

# WINNING WITH THE INDIAN CONSUMER

Evolving India Perspectives & the HUL Experience

The Goldman Sachs CIO Conference, 31-Oct-2012



Hindustan Unilever Limited

# Introducing Hindustan Unilever Limited (HUL)



**FY 2011 - 12**

NET REVENUE	PROFIT FOR THE YEAR	EPS (BASIC)
RS	RS	RS
<b>22,116</b>	<b>2,691</b>	<b>12.46</b>
CRORES \$ 4.1 Bln	CRORES \$ 500 mln	\$ 23 cents

INR / USD = 54

Segments	% Revenue	% Results
Soaps & Detergents	48.1	36.9
Personal Products	31.0	52.1
Beverages	11.8	11.0
Packaged Foods	6.2	0.7
Others	2.9	-0.7

- More than 75 years of experience in India with products that touch the lives of 2 out of 3 Indians everyday
- No.1 and strong No.2 in more than 95% of the business
- 17 out of top 100 most trusted brands in India<sup>^</sup>
- Direct distribution reach of > 2 Mn stores
- 15,000 employees, 70 Manufacturing locations, 40+Depots, 2700+ Distributors

1

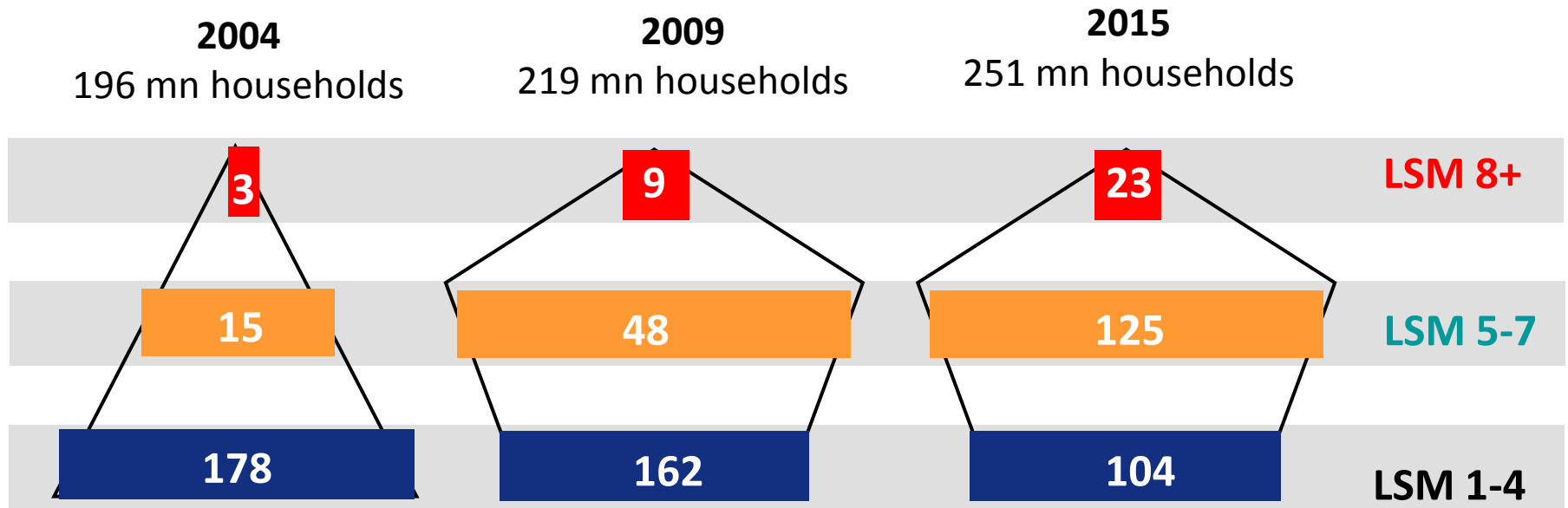
**Opportunity in the evolving India**

2

**Winning in India – *The HUL experience***



# Growing incomes amidst continued disparity



Affluence will keep rising

New categories

New benefits

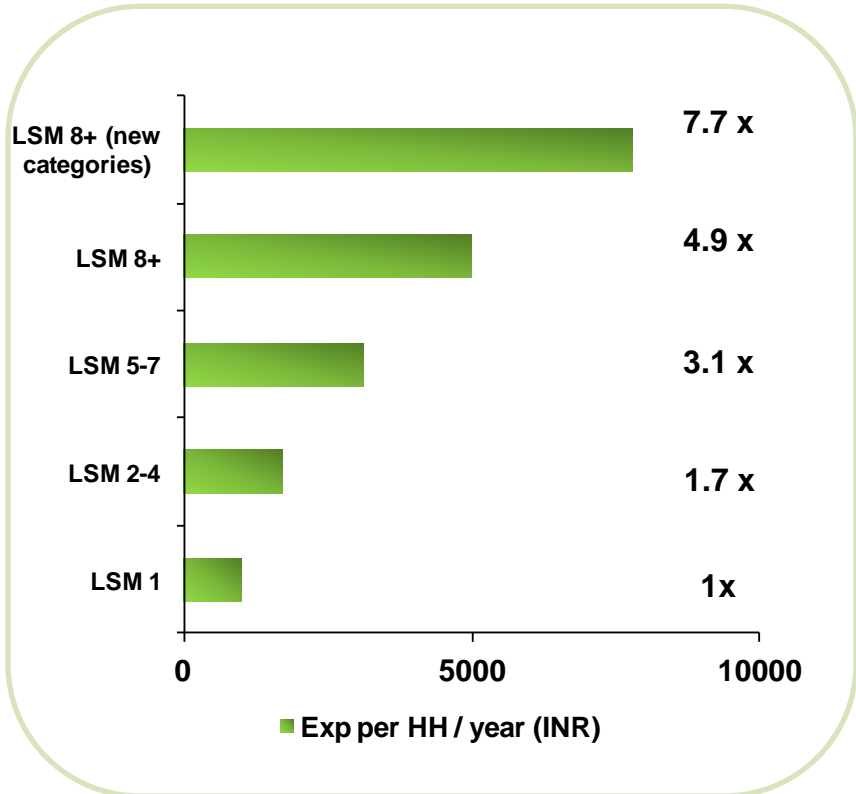
BOP will remain large

New consumers

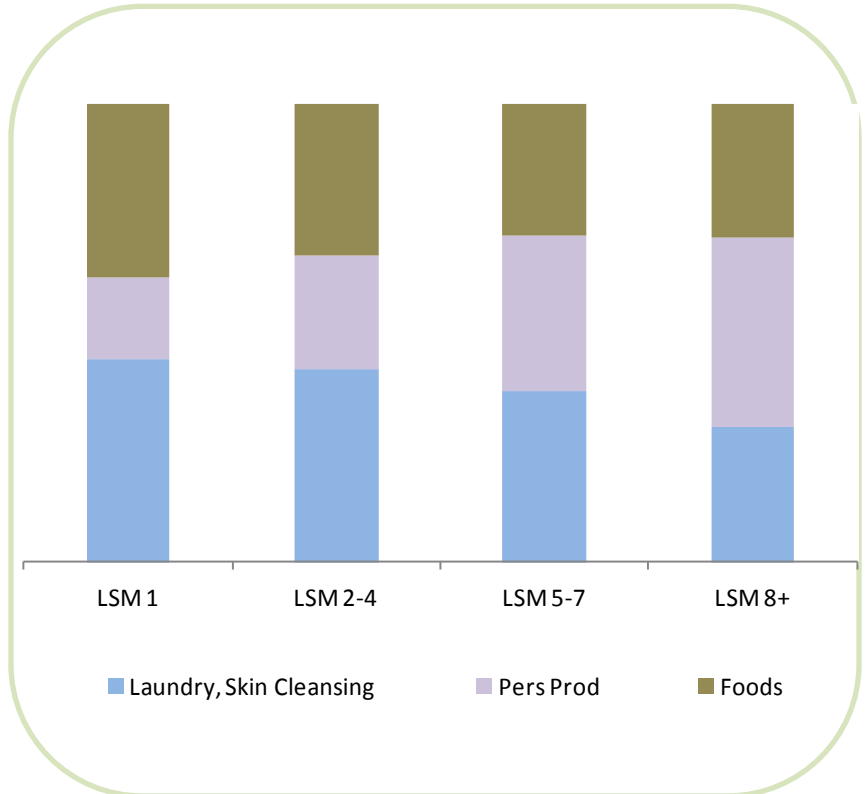
Extending reach

# Rising incomes to favor Personal Care and Foods

## Demand elasticity



## Personal Care / Foods explosion



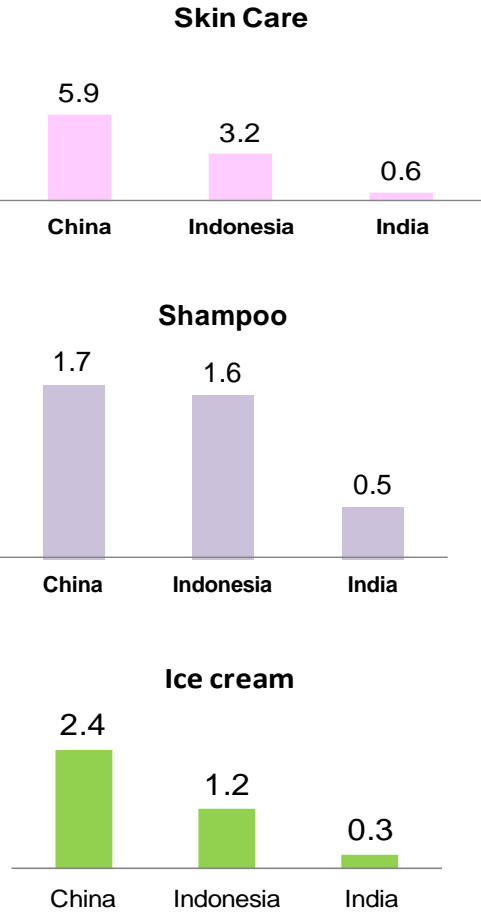
\*HUL Participating Categories; HH: Households

\*Source : Family Budget Survey, Consumer Panel

# Head room for growth

## Consumption

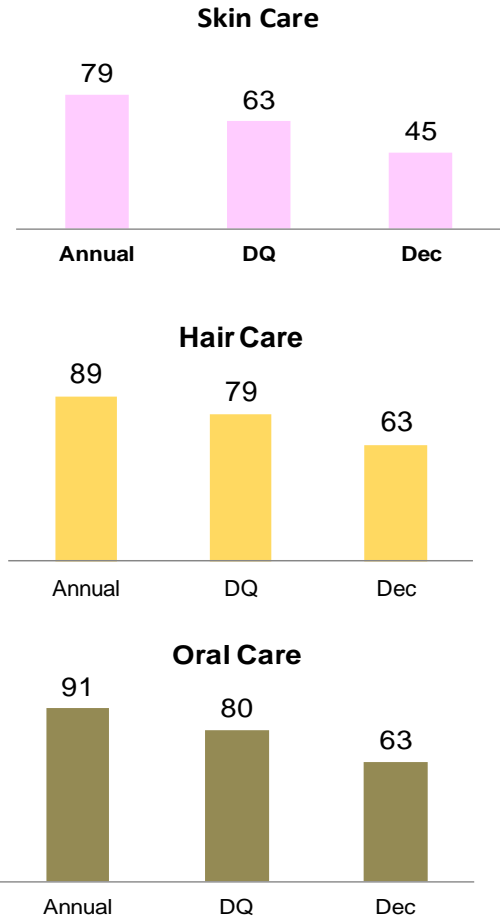
€ per capita consumption



Data Source: Euromonitor

## Penetration

All India penetration



Data Source: IMRB Factbook

# The changing landscape of Urban India



## Rapid Urbanization

Growing at 2.4%

## Hybrid Trade Structure

Co-existence of GT & MT

## The emerging Urban Poor

> 20% of Urban live in slums



# Rural whilst evolving will continue to remain large

## Sizable Footprint



**Majority of India will continue to live in Rural**

## Rising Income



**>3x increase in government expenditure\***

## Diversifying income



**Significant diversification in Rural income**

## Consumption and uptrading

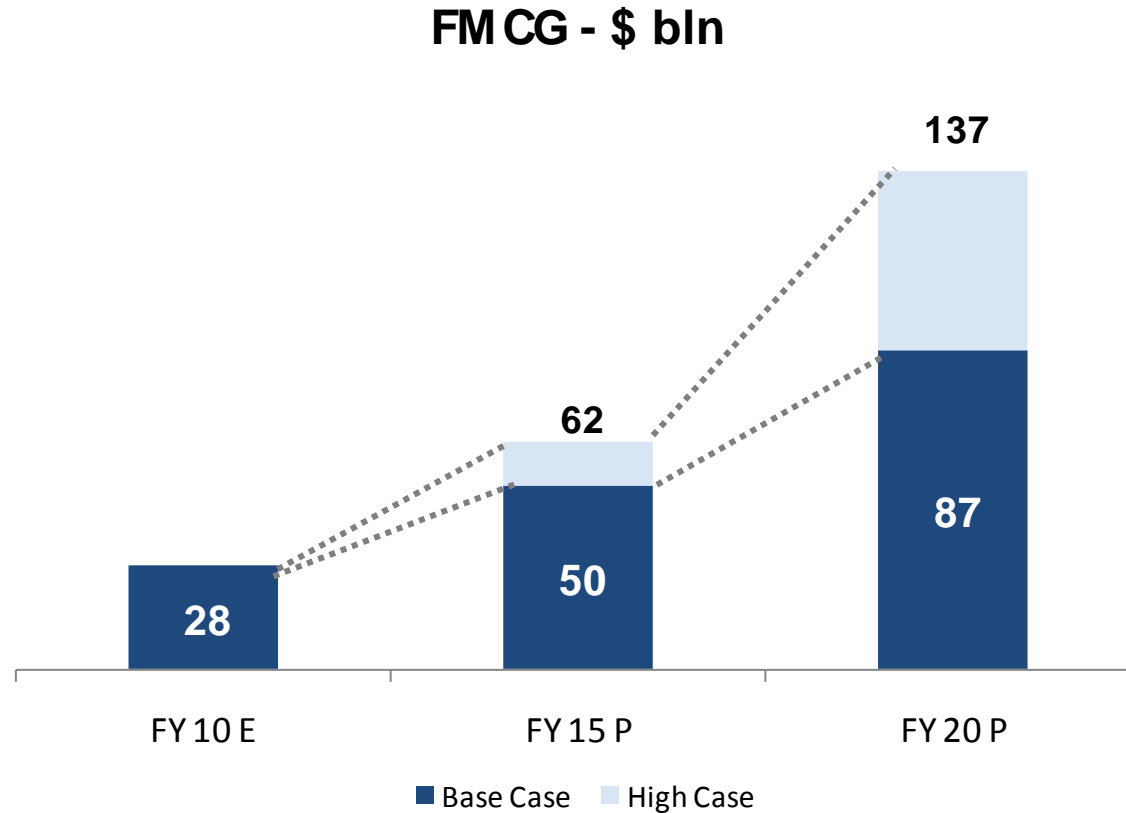


**Strong growth in emerging categories**

\* Over the last 5 years



# Large consumption opportunity



**CAGR of 12% in base case; 17% with high estimates**

1

Opportunity in the evolving India

2

Winning in India – *The HUL experience*



# Hindustan Unilever Limited : Winning in India

## *Driven by a clear and compelling strategy*

### Strategic framework

**THE COMPASS**

**WE ARE UNILEVER...**

**VISION**  
 We are a successful growing sustainable business.  
**WE WERE TO CREATE A BETTER TOMORROW EVERY DAY**  
 We help people feel good, look good and get more out of life with brands and services that are good for them and good for others.  
 We will inspire people to take small everyday actions that can add up to a big difference for the world.  
 We will develop new ways of doing business with the aim of doubling the size of our company while reducing our environmental impact.

**MISSION**  
 We focus on consumer and customer well-being with a bias for action.  
 Our first priority is to be our consumers, their customers, employees and communities. When we fulfill our responsibilities to them, our shareholders will be rewarded.  
 We will work through a growth mindset and a positive approach to all our stakeholders, based on clear accountability and bias for action.

**WHERE WE WILL WIN...**

**FOCUS AREAS**  
 New ideas and great returns in every category and country.

**HOW WE WILL WIN...**

Winning with brands and innovation	1	Deliver superior products, designs, branding and marketing
	2	Engage, buffer, inspire innovation
	3	Appeal to more consumers across health and price points
Winning in the marketplace	4	Lead market development
	5	Win with existing customers
	6	Be price/value champions
Winning through sustainable investments	7	Joint, regional and consumer-led solutions
	8	Drive return on brand equity
	9	Agile and innovative organization
Winning with people	10	Organization and talent policies ready to double our growth address
	11	Performance culture which supports our vision
	12	Settings for operating framework for competitive advantage

### Sustainable Living Plan



### Our Goals

**Winning Today,  
Winning Tomorrow**

- Consistent **Growth**
- Competitive **Growth**
- Profitable **Growth**
- Responsible **Growth**

# COMPASS INTO ACTION

Strategy on Course

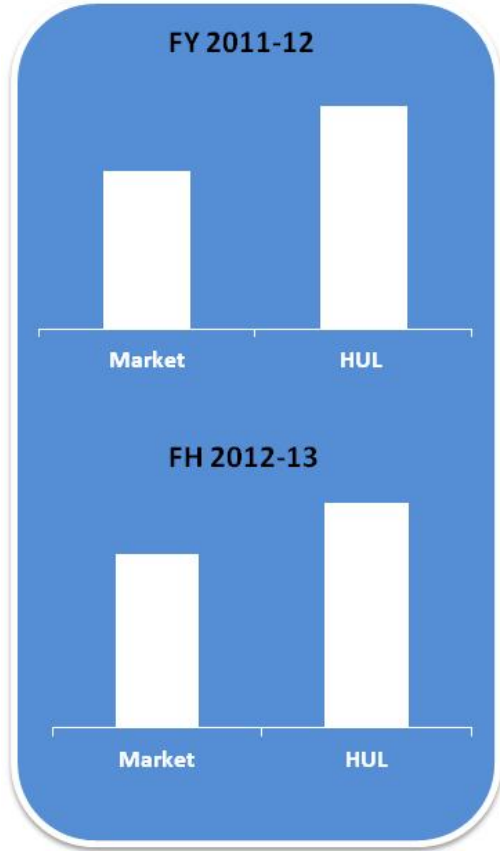


Hindustan Unilever Limited

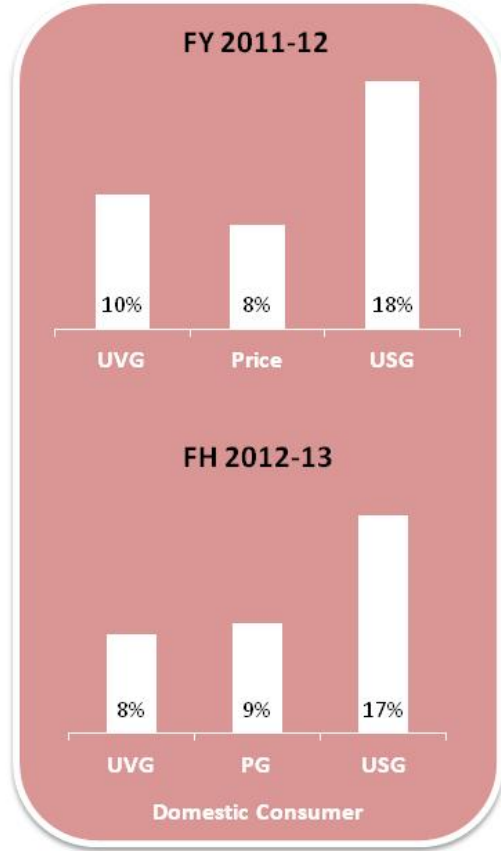
# Compass Into Action : Strategy on Course

*Delivering on goals*

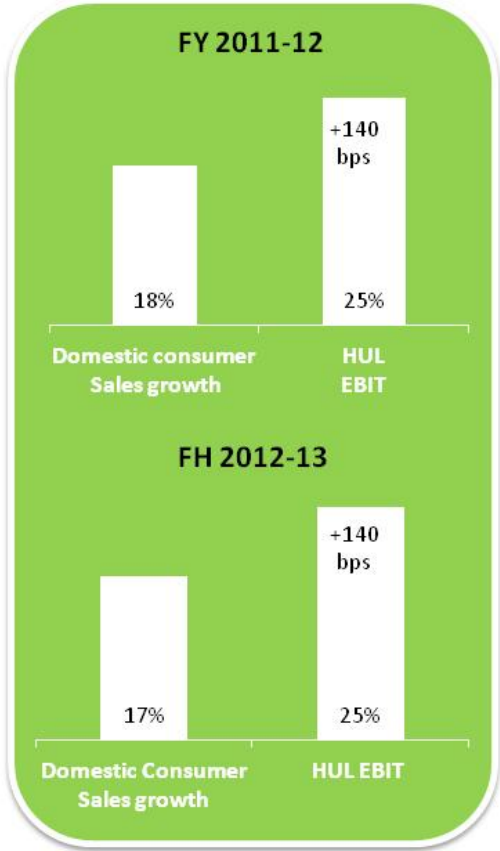
## Competitive growth Ahead of market



## Consistent growth Healthy volumes



## Profitable growth Margin expansion



# Our approach to Winning

- 1** Winning with brands and innovation
- 2** Winning in the marketplace
- 3** Winning through continuous improvement
- 4** Winning with people

**THE COMPASS**

**WE ARE UNILEVER...**

<b>VISION</b>	We are a successful, growing, sustainable business.	WE WANT TO CREATE A BETTER FUTURE EVERY DAY! We help people feel good, look good and get more out of life with brands and services that are good for them and good for others. We will inspire people to take small everyday actions that can add up to a big difference for the world. We will develop new ways of doing business with the aim of doubling the size of our company while reducing our environmental impact.
<b>MANIFIESTO</b>	We focus on customers and partners with a bias for action.	Our first priority is to our customers, their customers, employees and communities. When we fulfil our responsibilities to them, our shareholders will be rewarded. We will win through a growth mentality and a positive approach to all our stakeholders, based on clear accountability and bias for action.

**WHERE WE WILL WIN...**

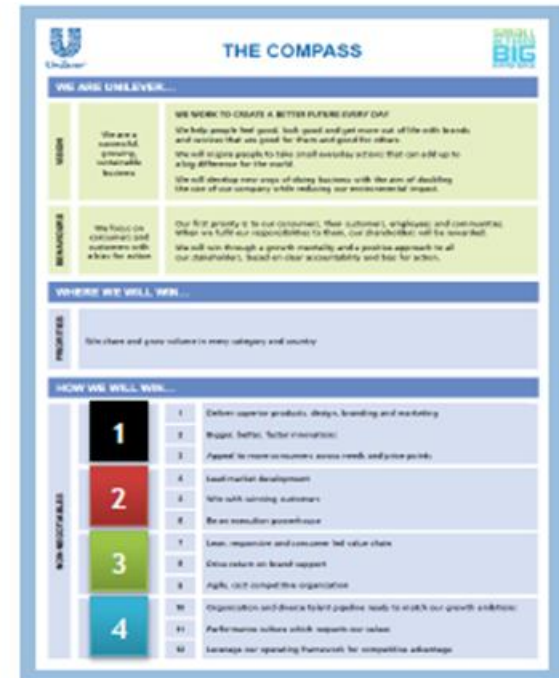
**PROGRESS:** We share and grow volume in every category and country.

**HOW WE WILL WIN...**

<b>NON-NEGOTIABLES</b>	<b>1</b>	Deliver superior products, designs, branding and marketing
	2	Smarter, better, faster innovation
	3	Appeal to more consumers across needs and price points
	<b>2</b>	Lead market development
	4	Win with existing customers
	5	Be an execution powerhouse
	<b>3</b>	Low, responsive and consumer-led value chain
	6	Drive return on brand support
	7	Agile, flat, competitive organisation
	<b>4</b>	Organisation and diverse talent pipeline leads to match our growth ambitions
	8	Performance culture which supports our vision
	9	Leverage our operating framework for competitive advantage

# Our approach to Winning

- 1 Winning with brands and innovation
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# Portfolio which straddles the pyramid

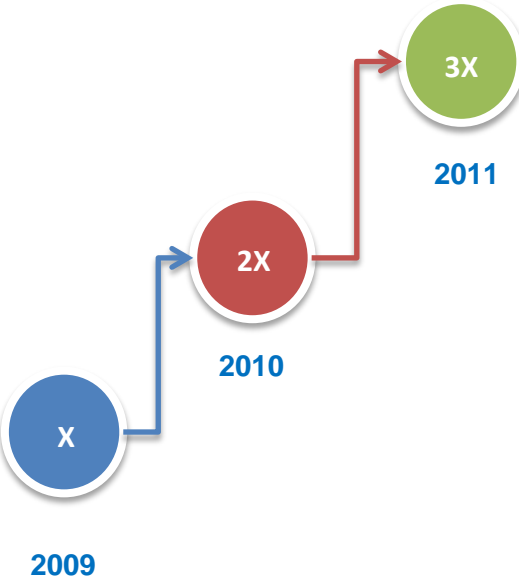
Premium



Bottom of Pyramid

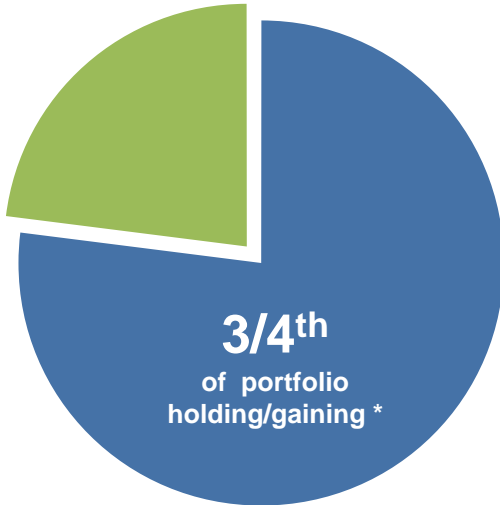
# Better products, stronger brands, stepped up innovation

## Superior Products



Blind Product Wins

## Stronger Brands



Brand Equity Scores\*

## Stepped up innovation



Innovation touching 60%+ of portfolio

Measured for the top 25 brands; \*Exit 2011 Vs second half 2009

# Driving premiumization

PREMIUM

## SKIN CLEANSING



## LAUNDRY



## SKIN CARE (FACE)





# Leveraging global portfolio might to win locally

**TRESemmé**  
USED BY PROFESSIONALS™



empower  
**ALL**women  
with the  
transformative power  
of the **SALON,**  
everyday

Salon Style Hair, at Home  
**Everyday**



\* With daily use of TRESemmé Shampoo and Conditioner \*\* Smooth and Shine Mask, coming soon

# Building today to win with the aspiring consumer

## Building Capabilities in Beauty

### Reshaping the Portfolio



### Point of Purchase Experience



### Engaging with Consumers



## Investing in Segments of the Future



# Our approach to Winning

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**THE COMPASS**

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**WHERE WE WILL WIN...**

**PROGRESS:** We share and grow volume in many category and country.

**HOW WE WILL WIN...**

<b>NON-NEGOTIABLES</b>	<b>1</b>	Deliver superior products, designs, branding and marketing
	2	Smarter, better, faster innovation
	3	Appeal to more consumers across needs and price points
	<b>2</b>	Lead market development
	4	Win with existing customers
	5	Be an execution powerhouse
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	6	Drive return on brand support
	7	Agile, flat, competitive organisation
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	8	Performance culture which supports our vision
	9	Leverage our operating framework for competitive advantage



# Stepping up front end execution

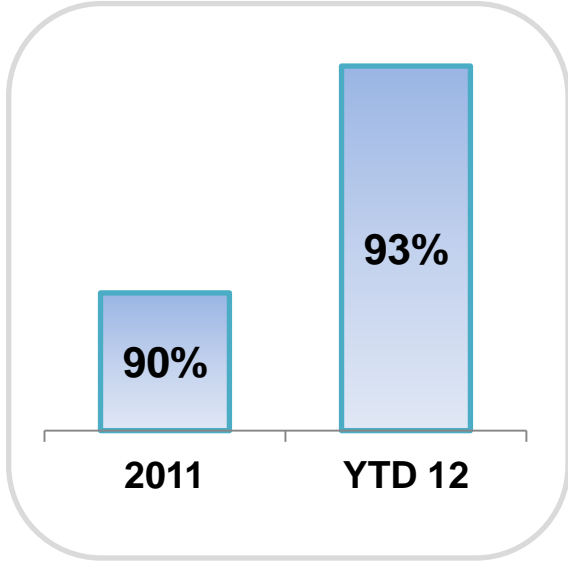
## More stores



## Better Stores



## Better served\*



\* CCFOT (Customer Case Fill on Time)



# Winning in the Channel of Tomorrow : Modern Trade

## World Class Service

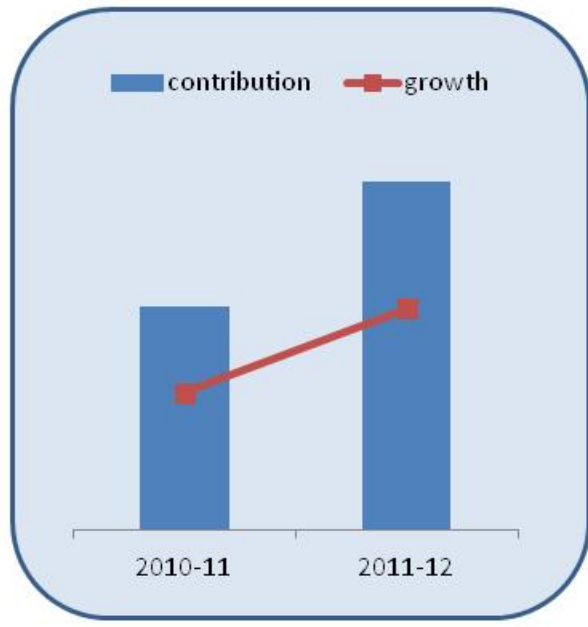


**HUL**

**89**

No.1 Supplier of Choice  
eQ^ scores highest in industry

## Growing contribution



## Strengthened Partnerships



Awarded Supplier of the Year from  
Wal-Mart, Tesco, Metro & Hypercity

# Winning in the Geography of Tomorrow : Gateway to Rural

## Project Shakti *Expanding presence*



**45,000** Shaktiammas  
**30,000** Shaktimaans  
**100,000** Villages

## Khushiyon Ki Doli *Increasing consumer awareness*



**70,000** Villages  
**25 mln** Consumers  
**400,000** Retailers

## Project Express *Leveraging partnerships*



**HUL - TTSL Alliance**  
**> 20,000** markets across India  
Rolled out in **4 states**, 4 more WIP

# Building differentiated capabilities to win in the market



- Mumbai Customer Insight & Innovation Centre (CiiC) : First CiiC for Traditional Trade
- Building competitive edge through Customer Collaboration
- Enabled by Superior Shopper Understanding and Leading Edge Technology

# Our approach to Winning

- 1 Winning with brands and innovation
- 2 Winning in the marketplace
- 3 Winning through continuous improvement
- 4 Winning with people

## THE COMPASS

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**WHERE WE WILL WIN...**

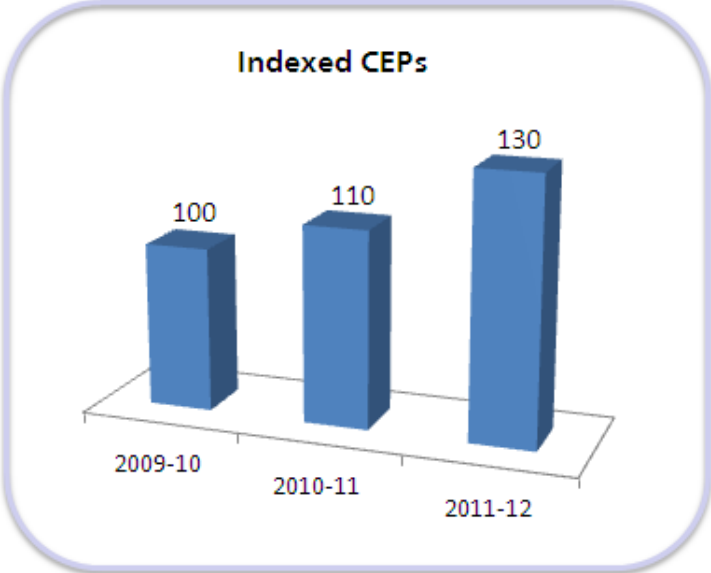
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**HOW WE WILL WIN...**

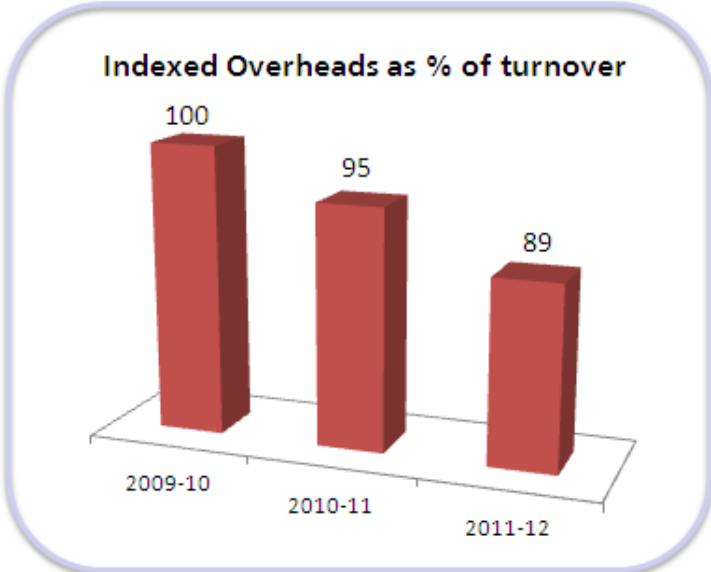
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	<b>2</b>	4. Lead market development
		5. Win with existing customers
		6. Be an execution powerhouse
	<b>3</b>	7. Low, responsive and consumer led value chain
		8. Drive return on brand support
		9. Build, not compete organization
	<b>4</b>	10. Organization and diverse talent pipeline leads to match our growth ambitions
		11. Performance culture which supports our vision
		12. Leverage our operating framework for competitive advantage

# Driving savings and leverage

## Higher Savings



## Operating Leverage

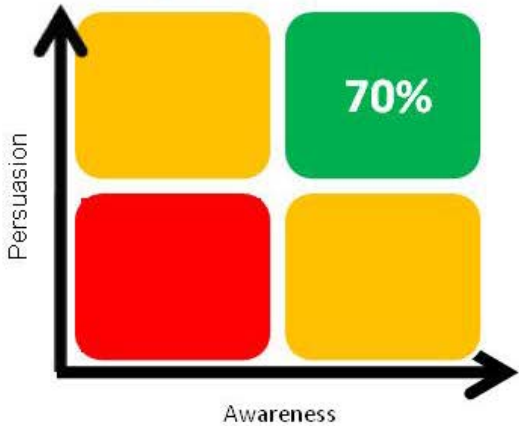


# Driving Return on Marketing Investments (ROMI)

*Getting more out of advertising & promotional spends*

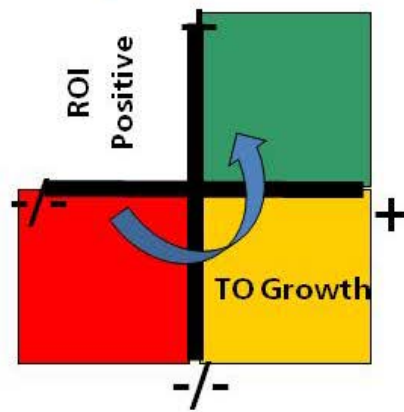
Improvement in Ad preview scores

Up by 800 bps



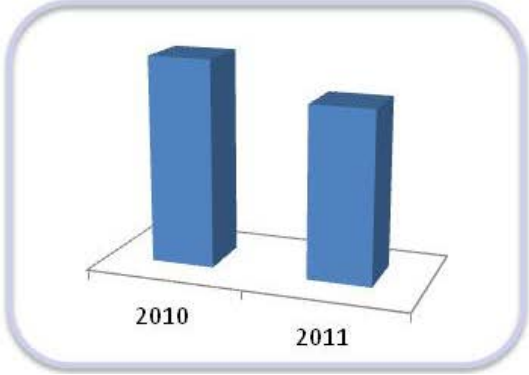
Higher ROI

Up 200 bps



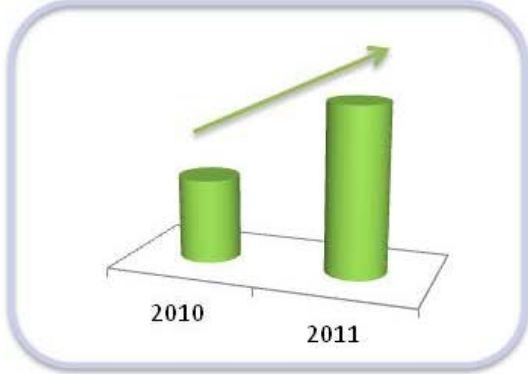
Production and media fees

Lower by 900 bps



More green activities

Higher by 1100 bps





# Our approach to Winning

- 1 Winning with brands and innovation
- 2 Winning in the marketplace
- 3 Winning through continuous improvement
- 4 Winning with people




## THE COMPASS

**WE ARE UNILEVER...**

<b>VISION</b>	<p><b>We are a successful, growing, sustainable business</b></p>	<p><b>WE WANT TO CREATE A BETTER FUTURE EVERY DAY!</b></p> <p>We help people feel good, look good and get more out of life with brands and services that are good for them and good for others.</p> <p>We will inspire people to take small everyday actions that can add up to a big difference for the world.</p> <p>We will develop new ways of doing business with the aim of doubling the size of our company while reducing our environmental impact.</p>
<b>MANIFIESTO</b>	<p><b>We focus on customers and partners with a bias for action</b></p>	<p>Our first priority is to our customers, their customers, employees and communities. When we fulfil our responsibilities to them, our shareholders will be rewarded.</p> <p>We will win through a growth mentality and a positive approach to all our stakeholders, based on clear accountability and bias for action.</p>

**WHERE WE WILL WIN...**

We share and grow volume in every category and country

**HOW WE WILL WIN...**

<b>NON-NEGOTIABLES</b>	<b>1</b>	1. Define superior products, designs, branding and marketing
		2. Better, better, better innovation
		3. Appeal to more consumers, across needs and price points
	<b>2</b>	4. Lead market development
		5. Win with existing customers
		6. Be an execution powerhouse
	<b>3</b>	7. Low, responsive and consumer led value chain
		8. Drive return on brand support
		9. Agile, flat, competitive organisation
	<b>4</b>	10. Organisation and diverse talent pipeline leads to match our growth ambitions
		11. Performance culture which supports our vision
		12. Leverage our operating framework for competitive advantage



# Building a talent powerhouse

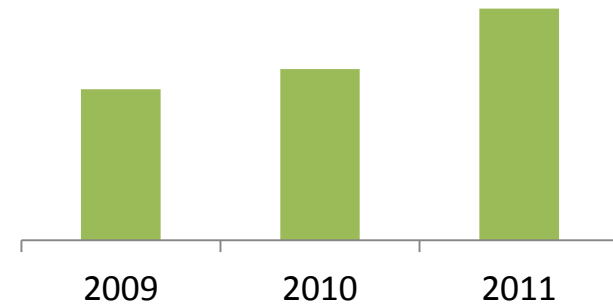
# 1 Employer of choice by Nielsen  
Campus track

# 1 Best employer in India, 2011  
awarded by Aon Hewitt

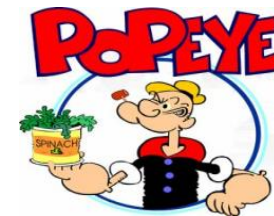
# 1 Dream employer across campuses  
Survey by Nielsen



Step up in employee engagement  
scores



A team which is consumer &  
customer centric

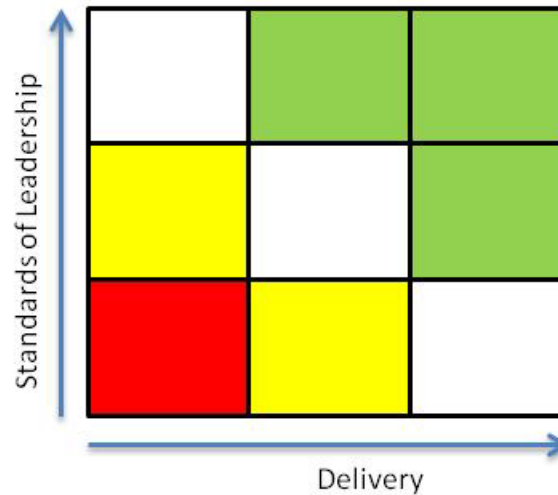


# Strengthening Performance culture

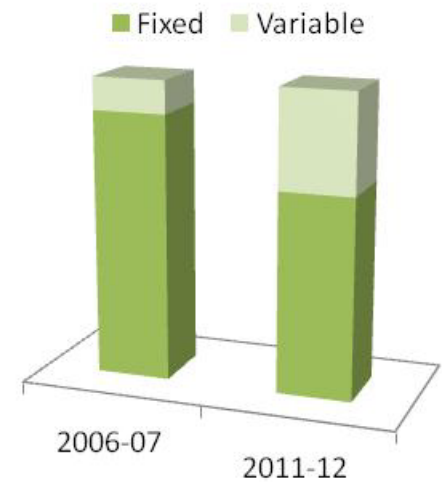
## Aligned goals



## Sharper differentiation



## Reward linked to performance



Performance culture index is up by 14% in 2011

At the heart of our strategy is doing business responsibly  
*Sustainable Living Plan with ambitious goals*

HELP  
**1 BILLION**  
PEOPLE IMPROVE  
THEIR HEALTH  
& WELL-BEING

**HALVE**  
ENVIRONMENTAL  
FOOTPRINT OF  
OUR PRODUCTS

SOURCE  
**100%**  
OF AGRICULTURAL  
RAW MATERIALS  
SUSTAINABLY

# And we are making steady progress



**30 million people** touched by **Lifebuoy** handwashing programs in 2010-11

**30 million people** have gained access to safe drinking water through **Pu** since 2005



~**60%** of our major food and beverage brands comply with the '**Healthy Choice**' guidelines'

**Reduced CO<sub>2</sub> emissions by 14.7%, water use by 21.5%, waste by 52.8%\***

Improved **CO<sub>2</sub> efficiency by 17.8%** in transportation

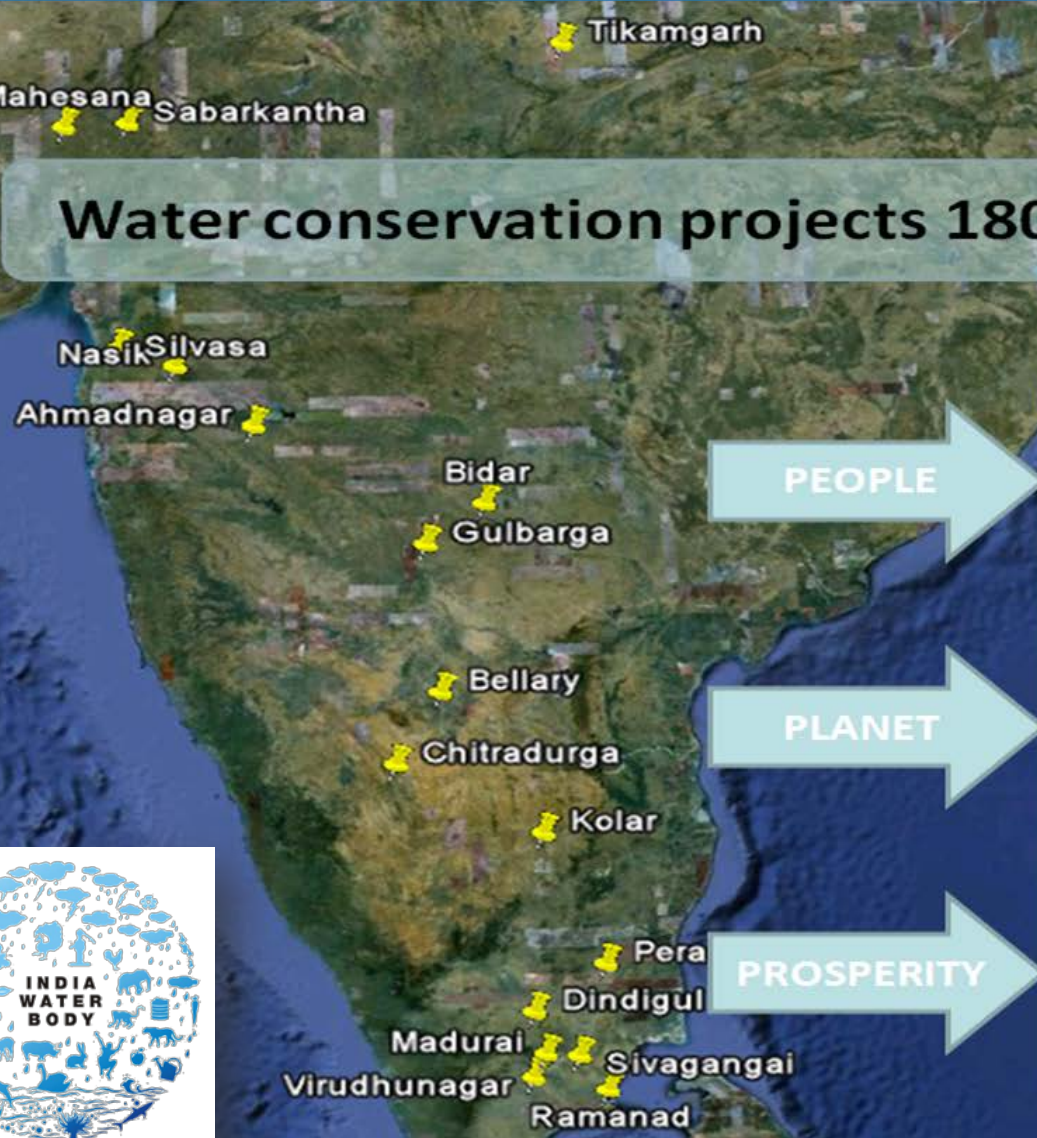


**60%** of tomatoes in **Kissan Ketchup** are sourced sustainably



# And taking decisive action on securing India's water resources

Water conservation projects 180+ villages in India



PEOPLE

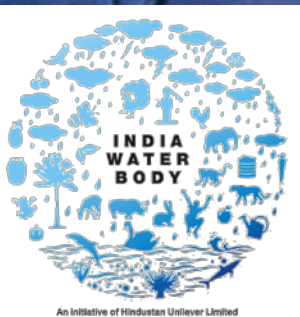
PLANET

PROSPERITY

**10000000** people to benefit

over **100 billion** liters of water to be harvested

**50%** expected rise in crop production





# Looking Ahead

## HUL : Driven by a clear & compelling strategy

**THE COMPASS**

**WE ARE UNLEASHING...**

**WE DRIVE "NO-COMPLAINT" BETTER SERVICE EVERY DAY**  
 We help people that spend less and get more out of life with brands and services that are good for them and good for others.  
 We will develop only ways of doing business with the aim of doubling the size of our companies while reducing our environmental impact.

**WE FOCUS ON CONSUMER AND CUSTOMER WITH A HEART FOR SERVICE**  
 Our top priority is to use consumers, their customers, insights and experiences. When we fulfill our responsibilities to them, our shareholders and the world.  
 We work our strategy through a greater ownership and a greater account to all our stakeholders, based on clear accountability and key 1st actions.

**WHERE WE WILL WIN...**

Win share and gross volume in every category and country.

**HOW WE WILL WIN...**

Winning with brands and innovation	1. Deliver superior products, design, branding and marketing
Winning in the marketplace	2. Rigor, better, faster innovation
	3. Support to drive customer action health and performance
	4. Lead market development
	5. Win with existing customers
Winning through distribution improvement	6. Be performance partner
	7. Lead, originate and execute best value deals
	8. Drive return on brand equity
Winning with people	9. Optimize and streamline organization
	10. Performance culture which requires no culture

10. Optimize our operating framework for competitive advantage



Consistent Growth

Profitable Growth

Competitive Growth

Responsible Growth

## Medium-Long Term

- India Growth Potential
- Consumer demand drivers intact
- Opportunities from emerging trends

## Near Term

- Challenging market environment
- Inflationary pressure on consumers

# WINNING WITH THE INDIAN CONSUMER

Evolving India Perspectives & the HUL Experience

The Goldman Sachs CIO Conference, 31-Oct-2012



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