

THE ECONOMIC TIMES

FREEWHEEL FRITO-LAY DRIVES UP ENGAGEMENT WITH CONSUMERS

Lay's, Kurkure love marks with snackers



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Frito-Lay, the quieter but more resilient snack-foods arm of the \$43-billion beverage and foods maker PepsiCo, has staved off the challenge from its first serious national-level competitor in ITC. With a dominant market share in the Rs 3,000-crore branded salty snacks category, the firm says it is fast-tracking on innovation and execution-based growth. Frito-Lay's executive director marketing, Deepika Warriar, spoke to Ratna Bhushan about changing category dynamics, the threat from private labels, portfolio transformation to healthier choices and tapping rural opportunity. Excerpts:

Despite ITC's entry into snack foods, Frito-Lay remains the dominant player. What are the challenges to remain as market leader?

Being market leader means never being complacent. In a hyper-competitive market, we've focused on building intimate connections with consumers (both our core brands Lay's and Kurkure are 'love marks' with Indian snackers). We've repositioned our brands based on relevant consumer insights - Kurkure's tedha hai par mera hai is based on the insight of Indians being increasingly confident about their imperfections. Lay's be a little dillogical is based on the transition head-heart moments in young people's stressful lives. We've driven up engagement levels and interactivity of our brands with programmes that put consumers in control. We're also getting more regional and segmented in our marketing, supported by regional flavours or the small pack communication developed for lower town classes to support the Rs 3 Kurkure pack. We are maniacal about tracking quality, driving execution and dominance in retail. What we've also stepped up is our pace of innovation. Between 2008 and 2009, we launched close to 20 products including Aliva crackers, Kurkure Desi Beats wheat lime, Cheetos Whoosh whole grain better for you snacks, and Lay's Stax for premium indulgent snacking.

A number of smaller brands and private labels claim to be taking away share from established players like yours. They also play the cheaper price advantage.

Low-commodity prices have seen a spate of low-cost entrants into the category this year. The good news is that they are driving conversion from unbranded to branded salty snacks. We have defined some key tasks to deal with low-cost players. These include stretching the equity of Lay's and Kurkure with low unit price packs at Rs 5

and Rs 3; ensuring that occasional consumers don't downgrade by monitoring the price-value of these brands; and using flanker brands like Uncle Chipps and Lehar namkeens to target this growth opportunity. In modern trade, we are actually holding our own and doing much better than other categories versus private labels.

How important is pricing for a category like snack foods?

Our core portfolio is pretty evenly split between entry-price points (Rs 3 and Rs 5) largely consumed by lower SEC on-the-go consumers, single serve packs (Rs 10) and large take-home bags (Rs 20). We are seeing good growth across price points. The consumer is more value-sensitive and functionality-driven in some parts of the country like the West.

How has Frito-Lay dealt with fluctuating commodity costs?

We've been nimble in pricing and productivity in the face of input cost volatility. For example, we took up pricing through weight-outs across the portfolio to cover unprecedented commodity inflation in the second half of last year. Commodity prices softened in the first half of this year and we put back grams in brands like Kurkure.

Frito has traditionally used celebrities for endorsements. How important is it for a category like yours?

We started using celebrities (Saif on Lay's and Juhi on Kurkure) to drive brand stature, recognition and communicate brand personality in a cluttered foods market which had well-entrenched brands which were over 50 to 70 years old. Both these endorsers over time have become brand properties and enhance creative delivery in clutter.

Any plans to bring in more brands from your global portfolio, or will the focus be more on localised products? Will all the products be focused on the health platform from now on?

We are constantly evaluating an innovation pipeline, which includes testing brand propositions from Frito's global armoury. Our R&D and consumer insight set up in India helps us develop local advantaged innovations while tapping into global expertise. We believe consumers are looking for a variety of convenient snack options, ranging from treats to nutrition. However, the innovation that we're launching also needs to play a key role in our stated goal of portfolio transformation. So, yes, offering consumers healthier snack will be key.



Kurkure's tedha hai par mera hai campaign is based on the insight of Indians being increasingly confident about their imperfections