

# Business Standard

## PEPSI PLAYS REGIONAL CARD

The relaunch of Duke's is a part of the food & beverage major's strategy to check strong local players from taking away the pie

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Mumbai, 6 November

**M**uch like its Mumbai-based joint venture partner Hindustan Unilever (HUL), PepsiCo is beginning to bring the focus back on to its regional jewels. The food & beverage major took its first tentative steps in that direction with the relaunch of the Duke's range of soft drinks recently.

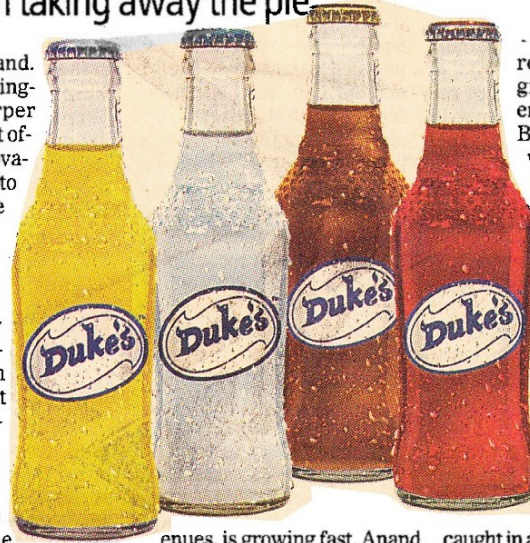
Popular in Mumbai for its Lemonade, Mangola, Raspberry and allied soda flavours, Duke was withdrawn from the marketplace some seven years ago. The only flavour that stayed was Duke's Lemonade.

In its current avatar, however, PepsiCo has reintroduced Raspberry in addition to a few more flavours such as Gingerade, Ice Cream Soda and Masala Soda. All of this in retro packaging reminding consumers of the brand that it was.

According to Manu Anand, PepsiCo's India chairman, the idea was to tap into the latent

equity of the brand. "We are increasingly getting sharper with our product offerings and innovations and trying to make it more specific to geographies," he says. "Duke's was fondly remembered, by most in our interactions with the trade. We felt it could be re-launched."

With this, PepsiCo is also attempting to build a diverse portfolio of flavours and tastes. According to market experts, this is becoming imperative for companies such as PepsiCo who are aware of the pitfalls of sticking to core beverages alone for growth. While two-thirds of PepsiCo's India revenues come from its carbonated drinks, the non-carbonated portfolio, which contributes one-third rev-



enues, is growing fast. Anand declines to give specific numbers or percentage growth.

But PepsiCo India's trajectory of growth can be gauged from its quarterly results. In its recently released third-quarter results, the Purchase, New York-headquartered-company said that its snacks and beverage volumes grew in double-digits in markets such as India - helping it

report a 13 per cent growth in net revenues for the quarter. Beverage volumes were mainly driven by carbonated drinks such as brand Pepsi, whose contribution to the business doubled over last year.

Market experts say the reason why PepsiCo is increasingly looking at a diversified offering — even tapping into regional brands — is to avoid being caught in a logjam when growth from core beverages evaporates. While emerging markets such as India still remain receptive to beverages such as Pepsi, consumers are also looking for choice.

Anand hints as much. "We would like to give consumers all the choices both up and down the pyramid so that they never feel the need to go out," he says. "This is in both foods

& beverages."

In foods, PepsiCo has experimented with new flavours under snack brand Kurkure using different pulses and spice combinations. "Again the attempt was to tap into regional preferences," Anand says. "And the response to these products which we launched earlier this year has been good," he says.

In chips, PepsiCo has been pushing its Uncle Chips brand in the north even as it has a strong Lays portfolio at the same time. "I don't mind if one brand cannibalises the other," he says. "I rather allow that than have local players take away the pie."

The ₹10,000-crore organised food & beverage market in India is growing at a clip of about 15 per cent per annum. Most players are ramping up fast to partake of this growth. In the ₹2,000-crore snack market, there have been new players such as Parle Agro (with Hippo) and Parle Products (with Parle's) that have stepped in even as local giants such as Haldiram's keep the momentum going with new launches.

For PepsiCo then, playing the regional card is a must if it has to take on these players in the marketplace.