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PepsiCo Targeting Mass Mkt: Manu Anand

Low-priced products to target 330 million consumers graduating from bottom-of-pyramid to the SEC B and C classes

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Beverage and snacks maker PepsiCo India is gunning for the bottom-of-the-pyramid consumer for the first time in the country, as its chairman, Manu Anand, drives the New York-based \$60 billion parent's target to reach the 'next one billion' consumers in the value segment.

In his first media interaction since he succeeded Sanjeev Chadha in January this year, Anand tells ET that PepsiCo is creating verticals to cater to different segments of consumers, across functions like sales, operations, distribution and marketing.

PepsiCo's low-priced products will be aimed at 330 million consumers graduating from the bottom-of-pyramid to the socio-economic B and C classes.

The move is in line with global chairman Indra Nooyi's target to generate \$30 billion in revenues from 'healthier' products-internally called better-for-you and good-for-you products-by 2020, up from the existing \$10 billion. India will be the first country in the PepsiCo system to target the value segment with multiple products.

"It's a big transformation for us; we are targeting the next tier of consumers. We are looking at everything differently and doing this in a very structured way. But it's not as if we are under-investing in our core business; it's more about creating new consumption spaces," says Anand, who has been with PepsiCo for the past 17 years.

VERTICAL MOVEMENT

NourishCo, PepsiCo's vertical in partnership with Tata Global Beverages,



Manu Anand, Chairman, PepsiCo India

ASHWANI NAGPAL

has just rolled out its first product, a lemon-flavoured glucose-based drink, called Gluco Plus, in Maharashtra. It is priced at ₹5.

Lehar Foods, another vertical, is a separate operating entity, which will launch value snacks priced at ₹5 and lower. Its other two businesses are core aerated drinks and snacks.

An innovation vertical has launched biscuits and snacks priced at ₹2 under the Lehar Iron Chusti brand in Andhra Pradesh initially. This line-up of healthy foods is targeted at women under 'Project Asha', PepsiCo's codename for Nooyi-commissioned plan to develop low-priced nutritional foods for the poor.

Anand, back in India after '07 when he was heading the foods division, says what has changed most at the firm in the past four years is its "sheer scale of operations".

While separate operations, sales and marketing teams have been set up for

the verticals, PepsiCo has further split its go-to-market (distribution) model into three divisions. There's a premium arm for distributing Tropicana juices, Gatorade sports drinks and Quaker oats; a mid-rung one for aerated drinks like Pepsi and Slice and snacks like Kurkure and Lays; and a division catering to mass products like Lehar Iron Chusti.

"Had we put, for example, Iron Chusti in the Kurkure system, it would have been another product...hence the decision to set up dedicated sales teams. Communication and marketing for these products will be different too," says Anand. Lehar Chusti packs, for example, are labelled in Telugu. "We need to act like local players, but offer products that don't compromise on taste or quality."

CHEAPER PRICE POINTS

Low-margin products like Iron Chusti will obviously not be profitable in the

beginning, but PepsiCo is hoping that the products will achieve scale in about 24 months.

Anand says even in PepsiCo's core business of snacks, such as Kurkure and Cheetos, the firm is stepping up focus on ₹5 and ₹3 packs. These packs are growing the fastest among PepsiCo's foods arm and contribute 45-50% to the division's foods sales. While in aerated drinks, selling bottles and cartons for ₹5 amounts to sacrificing profitability, PepsiCo will look at products at ₹5 through its joint venture with Tata Global Beverages.

Anand says three-fourths of PepsiCo consumers are common to foods and beverages. But beverages are more asset intensive while the foods business is more systems-driven.

This new strategy comes at a time when food inflation is running high. Anand says he's using all global and local resources to minimise costs, including stepping up conversion efficiencies, using cheaper sources of energy and better commodity procurement.

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