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PepsiCo Lines Up 50 New Products to Counter Rivals

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PepsiCo's Frito-Lay plans to launch more than 50 new products as it invests in scale and innovation to continue its domination in India's ₹7,500-crore salty snacks market.

"Our innovation programme is stronger than ever before," Vidur Vyas, vice president, marketing, Frito-Lay India, said. "We are investing in innovation and technology and have over 50 new products at various stages of testing," he added.

He said innovation is key to succeed in a cluttered market where more than a thousand brands — mostly small ones — fight it out. "What stands out in this market will be scale and innovation which we need to play on," Vyas said. Frito-Lay, which has about 150 products or variants, launched 16 new pack sizes and variants in the last couple of months, displaying increased urgency and aggression despite signs of a consumer slowdown. The numbers don't include the Lehar brand.

Frito-Lay seems unfazed by the slowdown in sales of consumer products, margin squeeze in industries due to rising food and fuel prices, and the Indian GDP growth rate slipping to its slowest in nine years in 2011-12.

"We are very optimistic about the market as the potential is far more than we realise and that's the reason why the market is growing," Vyas said. The \$65-billion US major has been mostly credited for the rapid expansion of the snacks market since it entered the segment in 1995, helping it grow 20% a year.

When PepsiCo introduced Lays and Cheetos brands in 1995, there were only two large competitors — Haidiram's and Amrit Agro, which owned potato chips brand Uncle Chips that was later acquired by the US cola giant. PepsiCo's Kurkure — launched in 1999 — was a runaway success.

While PepsiCo has grown its snacks business rapidly, it has been losing market share in recent years as several big players have entered the pitch. Frito-Lay today controls roughly half the mar-

ket, down from more than three-fourths share five years ago.

An official of a rival company said Frito-Lay will need several successful new products to maintain its growth rate. "Frito-Lay has been growing at higher double digits till now. But, if they want to maintain similar growth trajectory of over 40%, they would require dozens of new products and variants to drive that," the person said, requesting anonymity.

That is exactly what Frito-Lay hopes to do with new products and variants under core brands Lays and Kurkure as well as fighter brands Cheetos and Uncle Chips.

Meanwhile, PepsiCo will use its Lehar brand to tackle regional snacks brands such as Balaji and Haidiram, which sell lower priced products. Pepsi wants to use Lehar — which is not endorsed by celebrities and has a lean

operating structure — to increase sales in the hinterland.

PepsiCo is also making a greater push into healthy snack options. Just last week, it expanded baked snack brand Aliva into six new variants, up from four variants being sold since 2009. The company also brought Aliva under Lays' endorsement to leverage the latter's strong recall in the market and roped in actress Vidya Balan as its brand ambassador.

While PepsiCo is expanding rapidly, so is its competition. Biscuits makers Parle Products and Britannia, for example, are betting big on the snacks segment.

"Most players, including Parle, want to tap the huge conversion that can happen from unbranded market into an organised one," Mayank Shah, group product manager at Parle Products, said.

"Also, price points of ₹5 and ₹10 are adding to the convenience factor, which the unbranded or loose sellers can't match up," he added.

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