



Global Poverty: Business Approaches & Solutions

*The Complex Business of Serving the Poor:
Insights from Unilever's Project Shakti in India*

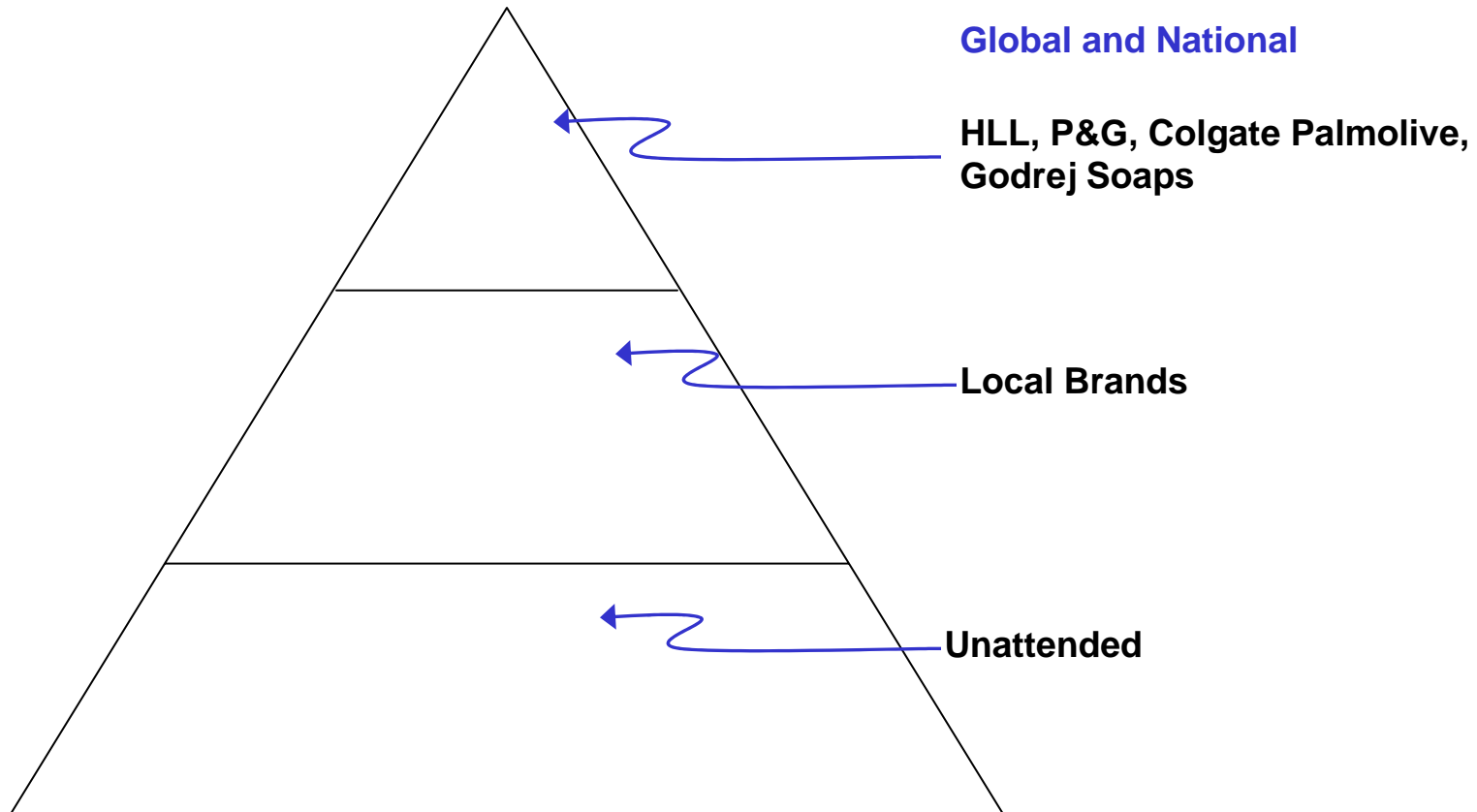
Kash Rangan, HBS
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Hindustan Lever Limited

Background

- \$2.3 billion subsidiary of \$50 billion global food giant
- Has operated in India since 1933; HLL was formed in 1956
- Operates 4 business units: Detergents, Personal Care, Beverages, Foods
- Gross Margins: 40% to 45%
Net Margins: 10% to 15%
- Market share of about 45% across categories
- Built a reputation for strong management and corporate values

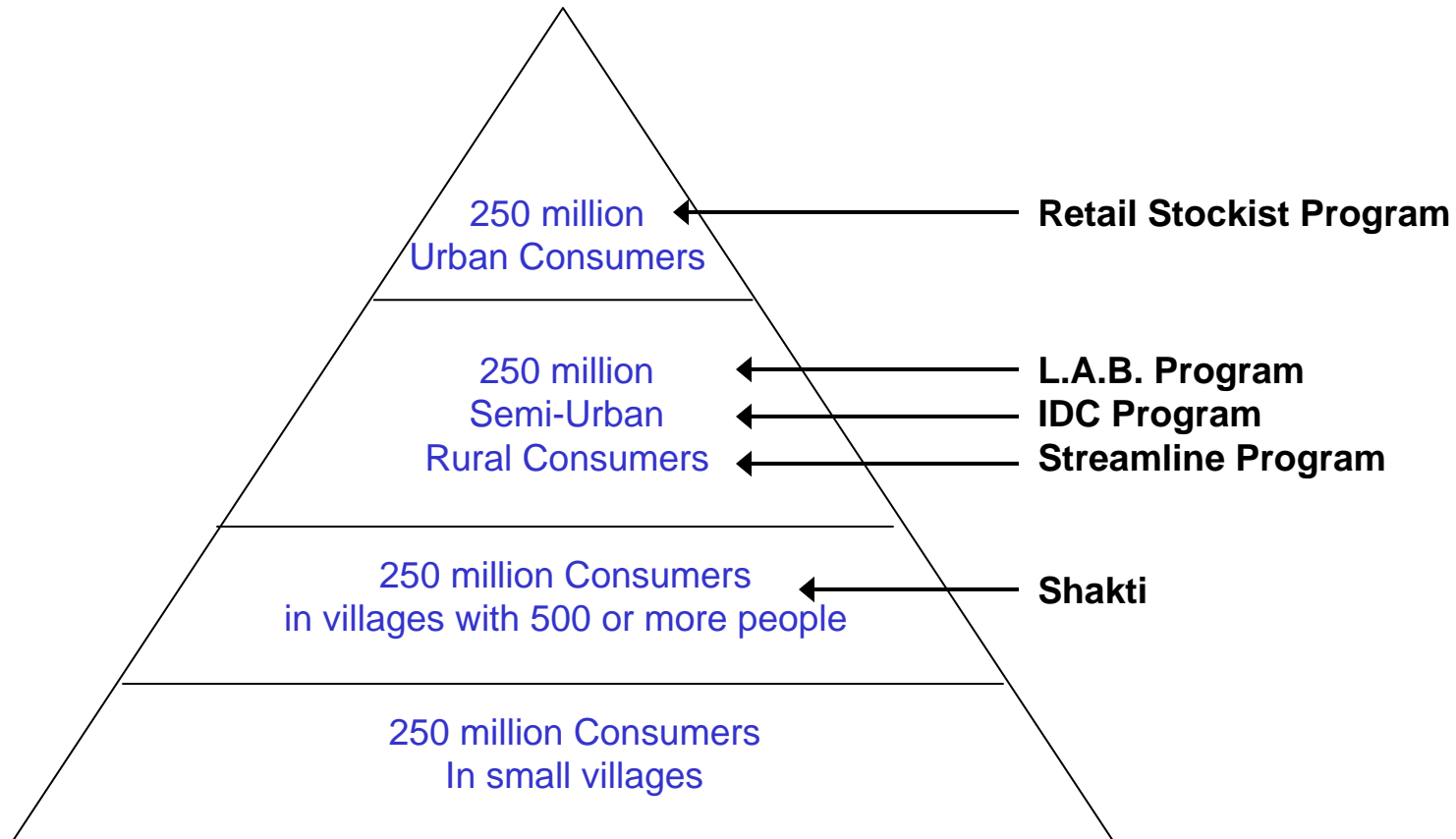
Structure of Competition in Indian Markets



Local Innovation: Example, Nirma, building up since seventies

Global Entry: Heating up since the nineties

Structure of HLL's Market Reach in India



Annual Per-Capital Income \$600 (\$3,000 PPP)

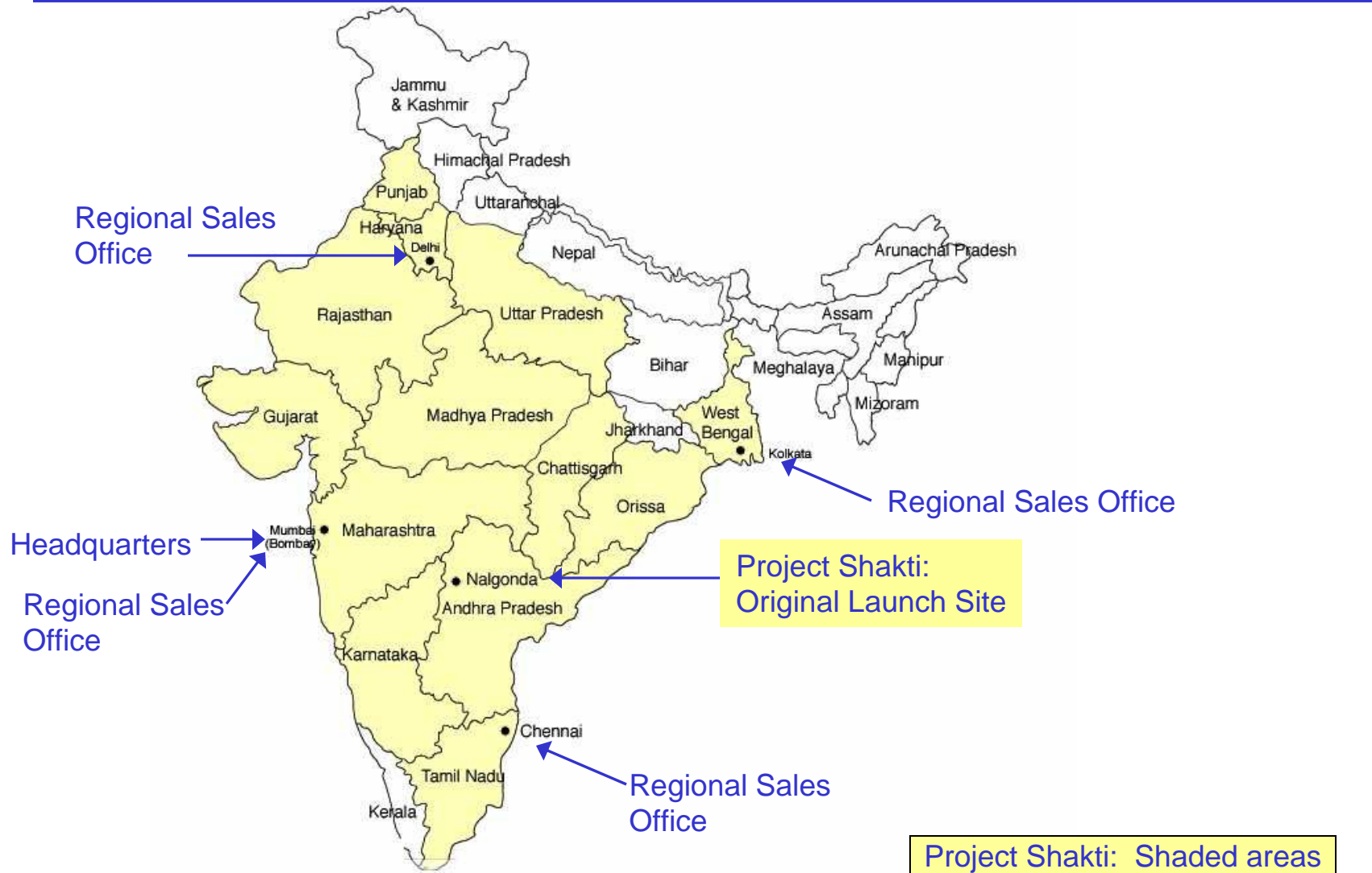
Market Size of Urban and Rural Approximately Equal

Distribution of Villages in India

| Population | Number of Villages | % of Total |
|------------------|--------------------|-------------|
| Less than 200 | 114,267 | 17.9% |
| 200-499 | 155,123 | 24.3% |
| 500-999 | 159,400 | 25.0% |
| 1,000-1,999 | 125,758 | 19.7% |
| 2,000-4,999 | 69,135 | 10.8% |
| 5,000-9,999 | 11,618 | 1.8% |
| 10,000 and above | 3,064 | 0.5% |
| Total | 638,365 | 100% |

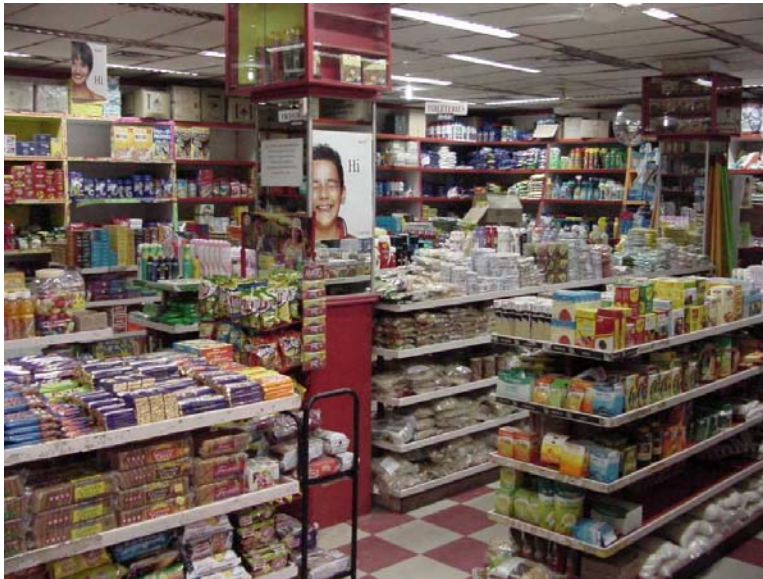
Source: *Selling to the Hinterland*, Pradeep Kashyap, The Businessworld Marketing Whitebook 2003-04

Hindustan Lever Sales Offices



Urban Stores

Self-Service Store



Retail Store



Rural Retail Stores



Appearance of iShakti Kiosks



A Shakti Entrepreneur



Shakti Vani: The Communicator



Economic and Social Benefits

Shakti Entrepreneur

- Sales \$250/month → \$3,000/year
- Earnings about 7%, after 3% goes towards principal (\$250) and interest
- Improves her per-capita income by about 50% to 100%
- 100,000 entrepreneurs by 2010
- So, Social Benefit equals \$20 to \$30 million

HLL

- Sales Turnover of about \$250 million
- If all goes well, Net Margins of about \$25 million

Challenges

1. Scaling up for economic profit. Moving from variable cost to fixed cost model.
2. Significance of Partnerships with NGO sector and Government sector in building Commercial infrastructure (even Competitors).
3. Sustainability and Attention.
Multinationals' Dilemma