



Hindustan Unilever Limited

Case Study

How India's largest consumer goods company is meeting the everyday needs of people, everywhere

If Hindustan Lever Limited (HLL), India's largest consumer goods company, was in another market space, say, for example, publishing, it would, first of all, teach its prospect base to read. If it sold cars, HLL would open driver education schools to teach prospects how to drive safely. As it is, HLL sells products that clean and products to eat and drink.

The company has applied a commitment to following the highest standards of corporate behavior, leading-edge science and technology and creative marketing to the development of its business model.

The company's statement of corporate purpose is to "meet the everyday needs of people, everywhere." Those needs differ wildly within India, and HLL has done an exceptional job of meeting them, as evidenced by the company's top line growth and bottom line profitability.

The Indian consumer market consists of over one billion people, 30% of whom have little or no formal education and live below the poverty line. The average per capita income



is about \$400 US, compared to a global average of about \$4,900 US.

There is no room for excess cost in any aspect of HLL's operations, including its supply chain, because a large segment of the potential market cannot afford to pay for them. Some 2,000 suppliers and 7,500 distributors serve HLL's 100 factories which are decentralized across 2 million square miles of territory.

A majority of the transportation links between stakeholders are dirt roads, which can create logistical nightmares on both the supply and delivery sides, particularly during the rainy season.

Flexible
planning
production and
distribution
scenarios

Increasing
supplier/distributor
responsiveness

Reducing
inventory
buffers

Optimizing
planning and
scheduling



The everyday needs of India’s urban population can differ significantly from their rural compatriots. Many beauty care products, tea flavors, ice cream products and other HLL product lines are specifically tailored for this more highly educated and affluent constituency. HLL is also one of India’s largest exporters. Home and personal care products, including Pears Soap, Taj Mahal tea and Basmati rice, are all vibrant HLL product lines on the global market.

The multiple markets served by HLL require the development of flexible planning, production and distribution scenarios on the manufacturing side of operations. In 2000, HLL identified improved supply chain management as a critical business priority and launched a comprehensive initiative, “Project Leap,” tasked with increasing supplier/distributor responsiveness, reducing inventory buffers, and optimizing planning and scheduling.

After analyzing all the available technology options, HLL chose the Adexa iCollaboration suite, concluding it was the only solution capable of facilitating live customer/supplier collaboration, and integrating demand and distribution planning with production scheduling. Further, the Adexa suite delivered centralized monitoring of the supply chain across the enterprise, and “what-if” analysis to ensure the impact of change, from any source, was visible to all stakeholders and new optimized plans and schedules could be rapidly developed.

One of the first areas for which the Adexa iCollaboration suite was utilized was to identify synergies between product lines. For example, detergents and personal care lines have vastly different business models, but both target similar demographics in the same regions of the country.

With the aggregated view of data provided by the iCollaboration suite, HLL was able to combine sales and distribution efforts on these diverse product lines, which resulted in significant savings on the cost side for inventories and distribution.

Synergies between product lines and higher margins on products with brand equity have led to a major shift in HLL’s business model. The company has phased-out production of lower margin lines to focus sales, marketing and production on 30 “Power Brands” — well known products such as Lux Soap, Vim Cleanser, Ponds Cold Cream, and Pepsodent Toothpaste to name a few. HLL credits the Power Brand strategy and improved supply chain performance for increasing 2001 annual profit margins by 20.9%. Costs for raw materials were reduced by 5%, on-hand inventory levels were cut by 33%, and customer service levels were increased by 10%.

Every manufacturer will attest to the fact that the only certainty with plans is that they will change. The ability to rapidly respond to change and develop a new plan that takes into account all mission-critical data and identifies the most profitable fulfillment scenario, is another requirement met by the Adexa suite. Strategic planning

HLL credits the Power Brand strategy and improved supply chain performance

20.9%

2001 annual profit margins increased.

5%

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automatically takes into account the costs of procurement, manufacturing, inventory and transportation measured against existing demand, plant capacity, material availability and other constraints. HLL updates inventory positions, shipments and customer orders on a daily basis to ensure that its enterprise is following the best possible plan, every time.

Promotions are a major component of HLL's marketing strategy, and, prior to the implementation of the iCollaboration suite, they put tremendous stress on manufacturing operations. HLL produces some 7,000 live shows annually in rural villages across the country to educate consumers to the need for personal hygiene products, entertain them, and to help improve their lives.

The shows have had a significant impact in driving new sales of personal hygiene products, and they've also helped raise the personal hygiene awareness of the audiences. By incorporating promotional demand forecasts into advance planning and providing the enterprise with visibility into the impact if that demand, HLL was able to optimize inventory, manufacturing efficiency and customer service levels without disrupting its regular production and distribution process.

The hygiene awareness campaign is another example of HLL's statement of purpose, "To meet the everyday needs of people, everywhere." The same principle is followed on the food product side of the business, with a nutrition awareness campaign that helps drive sales of HLL's healthy food products.

In the urban market, HLL has met the lifestyle needs of consumers by establishing distribution channels that also provide services. The company owns and operates hair salons, laundry services, coffee and tea vending machines, even ice cream carts. Needless to say, all of these services use HLL products.

On the supply chain side of its food business, HLL's challenge is to get the freshest, most nutritional products from growing fields to packaging or manufacturing facilities, and then on to consumers.

For personal hygiene, beauty care and detergent products, the challenge is to identify synergies between product lines, and optimize and supply patterns and distributions channels. For all product lines, minimizing inventory levels, driving costs from system and increasing flexibility are critical business issues. These are the issues Adexa addresses for HLL, enabling the company to deliver impressive returns to shareholders, and meet the everyday needs of people, everywhere.

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