

News monitored for: Frito Lay - Corporate

ET EXCLUSIVE Q&A

SANJEEV CHADHA
CEO, AMEA, PEPSICO

PepsiCo's Sanjeev Chadha says though he is not happy with the country's macro-economic conditions, he is optimistic about long-term growth

'Slowdown Offers the Biggest Opportunity for Growth'

Less than a month after being named CEO of PepsiCo's best performing region – Asia, Middle East and Africa (AMEA) – Sanjeev Chadha says there's a feeling of 'nervous excitement' in his new role. In what is his first market visit from the close to 93 countries he's now overseeing, Chadha, 53, says he is not happy with the current macro-economic trends in India, although he believes in the country's long-term growth story. In an interview with ET's Ratna Bhushan, the IIM-Ahmedabad alumni, who has spent 23 years at PepsiCo, said the New York-based beverages and snacks maker is in no great hurry to have a CEO in India. Edited excerpts:

PepsiCo has just announced its quarterly results. How has India fared this time?

I am happy with our India team's performance and progress on new business models. I'm not happy with the current macro-economic trends in India, but I am a firm believer in the huge long-term growth opportunity of the country. The big power here is we are a striver, entrepreneurial economy, unlike China, which is more of an export economy.

Recent Nielsen numbers show that Sprite has overtaken Thums Up (both Coca-Cola brands) as the highest selling drink in India. Do

you think Mountain Dew (it's in the same space as Sprite) could have taken this position?

Mountain Dew is the fastest growing carbonated drink in the country – it has been so for the past four years. I have no doubt it will take the position you've mentioned, but I can't say when. It is the most recent entrant into the CSD category, and it has been a runaway hit. Over the years, colas are playing a slightly lesser role – that's because the refreshment portfolio is growing. In the US, for example, colas are almost flat, but then the base is massive. So, we have to build a portfolio of beverages. That's true for snacks too – I'm very happy with the results on Quaker. We are continuing to develop new breakfast options.

You are in charge of 93 countries with huge potential for growth. Every quarter, the US headquarter will expect you to deliver and add incremental growth. How do you plan to cope with this pressure?

There's a feeling of nervous excitement. It's a large responsibility. AMEA is the fastest-growing market for PepsiCo. I have the benefit of having worked with Saad (Saad Abdul Latif, who was heading AMEA region, passed away two months ago), who built a great legacy. And working across markets in the Asia Pacific region, China, Middle East and Africa



gives me a reasonable understanding of these markets and cultures.... Well, I have to live up to the expectations.

India has been functioning without a CEO for over three months now – will there be a new CEO soon?

India will have a CEO in due course. But there's no urgency. We have a fine team here and I'm going to be closer to India now. My priority is to understand existing market situations.

Which is your fastest growing market in the AMEA region?

China is the largest in beverages across AMEA. In terms of profits, the Middle East is the highest. And in mar-

ket share, Lebanon has been the highest-share market for us – we have a thriving, growing business there with over 90% share in carbonated drinks. Within AMEA, our three growth drivers are China, India and the Middle East – they play a critical role in the region's growth. The AMEA region contributed \$6.6 billion to PepsiCo's global revenues last year, which is about 10%. But we must keep in mind, in the AMEA region, the PepsiCo business model is a mix of company-owned and franchisee-owned businesses and the 10% is what our company generates. In the US, the business is entirely owned by PepsiCo.

Consumption has slowed down across categories including beverages. What do you think PepsiCo India should do to bring back consumption?

My focus is on gaining value market share, which means market share as measured by revenue. As Indra (PepsiCo global chief Indra Nooyi) said on our recent earnings call, "buying volume is like renting volume". Slowdown offers the biggest opportunity for growth. Snacks and beverages is a simple business. Focus has to be on ABCD, the four drivers of growth – affordability to cater to a wider population, building love for brands (eight of our brands have crossed ₹1,000 crore), choices and distribution. My

three years in Middle East and Africa have taught me to value population; it has taught me how to respect the needs of consumers in countries with smaller populations; it has taught me to how to attend to their needs in a focused manner. Besides, blurring snacks and beverages is a very powerful advantage we have.

How difficult is it to sustain growth momentum in challenging economic conditions?

In emerging markets, we should be growing three times the GDP – that's my thumb rule. In India, we are very much doing that.

Between beverages and foods, which is growing faster in India?

I would say both. But this year because of unseasonal rains, snacks are doing better.

Will the focus on low-cost foods continue? Are you satisfied with progress of businesses like the PepsiCo-Tata joint venture?

Very much. We continue to explore low-cost solutions for hydration and nutrition. We are investing for the future. NourishCo, for example, addresses hydration. We have brands like Tata Water Plus and Tata Gluco Plus, which address different needs. Lehar Foods is an example of an innovative model that's working very well. We have a lot of irons in the fire.