

News monitored for: Pepsi - Corporate

# BRANDEQUITY

Rajiv Banerjee

## RURAL RECIPES

The primary school at Sangamjagamudi, a village around 15 kms from Tenali town in Guntur district of Andhra Pradesh, has declared a holiday on a week day. But the school children have been told to come to school. No, it's not Independence Day or a visit by an important dignitary for whom the school children have been summoned. It's for an education programme on iron deficiency.

A Dappu artist readies the flat drum on his shoulders and starts playing it. As the school children gather, the male and female emcees who are part of the troupe conducting the programme talk to them about the reasons for anaemia, the causes and preventive measures like home remedies. Even as the team is talking to school children, another team in the village is talking to the trade — at the local kirana shop or to the smaller distributors — about a health snack. Both the education programme in schools and the seeding of the product are happening at the same time and similar such teams have fanned across 95 villages across coastal Andhra Pradesh. The same company has reached out to potential consumers and trade in Maharashtra across districts like Satara, Aurangabad and Sangli, touching nearly 250 towns and villages for a vitamin fortified beverage.

The objective is clear: to test-market affordable products that fulfil a health need of bottom of the pyramid (BOP) consumers. The company: PepsiCo India. The potential market size: over a billion consumers.

Geetu Verma, ED - innovation at the beverages and foods giant, is at the helm of test-marketing two prototypes of such products placed squarely on the platform of health and price: Gluco+, a beverage with electrolytes and glucose; and Lehar Iron Chusti, a fortified iron snack. Both are aimed at consumers at the bottom of the pyramid — in rural as well as urban areas. The journey — a few years so far — to win consumers in the hinterland has begun.

"It's about scoping out the next billion consumers at the bottom of the pyramid. What are the gaps? What are the offerings? And what's the business model required to reach these consumers?" says Verma. Late management guru C K Prahalad brought the fortune at the bottom of the pyramid to the fore and many companies, primarily consumer goods marketers, have been looking at ways to make inroads into this market. Verma says when it comes to the BOP, there are significant gaps one encounters — "not just from a portfolio perspective, but price points and making products available at the right access point."

Cracking the bottom of the pyramid market in India is every brand's dream. PepsiCo India with a healthy snack and vitamin enriched beverage with low price points and different go-to-market strategy is taking a shot



A children education programme at a village in Andhra Pradesh

In the course of opportunity mapping at the BOP Verma says work first began with a definite price point as a benchmark. "Not more than ₹2 or ₹5. Then we started working backwards to create products fit within the desired price points," she says. But to get SEC C & D consumers interested in a snack and a beverage needed a larger plank that went beyond tackling hunger and thirst. So for Gluco+, priced at ₹5, the company identified the need gap of health and energy of the rural folk. "A large number of them are daily wage earners. So the key is to remain fit to not lose their daily income." Similarly, Lehar Iron Chusti is primarily targeted at girls. "The opportunity mapping gave us

the insight that 55% of Indian women are anaemic. And the point of intervention is when you are an adolescent or when you are a mother. We chose the former," explains Verma.

T S R Murali, senior director - R&D, PepsiCo India, points out that Gluco+ rides on hydration as well as on the functional benefits of the product. "Indian climatic conditions require hydration but for the BOP market functionalities like sugar, flavour are also important," says Murali.

Industry observers like Pinakiranjan Mishra, partner - consumer & retail at Ernst & Young, a consultancy firm, say that the health platform is a significant proposition in both urban and rural markets. "Studies have shown

that people in rural areas are as unhealthy as their counterparts in urban areas. Health for the family is an important consideration. So to reach out to the rural markets, talking to them on family health and health of their children at the right price point could be a good plank," says Mishra. Verma of PepsiCo adds that the target audience for Lehar Chusti is not aware of the health problem it suffers from. So PepsiCo created a composite health programme in audio-visual format. "The AV touched upon the symptoms of anaemia and what kind of diet will tackle the problem. Along with that, we communicated how Chusti can help supplement the dietary regime," says Verma.

Apart from the product and pricing, test-marketing the two products is also enabling PepsiCo to formulate distinct go-to-market strategies. Without elaborating on the exact nature of the distribution plan, Verma explains that the target consumer for both Chusti and Gluco+ will be visiting small *chai* stalls and travelling in state transport buses. "One can look at leveraging the wholesale network, and a hub and spoke model with lean manpower. Eventually, the product has to create enough pull for it to move through the system."

Further, the element of keeping prices low and creating a viable distribution model also hinges on manufacturing and the location. "Optimizing freight costs is also critical," she adds.

These may be early days for PepsiCo India,

but the critical aspect of the test marketing is acceptance of products with a balance between health and taste, even for the BOP consumers. While price sensitivity is an issue, Verma says that initial indicators reveal that the consumers don't mind paying more provided they see value. Observers believe that rise in incomes at the bottom of the pyramid, aided by government sponsored employment schemes means that the consumers will have more money to spend on non-essentials like snacks and beverages.

"Disposable incomes may be higher because unlike the times earlier families in rural areas don't have to travel great distance in search of work. This helps them save on costs they would normally incur on travel, stay, food etc," says Mishra of E&Y. Verma and her team are now busy analysing the results of the test marketing and finetuning their strategies. As Murali states, the innovation for BOP involves tackling a complex set of challenges. "The prototypes involved product development, shelf life analysis and even engineering dynamics. For example, Gluco+ means filling a beverage in a cup without compromising on quality and taste," adds Murali. If PepsiCo India is able to make inroads into the bottom of the pyramid with these two products, it would have made a solid beginning in its quest to be relevant to the next billion consumers in India.



Geetu Verma, PepsiCo

ASHWANI NAGRA