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Q&A
"We're making this investment as we believe India's fundamental story is still sound. There's demographic dividend, the middle-class is growing. India will remain among key markets for PepsiCo"
INDRA NOOYI
PepsiCo Chairperson & CEO
INTERVIEW ON P2 ▶

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'Line between beverages & snacks going to be blurred'

PepsiCo Chairman and Chief Executive Officer **INDRA NOOVI** has a packed schedule that includes market visits, a meeting with Finance Minister P Chidambaram and a free-wheeling discussion with her key bottlers like Ravi Jaipuria. Noovi, on a two-day India visit, apart from revealing the company's mega investment plan of ₹33,000 crore, talked about her strategy to address the mass market and deliver healthier products to consumers in an interview with Surajeet Das Gupta & Sounak Mitra. Edited excerpts:

You have been looking at addressing the mass market at lower price points. To achieve that you have got into a joint venture with the Tatas in NourishCo. Do you think you can take this venture global?

NourishCo does have the potential to scale up, in regions like sub-Saharan Africa. Even in the developing markets, there are emerging markets. We have a potential to take NourishCo there. NourishCo joint venture is a great example of something that was started as an experiment and it has become a viable model. We are experimenting with Iron Chusti, a snack fortified with iron for young girls in Andhra Pradesh who have low iron intake. These are the kind of products that can be lifted and shifted around the world.

We have a global beverage group and global snack category group, for which we are constantly looking around the world to see how to lift and shift ideas. We have a value innovation centre in India.

How do you take equipment to re-engineer at lower costs, essentially for the category B and category C markets? We came out with coolers, for example.

Health is becoming a key issue. How will you be addressing it? In the US, the government wants to reduce trans-fats. However, rules in India are pretty lax. Zero trans-fats is our goal. We are one of the first companies to take trans-fats out of our products. It's not always about what PepsiCo wants to do. It depends on availability of the products. We use sunflower oil for our snack products. It's not that it costs too much or too little.

We have to get agricultural land to grow sunflower to get the seed and oil from that. We need to build the supply chain in many cases. So is the case for rice bran oil.

Our intent is to move to lower fat oil, to move to lower fat content, to reduce the sugar level in our beverages. That's the path we are going down. At the same time, what we are also doing is deciding on how to start selling more good feel products. There are

Q&A

INDRA NOOVI
Chairman and CEO,
PepsiCo

oats and 100 per cent juices. In the oats category, we have introduced *poha* (puffed rice), *upma* (a porridge made from roasted semolina), etc, so that they are more relevant to the Indian diet.

You have been investing in dairy products across the globe. Do you see that happening in India?

Dairy represents a great protein source. It's an important food intake. In India, we are so busy growing our core business — Tropicana, Quaker, Kurkure, Lays — that we have not yet looked at the dairy opportunity. But in many parts of the world dairy is in fact something that we do. But you don't have to look at dairy as dairy.

In India, in fact, packaged dairy — mainly packaged milk — is growing. Value-added products like yogurt are growing. In countries like China, we have launched convergence products like dairy and grain. For example, we have launched drinkable oats, which does not taste like normal oats. This is something kids and working mothers love to drink. It tastes like a dairy beverage.

We have been working on a lot of convergence of fruit, grain and dairy to deliver drinkable snacks. Something that you can drink as your breakfast on-the-go. So, we have been sneaking into dairy through oats, fruits and beverages. Drinkable oats would be a beautiful platform to enter with into dairy in India as well.

With mass-based cheap products, will you have to rework the entire distribution system?

There is no country in the world that has as many retail outlets (about eight million) as India has. This is a very thriving retail market.

The challenge is you can't reach each and every one of them. So, the question is how do you get this distribution on your own and through other parties to reach as

many of the eight million outlets as possible. And, not reach them with the same products but tailor the offerings for them. We are trying to solve a lot of constraints.

I think that how we build our go-to-market strategy in India (for this market) is one of the most detailed activity for us in India.

Whether we do it directly or through wholesalers, how we do it for food, how we do it for beverages, that is something that the whole team is working on.

You are still not among the top two beverage brands in the country. When do you think you will achieve that?

The first brand in Indian market is a local brand that has been acquired (Thums Up).

We still are the No 1 international cola brand with Pepsi. We have built our business in India organically. We are both a beverages & snack company. It is not about being No 1 or No 2 in terms of volume. It is still a growing market. What matters is which brand consumers love the most.

If you talk to the young people today, Pepsi is a loved brand, Mountain Dew is a loved brand. The fact is that there's years of growth in this market place and the game has not been completely played out.

We went through organic growth. They (rivals) came through M&A (mergers & acquisitions). Both companies have their own strategies. We came in the snacks and food. And, we are among the top food and beverages companies in India.

We see ourselves as being a diversified player in India, with years and years of growth in front of us.

Also, the line between beverages and snacks is also going to be blurred. See, when you drink oats, is that a snack or beverage? Increasingly you will see the line getting blurred.

Will you be able to come out with a cola priced below ₹5 in India?

I don't know. NourishCo is a mass-market product. NourishCo is also teaching us a lot. It has helped us design our go-to-market strategy.

