

# HII case

Business



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HLL – Juggernaut- The dilemma of Growth [pic] This case study has been developed by Rajan Saxena Vice chancellor NMIMS University for class room discussion. HLL – Juggernaut- The dilemma of Growth Hindustan Lever Ltd in India is a 51. 4%-owned subsidiary of its global parent Unilever Group. Formed in 1956, the company has since expanded its operations through organic growth and mergers and acquisitions to become the largest fast-moving consumer goods company in India.

Hindustan Lever is one of India's oldest consumer goods companies with brands that are household names.

In line with the global revamp of its regional structure, Hindustan Lever also changed its organizational structure in India in 2005 with the setting up of a new management committee and the appointment of a new chairman. The company also appointed an expatriate CEO, Doug Baillie to take over the reigns of the company. This was the first time the company appointed a non-Indian CEO in around 50 years. In 2007, meanwhile, the company changed its name from Hindustan Lever Ltd to Hindustan Unilever Ltd.

The new name reflects the right balance between the Indian heritage of the Company and the synergies of its global alignment with Unilever.

The new logo symbolizes the Company's mission of ' Adding Vitality to Life'. Hindustan Lever's broad product portfolio spans soap, detergents, personal products and food. Soap, detergents and scourers generate roughly 46% of revenues, while the rest is largely accounted for by personal products (26%), beverages (11%), other products (2%) and exports (10%). Processed foods

and ice cream and other products collectively contribute a miniscule 5% towards total turnover.

The company has a significant share of most products in which it operates, with the exception of packaged food.

It is among the leading players in cosmetics and toiletries, non-alcoholic beverages and household care in India. Exhibit 1: Showing the contribution of the different [pic] The vision that inspires HLL's 16, 100 employees, including nearly 1, 100 managers, is to "meet everyday needs of people everywhere-to anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life." This objective is achieved through the 30 brands that the company markets.

Its deep roots in local cultures and markets around the world are HLL's unparalleled inheritance and the foundation for its future growth.

With this wealth of knowledge and international expertise in the service of local consumers, it is truly a multi-local multinational. Background In 1888, less than four years after William Hesketh Lever's company, Lever Brothers, launched Sunlight Soap in England, William Hesketh's company also started exporting the revolutionary laundry soap to India and carved a niche for itself in the Indian market. The company merged with the Netherlands-based Margarine Unie in 1930 to form Unilever.

A year later, Unilever set up the Hindustan Vanaspati Manufacturing Company, its first subsidiary in India, and further strengthened its position by

establishing two more subsidiaries, Lever Brothers India Limited and United Traders Limited, soon thereafter. The three companies, which marketed soaps, vanaspati and personal products, merged in 1956 to form Hindustan Lever, in which Unilever has a 51 percent stake. Since then, HLL has entered virtually every arena in the FMCG market through organic growth, diversification, mergers, and acquisitions.

Hindustan Lever benefits from deep roots in rural India. It reaches 166 million households according to the company's own estimates. HLL is one of the largest subsidiaries of Unilever worldwide, with several Unilever managers cutting their teeth in India and rising to senior positions within the group. The company straddles all price platforms, from economy to premium, with its product portfolio ranging from personal care to packaged food. It traditionally focused on maintaining margins, hiking prices with or without brand developments or relaunches.

It could do this when consumer goods were booming.

Exhibit 2 : Showing brands at various price points [pic] Core Competencies

HLL is the market leader in soaps and detergents as well as hair and skin care products and is the second largest manufacturer of dental care products. One of HLL's strengths that has greatly contributed to this success are the breakthroughs at the Hindustan Lever Research Centre. The research centre is India's largest in the private sector. The focus on research gives HLL an edge over competitors by coming up with innovative products and processes, many of which have been patented.

Some of the researches have been in household cleaning in soaps by improving performance in removal of dirt from clothes. Studies related to improving quality in tea and enhancing characteristics like colour, aroma, and taste have enabled HLL to make better blends of tea. The company achieved remarkable success in ice-creams when HLRC developed a “eutectic mixture’ which acts as a refrigeration “ battery” and thus enables sub ambient temperature distribution/vending of ice-creams. In the personal products segment, an important research finding is Fair ; Lovely fairness cream.

HLL has always stressed on constant technology upgradation.

In 1999, there was a change in the entire instrumentation setup of HLL Research to bring it on par with the latest research facilities in the world. The company has always focused on acquiring knowledge-based software with a view to creating knowledge-based communities in HLL Research. HLL has tied up with organizations like the Indian Institute of Science (Bangalore), All India Institute of Medical Sciences (New Delhi), National Chemical Laboratory (Pune), and Department of Physics, University of Pune, in different areas of research.

Besides, HLL has also funded research projects at the Jawaharlal Nehru University, New Delhi, and the MS Swaminathan Research Foundation at Chennai. Efficient distribution system Another factor which contributes to the success of HLL is its massive and efficient distribution system.

It touches two out of every three Indians every day and reaches eighty percent of the household. Its shelf availability is 84 percent of outlets which

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reaches a retail foot print of 6million in the country . It has 35 carrying and forwarding agents, 2700 stockists and 80 factories.

In recent years Hindustan Lever focuses on third party production, shifting from its privately-owned plants to external production in 2005. This was mainly a cost-cutting measure, as most of the company's plants were historically located in high-cost areas such as Mumbai City. Hindustan Lever manufactures for Indian sales and exports to Unilever companies worldwide.

Fair and Lovely, for example, is only made in India and sold globally, as are Wheel and Rin. Hindustan Lever is also one of the key sourcing sites for Unilever worldwide.

The shift of several manufacturing sites to Uttaranchal and Himachal Pradesh is expected to considerably benefit the company, more than compensating for the increased logistical and administration costs of the move. The emerging hybrid customer structure (Comprising General Trade, Modern Trade and Specialised stores) requires new “ route to market” approaches to service customers and distributors. The Company is equipping itself with capability and revitalising the distribution and customer service network to face the challenges of the new market dynamics.