

Promoting Women's Economic Empowerment: The Learning Journey of Hindustan Unilever

MAIN LESSONS

- Developing innovative initiatives such as Shakti requires commitment and patience, where financial rewards may not be immediate but long-term business benefits could be large.
- Multi-sector partnerships can strengthen the distribution model, especially when reaching previously untapped markets.
- Aligning business goals with the emotional connect is important for ensuring staff commitment to a difficult but important cause.



“What I am most proud of is the fact that this little idea which started with 17 women in one state is today over 45,000 women touching more than 135,000 villages across India.”

– Nitin Paranjpe,
CEO



Hindustan Unilever Limited

A sari-clad woman walks confidently across the village. “When my husband left me I had nothing. Today everyone knows me. I am someone,” she says and smiles at the camera in the video about Shakti, a signature women’s empowerment initiative of Hindustan Unilever. As India’s largest fast-moving consumer goods company, Hindustan Unilever works to add vitality to life and meet everyday needs for nutrition, hygiene, and personal care. Its portfolio of brands includes well known products such as Dove and Sunsilk shampoos, Pond’s skincare, Lipton tea, Lifebuoy soap and hand wash.

The company’s work has been guided by the belief that the private sector can help create solutions to social challenges through innovative strategies that meet both business and social objectives. It is this belief that led the company to develop Shakti (meaning empowerment or strength), a direct-to-consumer sales distribution network that relies on over 45,000 female micro-entrepreneurs from 15 Indian states to tap into remote, rural markets in India. The initiative has proved a resounding success. Using an innovative distribution channel, Shakti has helped further rural development and has brought new business by opening previously unexplored markets.

WIN-WIN SITUATION FOR BUSINESS AND FOR WOMEN

- Shakti, a direct-to-consumer sales distribution network that relies on 45,000 female micro-entrepreneurs has tapped into 3 million homes across 135,000 villages in remote, rural markets in India.
- The program has brought competitive advantage and increased profits for the company while positively impacting local communities by increasing women’s incomes.
- By packaging products into very small amounts and selling them at prices that are affordable to the rural poor, the company is helping improve hygiene and well-being in rural India.

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The Business Case For Gender

Hindustan Unilever has had a long record of market leadership in India, with market shares of nearly 60 percent in categories including soap, detergent, and shampoos. But liberalization of India's economy and the opening up of markets to foreign multinationals such as Procter & Gamble led to increased pressure for Hindustan Unilever to grow revenues and profits. By the late 1990's, the company still had vast reach and was the market leader. But it was looking for the next big opportunity, to get to the really small villages not reached by their distribution network.

The business case of focusing on rural Indian markets was clear. India is the second

largest country in terms of population size after China and over 70% of its more than one billion people live in rural areas. While poverty remains widespread, the consumer potential of rural populations is growing. In the five-year period ending in 2007, rural Indians' consumer spending grew faster than that of city dwellers.

While the business rationale was clear, setting up a distribution channel to reach remote parts of India was less straightforward. Hindustan Unilever was tapping into some of the rural populations through tools such as van road shows, but a large share remained outside its reach. Problems included poor transportation networks, small, scattered settlements, high

illiteracy rates and poor media penetration that made conventional advertisement methods ineffective. Average GDP per capita in India was \$3,100 in 2009, and the per capita consumption in rural areas is still 33% of urban levels, even though it is growing rapidly. The rural poor targeted by Hindustan Unilever had little disposable income and could spend no more than a few rupees on its products. Meeta Singh, Hindustan Unilever's Head of Corporate Responsibility explains the difficulties, "The majority of Indian villages have less than 2,000 people, and businesses don't want to set up there, as it's too much of an investment."

The company came up with an interesting solution: build a distribution system through a network of women micro-entrepreneurs to get the product directly to consumers.

Focus on Empowering Women A Differentiating Strategy

As Hindustan Unilever was contemplating how to increase its reach, self-help groups based on the Grameen model of microfinance were springing up and flourishing across India. Shakti started out by tapping into these groups in one rural part of Andhra Pradesh in 2000. The idea was to create low-risk, profitable micro-enterprise opportunities for women who become direct-to-home distributors of Hindustan Unilever's products. By selling directly to consumers, the women take on a role of influencers, strengthening their position in the local community.

The company wanted to focus on women from the beginning. This was not only because women tended to be its main consumers, but also because of the belief that giving additional income to women would result in greater benefits for the household as a whole. "Hindustan Unilever has always believed in an approach to doing business which we've called 'doing well by doing good,'" Nitin

Paranjpe, the company's CEO and Managing Director has said. "In the Shakti initiative we actually went to the most remote villages and identified underprivileged families whose household income was as low as \$15 to \$20 a month."

But the idea of tapping into self-help groups was still a departure for Hindustan Unilever. "For a company like ours, the challenge was to think completely out of the box. To think of working with these rural women who had no apparent business skills at the time was a stretch," explains Krishnendu Dasgupta, the company's Regional Brand Manager whose portfolio includes Shakti.

Shakti is not the first project that has used women's self-help groups. For years, non-governmental organizations, donors, and government have been establishing such groups across India. Today, eight million Indians, 95 percent of whom are women,

benefit from microfinance, but there is still huge unmet need. Companies like Avon or Tupperware have used a similar distribution model in more affluent markets. What makes this program particularly interesting is its focus on the country's poorest regions to deliver products to consumers that would otherwise remain outside its reach.

Shakti entrepreneurs quickly became central to the firm's distribution network in rural India. Over the years, the basic premise of the program has remained the same, but the initiative is constantly evolving to address emerging challenges and changing circumstances. Today, a distributor delivers stock at the woman's doorstep. She then distributes it directly to consumers and to retail outlets in her host and satellite villages. Margins are usually higher with the direct to consumer option than in the retail outlet option, where maximum margins are limited to 3%. The products are packaged in quantities small enough to be affordable to rural buyers and often cost as little as half a rupee each. A rural sales promoter is responsible for several villages at a time and provides a helping hand to the women as they grow their businesses.

To recruit entrepreneurs, Hindustan Unilever makes presentations at women's self-help group gatherings. Shakti is not a one-company effort. The program involves a variety of other non-state and state actors and has worked with over 400 organizations to date to recruit the women, provide associated training, and roll out related initiatives.

While the women may be excited about this income earning opportunity, turning them into businesspeople can be challenging. "Building the capabilities and skills of these ladies is one of our biggest challenges. They come from underprivileged homes and are not very educated," explains Hemant Bakshi, the Executive Director of Customer Development at Hindustan Unilever. To address this skills gap, intensive training is required to help the women distributors become confident and independent. Due to this intense level of required effort, a team of about 1,200 people at Hindustan Unilever is involved in the initiative.

To increase the credentials of Shakti entrepreneurs and enhance the standard of life of the rural community, social activities like medical camps and education programs are run. Hindustan Unilever has also created iShakti and Shakti Vani, which provide rural India with access to information and social communication. The iShakti community portal, piloted in Andhra Pradesh, empowers communities by creating access to relevant information. Desktop computers are set up in the homes of Shakti entrepreneurs, and users can access content on categories such as education, employment, agriculture, health, grooming and entertainment.

These educational initiatives are so important because lack of awareness of basic hygiene practices is estimated to kill over 500,000 children in rural India every year. Shakti Vani seeks to spread awareness of best practices in health and hygiene, while also benefiting the business. Under this scheme, a local woman is appointed as 'Vani' (voice) for a cluster of villages. She receives training on personal and community health, and communication materials, such as pictorial literature that

can be understood by illiterate people. She attends meetings, organizes school contact programs, and uses other social occasions to clarify issues of community hygiene. The Vani project operates in over 20,000 villages.

While the programs have been costly to set up, increased awareness about hygiene is expected to increase sales in the long term while benefiting community well-being.

Shakti is Hindustan Unilever's most visible initiative on gender, but it is not the only one. The company is committed to creating equal opportunities for their staff. In 2003 they started the Fair & Lovely Foundation,

which provides information, resources, and scholarships in the areas of education, career and women's enterprise. Hindustan Unilever has also worked with the Dhan Foundation to enhance the livelihoods of 75,000 women by providing them with business training and access to loans.

The company's next frontier has been to provide safe drinking water. Poor quality water is a source of major disease in India. Hindustan Unilever has worked to develop Pureit, a relatively affordable home water purifier. Following pilots in the south of India, the company is now using its Shakti network to distribute Pureit across the country.

Global Impact

By opening untapped markets through an innovative distribution channel, Shakti has helped further rural development while generating business for Hindustan Unilever. There are now over 45,000 Shakti entrepreneurs in 135,000 villages. They cover more than 3 million homes in India. The company has rolled out similar initiatives in Sri Lanka, Bangladesh and the Philippines.

Shakti has resulted in significant new business for Hindustan Unilever. It

contributes to 15% of the company's rural business in India and 40% of its growth in rural markets. In Shakti areas, the company's market share is about 10% better than in non-Shakti markets. In addition to the immediate financial benefits, the work of Shakti entrepreneurs as brand ambassadors has been crucial for building long-term brand loyalty for Hindustan Unilever.

The initiative has led to increased income for women and improved community wellbeing. A typical entrepreneur earns about \$15 to

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A SHAKTI ENTREPRENEUR IN ACTION

Before joining Shakti in 2006, Sakamma's husband was the sole bread earner for the family of five. The meager income of 10,000 rupees per year was worsened by the husband's alcoholism. The needs of Sakamma's growing children posed a daunting task. When the concept selling meeting was organized by Hindustan Unilever, she decided to become a Shakti entrepreneur.

Today, Sakamma earns an additional yearly income of 10,000 rupees through Shakti. "I want my daughter to become an engineer," she proudly says. She believes that this career path will make her daughter financially independent. Sakamma today has independent access to a bank and decides what investments to make. She recently invested in gold jewelry as has started preparing for her daughter's marriage. Sakamma was recently also chosen to work with the government to help educate rural populations on health issues.

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\$20 per month, often doubling household income. In 2010, the initiative is expected to generate an annual combined income of over \$25 million for Shakti entrepreneurs. This additional money in the hands of women is significant, since they have limited other income generating opportunities and are more likely to invest their income towards the overall benefit of their family.

Through the program, women acquire education, improved standing in their communities, and greater self-esteem. They are often treated with more respect by their family, since they provide additional income. One study found that the project made a number of women aware that girls need sufficient education to be able to generate their own income. Shakti entrepreneurs tend to be more confident about socializing, more likely to take lead roles in public activities, and they enjoy higher recognition and social status among local people. "Until I met one of the Shakti women, I underestimated the potential of what multinational corporations could do to improve the quality of life of the underserved. By offering women opportunities to earn income, Unilever is transforming the lives of these women, their families and their neighbors while also meeting the growth aspirations of their shareholders," said Tess Mateo of PricewaterHouseCoopers after a recent field visit to a Shakti village.

Lessons Learned

While Hindustan Unilever executives say that Shakti is a work in progress, it has drawn on lessons from the past to modify its approach. The first lesson has been about the need for commitment and patience in reaching untapped markets such as India's rural poor. Shakti is a long-term effort. It relies on a cost and resource-intensive distribution model, with one dedicated person assigned for every 35 to 40 entrepreneurs. This high level of input has required strong company commitment to the initiative's vision, as well as creativity and flexibility in changing the approach. "Getting the model right took a long time, and Shakti has evolved over the years," says Krishnendu. "We started out in 2000, but only in 2005 did we get some scale. Unless you are very patient, you won't get very far with an initiative like this."

This is also partly why Hindustan Unilever's competitors may not have been quick to replicate the model. "Others are not starting similar initiatives because this is something that is not conventional and the benefits are not immediate. It takes lots of investment and requires a long-term point of view," Hemant adds.

With Hindustan Unilever focused on long-term opportunities, it has viewed Shakti as crucial to building brand loyalty and reputation with a large future consumer segment. The company knows that working with women in rural communities is not only helping local communities but also establishing it as a leader in gender issues and creating positive reputation effects.

Another lesson has been that multi-sector partnerships can strengthen the distribution model. Shakti has partnered with over 400 organizations across India. "There was a lot of work that went into building

relationships with external networks," says Krishnendu. Krishnendu believes that for a project of the complexity and breath of Shakti, such partnerships have been crucial for increasing the program's credibility and ensuring adequate outreach.

A third lesson has been about aligning business goals with the emotional connect. The team that built Shakti was driven by passion and unflinching commitment. The daily reality of its 1,200 staff often requires arduous work in remote areas of the country. To do this, motivation and commitment to the cause is required and the awareness of the positive impact that these actions are having on society.

As Hindustan Unilever plans for Shakti's future, it has realized that the temptation to quickly scale up would be counterproductive and may not be manageable or sustainable. Instead, they are focused on consolidating their network and ensuring that their existing Shakti entrepreneurs are strengthened and can increase their profits for the overall benefit of their communities.

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