

News monitored for: Pepsi - Brands

PepsiCo in battle for breakfast

MIXED FLAVOUR You thought the company was all about sugary drinks and snacks? It is making a valiant bid for your breakfast table with oats, juices and more

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NEW DELHI: D Shivakumar, who once headed Nokia's operations in India, has a simple explanation for what went wrong with it. The company, which sold its handset business to Microsoft, made one mistake.

"It was the wrong choice of the ecosystem," says Shivakumar — Nokia chose Symbian for its smartphones at a time the world was moving to Google's Android operating system.

Now, as the head of PepsiCo India, he doesn't want to make the same mistake. Nearly everyone has come to believe that fizzy drinks — PepsiCo is famous for its cola and other carbonated drinks — are unhealthy. A committee headed by chief economic adviser Arvind Subramanian has proposed a 40% tax for aerated beverages under the Goods and Services Tax (GST) regime, up from the 18% excise duty at present. The soft drinks industry is together battling against being bracketed with 'sin' products such as paan masala.

Shivakumar, though, looks unfazed in a conference room stocked with every product and brand PepsiCo sells in India. He is more focused on what he can do. The latest in that is a big battle PepsiCo has mounted to dominate your breakfast table. That not only makes PepsiCo a serious contender for a fast-growing business segment, but also protects it from risks by making it less dependent on the colas.

Shivakumar's weapons in the breakfast battle are its Tropicana juices, Quaker oats, and soups. All these have many sharp tips: the oats can become a milk-filled quick cereal that can be cooked in three minutes, or a salt-and-masala item, or an indigenous dish such as upma or poha.

PepsiCo India has signed on Michelin-starred chef Vikas Khanna to make its portfolio healthier and tastier. As part of that, Khanna holds events in different cities where he invites people to present their tastiest bowl of oats. After oats, he will move to other products in PepsiCo India's portfolio. Khanna has already worked on Tropicana, which now comes in the new flavours of Alphonso mango, Mosambi, Litchi Blush, Mango Swish and Appletini. PepsiCo has recently launched its tomato soup to get into yet another category.

For Shivakumar, this is just the beginning. As a more young and health-conscious India develops new eating habits, the company will come up with new categories in the breakfast space.

"The idea is to change the breakfast plate and breakfast drink for the consumer," says Shivakumar.

It is also in line with the plans of Indra Nooyi, PepsiCo's global head. From "fun for you" products in 2006, Nooyi has

been steering the company more towards a "healthy for you" portfolio.

"In future, one way to deliver health is to develop breakfast for the time-starved consumer," says Shivakumar. "Oats is the healthiest and cheapest breakfast. No other product or breakfast a housewife makes, is cheaper, be it idli, dosa or whatever."

The competition is tough. Marico's Saffola Oats, Bagrry's and Patanjali are also in the fray. Saffola's Masala Oats has 6.7% of the breakfast cereals market. Kellogg's has 36.8% (down from 50% in 2010), with its corn flakes and choccos.

"Saffola came out with flavours that suited Indians and offered disruptive prices. PepsiCo missed that opportunity, but now they are changing," says Abneesh Roy, associate director at Edelweiss Securities.

But PepsiCo has more products for breakfast than anyone. Kellogg's, Marico, and Bagrry's have only cereals. Coca-Cola, Parle and Dabur have juices. Unilever and Nestle have soups. PepsiCo has all three: cereal, juice, and soup. That, it believes, gives it 25% more contact with customers than its rivals get.

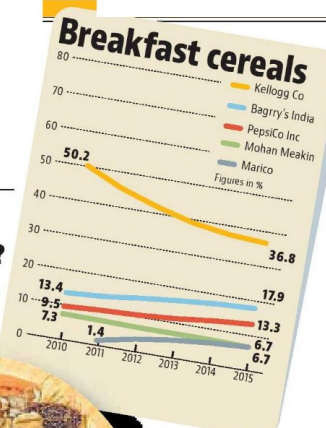
Shivakumar's biggest challenge will be to turn PepsiCo profitable.

"A successful business delivers on both — you can't run a sustainable company by not managing revenue and losses," he says. "If you do three things correct — superior products, execution and consumer engagement, you will gain share... That's how great companies are built."

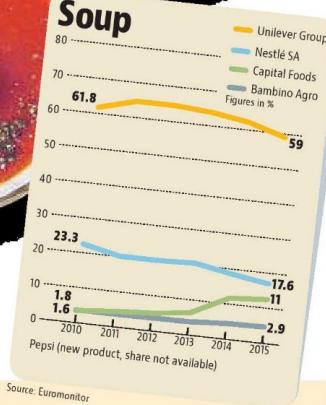
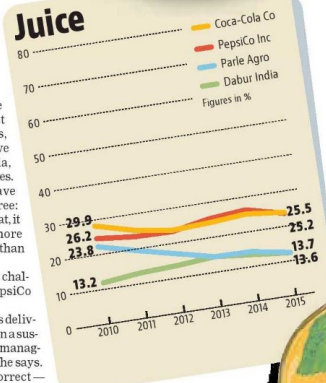
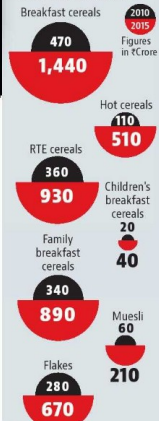
Nokia had execution and consumer engagement, but lost on products. PepsiCo is different — in the last 18 months, Shivakumar says, his company has done more innovations than anyone else in the industry. "We want to give you products, which are very healthy," he says. As he talks of change and new age, he carries a once-glorious Nokia — a Microsoft smartphone — may be his last one.

WHAT'S COOKING?

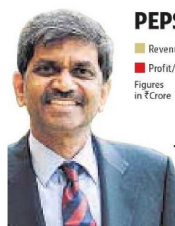
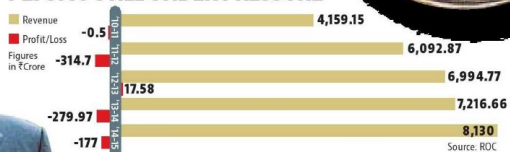
After cola, Pepsi wants a larger chunk of India's breakfast market



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Source: Euromonitor