

News monitored for: Pepsi - Corporate

'Getting people to consume more is the challenge'

PepsiCo India Chairman talks about strategies to tap consumption boom and the need to innovate

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PepsiCo India Chairman and CEO D Shivakumar has started looking at the weather reports more seriously since he has moved to the business of beverages and snacks from the world of telecom. After all, the beverages business is seasonal, with summer contributing a huge chunk to the category's annual sales.

In an interview with *Business Line*, he talks about the new organisational structure of PepsiCo, strategies to tap into the consumption boom and how companies need to innovate faster to maintain leadership in a category. Edited excerpts:

How has the transition been from the telecom space to the



FMCG business?

The technology and the FMCG spaces are two very different worlds. The disruptions in technology are far more than any other category. In technology, you have technology disruptions, pricing disruptions and trade disruptions. In FMCG, the power of the brand comes through the emotional surplus that consumers have for the brand.

FMCG brands occupy much more of an emotional space in the consumer's mind and that is where the premium translates to. In my earlier company, there was a single brand with various variants and segments. In PepsiCo, we have 22 brands which appeal to different sections of the society.

What is the reorganisation strategy called Power of One at



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D SHIVAKUMAR
PepsiCo India Chairman and CEO

Any market leader will stay ahead if it innovates faster than others. We have to innovate faster and execute better. We need fresh thinking in terms of business models.

That is the way the business will always grow. In today's world, you cannot take any business for granted, change is quick, rapid and it's complex. The only way to win in a complex world is throw simplicity at it, being simple in innovation, execution and in the business model.

You had earlier said India had evolved for marketers to formulate strategies to tap into consumption rather than just penetration. How is PepsiCo going to do that?

Income, penetration, consumption and innovation are sources of growth in the FMCG sector.

India, for a long time, has been a penetration market, where companies had to think how to address the bottom of the pyramid.

So the country went through what I call the sachet age, where every single category decided to follow the model of the sachet-fixed price point, single use, great result and off you go.

Now, the penetration of most categories, especially staples and consumer products, are high, the challenge today is not how to make your brand affordable but how to get people to consume more of the product.

Dosage-led pack prices can drive consumption as well as penetration.

At PepsiCo, we have 200 ml to 2.5 litre packs, consumption can get more people to drink same bottle again and again, or get them to stock up the house, so we need to maximise combinations.

PepsiCo all about?

We had essentially three divisions - food, beverages and NourishCo, our joint venture with Tata. While the joint venture continues in the same manner, we have combined the other two into one organisational structure under the Power of One strategy at PepsiCo.

This means the most powerful brands will have good distribution systems and the power of the

best people working on them. We have announced changes at the top level in the management, essentially for functions like marketing, operations, HR and customer development operation, among others. We will work through the next steps of the Power of One strategy.

What is the immediate agenda for you at PepsiCo?