

News monitored for: Pepsi - Corporate

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PepsiCo Sales Growing Twice as Fast as Coke

Increase in home penetration & sharper focus on rural markets help PepsiCo narrow the gap with its cola rival in the Indian market

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Taste the Thunder may be Coca-Cola's tagline for Thums Up, but global rival PepsiCo seems to be stealing the thunder in India, having increased its sales at double the pace of the soft drinks market leader in the first half of the year.

In the ₹11,000-crore soft drinks market, where volume growth is significantly lower than two years back in any case, PepsiCo reported 17% volume growth during April-June while Coca-Cola grew 8%.

This is the biggest gap in growth between the two cola rivals in the past three-four years when they were growing neck-to-neck.

"Our growths have been driven by our focus on fewer, bigger and better priorities this year," PepsiCo India CEO (Beverages) Praveen Someshwar says.

PepsiCo expanded its sales force by

25% and distributed more coolers to increase its reach by 20%, raised capacities to strengthen the back-end, and backed it with aggressive marketing that included the successful 'Change the game' campaign during the Cricket World Cup in February.

PepsiCo—maker of Pepsi cola, lemon drink Mountain Dew and mango-based Slice—posted growth across brands, helped by increase in home penetration with the launch of 1 litre packs and a sharper focus on rural markets, Someshwar says.

Coca-Cola, which leads PepsiCo in several countries including India, has attributed its slower growth mainly to higher consumer prices.

"Any significant price increase leads to lag in volumes," a Coca-Cola India spokesman said. "In line with our 2020 vision of gaining both volume and value share, we took significant price increases in most markets on most of our packs... on the back of a steep rise in commodity prices," he

said in an email response to ET.

Increase in value-added tax on carbonated drinks in some states also led to price escalations. Last year, for example, Delhi increased VAT on soft drinks to 20% from 12.5%.

While PepsiCo says it increased portfolio pricing by 5-6%, Coca-Cola says its prices have gone up 9-15% in the past six-seven months.

Coca-Cola's Thums Up and Sprite remain the top two fizzy-drink brands in the country, according to market researcher Nielsen's data.

And Coca-Cola says it is taking steps to revive volume growth. "We are strengthening our occasion, brand, price, pack, channel architecture and shopper marketing pro-

gramme, investing on brand activation in the festive season and expanding our presence," the company spokesman said.

Both the firms are growing considerably slower than two years back when their growth rate was 20-30%.

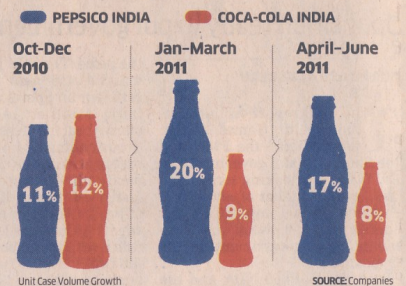
PepsiCo's Someshwar says growth would have been healthier if not for a host of negative factors. "It has been a challenging first half, given the inflation, inclement weather and change in tax rates resulting in increase in prices, therefore, limiting overall category growth to 13-14%."

With sales barely moving in the US and Europe, growth in India is critical to the beverage firms.

PepsiCo India ranks at fifth place globally for the New York-based \$60-billion beverages and snacks maker.

Coca-Cola India is expected to become one of the Atlanta-based firm's top five markets in five years. Its India unit contributes 13% of its Eurasia and Africa Group volume.

Stealing The Thunder



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PRAVEEN SOMESHWAR, CEO (Beverages), PepsiCo India