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***1st Prize***

**HINDUSTAN LEVER (C):  
DELIVERING THE DESIRED RESULTS**

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## HINDUSTAN LEVER (C): DELIVERING THE DESIRED RESULTS

*Research Fellow Wolfgang Amann and CSM Program Manager Aileen Ionescu-Somers prepared this case under the supervision of Professor Ulrich Steger as a basis for class discussion rather than to illustrate either effective or ineffective handling of a business situation.*

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MUMBAI, INDIA: JULY 2005, 15:15. After outlining the challenges and options to his senior colleagues, Sharat expressed the belief that Project Shakti was taking off in a positive manner. By 2005, Shakti had already been extended to about 50,000 villages in 12 states--Andhra Pradesh, Karnataka, Gujarat, Madhya Pradesh, Tamil Nadu, Chattisgarh, Uttar Pradesh, Orissa, Punjab, Rajasthan, Maharashtra and West Bengal. It had about 13,000 women entrepreneurs in its fold, reaching no less than 15 million people in rural areas. The project was undoubtedly creating opportunities for rural women to improve their living conditions and, most likely, their self-esteem, while changing their families' overall standard of living for the better.

Alterations to the supply model were, however, deemed necessary, so HLL modified it so that the rural distributors could sell directly to the SHGs. This freed them of the MACTs' 3% margin and enabled the SHGs to sell to the retail trade as well, which boosted their overall sales significantly, ensured increased retention rates and gave them a breathing space to start creating a direct customer base in the villages. No conflict of interest was involved because it meant that the retailers would not have to travel to purchase stock, and that the SEs were there to service them. The retailers did not have to buy in bulk to the same extent and many of them actually had no other sources of supply.

Further changes took place: Stocks were no longer sent from the C&FA (cash & forwarding agent) but from the rural distributor (RD). This ensured faster and more frequent servicing of orders. Small orders--like those typically placed by the SEs--were easily serviced by the RD, whereas they would have caused problems for the C&FA that specialized in processing bulk orders. Furthermore, no SHG Fed/NGO was involved in the process. Stocks were sent directly to the SHG group/individual (products were delivered to the SE's doorstep by the RD) and cash was paid on delivery. The bank linkage was set up by HLL as it also facilitated the loan process.

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As home-to-home selling posed a serious challenge to the initiative, HLL started a large campaign in which a company representative accompanied an SE when she approached the homes of potential clients. This was a crucial step, as it ensured the legitimization of the activity in the eyes of both the SEs and the village community. After the first few home visits, the HLL team were pleased to observe that the SEs participated enthusiastically and were keen to get on with it. The ice had been broken, and the SE was on her way to becoming a door-to-door vendor. HLL still makes sure that its reps make home calls as a part of their daily routine, since it really does help the SE to break through.

Over the following months, HLL realized that the then current level of interaction with and supervision of the rural sales promoters was clearly too high. The company wanted to reduce the supervisory visits from two to one a month. Sharat reported that the project employed 31 managers with 600 outsourced personnel to handle 20 to 25 entrepreneurs each. HLL decided to scale up while maintaining the same number of outsourced personnel.

The key motivator for the women was obviously profit, which made recognition important. HLL therefore developed a reward recognition program--a "consumer silver card holder." There would be several grades of entrepreneurs who would be entitled to different benefits. HLL also felt that there was still too much slack in the system, which had to become more cost effective and efficient. Consequently, it decided to drive the recruiting and training aspects much harder as economies of scale were essential. The resulting challenge resided in increasing the home sales. HLL presented a number of brand-centric activities to enhance brand loyalty and increase the number of homes reached. It also established a new target of 80 homes per village per person, as well as an incentive system to encourage brand loyalty.

Economically, HLL had experienced challenging times in the form of intense local competition. But the project objectives were not abandoned, nor were the levels of investment decreased. This included financial resources, but also top management attention. There had been tremendous support for the initiative from the top management. In fact, the investment had increased 20 fold from what it had been in 2001. The local populations were also very supportive of Project Shakti.

### ***Not Resting On Its Laurels***

Shakti Vani and iShakti were, among others, new initiatives that were subsequently added. They both significantly increased the Shakti footprint in the communities. Shakti Vani was a communication program that spread awareness of best practices in health and hygiene. Local women were appointed as Vanis, and trained in matters relating to health & hygiene. They used specially designed communication material, such as pictorial literature, and spread awareness at SHG meetings, school contact programs and other social events.

iShakti distributed education modules among the children of the village and gave the community, particularly the youth, an opportunity to learn to use a computer. The monthly income that an SHG representative could expect had increased greatly from an average of about Rs 150 to about Rs 750 per month. This represented nothing less than a doubling of the representatives' household



earnings and far more than they could possibly achieve through any other vocation in their villages. As other opportunities did not abound for women, the SEs were very happy.

When the project was extended from Andhra Pradesh to 12 other states, the SHGs received varying degrees of support from the different state governments. Where the support was limited, HLL developed a direct contact model for recruitment that involved directly reaching out to women in villages and presenting a proposition for a stable, low-risk income. This proposition also enjoyed the support of the local NGOs.

In turn, HLL also benefited, possibly creating a true win-win situation: The company obtained a vehicle that increased its distribution reach by over 50%--an additional 50,000 villages were now covered. The project covered more than 1 million homes every month--a phenomenal outreach for a brand that had been and continued to be interested in doing trials or communicating with a large rural audience. HLL had a unique one-to-one, interactive communication channel that built brands in media-poor villages. It succeeded in building significant goodwill in communities by providing opportunities to earn a livelihood as well as communication programs such as Shakti Vani/iShakti. Consequently, there were substantial market share and consumption gains in these villages. HLL's studies have shown that there was a 17% increase in the consumption of HLL products across various categories in the Shakti villages. This was achieved by selling regular HLL brands by means of this channel, as no customized products have as yet been developed. There is therefore room for future opportunities.

### ***The Future of Project Shakti***

Despite the SE's success, the company envisages the project dynamism accelerating rather than slowing down. HLL has a daring vision for 2010: 100,000 SEs covering 500,000 villages and benefiting 500 million people. Sharat is confident that the future is bright and after his convincing presentation, his senior colleagues shared this view.