

Innovation at the Grassroots: From Competition to Opportunity

Dr. Jitendra Aherkar¹, Dr. Nirmala Namdeo Pawar²

¹Director, Academy of Lifelong Learning, Dean, Faculty of Humanities & Social Sciences, Atmiya University, Rajkot
Email ID: dean.fohss@atmiyauni.ac.in

²Head, Dept of Economics, Bhavan's College, Andheri west, Mumbai- 58

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ABSTRACT

It has begun a number of initiatives in terms of widening distribution reach through traditional as well as unconventional channels. HUL has also empowered rural women by assisting them in obtaining financial assistance through its project shakti. 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. Hindustan Unilever Ltd (HUL), 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 HUL's detergent business. Nirma's attack from below made HUL realise its vulnerability as well as identify a new opportunity. Since then, HUL has launched various initiatives to reach out to the rural consumer. It has changed its product formulations and deliveries.

1. INTRODUCTION

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 shakti ammas 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 menfolk 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 'Khushiyaon 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 an 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 by 2025, equalling 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

Objectives:

1. To understand the HUL initiatives.
2. To explore the various avenues of HUL.

2. 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 utilising 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 fulfil 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.

Sources: Times of India, dated Aug, 16, 2010. Times Business, Page: 13

Analysis of the case:

1. Inclusive Rural Empowerment through Entrepreneurship

HUL's initiative goes beyond product distribution—it creates rural employment by identifying local entrepreneurs like Sudharkar and Suprabha. By engaging both men and women (Shakti Ammas and Shaktimaans), HUL promotes gender-inclusive rural entrepreneurship, empowering households to generate dual incomes and improve their financial stability.

2. Bridging the Rural Distribution Gap

HUL's strategy to use individuals like Sudharkar targets a crucial distribution challenge reaching villages with populations under 2,000 that lack retail infrastructure. By doing so, the company not only increases its market penetration but also ensures product accessibility in underserved areas, expanding its consumer base.

3. Sustainable Micro-Logistics Model

Providing bicycles and using local knowledge, HUL reduces logistical costs while creating a sustainable last-mile delivery system. This low-cost, high-efficiency model helps the company reach remote areas without investing heavily in traditional supply chain infrastructure.

Financial Inclusion and HUL

Mumbai, April 6: State Bank of India (SBI), the largest lender of country, and Hindustan Unilever (HUL), country's leading consumer goods company, have joined hands to promote financial inclusion in the rural areas through 'Shakti Ammas', HUL's network of self-help groups. HUL, through its self-help groups, distribute FMCG products in remote villages with a population of 2,000 and less. Now, with the help of SBI, the HUL groups will open bank accounts for rural people.

The two entities have started a pilot project of financial inclusion in the States of Maharashtra and Karnataka. As customer service providers, 12 Shakti Ammas have opened around 1,000 accounts so far. Their plan is to take the project across the country by the end of this financial year 2011-12. A total of 43,000 Shakti Ammas have been enrolled with HUL. Over 30 lakh bank accounts are expected to be opened this fiscal. Going by these numbers, each Shakti Amma is expected to open at least 70 percent.

Finance Minister of India Pranab Mukherjee had urged the banks to cover all the un-banked areas across the country by the end of this fiscal. India's banks, including SBI, are on their way to achieve the set targets.

There's fortune at the bottom of the pyramid. But as much as corporates like Hindustan Unilever (HUL) would like to tap into this pool of consumers, they would also want to ensure that the rural folks not only get access to capital, but also generate



savings. In a step to promote financial inclusion in rural markets, HUL's 'Shakti Ammas', a network of self-help groups that distribute the company's products in remote villages with a population of 2,000 and less, will now be opening bank accounts for people.

HUL has tied up with leading public sector bank, State Bank of India (SBI), to kick off a pilot project on financial inclusion in Maharashtra and Karnataka. At present, 12 Shakti Ammas, as customer service providers, have opened around 1,000 accounts, and the plan is to roll out the project across the country in the next 12 months. With a network of 43,000 Shakti Ammas enrolled with HUL, in excess of 30 lakh bank accounts are expected to be opened in the next one year—each Shakti Amma is expected to open at least 70 accounts.

Some innovations by MNCs

Village Financial Services Pvt Ltd a microfinance company that has operations in the eastern region of India has signed a Memorandum of Understanding (MoU) with Hindustan Unilever Ltd to promote the use of safe drinking water among the poor, according to a press release issued by Village Financial Services. The collaboration between Village Financial Services (VFS) and Hindustan Unilever will enable poor households to purchase HUL's Pureit water purifiers through the VFS network. The targeted 2.5 lakh beneficiaries could take loan at zero rate of interest to buy the purifier and the loan would be repayable weekly over a period of eight months, the release added.

3. CONCLUSION

HUL evolutionary change from the defence of its market share to proactively targeting rural markets reflects a defining transition in corporate strategy adapted to the realities of India's socio-economic dynamics. Priced into a loss-making situation by the competitive challenge posed by Nirma's low-priced detergent, HUL saw both its vulnerability and the potential of rural consumers numbering almost 70% of the Indian population. Instead of simply following the conventional urban-focused methods, HUL innovated in product development, pricing, and distribution to produce products that catered to the unique requirements and affordability of rural homes. One of the most revolutionary ventures has been Project Shakti, which not only facilitated last-mile delivery but also empowered thousands of rural women by making them entrepreneurs. This two-in-one model fortified HUL's supply chain while promoting inclusive growth. The unconventional channels used by the company and its deep community reach proved that rural marketing is not just about access, but about establishing relevance and trust at the grassroots level. Eventually, HUL's rural strategy highlights how businesses can build sustainable competitive advantages by aligning business objectives with social contributions. What started out as a defensive response to competition became a proactive long-term vision transforming the way market engagement in developing economies was approached—combining a challenge to become a compelling opportunity.

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