International Journal for Multidisciplinary Research (IJFMR)

E-ISSN: 2582-2160 ● Website: www.ijfmr.com● Email: editor@ijfmr.com

Sales and Marketing at Hindustan Unilever

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ABSTRACT

The biggest FMCG company in India, HUL, strives to build a brighter future with its top-notch products and services. Thus, an effort has been made to learn about the numerous steps taken by HUL to appeal to the rural market. With revenues of 163 billion rupees and a net profit of 21 billion rupees in 2008, Hindustan Unilever Limited (HUL), a Unilever subsidiary, was India's largest Fast Moving Consumer Goods firm. Despite having a CAGR of 22% for sales and 32% for profits in the 1990s, HUL only saw a CAGR of 4.96% for sales and 7% for net profits from 1999 to 2008. In order to achieve its organisational growth and profitability goals, HUL had to make adjustments to its people management strategy and practises as a result of stagnant sales between 2001 and 2004 and the more volatile environment in the expanding Indian consumer market. The case discusses HUL's marketing and human resources strategies from 1999 to 2008. The fast-moving consumer products business is experiencing an unprecedented amount of uncertainty as customer tastes and preferences change at an exponential rate. This essay investigates how emerging organic and natural product firms, like Patanjali, are vying for market share against well-established behemoths like Hindustan Unilever. Consumer perceptions are sampled through a survey in this study, and the findings are then analysed to see how customer demographics connect to brand perception and, in turn, purchasing behaviour.

Rural marketplaces have become more important recently since rural populations' purchasing power has significantly increased as a result of the general expansion of the economy. Due to the green revolution, the rural regions are consuming a lot of produced goods from the industrial and urban sectors. In this situation, a unique marketing tactic known as rural marketing has arisen. This article makes an effort to learn about the many steps HUL has done to engage rural consumers. The market leader and biggest company in the FMCG sector in India is Hindustan Unilever. HUL was the first business to enter the rural Indian marketing sector.

Review of literature

The biggest FMCG firm in India, HUL, offers a wide range of goods, including drinks, soaps & detergents, and personal care items. The business has factories it has owned as well as several production sites it has contracted out.With yearly sales of 1,000 crores, the corporation has 14 brands.For 330 cores along, the business paid the Mosons Group in 2015 to purchase the "Indulekha" brand.Glenmark Pharmaceuticals Ltd sold the brand "Vwash" to the business in 2020. The brand, which was introduced in 2013, has become the industry leader in the female intimate hygiene sector.In the medium term, the acquisition of GSK Consumer Limited would strengthen HUL's position in the meals and refreshments industry and boost revenue variety.

HUL's business sectors consist of:

- Segments for beauty and personal care:
- This segment's brands include:
- Dove, Lifebuoy, LUX, Pears, Liril: skin cleansing.
- Pepsodent, Closeup, and Lever Auyush for oral care.
- Tresemme, Dove, and Indulekha hair products.
- Cosmetics: Glow & Beautiful, Vaseline, Pond's.
- Section for home care:
- This segment's brands include:
- Care for your home: Vim, Domex, and Sunshine.
- Comfort, Wheel, Rinse, and Surf excel in Fabric Wash.
- Puriet makes purifiers.

Section for foods and refreshments:

- This segment's brands include:
- Food brands: Knorr, Kissan, Hellmann's, and Annapurna.
- Drinks: Lipton, Bru, Taj Mahal, Broke Bond Red Label, and Taaza.
- Nutrition: Boost and Horlicks.
- Kwality Walls Ice Cream.
- In FY 2021, 29.7% of total income came from the health care sector, compared to 34.3%, 44%, 18.7%, and 3% in FY 2020, 38.4% from beauty and personal care, 28.1% from food and refreshment, and 3.9% from other sources.

BUSINESS MODEL OF HUL:

Direct marketing is the practise of selling goods directly to customers, cutting out middlemen.

Cold calling, door-to-door sales, telemarketing, direct mail, direct radio, magazine, and TV advertising are examples of conventional tactics.

The key benefits of selling directly are that the producer has total control over the sales process and there is no need to split profit margins. Also, no products are offered close to those of rivals.

The following specific market variables might support direct selling:

requirement for an experienced sales team to present items, offer in-depth pre-sale information, and give after-sales support

Lack of interest on the part of buyers, sellers, dealers, and other middlemen.

Unreliable Distribution

By this approach, the marketer may assist others in reaching the desired ultimate user. Although occasionally they could sell things on a consignment basis, these resellers often retain ownership of the product (i.e., only pay the supplying company if the product is sold). Under this system, intermediaries may be required to take on a variety of duties in order to assist in product sales. The indirect techniques consist of:

- Single-Party Selling Methodology

In this approach, the marketer hires a third party to sell and distribute goods to the ultimate consumer. The likelihood of this happening increases when the product is offered through major brick-and-mortar retail chains or internet shops; in these cases, a trade selling system is frequently used to describe the situation.

- Mechanism of Selling to Several Parties

Prior to reaching the end client in this indirect distribution system, the product must go via two or more distributors. The most typical scenario involves a wholesaler buying from the producer and selling the goods to a retailer.

New distribution channels

- Shakti Project

With the help of this approach, HUL and its customers may work together in harmony. Hindustan Lever was able to reach 80,000 of the 638,000 villages in India because to Project Shakti, which was launched in the late 2000s. HUL's collaboration with rural women's Self Help Groups (SHGs) is expanding the company's rural hinterland operations. Over 12 states have already benefited from Project Shakti's expansion, including Andhra Pradesh, Karnataka, Gujarat, Madhya Pradesh, Tamil Nadu, Chattisgarh, Uttar Pradesh, Orissa, Punjab, Rajasthan, Maharashtra, and West Bengal. The effort is actively supported by many Organisations as well as the corresponding state governments. With assistance from HUL's training and backing from relevant government organisations and NGOs, the SHGs have decided to collaborate with HUL as a commercial endeavour.

- Streamlining a project's distribution or streamlining a commercial organization's operations can increase its effectiveness.applying current methods, cutting corners, or adopting other strategies. HUL launched a Streamline programme in 1997 to address the demands of the inaccessible market with significant business potential. With the aid of rural sub-stockists/Star.Sellers who are headquartered in these particular villages, Project Streamline is an innovative and successful distribution network for rural regions that focuses on expanding distribution to communities with less than 2000 inhabitants. Because of this, the distribution network currently directly serves 40% of the rural population. In accordance with Project Streamline, C & F Agents distribute the commodities through Rural Distributors (RD), who is connected to 15–20 rural sub-stockists.

How HUL is making marketing and sales everyone's business?

It's one of the most recent efforts in the FMCG giant's quest to become a more customer-focused business. Even if it means that some team members receive their harsh facts in a different way than they are used to. Hemant Bakshi, executive director of home and personal care at HUL, asserts that "our customers are changing quicker than marketers do; whether it be in terms of changes in the rural or urban environment or in their consumption of media and entertainment. Prior until now, we believed that only marketing and sales should communicate with customers. Yet, we came to the realisation that we couldn't stay up unless everyone in the organisation saw customers as their primary stakeholders.Initiatives like Consumer Shoes allow workers (so far in Mumbai and Bangalore) to directly experience and assess HUL products. For instance, HUL is thinking of offering its workers opulent discounts to test out new Lakme Salon layouts prior to their official introduction. The reasoning behind it is fairly straightforward: rather than running the risk of permanently alienating a real customer, who would otherwise similarly be in the same position, it aids the firm in fixing issues based on staff input.Making teams less defensive and more receptive to criticism is a step in the process. Marketers and their agencies have frequently used broad generalisations like "You are not the target audience" to intimidate critics, whether they are internal or external, into silence. We used to ask ourselves, "Why are you saying this about the product? ", concurs Bakshi. You are not the consumer, but we might argue instead that you are a future consumer, thus your opinion is valuable. You actually are.HUL anticipates far more engagement from its staff than the simple and largely enjoyable chore of acting as a reviewer. People from several Unilever departments came together to help transform a retail store into a HUL "ideal store" after a bushfire three years ago. Working with the sales team, merchandiser, and retailer, the goal was to empower the personnel to do more than simply watch the market.

The economic problems faced by Hindustan Unilever Limited:

The growing number of imitation items is the issue the firm has been dealing with for a long time. The scope and popularity of HUL's brand encourage local manufacturers to copy its items, some of which even develop counterfeit goods. In rural marketplaces, fraudulent goods are frequently seen. This has a significant impact on the HUL's brand equity.

The corporation is dealing with rising input expenses as a result of rising raw material prices. The firm may be impacted by rising inflation, freight expenses, and raw material prices.

ITC, Procter & Gamble, Colgate-Palmolive, Nestle, and Godrej are among the companies that Hindustan Unilever Limited must contend with today. ITC is a fierce competitor to HUL thanks to a number of market-dominating brands.

STRATEGY FORMULATION:

1) Strategic alternatives:

The strategic options available to HUL to deal with the difficulties of rising input and operatingexpenses as a result of rising raw material costs, an increase in counterfeit and imitation goods, and fierce rivalry from other FMCG firms include,

- Leverage and brand portfolio expansion
- affordable prices
- cost-effective measures
- Leverage and brand portfolio expansion:With a variety of goods in many market areas, HUL has established a reputation for satisfying consumer demands. HUL offers a reliable distribution network that can satisfy consumer demands. HUL has a competitive advantage over its rivals because to this. Customers, particularly those in rural areas, will be protected from buying fake goods by the development of brand portfolios. The revenue-generating brand from imitation goods will be supported by HUL's product of a different brand in the same category.

- Cost-effective pricing:In the market, there is fierce rivalry for Hindustan Unilever Limited from both organised and unorganised firms. In this sector of the market, consumers can switch from one brand to another if the first is unaffordable. The country's rising inflation forces businesses to raise the price of their goods. The local manufacturers and organised players will get off the ground thanks to competitive pricing.
- Cost-effective measures:The costs of running the business are increased by rising raw material prices and volatile commodities markets. Instead of fretting about the rise in raw material prices, the firm urgently has to take certain actions like reducing the cost of its advertising and operating expenses.

Alternative Evaluation:

- **Leverage and brand portfolio expansion**

By offering clients a range of brands in the same category, the firm may compete with imitative products and rival brands by leveraging and expanding its brand portfolio through the introduction of new brands. This will keep clients from switching to copycat brands and competing items, keeping them as customers. Strong distribution and supply networks provide Hindustan Unilever Limited a competitive advantage. This will make it easier for the new brand to efficiently reach its target market. The company's several brands in the same sector might be challenging to manage, which is a drawback.

- **Cost-effective pricing**

This approach of being competitive or lowering the cost of the company's goods is ineffective. The business must deal with rising input and operating costs. The profit margin will drop if the price of the goods is lowered. Moreover, it will spark a pricing war in the sector, which is bad for both the business and the sector as a whole. With just a tiny gap in market share and a large number of local items, rivals are closely pursuing the majority of HUL's market-leading brands. Also, the rivals have market-leading brands with solid market positions in numerous areas of the oral and skin care divisions.

- **Cost-effective measures**

The firm will acquire a competitive edge in its operations with the aid of cost-effective initiatives like cutting back on advertising and operating expenses. To remain in customers' thoughts, the FMCG business needs constant advertising and promotional efforts. Reducing the cost of advertising will give the rival an advantage over HUL in capturing customers' attention. Also, the organization's sole option for reducing the rising cost of raw materials is to streamline the procurement processes.

STRATEGY IMPLEMENTATION:

HUL will not require any culture or structural changes in the organization to implement the strategy. The organization with its robust supply chain and distribution network will help the brand to reach the customers like other brands.

Action plan right away:

The corporation must first separate the top-performing brands from the underperforming brands in order to generate income. Assessing the main rivals in the category and figuring out the brand's relevance are crucial.

- Plan of immediate action:

The business must pick which market segments to spread its brand portfolio throughout. To evaluate the effectiveness of the current brand and the brand of the competition, research must be done.

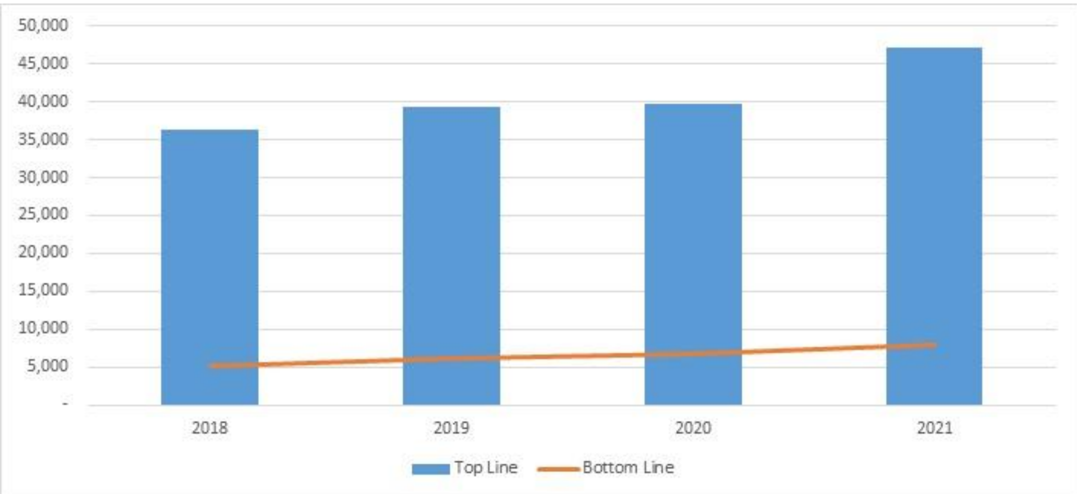
- Long-term strategy of action:

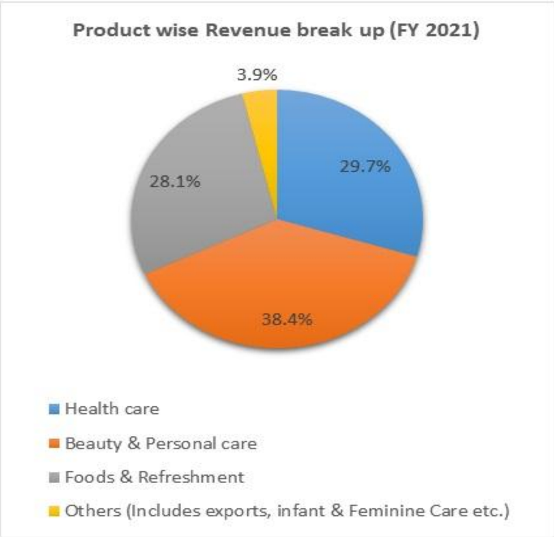
They require a well-designed performing monitoring system to examine the performance of brands both before and after the launch of new brands after deciding on the category.

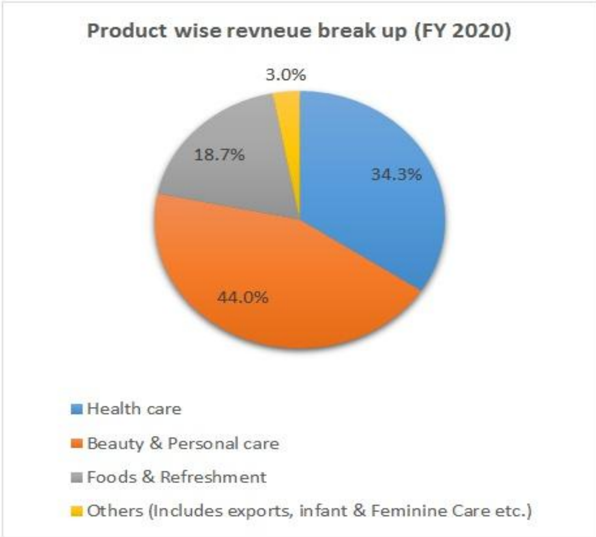
HUL bets big on future growth in India

Sanjiv Mehta, the CMD of HUL, told ET Today in an interview that the company has continually expanded in India and that it has "become one of the most valuable firms in the country."

The greatest of Hindustan Unilever, Mehta continued, "is yet to come."According to hul , the company intends to stay "indefinitely" despite having been active in the Indian market for 88years.The only quarter in which HUL did not declare growth was the one in which the government enforced demonetisation. Mehta attributed HUL's expansion in thenationto its "long-term outlook" and predicted that growth would be steady .







Conclusion

We conducted research on the company HUL and looked at the organisation of its marketing channels as well as how the entire system functions. We recognise that there are middlemen and less direct selling inside its network. This strategy worked well for HUL since it has a wide market reach and would incur significant inventory expenses if it were to operate independently without middlemen, which would raise product prices as well.

So, it is advantageous for HUL to have a specific number of intermediaries in order to lower expenses for the business and avoid those costs from being passed down to customers.

Limitation:

This article discusses HUL and its marketing strategy. As HUL is one of the most well-known FMCG companies and has been in business for so long, the procedure has been simplified. This narrowed out study scope. Nonetheless, accepted procedures were recognized and valued.

Scope:

HUL will benefit from this, however it won't apply to other brands in the same FMCG sector or any other categories. The expenses associated with the product are heavily influenced by a variety of variables, including penetration, distributor numbers and margins, inventory levels, product lifespan, etc. to comprehend the effect of intermediaries on the pricing of the items, this study may be applied to different categories and industries. So, there is a huge area of study open to scholars on this subject.

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