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'We'll take NourishCo to Africa & China'

Three weeks after taking charge as PepsiCo's chief executive for Asia, West Asia and Africa to oversee the company's business in nearly half the 200 countries it operates, **SANJEEV CHADHA** unravelled his strategy to reach the lower end of the market — about a billion consumers — with cheaper products and an alternative distribution network in India, through a joint venture (JV) with the Tatas. He tells **Surajeet Das Gupta & Sounak Mitra** how he plans to take this JV model global. Edited excerpts:

Q&A

SANJEEV CHADHA

CEO, PepsiCo (Asia, West Asia & Africa)

PepsiCo has looked at reaching the lower end of the market by creating low-price products. What has been your progress in reaching the next billion in beverages? Can this model be replicated in markets like China and Africa?

We are discussing the opportunity and potential of taking products from NourishCo (a 50-50 JV between Tata Global Beverages and PepsiCo India) to countries like Nigeria, where we will pilot next year. Over time, we will look at taking NourishCo to other markets. Certainly, we would look at Africa and China, essentially the large mass market.

These will also include products like Himalayan (a high-end product). We're excited about its potential. NourishCo's mandate is to create and build the strongest hydration portfolio. Today, we have launched pouches for ₹2 and ₹3, depending on market for fortified water. This is a unique model and pouches have been introduced by PepsiCo for the first time in India. The packages and products range from pouches to cups and PET bottles. We also have the advantage of having the 'Tata' name. Our distribution muscle, the Tata brand name and the combined organisation behind it will help.

Will you look at exporting NourishCo products?

In the liquid, refreshment and beverages market (or non-alcoholic packaged soft drink), hydration and water is the biggest part. It also reaches the wider mass of consumers, and slowly migrates to other beverages as well. But, the export model won't work. We'll have to create a model with proper local sourcing. Even in India, we are available in just a few states. Because of our target of the next billion, the idea is not to go pan-Indian in a flash. Our target is simple — these products must be available in at least double the number of retail stores compared to where traditional beverages are sold today. The idea is to go deep. So, localised and distributed manufacturing is very important for us.

Obviously, to reach these products, you require a distribution system different from that for delivering soft drinks? You can't be sending trucks to retailers, for instance, and take back bottles...

Many of the products — Gluco Plus, for instance — are in non-returnable packaging or pouches. This enables us to increase reach at a lower cost. We are following the hub-and-spoke model. We supply to the stockists, and the products move on from there. We don't look beyond the stockists, unlike what we do for carbonated beverages or other food items, where we send our sales people to the outlet level to look after the positioning and other things.

The good thing is, this model does exist in India, and we are leveraging the exisiting model rather than creating a new one.

We also follow multiple manufacturing models in every state. We are covering a certain radius that is dictated by economics. We are not looking at serving these products cold, as that will again add to the cost. NourishCo products do not essentially require cooling and refrigeration. So, it enhances the possibility to take the products to deeper markets in each state. In some areas, we have reached even villages with about 5,000 population.

Are you planning to take the hydration products to other countries through separate JVs, or with the Tatas?

We would like to continue with our existing partner, even as we take the products to other countries.

You said in 2009 you would triple turnover by 2015. Are you on track?

We are on track for the target. We are growing at three times GDP. There would always be some volatility in the market. AMEA (Asia, Middle East and Africa) is the growth engine for PepsiCo. And, India is the growth engine of AMEA.

Many of your products have not done well. For instance, Pepsi Atom seems to have had a lacklustre beginning and snack food Aliva has bombed.

Our mandate is to develop a range of offerings to meet consumers' different needs. We are seeding a significant amount of innovation in the market. Some of those might not succeed. But, some of those would become outstanding brands. I am not concerned about that. If 50 per cent of innovation succeeds, that's an outstanding rate.

Mountain Dew is the fastest-growing brand at the moment. Tropicana, for instance, with eight variants, will soon cross the ₹1,000-crore mark. True, Aliva is not doing well. It did not perform up to our expectations. It was a great product. But it did not do well in the market. We are evaluating the possibilities.

For the first time, PepsiCo India does not have a managing director. Do you have plans to have an Indian head or will you oversee the operations from Dubai?

We suddenly had a vacuum at the top. India is a priority market for us. We have two strong leaders, for food and beverages, respectively. It's a very critical decision. We will do it in the fullness of time. We will operate like this till we take a decision.