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Food caFE MANU ANAND

The good-for-you challenge

PepsiCo's India chairman tells **Diksha Dutta** & **Rishi Raj** that the company's hardest times have been on the health side, as growth in this sector is not as great in India as it is in the developed markets

Remember the late 90s—the time when cola giants Pepsi and Coke entered India (in fact, for Coke it was a re-entry)? The period was dotted by the great Cola Wars. Both the companies, in their bid to capture market share, were battling one another at all possible avenues ranging from food and beverage outlets to the field of advertising. It was around then—1994—when Manu Anand, the current chairman of PepsiCo India, joined PepsiCo as chief financial officer for their foods division.

When we met Anand for lunch at New Delhi's Taj Mahal hotel's exclusive Taj Chambers, the first question he asked us after exchanging pleasantries was, "Which Pepsi product can we offer you?" While settling for the good old Pepsi, we shot off our first question, "Why is it that the Cola Wars have disappeared these days? Is it because the competition is over between the two companies and they have started cooperating more than competing, considering both are at the receiving end of the NGO brigade for their products not being healthy?" Anand answers our polite query with a smile. He says that the end of the Cola Wars was because the industry has grown mature today. "We both (Pepsi and Coke) started out as cola companies, but today PepsiCo is one step further since it is a food and beverage company. Those wars are as not relevant now as they were in the late 90s. But they were very topical then."

Recalling his days then, Anand says that both Pepsi and Coke were then trying to establish a significant footprint in India. And if there's no war today, it's because the industry has moved into several other areas like juices and food products. For instance, PepsiCo India is playing on a diversified portfolio, which is investing heavily in health or 'good for you' products, rural marketing strategies and small packaged products for the mass markets.

Like us, even Anand settles for a Pepsi, agreeing with us that there's nothing better than a good ol' cola, but only adding that he has now shifted to the sugarless variant to keep a check on his waistline! As we sip our colas, the discussion shifts to the increased focus PepsiCo has started putting on health drinks. After all, global CEO Indira Nooyi wants to increase revenues from 'good for you' brands revenues to \$30 billion (globally) by 2020, up from around \$10 billion today. An effort needs to be put into India for this since packaged food consumption here is still low. Nooyi was recently quoted as saying, "I believe consumers in emerging markets will jump onto the wellness wagon faster than consumers in the US or Europe." Understandably, PepsiCo has taken a number of steps this year also, to boost this segment through products like Aliva, Quaker Oats, Tropicana Juices, Lipton Ice Tea and Lehar Iron Chusti.

Says Anand on the company's health fad, "We have started developing alternate verticals and business models to deal with a new diversified portfolio which focuses on 'good for you'." In fact, PepsiCo has forged several joint ventures with Tata Beverages and HUL (at a global level) to launch such products. For instance, NourishCo, PepsiCo's vertical in partnership with Tata Global Beverages, has just rolled out its first product, a lemon-flavoured glucose-based drink, called Gluco Plus, in Maharashtra. Another health drink that came out this year is Lipton Ice Tea, in collaboration with HUL.

Anand not only works for the food industry, he loves his food also. The three-course menu for lunch was ordered in advance, giving a peek into how well-organised he must be in running his company. We are offered a perfect meal, with the right proportions of dry prawns and gravy chicken and lamb. Not to mention the healthy curd and homely-prepared yellow dal. Such great preparedness



PepsiCo has to ensure locally relevant innovations that fit affordability and taste factors in India, where food inflation is above 9%. Meanwhile, as the focus on 'good for you' is driven by both profits and ethics, it has withdrawn supply from many schools and from advertising on channels viewed by children predominantly less than 12 years of age

made us remark that it must be wonderful to work for the food industry since eating and drinking are generally not considered work, so it must be great for

anyone whose work is to eat and drink. Anand is quick to agree and tells us how his wife always tells him that it's embarrassing for her to go out anywhere

for dinner with him. Says she, he tells us, "Anywhere we go, you make it a point to visit the kitchen and see how food is stocked, prepared etc."

The discussion again moves to health products as we dig into our food and Anand remarks that eating is all about input-output. "If you exercise every morning, eating is fine, there can be indulgences. After all, what is eating if there's no degree of indulgence," he says. Seems he came prepared for the sumptuous lunch, as he tells us that he had been to gym that morning so he could eat without worrying.

Anand tells us that the focus on 'good for you' by PepsiCo is not only driven by profits but also by ethics and corporate responsibility. For instance, he tells us that as part of the company's marketing policy PepsiCo has voluntarily withdrawn supply from a number of schools in a lot of countries, including in India. Similarly, advertising on channels that are viewed by children predominantly less than 12 years of age has been withdrawn. "Intentionally, we should not be seen on channels in which children are making unsupervised decisions. We are trying to reduce our availability and presence where children are unsupervised and cannot make a decision without their parents' consent."

One can sense the thrill that goes through Anand as the term 'advertising' surfaces. After all, he belongs to a sector with the maximum spend on marketing and advertising. This year has undoubtedly been special for him. First, there was the chairmanship (he took charge as PepsiCo's India chairman this year in January), and it was immediately followed by a successful ad campaign, which he considers a benchmark in PepsiCo's advertising history. "I am so happy this year. I believe our 'Change the Game' campaign during the World Cup was phenomenal. The three best campaigns of PepsiCo have undoubtedly been 'Nothing Official About It', 'Yeh Dil Maange More!' and

'Change the Game.' After all, a company given to constant innovation needs novelty in advertising too.

Over the years, PepsiCo has entered different product and consumer segments. But, with experiments also come failures. Anand is quick to confess: "Pepsi Max is an example of failure. On the beverage side, Tropicana Twister was a not so popular product some years ago. On the food side, there were certain flavour launches that did not do well in Lay's. You definitely need to have your share of failures. Otherwise, maybe you are not experimenting enough, you are playing safe. We learn from failures, understand why it failed and then correct it."

Interestingly, PepsiCo's hardest times have been on the health side as growth in India is not as great as it is in the developed markets. Anand says that PepsiCo has to ensure locally relevant innovations that can fit affordability and taste factors in a developing economy like India, where food inflation is above 9%.

Anand also throws light on the challenges for the company, which has \$60 billion in revenues globally and is trying to focus on an emerging market like India. "Any business in India needs operationalisation and logistics support. Look at our scale: there are 2 million shops in India where one will find a PepsiCo food or beverage. We have got 40 factories in India, either through partnership or standalone. We work with 22,000 farmers on the back-end. You can imagine the products sold everyday, so imagine the complexity. These are the challenges in FMCG."

As the dessert is served, Anand's financial side springs up—remember he started out as a CFO. "There are always debits and credits when you indulge in food. If you eat fruits, it's credit, and debit with kullfi. Similarly, amongst our consumers too there needs to be a balance—that's why we have 'good for you' brands."