THE TIMES OF INDIA

Mon, 26 Jul-21; Times Of India - Delhi; Size : 356 sq.cm.; Circulation:972180; Page : 13

'Govt needs to act if consumption slows'

We Are Moving Towards Normalcy, Sept Qtr Will Be Crucial: HUL Chairman Mehta

Namrata.Singh
@timesgroup.com

Mumbai: After two waves of Covid, Hindustan Unilever (HUL), which is tackling cost headwinds, has said it will navigate a third wave as well. Armed with a portfolio of brands straddling the price and pack pyramid, HUL knows how to manage the price-value equation to retain consumers in its franchise. The FMCG major's CMD Sanjiv Mehta said in an interview that the company's focus remains volume-led growth. Excerpts:

Has the resilience of rural markets surprised you? Why is the urban market taking time to recover?

The interventions in terms of MNREGA outlay, direct transfer of subsidy and free supply of food grains have been the right steps. These are some of the prime reasons why rural growth has remained resilient. Also, the first wave did not impact rural, the monsoons were decent, and the harvest was good. The per capita consumption of FMCG products in rural areas is 1/3rd that of urban. Given the low base, the growth rates in rural should consistently remain higher than urban. If it slows down, then it becomes a big concern, because that would mean that we are not lifting the poor.

However, for the urban poor, there have been no interventions like direct transfer of money or free supply of food grains. The government should use technology and identify urban poor. And if economic hardships come in, they should be in a position to intervene.

Do you expect the government to come up with further incentives, given that the festive season is also around the corner?

On the supply side, the government has taken steps including ensuring liquidity in the economy and providing support through guarantees. What remains to be done is on the demand side. The government's hesitation could also stem from the thinking that if you put money directly in the hands of people, will they consume or will they save? With the rural poor, since their propensity to save is so little, they are likely to spend it all that you give them. This should also be applicable to the urban poor. FICCI had suggested the government to use consumption vouchers and that's something which has been used in the past in other parts of the world. And importantly, consumption would also lead to more taxes. So, the net cost to the government would be less than the benefit provided to the people to spur consumption. These are some kinds of novel things the government could experiment with if consumption comes under strain.

The September quarter will be very important. We've just come out of the second wave and are moving towards normalcy. If consumption remains robust, then the government will not have to intervene more. But if consumption remains tepid, then the government will have to do some serious thinking about what further interventions are required to spur it.

What are the shifts in consumption patterns that you're seeing today?

In the initial period of the pandemic, we had seen a move towards small packs and had also noticed that there were more frequent shopping trips by the poor whereas the higher income people were moving towards larger packs. We must also appreciate that in e-commerce, higher value density provides better unit economics. After that, we have not seen a very discernible change. But where the restricted mobility has impacted us, is in what we call as discretionary and out-of-home categories — skincare, deodorants, colour cosmetics, ice cream and our food solutions business. To give you a picture, if in the June quarter of 2019, sales of these businesses were 100, it came down to 50% in June quarter of 2020 and in June quarter of 2021, it has moved up to 75%. It has not fully recovered yet, as it is directly linked to mobility of people.

ON RURAL MARKET | We should applaud the govt for the intervention they did in rural India. Given the low base, growth rates in rural should remain higher than urban. If it slows down, then it becomes a big concern, because that would mean that we are not lifting the poor

ON CONSUMPTION | The September quarter will be very important. If consumption remains robust, then the govt will not have to intervene more. But if it remains tepid, then it will have to consider further interventions

ON BUSINESS MODEL | We don't want to lose market share, we want to keep the price-value equation and we want to maintain the sanctity of our business model

ON PATANJALI | They will not beat HUL, certainly not in my time and under my watch

Sanjiv Mehta | CMD, HUL

With cost pressures, would you keep a tight leash on price increases to ensure volume growth?

What is the game we play as HUL? These are unprecedented times, and it will require playing the different levers of business smartly. But we play the game for the long term, and the three imperatives are — we don't want to lose consumers or market share, we want to keep the price-value equation and maintain the sanctity of our business model. That's how we are going to play.

Do you miss the office? What's the way forward?

Innovations need collaboration. You need people to physically sit around, discuss, debate and brainstorm. The future of work is not going to be either or. There will be a good balance. All people won't need to come to work every day. But don't write the obituary of the office and physical interactions. It would be a fatal mistake.