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PepsiCo to Take on Regional Food Biggies

Cola-to-snacks major sets up low-cost unit, Lehar Foods, to push traditional snacks for mass market and compete with Bikanerwala, Balaji

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NEW DELHI

Food and beverages firm PepsiCo has consolidated traditional packaged snacks such as namkeens for the mass market under a new entity, Lehar Foods, to take on regional brands such as Balaji, Bikanerwala and A-Top Foods.

Lehar Foods will operate on a low-cost model with its own profit and loss account, and will use Lehar brand name.

"We were under-represented in traditional snacks in the lower-income population strata," Varun Berry, PepsiCo India Holdings CEO (foods) said. "Mass-priced snacks have the potential to explode and we want to

address this market."

Berry expects Lehar to contribute 50% to PepsiCo's foods division Frito-Lay by 2015, up from just 10% now.

Lehar Foods has a lean team of 35 employees under CEO Sudipto Mozundar, who reports to Berry.

"The mandate of the team is to move fast in the market," said Berry. That means, there won't be multiple rounds of research and Power Point presentations in Lehar Foods.

He also played down market speculation that PepsiCo may buy snacks major Haldiram's and regional players such as Gujarat-based Balaji Wafers and A-Top Foods. "I don't think buy-outs are required. We can grow organically," he said.

The overall salty snacks market in

the country is estimated at \$3 billion, or about ₹15,800 crore.

Lehar Foods will operate on a low fixed cost model. It will not get into manufacturing, but will operate through eight third-party partners. Delhi-NCR, Haryana, UP, Maharashtra and Gujarat have been identified as the priority markets for Lehar Foods for now, which covers one-fourth of Frito-Lay's distribution strength. It will be scaled up to other markets gradually.

For now, Lehar will not diversify beyond traditional namkeens. "We don't want to fritter away energies by entering other categories at this stage," Berry said.

The move comes at a time when Frito-Lay is facing strong competition

across its product portfolio. Though it was an early mover in categories like oats and baked snacks, rivals such as Kellogg, GlaxoSmithKline Consumer and Marico have entered the oats market to challenge Frito-Lay's Quaker oats. Biscuit maker Britannia launched a product similar to Frito-Lay's Aliva snacks last month, while confectionery player Perfection Van Melle too has rolled out packaged snacks. Then there are regional competition from brands such as Bikaner and Balaji, and private labels in organised trade.

Berry declined to comment on how PepsiCo's market shares are being impacted by rivals, but said: "The competitive intensity is stirring up growth...it's keeping us on our toes."

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CEO (Foods),
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