



# IMPACT OF DIGITAL MARKETING ON THE INCOME FROM OPERATIONS OF THE FIRM. A CASE STUDY ON HINDUSTAN LEVER LTD.

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## **ABSTRACT: -**

Hindustan Unilever Limited (HUL) is one of the household names in India for its range of products that is used in everyday life. Its FMCG products includes shampoos, soaps, hand wash, tea etc. According to a recent survey one in ten houses in India use HUL products every day. For the company to make known its products must do a lot of marketing by the use of various Medias like television, newspapers, magazines etc. but in the recent years the digital marketing is gaining a lot of popularity. As India is moving towards digitization because of various efforts by the govt., the businesses are increasingly using the digital Medias to market and promote their products. HUL has been experiencing a growth in sales revenue year after years on a consistent basis. This paper is an effort to study the relationship between the HUL expenditure on digital marketing and increasing sales revenue.

**KEY WORDS: -** HUL, Marketing, SEO, SEM, SMM, PPC, Income from operations, Administration and selling expenses

## **INTRODUCTION: -**

As India is getting digitalised, increasing number of people are using digital Medias in their everyday lives like smart phones, laptops, and internet. This encourages different companies to use these digital Medias as platform to market their products. Digital marketing is a comparatively a new phenomenon as against traditional marketing which generally involved TVs, print medias, hoarding etc.

Popular digital marketing tools used are:

(a) **Search engine optimization (SEO):** with this technique the marketers make sure that the website of the company is shown in the starting pages of the search engines. Whenever potential buyers are looking for information of a particular product in the search engines, the websites that appear in the starting pages only get due recognition. So, there was a need of a mechanism that would ensure the concerned website would appear in the starting pages of the search engine. This led to the development of SEO.

SEO will enhance and develop the company's website that will boost its ranking, visibility and it expands the company's reach. It makes the company's presence felt in the online world. It has been able to generate a lot of organic traffic and hence has the potential to convert a potential customer into a successful sale.

According to <https://similarweb.com> 71.25 % traffic generated is through organic search of the marketing channel. HUL keyword used to attract traffic are: HUL, Hindustan Unilever, Hindustan Unilever Limited, HUL share prices, HUL product

**(b) Search Engine Marketing (SEM):** One of the major drawbacks of SEO is that it takes a lot of time (generally 3-4 month) to make the Website of a particular Company to be shown in the initial pages of the search engine. SEO is an organically ranked i.e., there are no charges involved in it. It is not an interface of paid ads. It is dependent on specific keywords based on user's query.

But on the other hand, SEM works instantly, as these are paid campaigns and made by experienced advertisers. Since there are charges involved in it, the search engine will display these Websites in the initial pages of the Search engine. SEM ensures constant traffic and visitors. These are sponsored ads, thus can be shown whenever the Company wants. It enjoys more flexibility.

**(c) Content Marketing:** This is another strategic marketing approach which works by creating valuable and informative contents, and distribute it through various channels/platforms. Content must be created keeping in view the tastes and preference of individual and customers at large-

- Blogging- This is text-based content. It approaches potential customers directly and individually.
- Videos- This makes use of meaningful and relevant video content to approach the potential customers. This is distributed mostly through channels such as YouTube.
- Info graphics- distribution of contents in the form of meaning and appealing visuals.
- Email- contents are sent through electronic means.

**(d) Social media marketing (SMM):** In today's world, the Companies that do not have a strong presence in the social media have seen gloomy days as regards the sales revenue and profitability and in course of time gets wiped out of the business world altogether.

Here the marketers use social media platforms like Facebook, Twitter, and LinkedIn etc. to reach out to prospective customers. Marketers run their Ads here and since a lot of time is spent by people in social media, there is fairly a high chance of these leads to be converted in sales.

HUL followers in various platforms:

Platforms	Followers
Facebook	394.4k
Instagram	14.7k
Twitter	103.4k
YouTube	327k

**(e) Pay per click (PPC):** This is another very popular method of marketing used by major companies. In this the company will place its ads in different websites, and whenever a user clicks on any of these ads, a certain amount has to be paid to the website by the company as per agreement. This is becoming very popular strategy of marketing products/services, because the websites where these ads are placed are usually the ones experiencing high traffic and can be very useful to convert any potential customer as a real sale.

**(f) Influences marketing:** These days many of the businesses are using this way of marketing their products. In Influence marketing, people who have a strong presence in the digital world and have a huge followers would promote the brand in their own way. Whenever there is a lead generated or sales taking place due to the influence of these influences, they get their agreed commission.

It is a very effective tool used by company's these days to market their product making the products reach to customers spread far and wide. It is cost friendly as compared to celebrity endorsements.

**(g) Website strategies:** A properly designed website will provide all relevant information regarding the company and its product/services. Websites needs to be updated on a regular basis, so that the users are given the correct and the latest information about the company. A well-made website when properly optimized will go an extra mile in improving visibility, sales revenue and profitability of the company

**MERITS AND DEMERITS OF DIGITAL MARKETING: -****MERITS:**

1. Wider appeal: Digital Marketing appeals to a wider audience as it can reach to all places connected with internet. Its reach is far and wide, as now, in the India, a large population is using internet in their day to day lives.
2. Evaluation of different marketing strategies are possible: With the help of different web analytics and metric tools, measuring and evaluating marketing campaigns is possible.
3. Efficient Customer relationship management: Digital marketing makes possible to cater to the individual needs of the customers, thus, making helps to manage Customer relationship management better.
4. Better conversion rates: Reaching out to the seller is faster and easy. We can get prompt response from seller. In case of buying products or customer grievances also the customers are just a click away from sellers. This has resulted in better conversion rates.
5. Lower cost: As compared to the traditional marketing, digital marketing costs much less. So it is economical and pocket-friendly for businesses.

**DEMERITS: -**

1. Dependency on Internet: Digital marketing cannot be used to market products in places where internet connectivity has not reached (like in many places in India).
2. Proper training: Employees must be given proper training to have the right understanding and expertise to carry out digital marketing for a favourable outcome.
3. Time consuming: developing marketing contents and optimizing marketing campaigns is a time taking process.
4. Intense competition: Digital marketing helps reach out to audiences spread far and wide but also attracts competition from competitors spread globally.
5. Negative feedback: feedback that are unfavourable is openly visible to all. It acts as a detriment for business's growth.
6. Legal considerations: there are various govt norms that are to be followed while pursuing digital marketing campaigns. Businesses must take care of security and privacy issues, failing which can attract govt. fine.

**OBJECTIVES: -**

1. To determine the various mediums of digital marketing used by HUL.
2. To ascertain the trend of marketing expenditure incurred by HUL in the last five years.
3. To determine the trend of profitability of last five years.
4. To assess the impact of marketing expenditure on the profitability of the business.
5. To determine the importance of DM in the future of businesses engaged in FMCG products.

**LITERATURE REVIEW: -**

Bhat, Mehraj Ud Din, Jaffer, Naseer Mohamed (2022). Impact of Digital Marketing on buying behaviour of consumers in Bangalore. Here the researchers have analysed the effect of digital marketing on consumer buying behaviour and demographic impact on consumer buying behaviour. The study found that digital advertising is gaining a lot of importance, even though TV is still dominating as major channel of advertising in Indian market. It was found that the internet is also a leading source of marketing and advertising as more and more people in India are using internet in their daily lives. It is a source of great information about the product and the seller. It was also found out that the most famous networking sites are, Facebook, WhatsApp, and Twitter. Most people can connect with their family and friends through these sites. As opposed to the traditional advertising, digital advertising provides a lot of information which has been seen in the consumer behaviour in the recent times. India is the world's second biggest web user base, thus online purchase, and sales great scope in India.

Prativindhya. Impact of digital marketing on consumer Buying behaviour a study of consumer electronics goods (2020). Here the researcher is studying the factors that affect the consumer buying behaviour with regards to consumer electronic products. The study focuses on selected electronic products viz. Mobile Phones, Laptops, Smart watches, Cameras and Tablets. The researcher is studying factors such as psychological factors, risk factors and convenience factors. The researcher later gives recommendations for marketers for marketing electronic goods online such as:

Presence of marketer is a must in various online platforms such as search engines, social media platforms, Google business etc.

T. Haryanto, Maharani Retnaningrum. (2020). The impact of Marketing Expenditure on Firm's performance. Here the researchers are studying, how far, the marketing expenditure is affecting the Firm's performance. Researchers have proxied firm's performance as the profit margin on sales, return on assets, return on investment, and return on equity. Quantitative methodology was used here and simple regression was used to for analysis. The result proved that marketing expenditure does significantly influence the profit margin on sales, Return on Investment and return on equity. On the other hand, marketing expenditure has no influence over the return on assets.

Sneha Sharma and Deepak Kapoor. Causality Relationship between Advertising Expenditure and Sales: A Study of Indian Service Sector. 2015. Here the researchers study the relationship between advertising expenditure and sales revenue. The researchers with the use of Garner causality test affirms that larger companies showed a bidirectional relationship between advertising and sales, on the other hand smaller companies increase in sales led to decrease in advertising expenditure.

Dr.Mrs Vaibhava Desai. 2019. Digital Marketing: A Review. Here the researcher focuses on the concept of Digital Marketing and its increasing importance in today's businesses. Some cases are discussed in the form of examples such as digital marketing done by Britannia Good Day and Parle Kismi. The researcher study's the different Digital marketing tactics used by business in the recent times, namely, Search Engine Optimization (SEO), Social Media Marketing, Content Marketing, Affiliate marketing, Email Marketing, pay per click etc. These are the various techniques used by businesses for lead generation and Brand Awareness which ultimately results into increase in sales. The researcher further outlines the pros and cons of digital marketing. Pros such as digital marketing targets only the prospective customers unlike mass marketing, it also has global reach, and helps in promoting the product on a personalized level. Cons such as Digital marketing is dependent on internet but there are places where internet connectivity has not reached.

Kishan Prajapati. 2020. A study on Digital Marketing and its impact. Here the researcher emphasizes on the importance of Digital Marketing in the present world, in which more and more people are using internet in their day to day lives. This paper is mainly focusing on meaning, importance, pros and cons, different mediums of Digital Marketing, difference between Digital marketing and traditional marketing. Here the researcher states that the consumer behaviour is getting more inclined towards Digital Marketing rather than Traditional Marketing.

Kishor Kumar. A study of the growth of Digital marketing in Indian Scenario. Here the researcher is studying the phenomenon related to the inclination of Digital Marketing. He is also studying the growth of Digital Marketing in the present Scenario. The researcher is gathering data from three entities, namely, Consumers, Companies and Third-Party Agencies. Result of the study revealed that all entities agree on the point that for proper growth of Digital Marketing internet awareness is required. It is concluded that in the coming future Digital Marketing has huge potential and will play a major role in generating more revenue for companies.

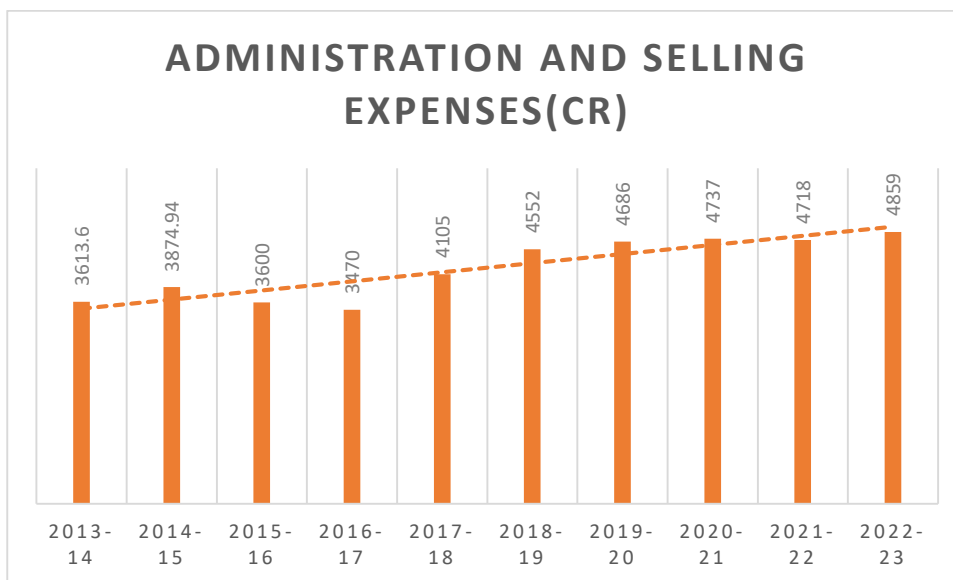
#### **RESEARCH METHODOLOGY: -**

All data used in this descriptive analysis is secondary data and is taken from previously published financial statements of Hindustan Unilever Ltd. (HUL) for the years 2013-14 to 2022-23 and from different web sources. The data has been analysed using statistical methods including regression analysis. Table is used to present the extracted data and Microsoft Excel charts have been used for graphical visualization of data and to analysis and interpret the data.

#### **DATA ANALYSIS AND INTERPRETATION: -**

YEARS	ADMINISTRATION AND SELLING EXPENSES(Cr)/DIGITAL MARKETING EXPENSES
2013-14	3613.60
2014-15	3874.94
2015-16	3600.00
2016-17	3470.00
2017-18	4105.00
2018-19	4552.00
2019-20	4686.00
2020-21	4737.00
2021-22	4718.00
2022-23	4859.00

(Source: Moneycontrol.com)

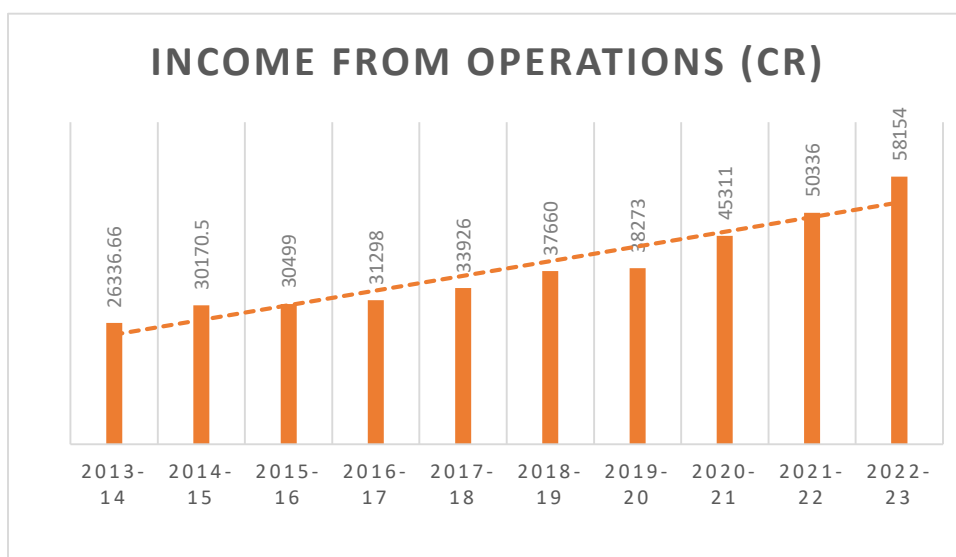


Despite the raging pandemic that sent the Indian economy into a tailspin, Hindustan Unilever's advertising and promotion expenses for fiscal 2021 has increased by 1% to Rs 4,737 crore as against Rs 4,686 in the trailing fiscal (According to [www.exchange4media.com](http://www.exchange4media.com))

HUL has been increasing its Administration and selling expenses/Digital Marketing expenses over the years, as seen above. In the year 2013-14, it was Rs.3613.6 Cr which has gradually increased to 4859 Cr in the year 2022-23(It is an increase of 74.36%).

YEARS	INCOME FROM OPERATIONS (cr)
2013-14	26336.66
2014-15	30170.50
2015-16	30499.00
2016-17	31298.00
2017-18	33926.00
2018-19	37660.00
2019-20	38273.00
2020-21	45311.00
2021-22	50336.00
2022-23	58154.00

(Source: Moneycontrol.co)



We can see that the income from operations has been increasing year after year.

In the year 2013-14, it was 26,336.66 Cr which is steadily increasing over the years and in the year 2022-23, records 58,154 Cr. It is a remarkable increase of 220.81% in a span of 10 years.

There are various factors responsible for the increase in the income, but one of the main reasons can be attributed to the marketing and selling efforts of the company. Business Today reports, HUL crosses Rs.50,000 Cr turnover mark, profit goes up by 11% in the Financial Year 2022 as compared to the previous Financial Year.

### **COMPARISON OF ADMINISTRATION AND SELLING EXPENSES WITH INCOME FROM OPERATIONS: -**

YEARS	ADMINISTRATION AND SELLING EXPENSES(Cr)/DIGITAL MARKETING EXPENSES	INCOME FROM OPERATIONS (Cr)
2013-14	3613.60	26336.66
2014-15	3874.94	30170.50
2015-16	3600.00	30499.00
2016-17	3470.00	31298.00
2017-18	4105.00	33926.00
2018-19	4552.00	37660.00
2019-20	4686.00	38273.00
2020-21	4737.00	45311.00
2021-22	4718.00	50336.00
2022-23	4859.00	58154.00

Marketing efforts must be effective i.e., it must be able to generate more returns at less cost. Therefore, most marketers try to measure marketing effectiveness by comparing different returns generated through various marketing campaigns and the cost involved. Therefore, a substantial effort of the marketer is to increase sales/ income from operations.

In the above table, Administrative and selling expenses/Digital marketing expenses are compared with the Income from operations of the last 10 years i.e., 2013-14 to 2022-23. Further we have used regression analysis technique to analyse the effect of Administrative and selling expenses on the income from Operations. The results are shown below: -

**Ho:** There is no relation between Administration and selling expenses/Digital Marketing and Income from Operations.

**Ha:** There is significant relation between Administration and selling expenses/Digital Marketing and Income from Operations

**SUMMARY OUTPUT: -**

<i>Regression Statistics</i>	
Multiple R	0.8546193
R Square	0.7303741
Adjusted R Square	0.6966709
Standard Error	5588.7195
Observations	10

## ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	6.77E+08	6.77E+08	21.67074	0.001634
Residual	8	2.5E+08	31233785		
Total	9	9.27E+08			

	<i>Coefficient s</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-28670.31	14472.2	-1.98106	0.08291
Administration and selling expenses/digital marketing expenses(Cr)	15.839362	3.40252	4.65518	0.00163

**ANALYSIS AND INTERPRETATION: -**

- Here we can see that the R Square is 0.730374. It means that 73.03% of the data can be explained by this model i.e., 73.03% impact on income from operation is from Administration and Selling Expenses/Marketing expenses.
- 0.001634 is the significance F. It is much less than the alpha and so the null hypo must be rejected as the alpha is 0.05. So, it is a good equation and a good model. We can thus conclude that there is a significant and strong relationship between the Dependant variable and the independent variable viz, administration and selling expenses and the income from operations.
- We can further see that the coefficient is 15.839362. This shows that the relationship between the administration and selling expense and income from operations is a positive relation. i.e., as one variable increases the other also increases and vice-versa. Here the p-value is 0.0016 and since its smaller than the alpha (which is 0.05), we can reject the Null hypothesis. We must accept the Alternative Hypotheses viz. There is significant relation between Administration and selling expenses/ Digital Marketing expenses and Income from operations.

**CONCLUSION:-**

Digital marketing has great impact on the profitability, growth, and development of businesses, particularly, in today's world, which is getting more and more internet dependant. HUL has been increasingly using digital marketing techniques for the marketing of its various products and we see its success as reflected in the company's increasing profitability over the years. Further, with the help of regression analysis we see that income from operations of HUL is hugely dependent on the Administrative and selling expenses incurred by it. We can conclude that for modern day businesses digital marketing has huge potential in the days to come, as it is the key to reach out to more and more people for marketing and selling the varied products, which ultimately, will result in the success of the businesses.

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