

WHAT NEXT FOR SPOTIFY? P.78

FORTUNE

DECEMBER 2019 • FORTUNEINDIA.COM

INDIA INC.
ON HOW
TO FIX THE
ECONOMY

P.60

INDUSTRY'S
URGE TO
MERGE

P.48

INDIA

SANJIV MEHTA
chairman & MD,
Hindustan
Unilever



PRICE ₹ 150

9770976956007-12-150



INNOVATING FOR INDIA

HOW HUL IS LEVERAGING NOVEL IDEAS FOR NEW REALITIES

CONTENTS

DECEMBER 2019



VOLUME 10 /// ISSUE 3 /// DECEMBER 2019

Eat. Sleep. Innovate. Repeat

By **ARNIKA THAKUR**
and **AVEEK DATTA**

If the biggest has to grow bigger, business as usual barely suffices. It calls for fresh thinking and the gumption to try new things. Under Sanjiv Mehta's leadership, HUL is showing just that.

PAGE NO.

30

30



▲ Sanjiv Mehta-led Hindustan Unilever sells 40 billion units a year and reaches 95% of the households in India with one or more of its products.

Requiem or Rebirth?

By **PRERNA LIDHOO**

Direct-to-home players in India are seeking new relevance in the age of digital and personal content consumption.

PAGE NO.

42

The Winner Takes All



There is a new wave of consolidation across sectors in the economy. Should India be worried? Or, is it a rite of passage?

48

Recipes for Growth

India's economy is facing a slowdown triggered by fiscal shocks and the threat of a global recession. India Inc. puts on its thinking cap for a cure.

60



▲ THIS PAGE AND COVER (SANJIV MEHTA) PHOTOGRAPHS BY **NARENDRA BISHT**

DEPARTMENTS

BRIEFING

14 ▶ To Cut the Gordian Knot

The RBI faces the challenge of pushing growth and consumption in a slowing economy and of managing macro-economic stability in a world of low interest rates and trade wars.

By ASHISH GUPTA

18 ▶ Smog in the Air, Foam on the Water

Delhi on November 15 became the most polluted city in the world with an AQI of 527. By FORTUNE INDIA

19 ▶ RBI Tightens Screws on Private Bank Honchos

The central bank has issued stricter rules on senior executives' pay packages. By NEHA BOTHRA

20 ▶ The Benioff Way

The billionaire social warrior offers a powerful guide for making business better. By CLIFTON LEAF

FOCUS

E-TAIL

22 ▶ The Online Shopping Frenzy Is Spreading

There is growing demand for international brands such as H&M, Under Armour, and Mango, from tier 2 and tier 3 markets; e-tailers report 50% growth in sales from non-metros.

By DEBOJYOTI GHOSH

BANKING

24 ▶ Big Banks Win Game of Q2 Estimates

Big lenders have outperformed analysts' estimates for the July-September quarter, giving hopes of green shoots for the sector. However, it will be some time before the sector is out of the woods. By NEHA BOTHRA

LONG READS

26 ▶ 'In Luxury, It Takes Time to Build Scale'

Reliance Brands will complete a decade in the business next March. It expects to

Pop singer Ariana Grande was Spotify's most-streamed female artist last year.

78

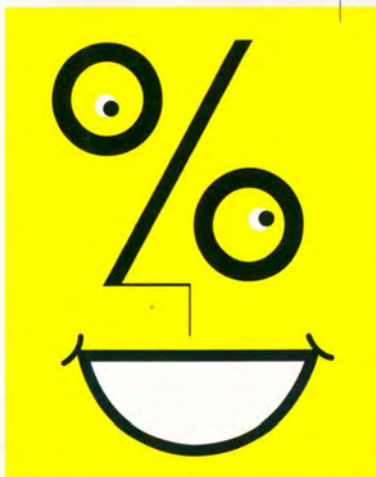


end the year with ₹3,000-crore revenue and become one of the top purveyors of branded goods in India. Consumer demand may seem tepid now, but for RBL chief Darshan Mehta, the plan remains the same: to keep growing. Interview by T. SURENDAR

64 ▶ Little Big Genie

There are no shortcuts in Jairam Varadaraj's vision to take his ELGi Equipments to No. 2 in the world. He doesn't just want to be big. He wants to be the best. By T. SURENDAR

22



THE FUTURE 50

76 ▶ The Secret to Staying 'Vital'

For the Future 50 list, *Fortune* screened more than 1,000 big companies to find those that are poised for long-term growth. By MARTIN REEVES

78 ▶ Spotify Saved the Music Industry

So now what? Profits are hard to come by—and Apple and Amazon aren't going away. By ANDREW NUSCA

86 ▶ The Rankings

Fortune's third annual list of market beaters: 50 companies that have a mindset for growth and the capacity to deliver on it.

LAST BYTE

98 ▶ Demonetisation Is History

It's been three years since demonetisation—an exercise carried out by the Narendra Modi government to curb the menace of black money and discourage the use of cash. However, data on currency notes with the public and bank deposits show that it has failed in achieving its objectives. Text by RAJIV BHUVA; graphic by RAJESH CHAWLA



LEVERAGING INNOVATION

MAKING DEEP-ROOTED change is usually much more difficult in large organisations than in smaller ones. And when such change has to be transformative and in keeping with changing realities in the marketplace, the challenge is even more daunting. That's why the transformative changes currently under way at the ₹37,660-crore Hindustan Unilever Ltd (HUL), the country's largest fast-moving consumer goods (FMCG) company, assume critical importance. HUL, for decades known as the breeding ground for the country's finest managers, is in the midst of being re-imagined, even as it remains true to its philosophy of being "purpose-led" and "future-fit". At the core of this re-imagining, being helmed by HUL's affable 58-year-old chairman and MD Sanjiv Mehta, are innovation and technology. Using these two tools, HUL is facing new market realities in a country where consumer tastes change every few kilometres. As we stand on the threshold of a new decade, we at *Fortune India* could think of no better company than HUL to represent how essential innovation is if companies and their leaders have to face the changes a new India presents before them. As Mehta says succinctly: "Successful organisations treat innovation as lifeblood. They keep reinventing themselves to remain contemporary and that is how they emerge winners in the long run."

Fortune India's Arnika Thakur and Aveek Datta, who put together the cover story for this issue—themed "India 2020"—find that the culture of innovation has pervaded across all levels of HUL and several of these innovations are also being exported by the Indian company to the Unilever universe. One of the key elements of the "new HUL" has been the 'Winning in Many Indias' strategy which Mehta put in place after he took charge. This recognises the heterogeneity of the Indian market, where products often have to be tailored to suit various regional preferences. Another part of this strategy is the 14x15 game plan, where the entire organisational matrix at HUL has been divided into 14 geographical clusters and 15 country category business teams to accord an even sharper focus on market segments. Under Mehta's watchful eye, tech and data platforms are also being used to ensure the FMCG giant reacts quickly to changing preferences based on trends which data throws up. Importantly, this redesigned matrix across the company also leads to managerial talent being more entrepreneurial and empowered, and the entire organisation becoming far more nimble than earlier. As Mehta points out, no company should think it is too big to fail.

Apart from the fascinating HUL story, this issue also looks at the trend of consolidation running across several sectors of the Indian economy. As

India gets ready to enter the 2020s, some sectors have begun showing signs of maturity, with players coming together either owing to market exigencies or the need for stronger balance sheets to tackle sectoral challenges. *Fortune India's* team of journalists spoke to several large players, analysts, and experts across some of the key sectors of the economy to bring you a detailed report on how these sectors are witnessing consolidation and what it means for the future. Whether it is steel, cement, telecom, financial services, aviation or e-commerce, consolidation has been a common theme across these industries. The jury, however, is still out on whether fewer players necessarily mean stronger ones. The answer to this will lie in the next decade.

SOURAV MAJUMDAR
Editor

sourav.majumdar@fortuneindia.com

TheSouravM

• **SANJIV MEHTA**
chairman & MD,
Hindustan
Unilever



SA

INNO

RE

PHOTOGRAPH BY **NARENDRA BISHT**

BY ARNIKA THAKUR AND AVEEK DATTA

E E A T.

S L E E P.

IF THE BIGGEST HAS TO GROW BIGGER, BUSINESS AS USUAL BARELY SUFFICES. IT CALLS FOR FRESH THINKING AND THE GUMPTION TO TRY NEW THINGS. UNDER SANJIV MEHTA'S LEADERSHIP, HINDUSTAN UNILEVER IS SHOWING JUST THAT.

D O W A T E.

E P E A T

W

WHAT'S THE ONE COMMON link between daily household activities like making tea and coffee, brushing your teeth, taking a bath, and washing clothes? They all need water, a commodity that is growing increasingly scarce globally, as also in many parts of India.

Think harder and another common link will emerge. One fast-moving consumer goods (FMCG) company, Hindustan Unilever Ltd (HUL), makes products catering to all these categories. So, when the Indian arm of the €51-billion Unilever Plc spends ₹500 crore towards water conservation in the country, it is not only being a responsible corporate citizen but also working towards future-proofing its business. If there is no water left, what good would the Dove soaps, Surf Excel detergent, and Lipton tea be for?

Being Indian and innovating for India—through the products it makes and the processes it adopts—is how HUL, India's largest FMCG company, wants to retain and grow its turf in the country. The ₹37,660-crore company's chairman and managing director Sanjiv Mehta, 58, says India can well become Unilever's largest market in

CRADLE OF LEADERSHIP

HUL IS OFTEN REFERRED TO AS THE 'LEADERSHIP FACTORY'. OVER 400 CEOs HAVE AT SOME TIME OR THE OTHER DONE A STINT WITH HUL. HERE ARE SOME WHO WERE ELEVATED TO A GLOBAL ROLE AT UNILEVER AFTER WORKING WITH HUL.



NITIN PARANJPE
CHIEF OPERATING OFFICER,
UNILEVER

HE JOINED THE COMPANY IN 1987, RISING TO BECOME HUL'S CEO IN 2008. HE WAS NAMED PRESIDENT OF UNILEVER'S HOME CARE DIVISION IN 2013, AND COO EARLIER THIS YEAR.



LEENA NAIR
CHIEF HR OFFICER,
UNILEVER

SHE JOINED THE FMCG MAJOR IN INDIA AS A MANAGEMENT TRAINEE IN 1992. SHE WAS ALSO THE FIRST WOMAN APPOINTED ON THE UNILEVER SOUTH ASIA LEADERSHIP TEAM.



HARISH MANWANI
FORMER COO,
UNILEVER

HE JOINED AS A MANAGEMENT TRAINEE IN 1976, RISING THROUGH THE RANKS TO BECOME HUL CHAIRMAN. HE WAS NAMED UNILEVER COO IN 2011.

the world (it is already the second largest) soon. "The biggest impact we can make is through our purpose-driven brands. We have a simple but profound policy that what is good for India is good for HUL," says Mehta while meeting *Fortune India* at HUL's sprawling campus in Mumbai's western suburbs.

But if India is to become its largest market, the Anglo-Dutch firm has to cross some key milestones and overcome structural challenges. HUL sees itself crossing ₹50,000 crore in revenue by FY21. The company, which has been in India for over eight decades, has set its eyes on this target at a time when India's economy is going through a tumultuous phase, with growth slowing across sectors, including consumer goods. According to HUL's investor presentation for the July-September quarter, rural growth—long considered to be an important engine of overall growth—was stuttering.

Innovation, therefore, becomes doubly important for a behemoth like HUL, which not only needs to navigate choppy market conditions but also fend off competition from nimble-footed,

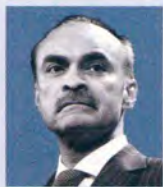
smaller rivals across categories. Mehta, who headed Unilever's operations in North Africa and Middle East before returning to head HUL in 2013, is aware of this. "Successful organisations treat innovation as lifeblood. They keep reinventing themselves to remain contemporary and that is how they emerge winners in the long run," Mehta, a chartered accountant by training, says.

This is why he wants to "re-imagine HUL" using technology and innovation, while remaining true to the company's philosophy of being "purpose-led" and "future-fit".

OPPORTUNITY IN DIVERSITY

"MANY PEOPLE, WHEN they speak of innovation, think only of product innovations. Products are very important, but innovation has to transcend products and run through the organisation," says Mehta, who also leads Unilever's South Asia business as president and is a member of the Unilever Leadership Executive.

Innovation is equally about how a company



VINDI BANGA
FORMER PRESIDENT, F&R
AND HPC, UNILEVER

A FORMER CHAIRMAN & MD OF HUL, HE ALSO HELD MANY POSITIONS AT UNILEVER. HIS LAST ROLE WAS AS PRESIDENT OF THE GLOBAL FOODS, HOME AND PERSONAL CARE BUSINESSES.



KEKI DADISETH
FORMER HOME AND PERSONAL
CARE DIRECTOR, UNILEVER

HE JOINED THE THEN HINDUSTAN LEVER (HLL) IN 1973; HE BECAME CHAIRMAN IN 1996. IN 2001, HE TOOK OVER AS DIRECTOR OF UNILEVER'S GLOBAL HOME & PERSONAL CARE BUSINESS.



ASHOK GANGULY
FORMER RESEARCH
DIRECTOR, UNILEVER

HE WAS CHAIRMAN OF HLL FROM 1980 TO 1990 AND WAS A MEMBER OF UNILEVER'S BOARD BETWEEN 1990 AND 1997. HE ALSO SERVED AS UNILEVER'S RESEARCH DIRECTOR.



T. THOMAS
FORMER RESEARCH
DIRECTOR, UNILEVER

HE JOINED HLL IN 1950, AND WAS CHAIRMAN FROM 1973-80. HE WAS ON UNILEVER'S GLOBAL BOARD OF DIRECTORS FOR A DECADE, AND RETIRED AS RESEARCH DIRECTOR.

segments its market and devises strategies accordingly, Mehta feels. Thus, in 2014, HUL embarked on a strategy christened 'Winning in Many Indias' (WIMI). This was in recognition of India's heterogeneity as a consumer market, where tastes and preferences vary every few kilometres. HUL divided the entire organisation into a matrix comprising 14 geographical clusters and 15 country category business teams (CCBTs). The idea was to narrow down customer segmentation and devise products and processes under each CCBT to cater to these regional peculiarities.

Product innovation follows with the help of these insights. A classic example of how this WIMI structure plays out is HUL's tea business. Sudhir Sitapati, executive director, foods and refreshment, says his team conducted extensive research to identify the tea-drinking habits of Indians across states. It appeared that tea drinkers in the north like their tea to be pretty much like milk with some brown colour added to it; but flavour and aroma were important in the east.

HUL used these consumer insights to make and sell different kinds of blends in different parts of India. So the Lipton Taaza tea you would get in Punjab wouldn't have a strong flavour but yield a nice brown colour when mixed with milk. On the other hand, HUL adds Darjeeling tea leaves to the packaged tea it sells in the east to add the aroma and flavour that consumers there look for in their morning cup of tea.

In the beauty and personal care space, too, HUL launches different products in different geographies, says Sandeep Kohli, executive director, beauty and personal care. It looks at mixes from the lens of "the six Ps": product, price, place, promotion, proposition, and packaging. "If Madhya Pradesh needs something different from Tamil Nadu, we will see which of these six Ps should we change. This is based on unique consumer insights that we mine from each of the regions," he says. Its beauty brand Lakmé launched a wider range of shades for the Indian skin, after working with manufacturers to create pigments suited to local skin tones.

But does this practice of selling different products in different markets work from an economy of scale point of view? It does, says Sitapati. "India is such a large market that economy of scale isn't a problem. Every 60 million-70 million consumers provide enough scale to merit innovating for them."



"The Indian consumer market is becoming increasingly fragmented and the opportunity and challenge before companies—big and small—is to cater to a large audience with different value propositions," says Kanwaljit Singh, founder and managing partner of Fireside Ventures, an early-stage venture fund focussed on consumer brands, and a former HUL executive. "This has given rise to the need for fast innovation and a digital-first strategy to understand the market."

The WIMI strategy, categorised by many regional and category clusters, has also led to accelerated leadership development at HUL, making it an attractive place for young talent to work. "The 14x15 strategy helped unleash a sense of entrepreneurship in the organisation and helped empower leaders at a young age," says Anuradha Razdan, executive director, human resources. "One can become a general manager in their early thirties, managing large businesses worth ₹5,000 crore-₹10,000 crore, with multiple managers reporting to them."

NEW PRODUCTS FOR A NEW INDIA

WHILE TEA IS ONE EXAMPLE of how HUL uses consumer insights to tailor products to suit different palates, each category within the company is pursuing a similar strategy. Take the case of home care,



HUL's second-largest business that contributes 35% to the FMCG major's total sales.

"Laundry detergents is a 100% penetrated category [which means every household uses some kind of soap to wash clothes]," says Priya Nair, executive director, home care. "So we need to develop the market and drive category growth through premiumisation."

That is where recent launches like Love & Care, a brand of fabric conditioners, come into the picture. HUL has long dominated the laundry category with its Surf Excel range of detergents; Nair says it was time the company looked at new product opportunities in adjacent areas. Love & Care is a conditioner that helps care for different kinds of premium fabrics ranging from silk and chiffon to fine cottons and woollens.

Analysts concur that premiumisation has played a big role in HUL's impressive growth in the country (*see chart*). "In our view, HUL will be the biggest beneficiary of premiumisation in India, with a market share in modern trade and e-commerce higher than in general trade and overall 30% over-indexed in terms of premium products compared to the market," notes a recent research report by Elara Securities. The report points out that sales from HUL's laundry segment have grown 80% between FY13 and FY19, while profits have grown 3.6 times during the same period. The share of the premium segment

○ At HUL's warehouse in Haryana's Hassangarh, robots arrange products based on the selling pattern.

○ Bottles of fabric softner at the HUL factory in Gujarat's Amli.

in sales has grown from 17% in calendar year 2011 to 22% in 2018.

"HUL is definitely at the top tier from an innovation perspective. Premiumisation of the portfolio is among the multiple things they are doing. For instance, HUL is looking at much faster growth for liquid soaps and detergents because liquids have much higher gross margin, and customers are increasingly looking for more convenience and better efficacy," says Abneesh Roy, executive vice president, institutional equities research, Edelweiss Securities.

While catering to the aspirational Indian whose purchasing power is on the rise is essential, it is equally imperative to not lose focus on the bottom of the pyramid. This is why, for the first time, HUL launched a toilet cleaner—under its Domex brand—in powder form to better clean Indian-style toilets. A number of these toilets have been constructed over the last few years under the government's Swachh Bharat Mission. Nair says HUL's research pointed out that while most toilet cleaners, available in liquid form, were good enough for western-style toilets, Indian lavatories needed a different product.

Some such product innovations from Unilever's research and development (R&D) centre in Bengaluru are also finding place in its global product portfolio. For instance, market research in India showed that children don't keep any



TECHNOLOGICAL INITIATIVES AND A COMPREHENSIVE SAVINGS PROGRAMME... HELPED IT [HUL] IMPROVE ITS ANNUAL GROSS SAVINGS TO AS MUCH AS 7% OF TURNOVER.

SRINIVAS PHATAK
EXECUTIVE DIRECTOR, FINANCE AND IT, AND CHIEF FINANCIAL OFFICER, HUL



INDIA IS A HUGE MARKET FOR UNILEVER AND SOME BRANDS LIKE LIFEBOUY, LUX, BROOKE BOND... THIS IS ONE OF OUR FIRST MARKETS WHERE WE TEND TO LAUNCH OUR TECHNOLOGIES.

VIBHAV SANZGIRI
GLOBAL VICE PRESIDENT, R&D SKIN CLEANSING, AND EXECUTIVE DIRECTOR, R&D, HUL

soap on their hands for more than 10 seconds. So HUL launched a new variant of its Lifebuoy liquid soap that can kill 99.9% germs in 10 seconds. The technology and formulation for this handwash is patented by Unilever and it sells this product in several other countries.

"India is a huge market for Unilever and some brands like Lifebuoy, Lux, Brooke Bond, along with categories like ice creams and home care are massive out here. This is one of our first markets where we tend to launch our technologies," says Vibhav Sanzgiri, global vice president, R&D skin cleansing, and executive director, R&D, HUL.

Innovation at HUL isn't only about new products, but new packaging too. HUL's stated vision is to halve its environmental footprint even as it doubles its business by 2030. Sustainable business operations are a global agenda for Unilever. It wants to drastically cut the quantum of plastic consumed in packaging of its goods and is focusing on innovations like bamboo toothbrushes and cardboard deodorant sticks. In India, it has changed the shape of its Pond's talcum powder bottle to cut the amount of plastic used and moved to plastic-free packaging for Dove soaps.

(IN)ORGANIC GROWTH

WITH THE INDIAN CONSUMER turning increasingly conscious about health and wellness and trying out natural products, HUL, like many of its peers,

sees organic and Ayurvedic products as a potential area for future growth. Though the upswing in adoption of Ayurvedic products may have been partially attributable to yoga guru Baba Ramdev's entrepreneurial venture, Patanjali Ayurved, it has continued to gain momentum, despite Patanjali losing it.

With a view to growing this business, HUL re-launched its sub-brand Lever Ayush (which was originally launched in 2001) a couple of years ago. HUL collaborated with Kerala-based Arya Vaidya Pharmacy to develop new products; its range of natural products was also bolstered by the acquisition of natural hair care brand Indulekha in 2015 for ₹330 crore. Indulekha is currently valued at ₹2,000 crore, Mehta says, indicating the future potential for HUL's natural products portfolio.

But the biggest sign of its commitment to the health and wellness category came in December 2018 when it announced the acquisition of GSK Consumer Healthcare, along with the iconic health drink brand Horlicks. The deal, which is still in the process of being completed, values GSK's consumer health business at ₹31,700 crore.

HUL has also used acquisitions as a tool to get niche innovative products into its fold and give them a large platform for growth. Adityaa Milk, a Karnataka-based ice cream brand that the company acquired in 2018, is bolstering HUL's own portfolio of Kwality Walls ice cream with its low-cost innovation. One of Adityaa



IF MADHYA PRADESH NEEDS SOMETHING DIFFERENT FROM TAMIL NADU, WE'LL SEE WHICH OF THESE Ps [PRODUCT, PRICE, PLACE, PROMOTION, PROPOSITION, AND PACKAGING] SHOULD WE CHANGE.

SANDEEP KOHLI
EXECUTIVE DIRECTOR, BEAUTY AND PERSONAL CARE, HUL



LAUNDRY DETERGENTS IS A 100% PENETRATED CATEGORY... SO WE NEED TO DEVELOP THE MARKET AND DRIVE CATEGORY GROWTH THROUGH PREMIUMISATION.

PRIYA NAIR
EXECUTIVE DIRECTOR, HOME CARE, HUL

Milk's bestselling products is a kulfi (a frozen Indian dessert like ice cream, minus the air content that affects the texture). HUL found that Adityaa Milk had discovered that even if a kulfi is made with 20% air content, it tastes the same as a regular kulfi, but brings down the cost of production substantially.

GOD IS IN THE DATA

HANDWASH ISN'T THE ONLY thing that was first tested in India. Digital technologies devised by HUL, are equally important innovations that have travelled to the Unilever universe.

One such digital tool is called Livewire, a cross-functional analytical platform that enables fast decision-making across operating units. Mehta says Livewire enables the cluster and CCBT heads to take real-time decisions by slicing, dicing, and analysing multiple, disparate data points. Livewire is complemented by Jarvis, powered by machine learning, that enables optimisation of investments across price, promotion, and media levers for each of HUL's brands.

Zaved Akhtar, vice president, digital transformation and growth, South Asia, Unilever, says Jarvis helps the company understand nuances like which parts of India are more elastic to prices and which are more elastic to media campaigns. This helps HUL decide where it wants to undertake price cuts to grow sales, and where it

needs to step up marketing efforts.

"Today, we don't have the luxury of waiting six to nine months to innovate or respond to consumer needs. Technology allows us to cut down our decision-making time, making the process faster and bringing it down to a few weeks," says Akhtar. There is also a people data centre (PDC) that tracks social media trends; it identifies trending topics and what people are talking about. With inputs from PDC, HUL identified matcha tea as a product that was gaining traction among health-conscious consumers. Traditional research would have never picked up matcha tea, says Akhtar, but HUL's PDC picked up the trend and the company launched a matcha tea product in nine months.

Mehta keeps a hawk's eye on the digital experiments taking place within HUL from his vantage point as head of a digital council that the company set up in 2018. The council, which has about 20 members cutting across functions, meets every month. Members of this council, Mehta says, aren't selected based on hierarchy. Instead, they comprise HUL executives who have a "passion for technology". HUL currently has more than 80 ongoing digital experiments—based on solving consumer needs, business problems, gaining a competitive advantage, or shoring up top line and bottom line—to accelerate the company's digital transformation.

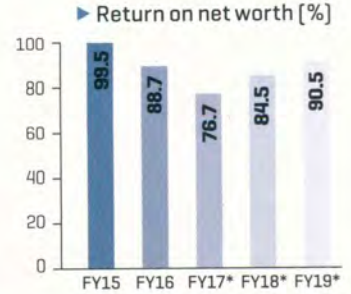
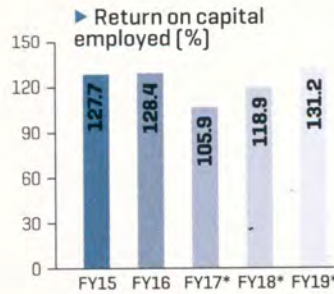
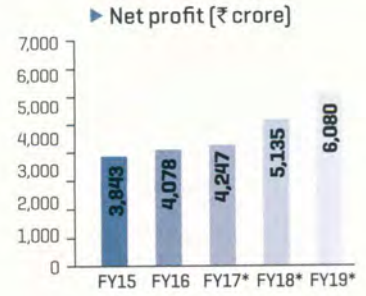
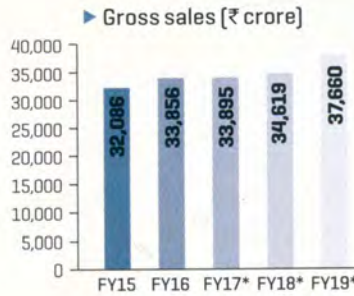
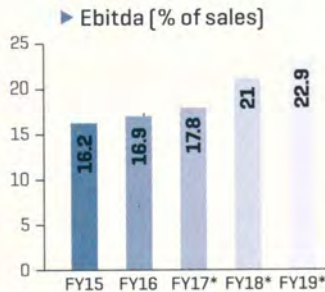
One of the ways in which Unilever is trying to understand the digital ecosystem better is by

ON COURSE

THOUGH THE INDIAN ECONOMY IS GOING THROUGH A TUMULTUOUS PHASE, HUL SEES ITS REVENUE CROSSING ₹50,000 CRORE BY FY21.

STANDALONE FINANCIAL PERFORMANCE

NOTE: *THE FINANCIAL NUMBERS FOR THESE FISCALS ARE ACCORDING TO INDAS, WHILE THOSE FOR THE PRECEDING FISCALS ARE ACCORDING TO IGAAP.



investing directly in consumer-facing startups or funds that invest in such companies. Unilever Ventures, its venture capital arm, has invested in funds like Fireside Ventures, and startups like Milkbasket.

Robotics and automation are also being put to work. HUL has a warehouse—dedicated to Lakmé—in Haryana’s Hissangarh, which is fully robotised. “In our robotised warehouse, there is extensive use of machine learning. Robots stack an SKU [stock keeping unit] on a certain shelf based on the selling pattern,” says Mehta. “For example, if a certain shade of lipstick is found to be selling alongside kajal, then the robots would place them next to each other on the shelves. When the robots run out of battery, they go and get themselves recharged automatically.” The company claims that this level of automation has helped increase inventory accuracy to more than 99% and helped HUL service the market better.

“The various technological initiatives and a comprehensive savings programme across the value chain undertaken by the company have helped it improve its annual gross savings to as much as 7% of turnover for the last three years, from around 4% before that,” says Srinivas Phatak, executive director, finance and IT, and chief financial officer at HUL.

“While tools like data analytics and social media mining are important for companies like HUL to segment markets and target them with relevant products, cognitive technology and robotics can help usher in process innovations and make operations more efficient,” says Kiran Pedada, assistant professor of marketing at the Indian School of Business.

EMPOWERING DISTRIBUTION

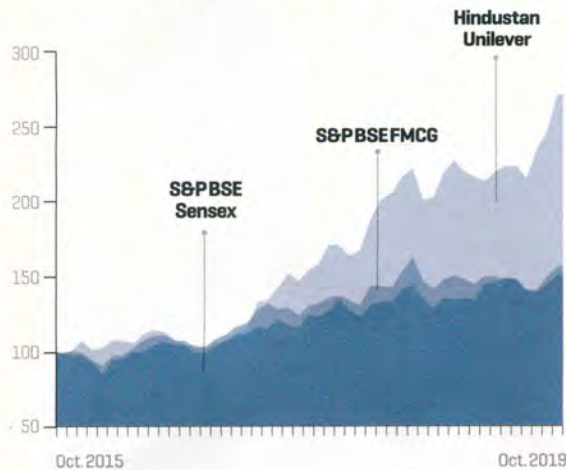
ALONG WITH THE 18,000 employees on its payroll, the entire universe of people whose livelihoods depend on HUL in one way or another totals 200,000. This includes exclusive salesmen, merchandisers, distributors, suppliers, and market development executives.

HUL knows that finding novel ways to take care of this ecosystem is as important as innovating on new products. Key stakeholders in this ecosystem are HUL’s 3,500-odd distributors who help the company reach shopkeepers across the country, and the actual shopkeepers themselves. Despite the growing penetration of modern trade and e-commerce, general trade still accounts for a lion’s share of HUL’s business.

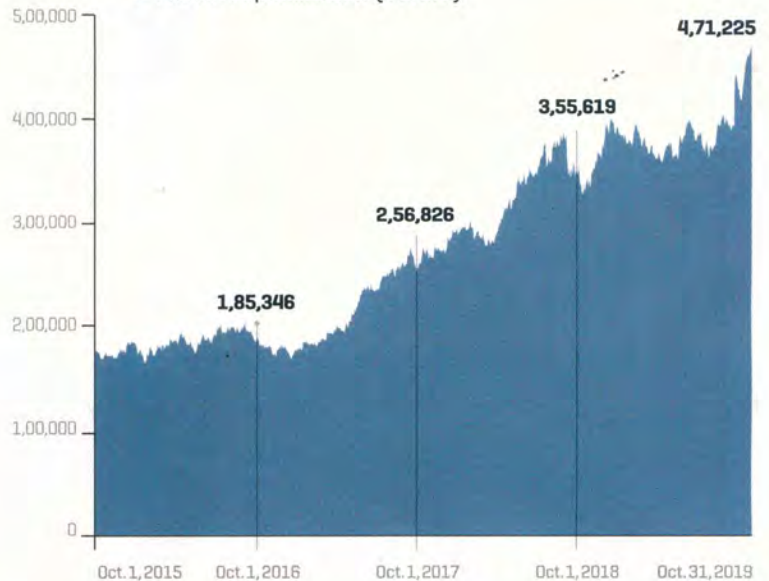
HUL, in which Unilever has a 67% stake, is working closely with its distributors to im-

BEATING THE STREET

HUL HAS OUTPERFORMED THE BENCHMARK AND SECTORAL INDICES.



► Market capitalisation [₹ crore]



prove their warehouse and inventory management skills to ensure that they can guarantee a 48-hour delivery to customers (shopkeepers). Furthermore, HUL has rolled out a business-to-business app called 'Shikhar' for retailers to conveniently place orders for their products. Given the consequent repository of data residing with the app, Shikhar can send out recommendations to shopkeepers on what items to stock in order to improve sales.

"Distributive trade is here to stay in India and we are working in partnership with distributors and store-owners to help retailers grow their business by recommending what to stock in their shops using data analytics," says Srinandan Sundaram, executive director, sales and customer development. The FMCG company is also piloting a project to equip retailers with POS (point of sale) terminals, which not only helps them accept payments digitally but also generates a wealth of information that can be used for the latter's welfare.

One such benefit is in the form of access to working capital. While HUL offers very little credit on its own, it is helping connect its customers (who are mostly micro-, small-, and medium enterprises) with banks. With the installation of POS terminals, banks can get accurate data vis-à-vis store sales and this

NOTE: ADJUSTED CLOSING PRICES, AND CLOSING VALUES OF INDICES ARE MONTHLY AVERAGES, AND ARE REBASED TO 100. **SOURCE:** PROWESS, FORTUNE INDIA RESEARCH

gives them confidence to lend to these store-owners. But sometimes, innovation also lies in deviating from your own standard practices, which is what HUL did after demonetisation by extending credit to customers—something that it doesn't usually do.

Women's empowerment is another area which HUL has focussed on—not just because it is something good to do, but also because of tangible benefits to business. Through Project Shakti, HUL has trained 100,000 women across 18 states to become last-mile distributors for its products in areas that wouldn't have been viable for the company to access with its existing distribution ecosystem.

Roy of Edelweiss observes that HUL, at present, is a far more "nimble company" than it was seven-eight years ago and gives much more freedom to its employees to try out new things. That's perhaps because HUL already sells 40 billion units a year and reaches 95% of the households in India with one or more of its products, and Mehta knows when you achieve that kind of scale, doing more of the same is barely enough for future growth. "No company should come from a premise that you are too big to fail. If you don't reinvent yourself, if you don't have speed and agility, you will find it difficult to succeed," Mehta says. ■