUL and divested its 50% stake in the joint venture to the company.

In 1992, the erstwhile Brooke Bond acquired Kothari General Foods, with significant interests in instant coffee. In 1993, it acquired the Kissan business from the UB Group and the Dollops Ice cream business from Cadbury India. In 1994, HUL formed a 50:50 joint venture with the US-based Kimberly Clark Corporation which markets Huggies Diapers and Kotex sanitary pads. HUL has also set up a subsidiary in Nepal, Unilever Nepal Limited (UNL), and its factory represents the largest manufacturing investment in the Himalayan kingdom. The UNL factory manufactures HUL's products like soaps, detergents and personal products both for the domestic market and exports to India.

As a measure of backward integration, Tea Estates and Doom Dooma, two plantation companies of Unilever, were merged with Brooke Bond. Then in July 1993, Brooke Bond India and Lipton India merged to form Brooke Bond Lipton India Limited (BBLIL), enabling greater focus and ensuring synergy in the traditional beverages business. The year 1994 witnessed BBLIL launching the Wall's range of frozen desserts. By the end of the year, the company entered into a strategic alliance with the Kwality Ice Cream Group families and in 1995 the Milk food 100% ice cream marketing and distribution rights too were acquired.

Finally, BBLIL merged with HUL, with effect from January 1, 1996. The internal restructuring culminated in the merger of Pond's (India) Limited (PIL) with HUL in 1998. The two companies had significant overlaps in personal products, speciality chemicals and exports businesses, besides a common distribution system since 1993 for personal products. The two also had a common management pool and a technology base. The amalgamation was done to ensure for the group, benefits from scale economies both in domestic and export markets and enable it to fund investments required for aggressively building new categories.

In January 2000, in a historic step, the government decided to award 74 per cent equity in Modern Foods to HUL, thereby beginning the divestment of government equity in public sector undertakings (PSU) to private sector partners. HUL's entry into bread is a strategic extension of the company's wheat business. In 2002, HUL acquired the government's remaining stake in Modern Foods.

In 2003, HUL acquired the cooked shrimp and pasteurised crabmeat business of the Amalgam Group of Companies, a leader in value added marine products exports. The scale of Hindustan Lever's operations can be measured in many ways. HUL is an organisation of 36,000 employees and indirectly provides employment to a further 200,000; this is without considering

the one million retailers and who rely to a considerable extent on the sale of the company's products for their income. HUL has 7,000 redistribution stockists and source raw materials from over 2,000 suppliers and associates. HUL has 346,000 local shareholders who have benefited from their investment in the company. Rs.1000 invested seven years ago, would have grown to over Rs.14,000 today.

## **2. Management and Mission**

Unilever, holds 52.10% of the equity. The rest of the shareholding is distributed among 360,675 individual shareholders and financial institutions. In terms of leadership, the HUL is referred to as the “CEO Factory” by the Indian press because of the fact that it has produced many business leaders for corporate India. The company has been ranked fourth in the Hewitt Global Leadership Survey considering its leadership building potential.

### **2.1. Mission**

Unilever's mission is to add vitality to life. The publicised commitment to this given in their brochures is as follows:

We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life. Our deep roots in local cultures and markets around the world give us our strong relationship with consumers and are the foundation for our future growth. We will bring our wealth of knowledge and international expertise to the service of local consumers - a truly multi-local multinational.

Our long-term success requires a total commitment to exceptional standards of performance and productivity, to working together effectively, and to a willingness to embrace new ideas and learn continuously. To succeed also requires, we believe, the highest standards of corporate behaviour towards everyone we work with, the communities we touch, and the environment on which we have an impact. This is our road to sustainable, profitable growth, creating long-term value for our shareholders, our people, and our business partners.

### **2.2. Vision**

The vision of HUL is stated as follows.

To meet everyday needs of people everywhere – to anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life.

## **3. Operations, Sales and Exports**

The operations involve over 2,000 suppliers and associates. The products sold to the extent of about four million tones nearly account for Rs. 1,37,18 crores. HUL's distribution network comprises about 2,500 redistribution stockists, covering 6.3 million retail outlets of Urban India.

About 250 million Urban India and another 250 million rural people are consumers of its 35 major Indian brands.

The products marketed by the company range from food items like flour, biscuits, ice creams etc., body products such as soaps, face creams, to cigarettes, beverages etc., which the consumers need in their day to day life. HUL's brands like Lifebuoy, Lux, Surf Excel, Rin, Wheel, Fair & Lovely, Pond's, Sunsilk, Clinic, Pepsodent, Close-up, Lakme, Brooke Bond, Kissan, Knorr-Annapurna, Kwality Wall's are household names across the country and span many categories - soaps, detergents, personal products, tea, coffee, branded staples, ice cream and culinary products.

Table 1 shows the performance of the company during a decade from 1998 to 2007. The gross sales went up to Rs. 14757 crores from Rs.10215 crores registering about 1.4 times growth. The earnings /share have gone up to Rs.8.73 from Rs.3.76 during the period.

Table 1: Performance Indicators of HUL

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Gross Sales (Rs.Crores)	10215	10918	11392	11781	10952	11096	10888	11976	13035	14757
<b>By Segment % of Sales</b>										
Soaps, Detergents & Household Care	39	41	40	40	45	44	45	45	47	47
Personal Products	16	17	17	21	22	24	26	28	29	29
Foods	35	34	37	33	30	29	27	25	22	22
Chemicals, Agri, Fertilizers and Animal Feeds	6	6	4	3	2	2	1	1	1	1
Others	4	2	2	3	1	1	1	1	1	1
EBIT as % of Sales	9.5	10.7	12.3	14.0	17.6	18.4	13.4	12.3	13.1	13.4
Fixed Assets Turnover (times)	9.7	10.0	9.5	8.9	8.6	8.1	7.2	8.1	8.6	8.6
Working Capital	45.2	58.3	-	-	-	-	-	-	-	-

Turnover (times)										
Economic Value Added (EVA) Rs. Crores)	548	694	858	1,080	1,236	1,429	887	1,014	1,125	1,340
Earnings /share of Re.1 @	3.67	4.86	5.95	7.46	8.04	8.05	5.44	6.40	8.41	8.73
Dividend /share. of Re.1 @	2.20	2.90	3.50	5.00	5.1	5.50	5.00	5.00	6.00	9.00
Profit after taxes / Sales (%)	8.2	9.8	11.5	13.1	15.8	16.3	11.0	11.3	11.8	12.0
R.O.C.E. (%)	58.7	61.8	64.6	62.4	59.4	60.2	45.9	68.7	67.0	79.4
R.O.N.W. (%)	48.9	50.9	52.7	53.9	48.4	82.8	57.2	61.1	68.1	80.1

#### 4. HUL Exports

Today, HUL is one of India's Largest exporters of branded FMCGs (Fast Moving Consumer Goods). It has been recognised by the Government of India as a Golden Super Star Trading House.

HUL's key focus in the exports business is on two broad categories. It is a sourcing base for Unilever brands in Home & Personal Care (HPC) and Food and Beverages (F&B) for supplies to other Unilever companies. It also focuses on becoming a preferred supplier to both non-Unilever and Unilever clients in three categories in which India, as a country, has competitive advantage – Branded Rice, Marine Products and Castor and its derivatives. HUL enjoys international recognition within Unilever and outside for its quality, reliability and speed of customer service. HUL's Exports' geography comprises, at present, countries in Europe, Asia, Middle East, Africa, Australia, North America etc. The categories of products exported include Home and Personal care products, Food and Beverages, Marine products and rice.

Much of the success of their exports business has been through working with foreign alliance partners through whom they access brands, markets, technology and skills. In return, they invest capital, management and manpower in a local manufacturing base which is run to international standards. Through this alliance model, they are, for example, manufacturing Pears soap, branded tea and several other products for Unilever companies, Surimi fish products for Shinto Corporation of Japan, and Hush Puppies Shoes for Hush Puppies UK. One of the key learnings from their exports business that may be of wider relevance, is that in industry sectors where India has a global competitive advantage, building alliances with foreign partners can lead to a strong, growing and sustainable exports business.

## 5. Technology and Innovation

HUL incorporates latest technology in all its operations. The Hindustan Unilever Research Centre (HURC) was set up in 1958, and now has facilities in Mumbai and Bangalore. HURC and the Global Technology Centres in India have over 200 highly qualified scientists and technologists, many with post-doctoral experience acquired in the US and Europe. There is a strong inter-dependence between Hindustan Lever and Unilever in research.

In the early years, the R&D efforts were centred on import substitution and they have many significant achievements that continue to be of great relevance even today. The use of unconventional oils, such as neem, karanja, castor and rice bran, for soap making was pioneered by the company and enabled the substitution of imported oils. Cumulatively, we estimate that this has resulted in a saving of around \$1.2 billion in foreign exchange since the 1970s. R&D was also used for substituting imported aroma chemicals and nickel catalysts.

The next phase of research has been to improve the functional delivery of the brands, ensuring that they are able to fully satisfy consumer needs and remain ahead of competition. This is done through the development of innovative products and new processes, applied across the entire spectrum of the company's business. It is this development and application of technology that makes HUL the market leader in areas as diverse as Fair & Lovely Cream and hybrid maize seeds. Research finds its application as much in Lifebuoy soap, which is the brand leader in rural India, as it does in the development of their functionalised biopolymers which improve quality and productivity in the paper industry.

It is often believed that the role of technology in the fast moving consumer goods (FMCG) area is limited. Their experience has been exactly the opposite; they find that technology in FMCG is critical. Skilfully applied it can result in fundamentally lower cost structures and the ability to deliver new and more exciting benefits to meet the growing aspirations of consumers. HUL developed a new process of manufacturing soap based on 'Plough Share Mixer' technology. This eliminates the need for steam in soap-making. Since soaps are a sizeable part of our business, the new technology cuts carbon emissions by 15,000 tons per year.

HUL believes in innovation as a tool of expansion and Exhibit 1 shows the product introductions of HUL from 1988 onwards.

Exhibit 1: Brand Introductions

YEAR	Brands
1888	Sunlight soap introduced in India.
1895	Lifebuoy soap launched; Lever Brothers appoints agents in Mumbai, Chennai, Kolkata, and Karachi.
1902	Pears soap introduced in India.
1903	Brooke Bond Red Label tea launched.
1905	Lux flakes introduced.

<b>1913</b>	Vim scouring powder introduced.
<b>1914</b>	Vinolia soap launched in India.
<b>1918</b>	Vanaspati introduced by Dutch margarine manufacturers like Van den Berghs, Jurgens, Verschure Creameries, and Hartogs.
<b>1922</b>	Rinso soap powder introduced.
<b>1924</b>	Gibbs dental preparations launched.
<b>1926</b>	Hartogs registers Dalda Trademark.
<b>1947</b>	Pond's Cold Cream launched.
<b>1959</b>	Surf launched.
<b>1964</b>	Etah dairy set up, Anik ghee launched; Animal feeds plant at Ghaziabad; Sunsilk shampoo launched.
<b>1965</b>	Signal toothpaste launched; Indian shareholding increases to 14%.
<b>1966</b>	Lever's baby food, more new foods introduced; Nickel catalyst production begins; Indian shareholding increases to 15%. Statutory price control on Vanaspati; Taj Mahal tea launched.
<b>1969</b>	Rin bar launched; Fine Chemicals Unit starts production; Bru coffee launched
<b>1974</b>	Liril marketed.
<b>1975</b>	Close-up toothpaste launched.
<b>1978</b>	Fair & Lovely skin cream launched.
<b>1988</b>	Launch of Lipton Taaza tea.
<b>1991</b>	Surf Ultra detergent launched.
<b>1993</b>	Launch of Vim bar.
<b>1994</b>	Marketing of Huggies diapers and Kotex feminine care products. HUL introduces Wall's.
<b>1995</b>	HUL enters branded staples business with salt; HUL recognised as Super Star Trading House.
<b>1996</b>	HUL introduces branded atta; Surf Excel launched.
<b>2002</b>	HUL enters Ayurvedic health & beauty centre category with the Ayush range and Ayush Therapy Centres.
<b>2005</b>	Launch of "Pureit" water purifiers
<b>2007</b>	Sales of Brooke Bond and Surf Excel each cross the Rs 1,000 crore mark



**A latest innovation is Pureit.**

Pureit, a breakthrough offering of Hindustan Unilever (HUL), comes with many unique benefits – complete protection from all water-borne diseases, unmatched convenience and affordability. Pureit's unique Germkill Battery technology kills all harmful viruses and bacteria and removes parasites and pesticide impurities, giving us water that is 'as safe as boiled'. It assures the family 100% protection from water-borne diseases like jaundice, diarrhoea, typhoid and cholera. What's more, it doesn't need gas, electricity or continuous tap water supply.

Recently, they have begun to use research to support their export initiatives, thus ensuring that exports are both globally competitive and sustainable. For example, they have developed a cold water soluble instant tea powder which has become a major export product. They have been able to isolate and process a powerful ultraviolet ray absorbing sunscreen from an indigenous naturally occurring vegetable oil. This is being exported to Europe and has significant long-term potential.

Research and its application in Hindustan Lever has come full circle; it began with import substitution and is now being used to develop export businesses.

**6. Reinventing Distribution**

Hindustan Lever pioneered FMCG distribution in India in the 1940's. Over time they have benefited from a significantly wider reach than any other company. They are now reinventing distribution to strengthen their competitive advantage in the emerging consumer and market scenario. Their earlier focus was to drive wide availability, and enable easy access to their brands for consumers. They now seek to go well beyond this distribution paradigm. Their new approach is more holistic – touching consumers in multiple ways at the point-of-purchase and, more importantly, creating opportunities for consumers to receive brand messages and experience their brands. They are redefining their approach to the current channels, and are also creating new distribution channels with these features.

**6.1. Evolution of Distribution Network**

- *Phase 1: Wholesaler net work*

HUL has a large distribution network comprising 5000 redistribution stockists and 40 C & F agents (Clearing and Forwarding Agents). The **first phase** of the HUL distribution network had wholesalers placing bulk orders directly with the company. Large retailers also placed direct orders, which comprised almost 30 per cent of the total orders collected. The company salesman grouped all these orders and placed an indent with the Head Office. Goods were sent to these markets, with the company salesman as the consignee. The salesman then collected and distributed the products to the respective wholesalers, against cash payment, and the money was remitted to the company.

- *Phase 2: Registered Wholesaler*

The focus of the second phase, which spanned the decades of the 40s, was to provide desired products and quality service to the company's customers. In order to achieve this, one wholesaler



in each market was appointed as a "Registered Wholesaler," a stock point for the company's products in that market. The company salesman still covered the market, canvassing for orders from the rest of the trade. He would then distribute stocks from the Registered Wholesaler through distribution units maintained by the company. The Registered Wholesaler system, therefore, increased the distribution reach of the company to a larger number of customers.

- *Phase 3: Redistribution Stockist*

The highlight of the third phase was the concept of "Redistribution Stockist" (RS) who replaced the Registered Wholesaler (RW) as shown in Figure 4-1. The RS was required to provide the distribution units to the company salesman. The RS financed his stocks and provided warehousing facilities to store them. The RS also undertook demand stimulation activities on behalf of the company. The second characteristic of this period they realised that the RS would be able to provide customer service only if he was serviced well. This knowledge led to the establishment of the "Company Depots" system. This system helped in transshipment, bulk breaking, and as a stock point to minimise stock-outs at the RS level.

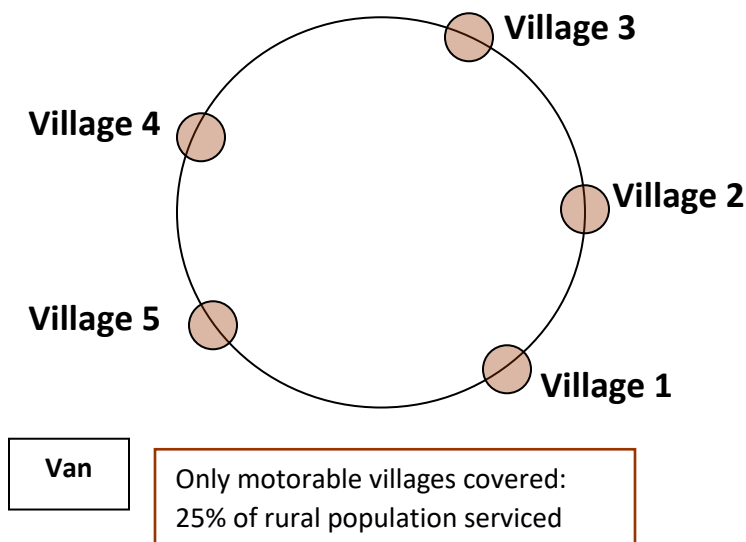


Figure 1: Rural Distribution Model – Indirect Coverage

## 6.2. Present Scenario

At present, HUL'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. In addition to the ongoing commitment to the traditional grocery trade, HUL is building a special relationship with the small but fast emerging modern trade. Their scale enables them to provide superior customer service including daily servicing, improving their range availability whilst reducing inventories. They are using the opportunity of interfacing more directly with our consumers in this retail environment through specially designed communication and promotions. This is building traffic into the stores while yielding high growth for their business. The recent measures to make the system more effective are described here.

i) *C& FAs as buffer stock points*

In the recent past, a significant change has been the replacement of the Company Depot by a system of third party Carrying and Forwarding Agents (C&FAs). The C&FAs act as buffer stock-points to ensure that stock-outs did not take place. The C&FA system has also resulted in cost savings in terms of direct transportation and reduced time lag in delivery. The most important benefit has been improved customer service to the RS. The role performed by the Redistribution Stockists has also undergone changes over the years. Financing stocks, providing manpower, providing service to retailers, implementing promotional activities, extending indirect coverage, reporting sales and stock data, screening for transit damages are some of the functions performed by the RS today.

ii) *Formation of mother report*

HUL has grown manifold over the years. In the process, the number of factories and the number of SKUs too have increased. In order to rationalise the logistics and planning task, an innovative step has been the formation of the Mother Depot and Just in Time System (MD-JIT). Certain C&FAs were selected across the country to act as mother depots. Each of them has a minimum number of JIT depots attached for stock requirements. All brands and packs required for the set of markets which the MD and JITs service in a given area are sent to the mother depot by all manufacturing units. The JITs draw their requirements from the MD on a weekly or bi-weekly basis.

iii) *RS Net*

An IT-powered system has been implemented to supply stocks to redistribution stockists on a continuous replenishment basis. Launched in 2001, RS Net is part of Project Leap, HUL's end-to-end supply chain initiative. Project Leap begins with the supplier, runs through the factories and depots and reaches up to the RSs. The objective is to catalyze HUL's growth by ensuring that the right product is available at the right place in the right quantities and at the right time. Leap also aims at reducing inventories and improving efficiencies right through the extended supply chain.

RS Net is one of the largest B2B e-commerce initiatives ever undertaken in India. It provides linkages with the RSs' own transaction systems, enables monitoring of stocks and secondary sales and optimises RS's orders and inventories on a daily basis. Information on secondary sales from Gandhidham to Guwahati is now available on RS Net every day.

RS Net covers about 80% of the company's turnover. Today, the sales system gets to know every day what HLL stockists have sold to almost a million outlets across the country. RS Net is part of Project Leap, HUL's end-to-end supply chain, which also includes a back-end system connecting suppliers, all company sites and stretching right upto stockists.

### **6.3. Retail Promotion Measures**

HUL is also emphasising on making their brands prominently visible in the crowded stores. Their outlet visibility programmes cover over 25,000 outlets in key cities, deploying a large number of third party merchandisers and agencies to ensure superior display of their products. Greater interaction is key to touching consumers and they are using the point-of-purchase for a

much higher level of direct contact. For example, *Lakme Beauty Advisors* in key outlets promote sales and provide specific information and product testing, facilitating an informed choice to women seeking beauty solutions.

Encouraged by this, they are undertaking a similar initiative across many of their other brands where in-store facilitators offer promotions and provide product information. For many developing categories, in-store sampling, education and experience will play a major role in building their brands.

### ***Self-service Stores***

Self-service stores and supermarkets, provide consumers with a great opportunity for brand interaction with consumers. Hindustan Lever has proactively developed new capabilities in customer management and supply chain for partnering this emerging channel. They now have a business system in place that delivers excellence in customer service, while driving growth for HUL.

- For example, recently Sunsilk mobile salons at stores provided consumers an opportunity to have a great hair wash and try the new relaunched product.
- Similarly, the Dove Litmus test in stores demonstrates the brand's compelling benefit of mildness compared to other soaps.
- They also undertake in-store sampling for their range of Beverages and Food products like tea, coffee and soups.

The self-service format is a great enabler for such increased interaction with consumers and they are fully leveraging this opportunity to drive trial and preference for their brands.

### ***Hindustan Lever Network***

Started in 2003, Hindustan Unilever Network (HUN) is HUL's Direct Selling arm. Through this they have presence in over 1,500 towns covering 80% of the urban population backed by 28 offices and over 130 service centres across the country.

It already has about 7 lakh consultants - all independent entrepreneurs, trained and guided by HUN's expert managers and trainers. HUN's mission is to create a millionaire club in India.

Hindustan Lever Network presents a range of customised offerings, covering 11 categories across Home & Personal Care and Foods.

The Aviance range, for example, has tailor-made solutions and regimes for different types of hair. Depending on the consumer's hair type and characteristics, the Hindustan Lever Network consultant recommends the best suited combination of shampoo and conditioner. Similarly, for new products in colour cosmetics, the consultant has the opportunity to demonstrate and teach consumers the best use of the new product.

### ***Out-of-Home Opportunity***

Growing out-of-home consumption is a global trend. In Europe, for example, food sales in out-of-home channels are growing three times faster than in grocery outlets.

HUL has over 15,000 tea and coffee vending points across the country. They are also creating new touch points, through specially designed kiosks, to impact brand preference. They are setting up these in the education, entertainment, leisure and travel segments to catch consumers on the go. Their alliance with Pepsi will significantly strengthen their presence in the out-of-home channel.

### ***Health and Beauty Services***

HUL has pioneered two initiatives, Lakme Salons and Ayush Therapy Centres, that address the growing opportunity for beauty business.

**Lakme Salons-** Lakme, their beauty brand, enjoys the trust of women across India. Lakme Salons provide beauty services and solutions, addressing the universal desire to look good. They currently have 64 salons, operated through their franchisees across 26 cities. These salons service over 4 lakh consumers a year and have established credibility as providers of exceptional beauty and grooming services.

**Ayush Therapy Centres-** The desire for good health is growing in urban India with a strong preference for natural, herbal and Ayurvedic products. Ayush helps consumers rediscover the age-old tradition of Ayurveda. The Ayush Therapy Centre provides easy access to authentic ayurvedic treatments and products, addressing the ever-growing concern for health among consumers. These centres have been established in association with the renowned Arya Vaidya Pharmacy, Coimbatore, and provide a unique branded experience.

### ***Go to market (GTM) initiative***

Go to market (GTM) initiative, launched in Mumbai last year, is an attempt to revamp its national distribution network and streamline its supply chain. The project has been a success in Mumbai, where it was started in June, and will be rolled out in 42 cities and towns across India by the end of 2009. In Mumbai, the company consolidated its 21 distributors into four 'mega distributors', who now account for sales of about Rs.480 crore. The consolidation is aimed at giving the distributors, who typically operate on a 4% profit margin, a bigger share of the pie at a time when they are being wooed by other sectors. At least a couple of HUL distributors are now owners of close to Rs. 100 crore companies, up from the Rs. 8-10 crore business they had just under an year ago. They now want to leverage these, ensure that their distributor-partners make sustainable returns and be prepared for the emerging market of 2013.

## **7. Rural Orientation**

The company is a pioneer in rural marketing and it has experimented in many ways to increase its rural reach.

### **7.1. Rural divisions**

Earlier each business division of HUL dealt with Rural market on an individual basis. Now with creation of rural market division, company deals with rural markets as a single organization.

## 7.2. On the Job training for Rural Markets

The company expects executive recruits to spend atleast 8 weeks in villages of India to get a gut level experience of India's bottom of the pyramid markets. The new executives must become involved in some community projects – building a road, cleaning up a water catchment's area, teaching in a school, or improving a health clinic. The goal is to make executives engage with local population to develop better understanding.

HUL also initiated a massive programme for managers at all levels to reconnect with their poorest customers. They are expected to talk with the poor in both rural and urban areas, visit the shops, which customers frequently visit, and ask them about their experience with the company's products and those of its competitors.

## 7.3. Distribution oriented projects

The well recognised distribution programmes of HUL are: Project Bharat, Project Streamline, and Project Shakti.

### *Operation Harvest*

HUL launched Operation HARVEST ( Harmonize All Resources in Village to Enhance Sales and Turnover) in 1989 as a seeding exercise with an objective to increase the penetration, awareness of brand, to generate demand, and thus to make the routes viable for coverage by route schedule vans. This operation was conducted in villages that were not covered by route schedules and where the reach of conventional media was weak.

Around 30000 villages, which had a high growth potential, were selected for the operation to encourage trails and identify key distribution and retail points. The villages selected had a population of at least 2000 people and were connected by all-weather roads. The company hired vans and had fitted them with the public address system and in some cases audio visual equipment. These vans covered 6 villages a day for 6 days a week. The cycle was repeated couple of time in the same villages. On reaching the village, they would play audio cassettes and video films provided by HUL and these tapes and films had a song and dance sequence, from popular films with advertisements of HUL products coming at some intervals. The company representatives distributed free samples and in the mean time staff identified key distribution points. Small shops in these villages were serviced by providing the primary products like Lifebuoy and Wheel.

The Market Potential Value (MPV) of the village was determined to know whether or not a village had potential to generate a consistent sale above the minimum threshold of Rs. 2000 per visit per village. If found suitable, the village was included in the standard route schedule of the distributor.

### *Project Bharat*

In 1998, HUL's personal products unit initiated Project Bharat, the first and largest rural home-to-home operation to have ever been prepared by any company. The project covered 13 million rural households by the end of 1999. During the course of operation, HUL had vans visiting

villages across the country distributing sample packs comprising a low-unit-price pack each of shampoo, talcum powder, toothpaste and skin cream priced at Rs 15. This was to create awareness of the company's product categories and of the affordability of the products. The personal products unit subsequently rolled out a second phase of the sampling initiative to target villages with a population of over 2,000. Along with Operation Bharat, HUL conceptualised Project Streamline to enhance its control on the rural supply chain through a network of rural sub-stockists based in these villages. This gave the company the required competitive edge, and extended its direct reach to 37 per cent of the country's rural population.

The objective is penetration in 2,35, 000 villages with less than 2k population and increasing HUL's reach in rural India from 43% to 75%. The strategy includes sampling, comprising a low-unit price pack each of: Shampoo, Talc, Tooth paste and Skin cream which were priced at Rs.15/-. About 30 Bharat Units were activated to cover 6 lac households. TV shows (Ramayana & Chitra haar) were arranged in the evening at a common place in a village with coupons distribution for lucky draw. As a result, 6 lac households were contacted in 10 months. Nearly 20,000 villages were covered. Sale of Fair & Lovely increased by 50%. This activation helped in changing perception in using Clinic plus shampoo for cleaning of hair instead of the soap.

#### ***Project Streamline (Super Stockist Channel)***

In a significant move, with long-term benefits, HUL has mounted an initiative, Project Streamline, to further increase its rural reach with the help of rural sub-stockists. It appointed 6000 sub-stockists. As a result, the distribution network directly covered about 50,000 villages, reaching about 250 million consumers. This gave the company the required competitive edge, and extended its direct reach to 37 per cent of the country's rural population. Rural distributor will have around 20 stockist attached to him who performs the role of driving distribution in villages using unconventional means of transport such as tractor, bullock cart, etc.

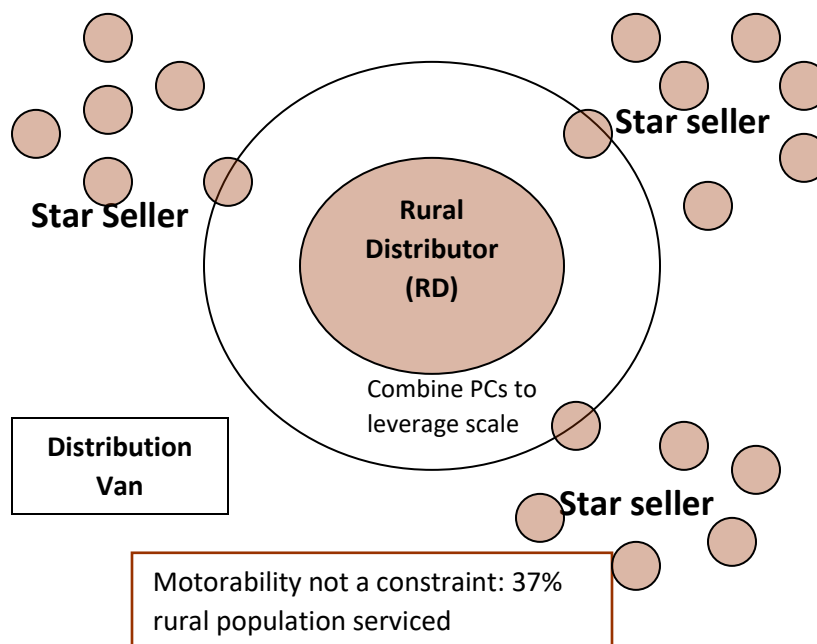


Figure 2: Rural Distribution Model – Streamline



#### **7.4. IT for inclusive development**

IT developments gave rise to two major opportunities: new demand at the lower end of the market spectrum, and a dramatic shift in the nature of demand at the upper end.

#### **7.5. I – Shakti**

I-Shakti kiosks have been set up in 8 villages in Andhra Pradesh, and have been functional since August 2003. During the launch of these kiosks, important village members like the Sarpanch, school teacher and doctor are invited to help reinforce relationships with the villagers. The kiosks remain open from 9 a.m. to 7 p.m., six days of the week. The kiosks offer information chiefly in the form of audio-visuals in the following areas:

- Health & Hygiene
- E-Governance
- Education
- Agriculture
- Employment
- Legal services
- Veterinary services

The information provided in the above areas is culled from the best available resources, taking additional care to ensure that information, especially in areas like agriculture, is locally relevant and includes inputs from home-grown experts. These experts are also available on request, to help provide solutions to problems raised by users through a query mailing system. A farmer from the village can obtain a quick solution to a pest problem with his crops. People can also send queries on health and hygiene to a local doctor for a speedy response. Villagers can avail of discount coupons from the kiosk for medical treatment from doctors operating in local areas.

I-Shakti has also tied up with Azim Premji Foundation to deliver innovative educational modules to students of classes VIII-XII through the kiosk. Local school teachers have also been involved in the process. A similar partnership is in place with Tata Adult Literacy for adult education.

Through i-Shakti kiosks, ICICI Bank and HUL provide a new delivery channel for rural India, which offers a multitude of products and services to the rural customer.

In the first phase, Life and General Insurance will be offered through this channel. Other financial services including Investment products (Equity, Mutual Funds, Bonds) ICICI Bank Pure Gold (gold coins), Personal Credit, Rural Savings Accounts and Remittances will be introduced subsequently.

The I-Shakti vision is to scale up operations to 1500 kiosks by 2005, delivering information services to over 10 million rural people across 7500 villages.



## 8. Project Shakti – A New Paradigm

The project with social orientation and innovative approach conceived by HUL was Project Shakti. It dramatically shifts the paradigm in rural distribution and communication, touching very large number of rural Indians in a compelling manner. Project Shakti creates a win-win partnership for consumers, rural women and Hindustan Lever. Project Shakti provides micro-enterprise opportunities for women from Self-help Groups, making them direct-to-home distributors of Hindustan Lever.

Drawing from the Bangladeshi Grameen Bank model, various NGOs, multilateral agencies, government bodies, and public sector banks have set up self-help groups (SHGs) in rural India. These groups function as mutual thrift societies. Ten to fifteen women in a particular village form a group that meets regularly, and each member contributes a little money to a common pool. Once the pool attains a threshold, the sponsoring agency steps in and offers micro credit to one or more members of the group for investment in an economic activity approved by the group (Figure 3). HUL stepped into the situation with a simple plan of partnering with micro-credit recipients by offering them opportunities for micro-enterprise (Figure 4-4). Thus Project Shakti was born.

A member of a Self Help Group (SHG) in each of the 50 chosen villages was appointed a Shakti entrepreneur. As Shakti brand endorsers – known as Shakti Ammas – they borrowed money from their respective SHGs and with that capital purchased HUL products for sale in their villages. Project Shakti is thus a highly interactive form of selling and engagement, which leverages a unique opportunity to communicate, demonstrate and provide experience of HUL brand benefits.

The whole exercise is not an easy task given the low literacy levels, several languages and the sheer scale and diversity of rural India. Their partnerships with NGOs and support from state governments facilitate these efforts. Project Shakti has played a significant role in aiding economic development in rural India. The Shakti brand endorsers earn on an average close to Rs. 750 per month and in some cases, their earnings even touch as much as Rs. 2,500 per month. This has helped to double household incomes. After initial pilots in 2001, they now have a network of 35,000 entrepreneurs reaching 100 million rural consumers in 100,000 villages.

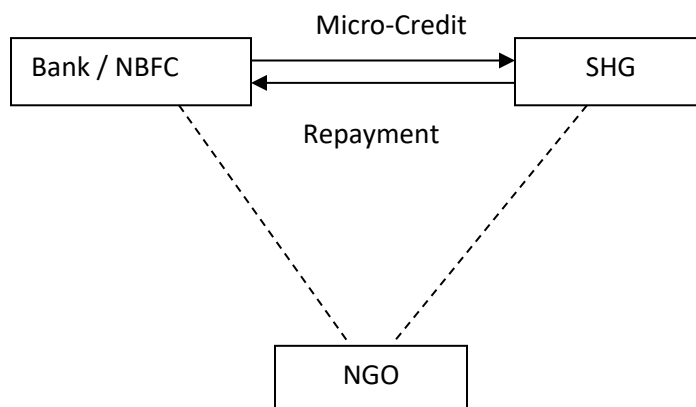


Figure 3: Traditional Micro-Credit Models

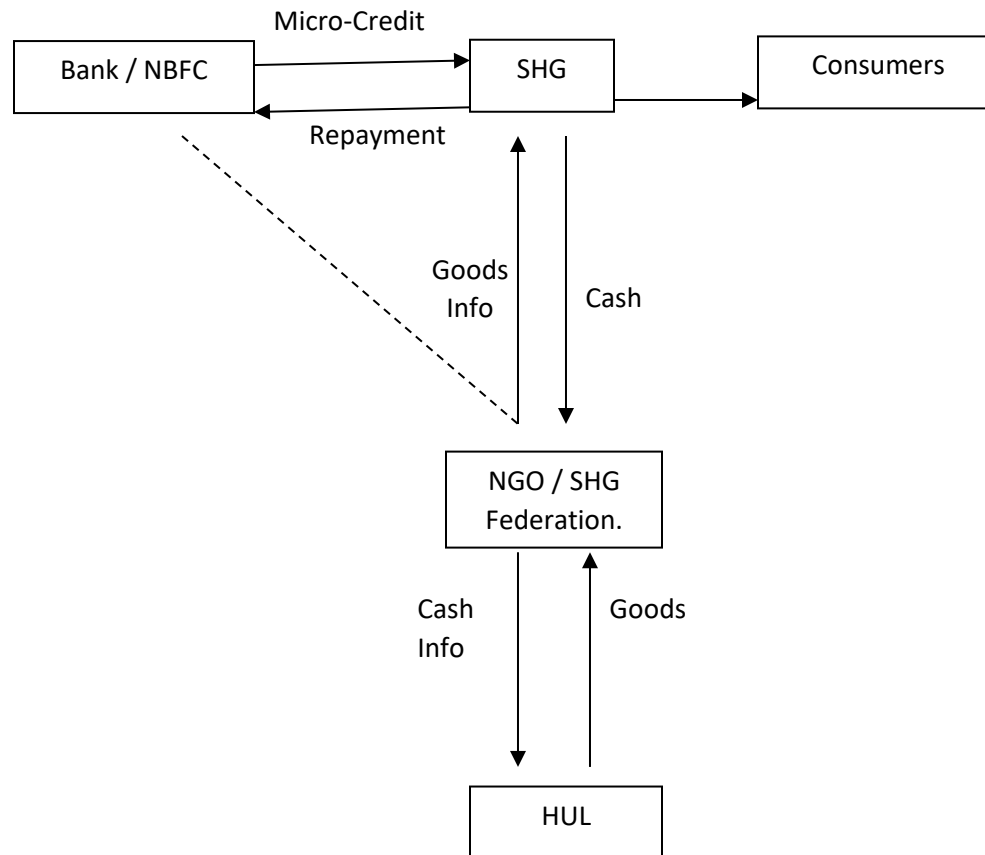


Figure 4: Project Shakti - The Modified Micro-Credit Model

## 9. Conclusion

HUL mission says that long term success requires a total commitment to exceptional standards of performance and productivity and willingness to embrace new ideas and learn continuously. So innovation is the way of life of HUL. As it is so many product innovations came in to existence and the company also have done the innovation in distribution as well which led to the emergence of number of projects most prominently the project shakti which is a modified micro credit model .This project shakti not only played a significant role in aiding economic development in rural India but also let to the up liftment of lives of rural women and stood as a reason for women empowerment.

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