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Branded snacks mkt to get spicier as Frito-Lay, ITC plan new plants

Lalitha Srinivasan

Mumbai, May 5: To sustain its leadership in the branded snacks sector, PepsiCo India's Frito-Lay division is drawing up a fresh game plan to drive volumes. To start with, the company is increasing its manufacturing capacity by setting up a new plant in West Bengal in the second half of 2010.

"We are extending our distribution network to reach out to towns and villages in India. Our focus is on consumer engagement modules and crowd sourcing strategy to promote our brands," said Deepika Warriar, marketing director, PepsiCo India.

With a market share of 60%, Frito-Lay leads the pack in the Rs 3,000-crore branded snacks sector in India. Other major players in the sector include, Parle Products and ITC's Bingo. "With changing lifestyles, the branded snacks sector is expected to grow 20% this year. With increasing competition, the market dynamics will soon change in this sector," said Mumbai-based analyst.

To take on the market leader,



ITC Foods is also chalking out a fresh growth strategy. This includes extension of its manufacturing facility, distribution network and aggressive marketing plans, said Chitranjan Dhar, CEO of ITC Foods.

"We are setting up a new manufacturing plant. We will be increasing the number of our retail outlets to target a wider audience. There will be an increase in our ad budget too this year," he added. ITC Foods forayed into this sector three years back, with the launch of Bingo.

With 12% market share, Bingo is today a leading brand in this sector.

ITC is focusing on television ads, while PepsiCo India is betting big on non-traditional media such as social media and digital advertising to woo consumers. "We have allocated 50% of our ad spend for television advertising and the rest is used for non-traditional media to connect with consumers," Warriar added.

Driven by volume growth in snacks business in developing markets like India, PepsiCo has

posted 13% increase in net income at \$1.4 billion for the first quarter of this fiscal," according to industry analysts.

As part of its consumer engagement program, Frito-Lay has just introduced four consumer co-created flavours to woo consumers. "With our consumer engagement programme, we have co-created four new flavours—the first of kind in India. Frito-Lay's new launch will be supported by an integrated marketing campaign, which includes print, television, radio digital, outdoor and cinema," she added.

On the impact of Frito-Lay's consumer engagement module, Warriar said there was significant jump in sales since the launch of its consumer promotion titled 'Give us your Dillicious Flavour' last year. "There's also a tangible increase in the frequency of consumption. We are using four radio channels and niche music channels like U-tube to promote our new launches," she said.

In essence, competition among branded snacks will get spicier in the next few months.