

The consumer captain

The managing director of P&G on growing and selling in an emerging market

BY SAPNA AGARWAL
sapna.a@livemint.com

Shantanu Khosla, managing director, Procter & Gamble (P&G), India, drives to work in a Volkswagen Jetta whose diesel engine is as powerful as that of an Audi A4, owing to a small contraption sourced from a Bangalore start-up.

As Khosla, who leads operations for all three P&G companies in India, talks about his latest interest in car technology, which involves tinkering with everything from the headboard to the engine, the first word that comes to mind is *jugaad*. "The Volkswagen Jetta has the same engine as the Audi A4, Q3, Skoda Superb. What the company does is that they retune the engine to give you less power (when you buy a cheaper car)," says Khosla, who also owns an Audi A6.

We met at the company's headquarters, P&G Plaza, in Mumbai's

Andheri East earlier this month after exchanging close to a dozen emails over six weeks to decide venue, date and time. Khosla, 52, limits his social outings to a handful of close friends from school and college, and admits to not being fond of formal socializing or corporate dos. He is relaxed and chatty, and our meeting at one of the company's informal lounges overlooking the headquarters of India's largest consumer packaged goods company, Hindustan Unilever Ltd (HUL), stretches from 1-hour into 90 minutes.

A P&G veteran for 30 years, Khosla came on board when the world's largest consumer company acquired Richardson Hindustan Ltd, known for its Vicks brand, in 1983. It was formally rechristened Procter & Gamble India Ltd in 1985. Today, the Cincinnati, US, headquartered P&G has one wholly-owned company in India, Procter & Gamble Home Products Ltd (PGHP), which sells detergents (Ariel and Tide) and shampoos (Head & Shoulders and Pantene), and two listed companies, Gillette India Ltd, which sells razors like Mach 3 and Gillette, and Procter & Gamble Hygiene and Health Care Ltd (PGHH), which sells feminine hygiene products like Whisper.

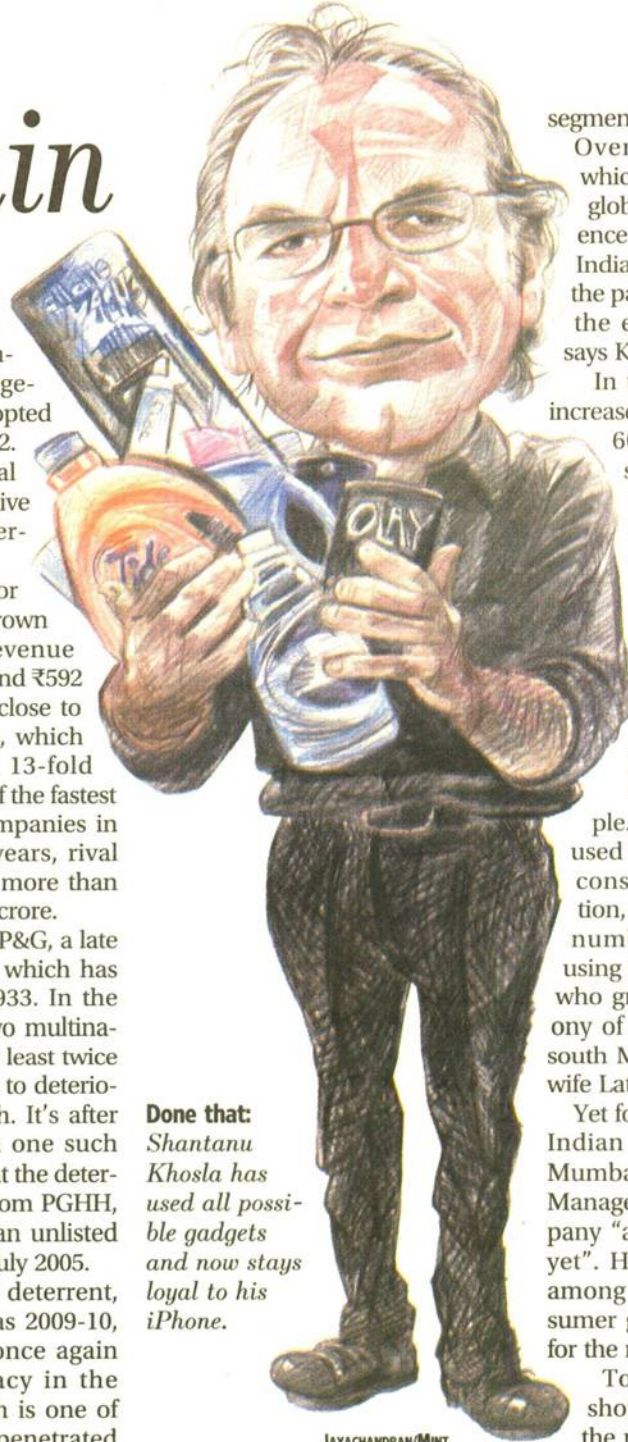
After several stints abroad over a decade, in places such as Newcastle (the company's UK headquarters), Kobe (Japan), Singapore and

Kuala Lumpur (Malaysia), Khosla, who joined Richardson Hindustan Ltd as a management trainee in 1983, opted to return to India in 2002. "It was my professional desire to come back to live here and make a difference," he says.

In the driver's seat for 10 years, Khosla has grown the India business revenue from \$110 million (around ₹592 crore now) in 2002 to close to \$1.5 billion as of June, which roughly translates to 13-fold growth, making it one of the fastest growing consumer companies in India. In the last 10 years, rival HUL grew its revenue more than two-fold, to ₹23,436.33 crore.

The growth came as P&G, a late entrant, took on HUL, which has been in India since 1933. In the detergent space, the two multinationals have engaged at least twice in price wars which led to deteriorating margins for both. It's after the losses incurred in one such price war in 2004-05 that the detergent business moved from PGHH, a listed subsidiary, to an unlisted subsidiary in India, in July 2005.

The losses were no deterrent, however. As recently as 2009-10, HUL and P&G were once again warring for supremacy in the detergent space, which is one of the largest and most penetrated



Done that: Shantanu Khosla has used all possible gadgets and now stays loyal to his iPhone.

segments in India.

Over the last decade, P&G, which operates in 24 categories globally, has increased its presence from six categories to 14 in India and now plans to bring in the parent's entire portfolio, with the exception of toilet paper, says Khosla.

In the last three years, it has increased its distribution reach by 60% to nearly six million stores, closing in on the gap with HUL, which reaches a little over seven million stores. Additionally, it is addressing the perception that it's relevant just to urban consumers. Close to a fourth of its revenue now comes from rural India, compared with 12% three years ago.

"India has 1.2 billion people. Today, any P&G brand is used by about 700-750 million consumers which, by definition, means a reasonably large number of rural Indians are using P&G brands," says Khosla, who grew up in the railway colony of Badhwar Park in Colaba, south Mumbai, where he met his wife Latika.

Yet for Khosla, a graduate of the Indian Institute of Technology, Mumbai, and Indian Institute of Management, Calcutta, the company "ain't scratched the surface yet". His objective is to remain among the fastest growing consumer goods companies in India for the next 30, even 40, years.

To be able to do this, "we should grow at at least twice the rate of the market growth",

says Khosla, a hands-on leader who does not use a computer, laptop or even paper, and who believes in an open-office culture, informal office meetings, video conferencing rather than travelling, and answers emails immediately, 24x7, on his iPhone.

The growth will come as the company continues with its strategy of vertical laddering, launching top-end and bottom-end products in all its categories, says Khosla. For example, in its female hygiene brand Whisper, there is Whisper Choice for ₹26 and Whisper Ultra with wings for ₹70. In male shaving products, there is Gillette Guard for ₹19 and Gillette Fusion for ₹299. Brands will also be extended to adjacent categories—from shampoos to conditioners, for example—besides new ones, expansion of the distribution footprint and manufacturing capacities.

Khosla's intent is backed by the \$83 billion (the full-year revenue for P&G as of June) parent, which is looking at India and emerging markets for growth. In June, P&G identified India as one of the 10 emerging markets it would focus on to grow revenue as growth in its developed markets declined.

For P&G, emerging markets are close to a third of its overall revenue globally. In the case of Unilever Plc, also looking to double its global revenue, emerging markets already contribute 54% of its global revenue—and will be an important part of its expansion plans too.

To win in this competitive scenario, Khosla might yet have to rely on some *jugaad*. But that remains to be seen.