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ESSENTIALS MOVING BUT DISCRETIONARY TEPID

HUL chief: Neighbourhood grocer, online channels stood out during pandemic... uptick in rural demand

**ANIL SASI
& P VAIDYANATHAN IYER**
NEW DELHI, OCTOBER 30

HINDUSTAN UNILEVER Ltd, the Indian unit of the Euro 52 billion Anglo-Dutch consumer goods company Unilever and whose sales are a barometer for national demand, has seen a marked consumption uptick in rural India but sluggish in urban areas.

The rural surge is from areas typically not associated with high per capita consumption such as the Hindi heartland, alongside Punjab, Haryana and the hill states of the north, Sanjiv

Mehta, chairman and managing director of India's largest FMCG (fast moving consumer goods) company, told *The Indian Express*

in an interview.

The Rs 38,200-crore company, behind a range of products including Kissan jam, Dove soap, Surf Excel and Knorr soups, has clocked a turnaround over the last two quarters: from a minus 7 per cent overall contraction in the June quarter to a plus 3 per cent growth in the September quarter.

This indicates consumers are largely sticking to essentials but choosing to keep off discretionary items sold predominantly in urban markets.

The 3 per cent growth in the September quarter, Mehta said, came from 80 per cent of HUL's

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HUL chief

portfolio – food, nutrition and hygiene products – growing at 10 per cent.

The balance 20 per cent of the company's portfolio recorded a contraction of 25 per cent during the September quarter.

"So there is a very clear and apparent improvement in consumption between the June quarter and September quarter. If this is to be a surrogate for consumption in the country, and consumption being one of the largest components of GDP, then it would definitely show an improvement in the economic figures as well," Mehta said.

HUL's sales are generally seen as an industry proxy for consumer demand trends.

While the push for essentials is coming in from both rural and urban areas, the tepid discretionary demand is primarily an indicator of sticky urban demand, Mehta said.

"The per capita consumption of FMCG products in the country is a meagre \$40. If you look at it from a lens of rural India, then it would be less than half that of the national per capita. Now, ideally, if the country keeps progressing, without any hiccups, rural growth – because of the lower base – should be growing faster than urban India for years to come. But because of the stress in the economy, even before Covid happened, rural consumption had, more or less the growth rate, kind of disappeared just before COVID hit us," he said.

He added that the government's interventions such as giving food grains and direct transfer of money, increasing the MGN-REGA (allocation) and its wages, are steps in the right direction.

"This is evident from the fact that consumption in rural India is now growing at a rate faster than urban. Urban India has also been impacted with the high density, high rate of infection in metropolitan cities, higher incidence of vertical or other lockdowns with business activities getting hit to a greater degree. So the redeeming part is that we are seeing the consumption in rural (areas) go up, also impacted by a good harvest, and also from the fact that a lot of people have moved from urban India to rural India," Mehta said.

He said the two channels that have "stood out" during the pandemic are "e-commerce and the

neighbourhood grocer."

"They have been the fastest growing channels, because people have suddenly understood the benefit of proximity trade," Mehta said.

A pickup in online sales volumes has been reported by practically all companies in this space, with HUL seeing its share of online retail to its total sales volume rising to close to 6% this year from 3% in 2019.

India's FMCG trade is still dominated by millions of traditional mom-and-pop general trade outlets, despite the surge in online retail and organised trade. Online sales, despite the presence of deep-pocketed players such as Amazon, Walmart and Reliance Retail, have a minuscule 3 per cent share, market researcher Nielsen said in a September report.