A STUDY OF CSR INITIATIVES BY HINDUSTAN UNILIVER (HUL) AND THERE IMPACT ON MOBILIZING PROFIT

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ABSTRACT

Hindustan Unilever (HUL) has adopted “Sustainable Living needs “in its corporate mission and strategy to enhance competitive advantage and the brand image with a significant social impact in its product development, sourcing and manufacturing and thus ultimately leading to higher efficiencies and profit margins. Its Corporate Social Responsibility (CSR) activities has demonstrated that alternative distribution channel known as “Project Shakti “ can penetrate into the huge rural consumers market in a cost effective manner. HUL has made 2.5 lakh rural outlets in 2009 which has increased to 5.5 lakh in 2010 and in the year 2011 aim at a projected figure for 10 lakh .HUL’s Corporate Responsibility (CR) philosophy is embedded in its corporate purpose and Vitality mission. The company firmly believes that it has commitment to all its stakeholders - consumers, employees and the community in which it operates. It can fulfill this commitment only by sustainable growth. The Vitality mission of the company aims to improve quality of life through their products and through their interventions in the community. HUL’s key CR initiatives are undertaken with a long-term view with profit motive in mind. Initiatives that are sustainable, that have long-term benefits and that have business linkage are accorded priority. Some initiatives are brand driven, some are driven by the people and some are driven by the processes. Thus vast size of Indian rural markets and the demand base offers a huge opportunity to the MNCs for making the business more centric focus and profitable. The present paper throws light on HUL’s profit making initiatives through CSR activities.

Keywords: Corporate Social Responsibility (CSR); Sustainable Living Plan; Shakti-ammans; Business Ethics; Community Investment

INTRODUCTION

The Indian economy is the second fastest growing economy in the world. Majority of the population in India resides in rural areas. Thus development of rural India is a key step towards economic development for a country like ours. Credit is one of the very important inputs of economic development. Proper access to finance by the rural people is a key requisite to employment, economic growth and poverty reduction which is primary tools of economic development.70% of the Indian population lives in rural areas. This segment, commonly referred to as the ’bottom of the pyramid’, presents a huge opportunity for companies. Unilever’s Indian subsidiary, Hindustan Lever Ltd (HLL), considered one of the best-managed companies in India, understands the importance of rural marketing. The trigger point came when a local firm Nirma, through its new product formulation, pricing and distribution challenged HLL’s detergent business. Nirma’s attack from below made HLL realize its vulnerability as well as identify a new opportunity. Since then, HLL has launched various
initiatives to reach out to the rural consumers. It has changed its product formulations and deliveries. It has begun a number of initiatives in terms of widening distribution reach through traditional as well as unconventional channels. HLL has also empowered rural women by assisting them in obtaining financial assistance through its project Shakti. HUL has initiated a pilot project with India’s largest bank, SBI in Maharashtra and Karnataka. Banks which are considered as ambassadors of financial inclusion are also making co-operative efforts in order to look beyond the conventional branch model to penetrate deeper in a viable manner. This consortium between the banks and FMCG Company can reduce the costs of operations to the minimum possible extent.

OBJECTIVES OF THE STUDY

The study is made with the following objectives in mind

1. To find out how CSR activities can help in earning profits
2. To understand the relationship between CSR and Profit.
3. To study the functions of HUL in promoting CSR.

RESEARCH METHODOLOGY

Primary data is collected through respondents of HUL Company Representatives.

Secondary data is being collected through various sources such as books, magazines, journals, newspapers and websites.

LIMITATION OF THE STUDY

The study is confined to profit mobilization only and not other impacts of CSR initiatives.

REVIEW OF LITERATURE

The term "corporate social responsibility" is often used interchangeably with corporate responsibility, corporate citizenship, social enterprise, sustainability, sustainable development, triple-bottom line, corporate ethics, and in some cases corporate governance. Though these terms are different, they all point in the same direction: throughout the industrialized world and in many developing countries there has been a sharp escalation in the social roles corporations are expected to play. Companies are facing new demands to engage in public-private partnerships and are under growing pressure to be accountable not only to shareholders, but also to stakeholders such as employees, consumers, suppliers, local communities, policymakers, and society-at-large.

An Economic summit was conducted in the month of November 2010 in foreign delegates representing US participated and opined that inclusive growth can be achieved by India within a span of 5 years. By 2020 India can emerge as super power in all sense. India is to be considered as an emerged country or developed country and not as emerging country of developing country. Mr. Nandan Nilekani is of opinion that global companies can also contribute for the inclusive growth. Tom Peters in his book In search of excellence wrote that most projects invent themselves, rather than being the product of a formal planning process.

Reports suggest that only 5% of around 6 lakh habitations in the country have a bank branch. That is only 40% of rural folks are having bank account. Financial inclusion aims at covering the other 60% also before 2012 by Pranab Mukherjee (then Finance Minister). In order to fulfill these requirements multinational companies can create an impact along with their marketing strategies. Villages having the population of 2000 or less than can be selected and they can have tie-up with the banks in order to open accounts when they select dealers and distributors. They can compulsorily make these rural people within banking net with a small effort. This can help in teaching the habits of thrift as well as all transactions can be through banks. Again a number benefits can follow this particular arrangement. Rural consumers can understand the importance of savings and there-by improving the standard of living. They can be relieved from the clutches of moneylenders if the same branch can offer micro
finance. This can even help them to get rid of their habits to a certain extent. Rural communities have certain typical features. For e.g. if the loans are raised in the name of women they are very particular in returning the same without any default. This can help the women to improve their knowledge of banking and related aspects.

**Shaktimaan & Shakti Ammas: An Initiative Projects Taken by HUL**

A Shaktimaan is a male member of a shakti entrepreneur family. In 2000, HUL collaborated with self-help groups to expand its rural reach under project Shakti. It partnered women entrepreneurs called Shaktiammas from rural areas of Andhra Pradesh and 14 other states by offering them opportunities for business. The objective was not only to increase direct reach in rural areas, but also build brands through local influencers. Today, there are around 45,000 Shakti ammas on board, taking products to across 1 lakh villages and over 30 lakh households every month. HUL soon figured out that the men folk from Shakti households, who would by now be familiar with the operations and product range of the company, could be used for the next leap — to reach villages with a population of less than 2,000. They have been christened Shaktimaans. Roughly one in two Shakti households would provide a Shaktimaan. While there are no fixed selection criteria, a Shaktimaan is chosen based on his locational advantage and his proximity to villages which are to be covered. Since the Shaktimaan is a male member of the Shakti household, his additional income from this programme results in an increase in household income. A Shakti entrepreneur typically earns an average of Rs 1,000 per month. It is estimated that the Shaktimaan would earn 2.5 times this amount, given the arduous task he has been given to perform.

The Shakti ammas and Shaktimaans are not paid employees of the company. HUL gives Shaktimaans (male members), a bicycle, to be able to service villages within a 3 to 5 kms radius and hence cover a larger area than a woman, Shakti amma, can cover on foot. “On an average a Shaktiman does approximately double the business of a Shakti amma and helps reach media-dark regions which no other large FMCG company has penetrated,” said the top HUL official. An HUL spokesperson said in an email that Project Shakti is a rural distribution initiative that targets small villages populated by less than 5,000 individuals. “It is a unique win-win initiative that catalyses rural affluence even as it benefits business. Project Shakti benefits business by significantly enhancing HUL’s direct rural reach, and by enabling its brands to communicate effectively in media-dark regions.”

HUL is also undertaking initiatives such as ‘Khushiyon ki doli’ through which it reaches 50,000-70,000 villages with a set of five to seven relevant brands and extols the virtues of washing hands before meals, washing clothes with a soap or detergent, among others. HUL this year will also roll out its IQ solution, which enables salesmen to record orders for outlets on a automated handheld device that connects directly to the system and helps retailers reduce the incidence of stock outs. HUL is using a network of 45,000 Shakti ammas and 23,000 Shaktimaans to reach consumers in villages where it’s not economical for our wholesale distributors to service. This was one of the major steps in helping us triple our rural reach in 2010-2011, equaling what we had done in the last 75 years of business in India. HUL estimates that India has more than 630,000 villages, most of which are ‘hard to reach’ and offer relatively lower business potential. Reaching them through the conventional distribution system is a challenge.

**CASE STUDY**

Forty-two-year-old Sudharkar Sahoo is a farmer in Sarapari village in Orissa’s Khurda district. Till a few months back, he used to till land for a part of the day and had nothing to do for the rest. Financially, Sudharkar’s family of four was not overstretched considering that his wife, Suprabha too earned an income. Being a ‘shakti amma’, Suprabha was an entrepreneur distributing consumer products for multinational giant Hindustan Unilever (HUL). Now, Sudharkar’s family income is about to more than double as he has been picked up for a specific task by the maker of Lux soap and Wheel detergent. The company is utilizing the skills of the likes of Sudharkar to distribute its products in remote villages which have a demand for such products, but don’t have a distribution network.
Sudharkar must be happy that the hike in income will take his family closer to the comfort zone. What he may not be aware of is the importance of the role he is about to play in a mission that is going to triple HUL’s rural reach in a year’s time. He is among the first lot of ‘shaktimaans’ who have been roped in by HUL to fulfill its ambition of reaching villages with population of less than 2,000 and are beyond the reach of the company’s redistribution stockists (RS). Every day, Sudharkar sets out on a bicycle which has been provided by HUL for him to commute to villages to distribute products and sachets of popular brands like Wheel, Lifebuoy, Pond’s, Brooke Bond, among others, to aspiring consumers. Earlier, these consumers had to satisfy their needs by purchasing products from nearby villages where the company has direct distribution. Now, their needs will be met in their own villages by the visiting Shaktimaans.

EMERGING PERSPECTIVES

The above case study reveals significant emerging perspectives for a renewed CSR as follow:

- The company can reach out rural poor with the help of the project.
- It can try to market any product in rural areas since the trust of the consumers have already developed.
- Maximization of sale and profitability can be targeted very easily.
- Since rural consumers are also adapting to changes, introduction of a new product becomes very easy.
- The customer base can be improved without much effort.
- Social capital can be created while serving the bottom of pyramid.
- The reputation of the company also gets elevated

REFERENCES