The PepsiCo Way!

Unlock volume growth in mature categories

Philippe Chapuis – PepsiCo - Business Analytics Lead North Europe
Julien Loire – NielsenIQ - Sales Director - CPG Analytics / Revenue Growth Management

October 2024

Philippe Chapuis

Business Analytics Lead North Europe
Pepsico

5 years+ in FMCG Insights, keen to drive long term sustainable growth through data

Talk of today

Overview

The market today

Optimization

The role of assortment

Innovation

The PepsiCo Way

The market today

Belgium YTD 2024

The state of consumers is unsettled

Unemployment and wages

Volatile interest rates

Cost of goods

Geo-political conflict

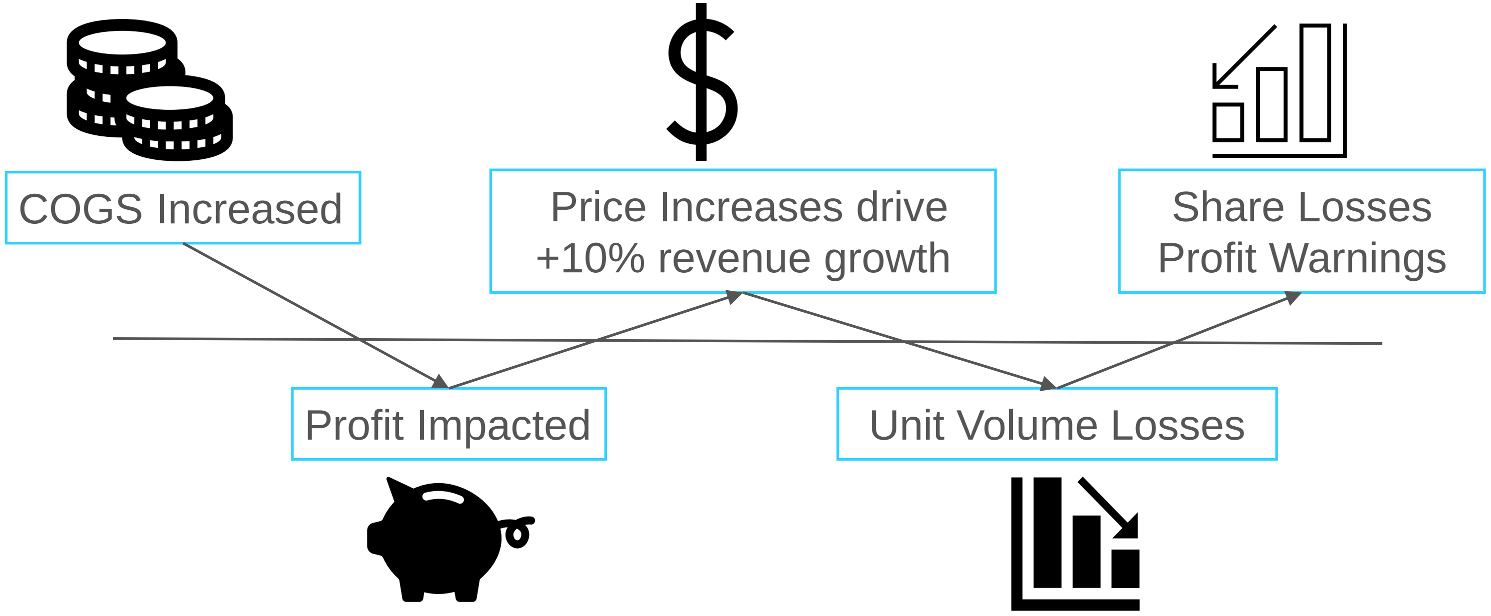
Labor gaps

Housing crisis

Costs of living

Economic recession

FMCGs issue **profit warnings** amidst **volume declines** and share losses



NIQ

Pepsico came out as a strong winner in that difficult context

PEPSICO

#1

Pepsico fastest growing Manufacturer within Top 20 on last 5 years (+37%)*

Lay's

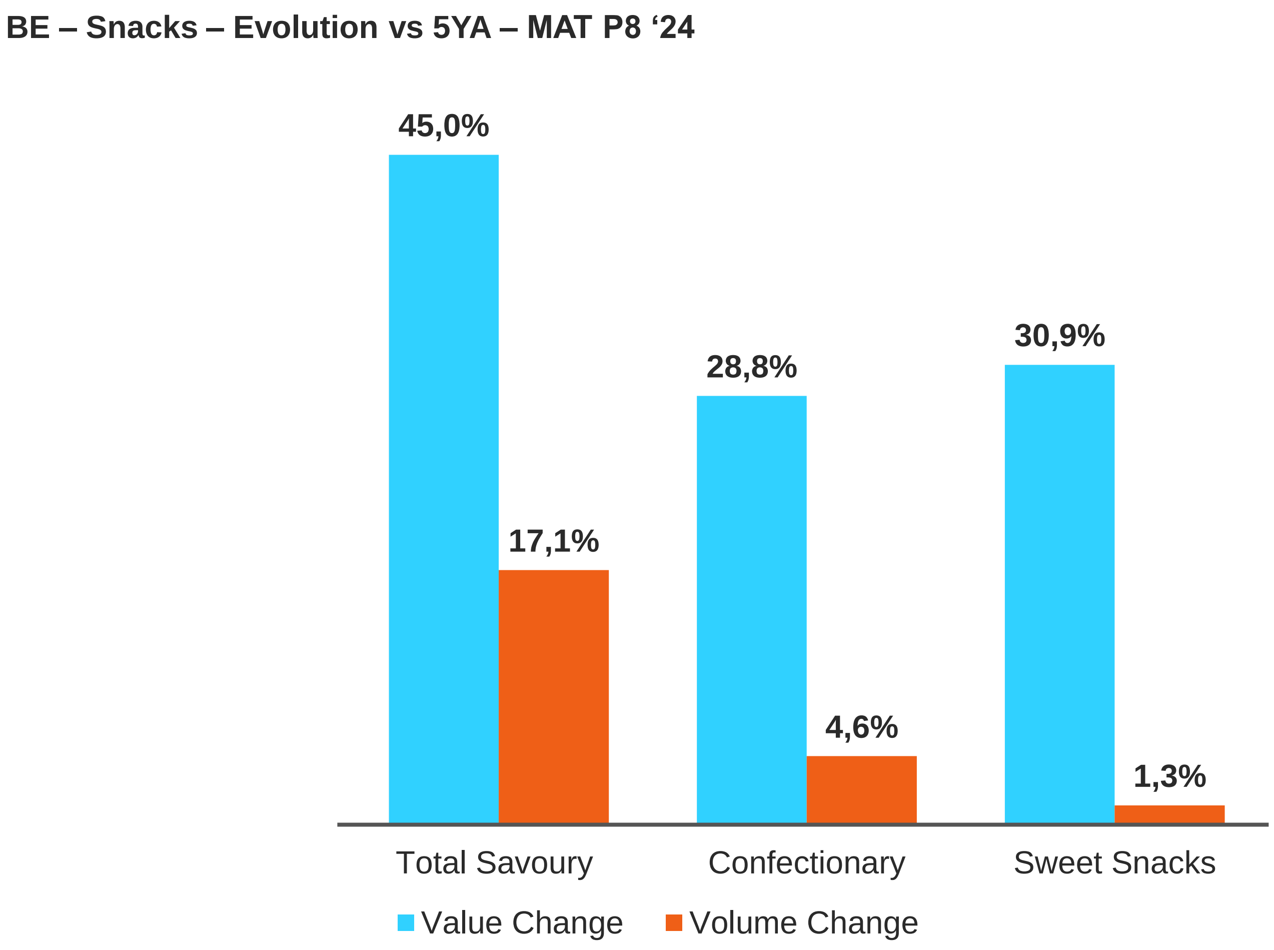
#1

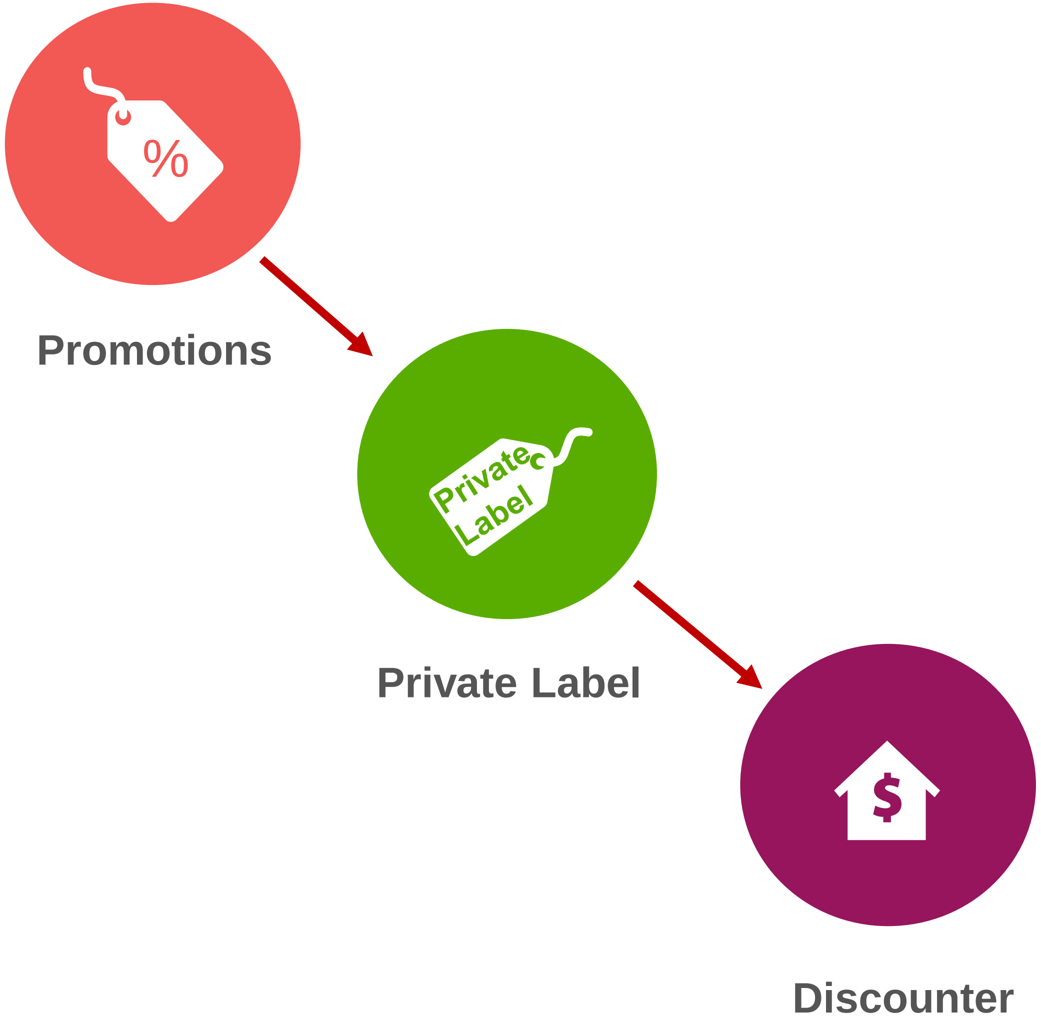
Lay's "Most Chosen brand" in Belgium and fastest growing FMCG brands in Top 10**

*Source: NielsenIQ Top 20 manufacturer ranking, FY 2023
**Source: GFK "Most Chosen Brand" report, 2024 edition

This growth was possible by capturing sales from other snacking categories

How can we set us apart from Private Label and drive growth?





Source: NielsenIQ, RMS

2024

YTD P8 in numbers

Total FMCG Scanning Value Sales

€13.6bn

***Value Sales Growth vs Last Year**

+1.1%

***Price Growth vs Last Year**

+0.7%

***Volume Evolution vs Last Year**

+0.3%

Private Label share and growth vs YA

41.1% (+0.1pp)

% Promoted Value vs. YA

18.9% (+0.1pp)

Source: NIQ NL Retail Measurement Data ending YTD P5 2024

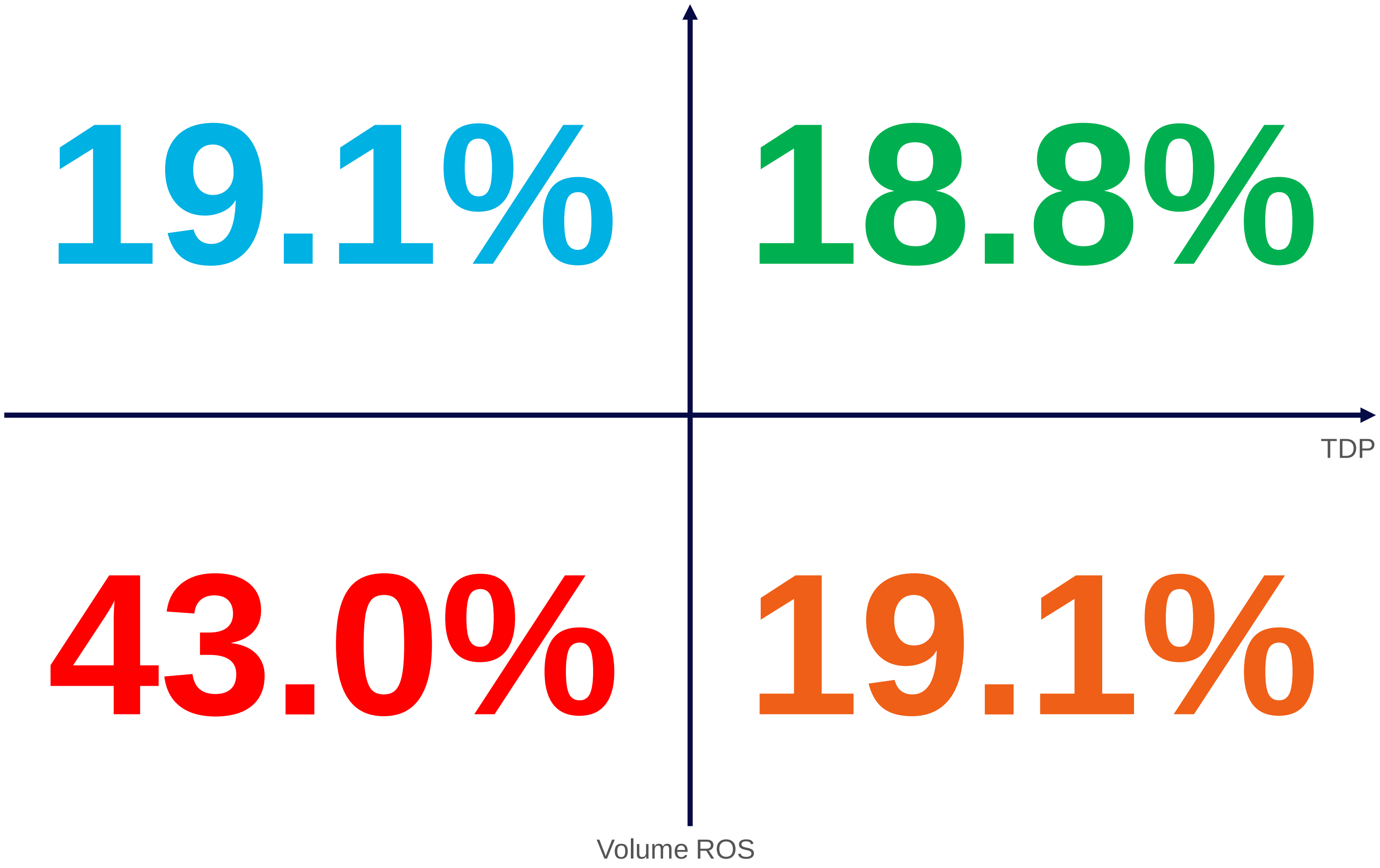
FMCG firms have pushed every major RGM lever to navigate through turbulent times


ATM
ON THE BORDER
MEXICAN GRILL CANTINA
Café Style
QUESO
PARTY SIZE
GIANT SIZE!
belVita
Bites
BUNS

The role of assortment

SM – product segments* - TDP & weighted ROS evolution – FY 2023

43% of product segments see assortment shrink with lower sales per item

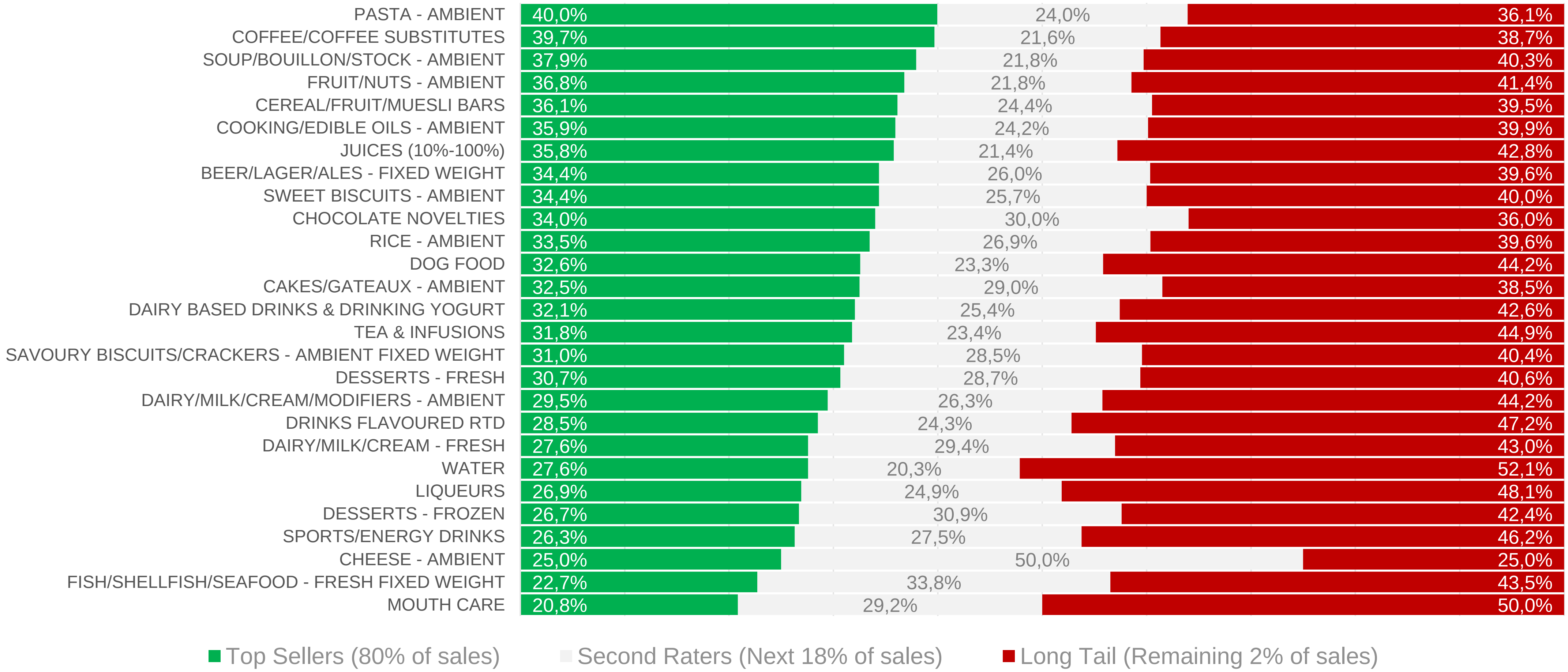


*Product segment with at least 2M€ (n=356)
Source: NIQ RMS scantrack

NIQ

The most important categories show that sales are still rather concentrated around top SKUs

Sales Concentration Curve

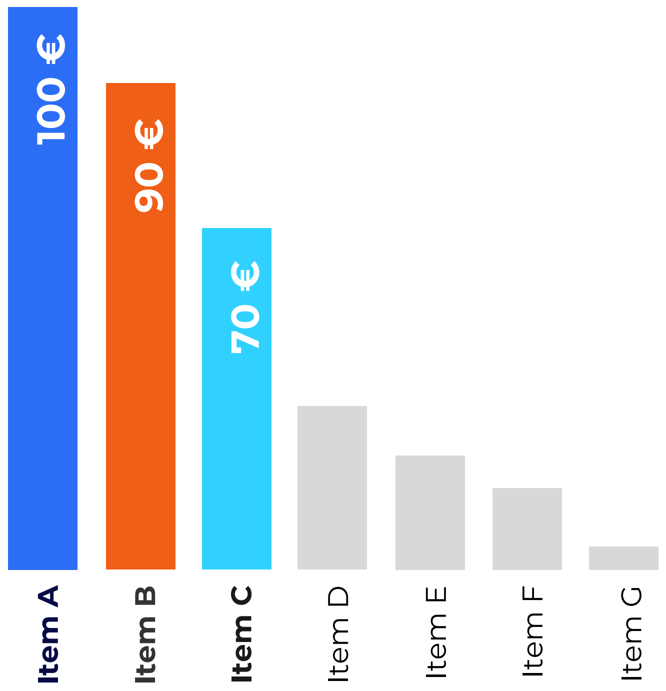


Supermarket Stores excl. Aldi/Lidl – Product Segments – Assortment concentration of sales value – Full year 2023 vs. LY

NIQ

Listing only high rotating products often only hurts the category

Item Turnover Hit-Parade

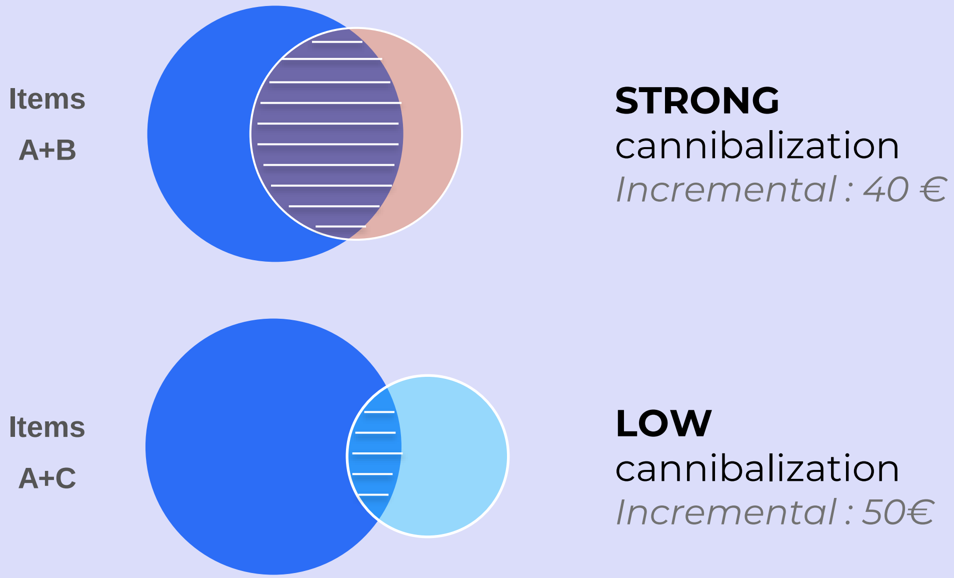


An isolated analysis of the item performance would suggest deleting the reference C and keeping the reference B.

Instead, add transferable demand into the equation to create a Win-Win for manufacturers and retailers

Consideration of the incrementality

Bubble size: Sales value
Overlap : Cannibaliiztion



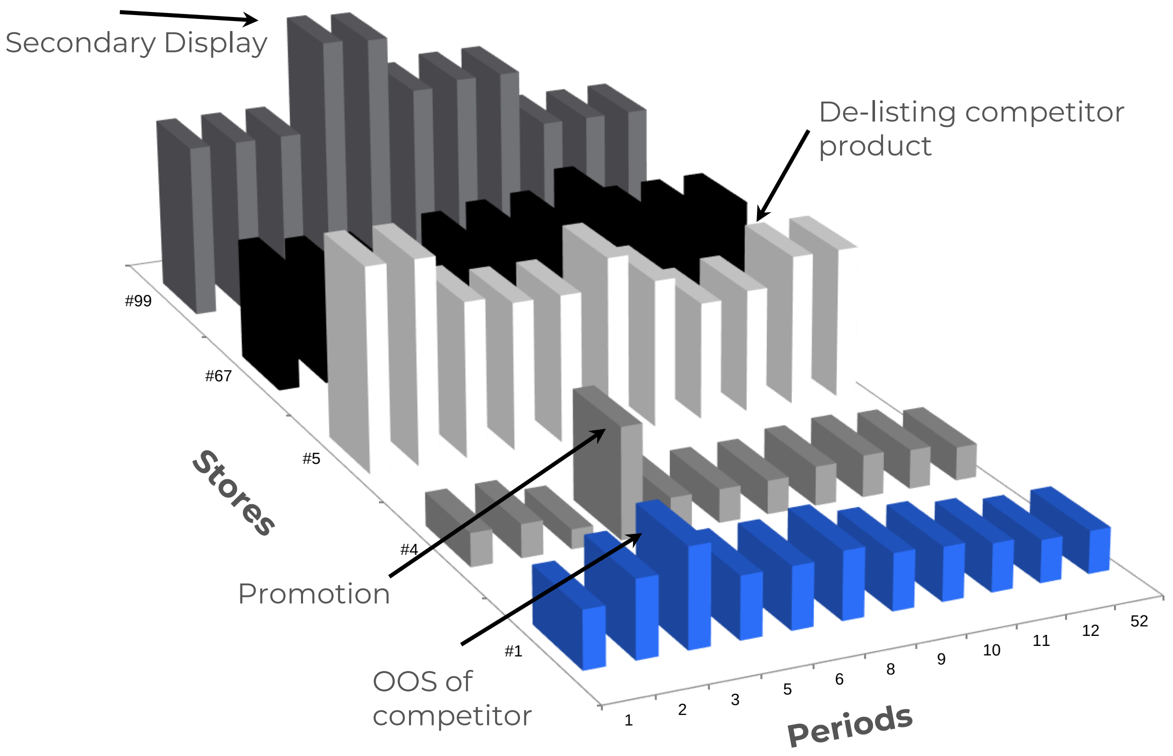
However, considering the interactions with the other items of the assortment, keeping the reference C is more profitable than keeping the reference B.

NIQ

Our data basis: store level sales (sku/week/store)

Hundreds of thousands of store observations guarantee reliable results

Sales of product A (by store and week)



NielsenIQ's retail panel consists of thousands of stores

When we look at the data on the most granular level, we are able to ***purify sales*** by store from all factors that influence sales but are not related to the effect we want to measure.

It also allows us to ***understand interactions*** between products being sold ***in the same store.***

We usually take the latest 52 weeks of all available store level base sales in the analysed channel:

We therefore have hundreds of thousands if not ***millions of real consumer behaviour in-store observations*** to base our econometric regression modelling on.

NIQ Shelf Architect: From shopper-based category tree to space planning in four steps

1 Shopper Decision Tree

Define **how the average shopper "shops the category"** and key product characteristics.

2 Incremental impact

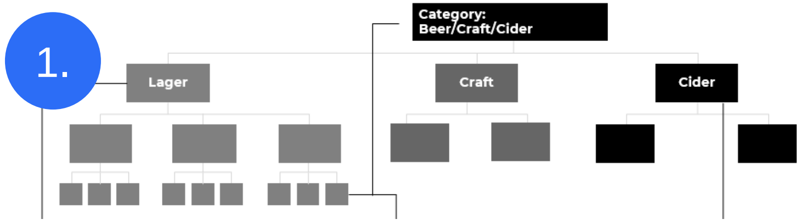
Apply algorithm-driven framework to see which **combination of products provide mutual growth** opportunities for both manufacturers and their retail partner(s).

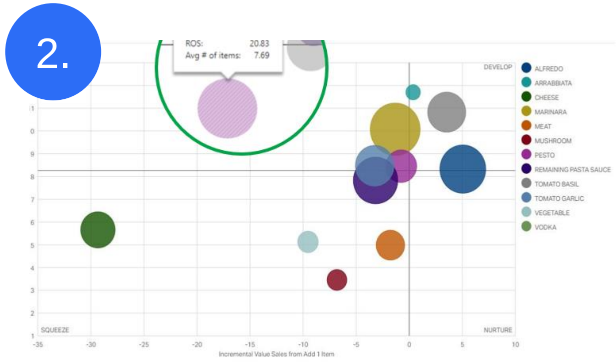
3 Assortment simulation

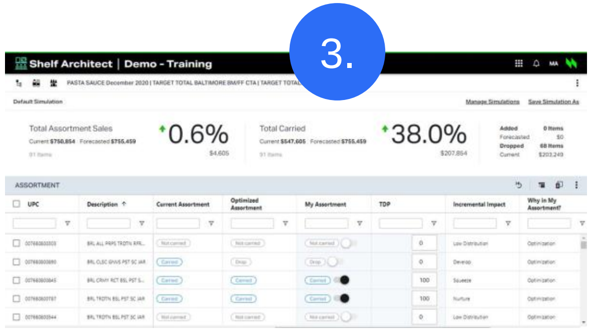
Quantify sales growth associated with capitalizing on account-specific distribution **opportunities for key items**, and reduce unnecessary items that don't deliver value

4 Space visualization & planning

Add **a visual component** to see how the assortment can be merchandised with an automatically generated **planogram**.







Savoury snacks have seen an acceleration of new items in stores

In the meantime, we need to innovate better to enter new consumption occasions

>85%

Of current Pepsico items were already part of our assortment in 2013*

*Based on NL data

With high market share, PepsiCo’s aim is to further drive the category to obtain long term growth

What have we learnt from the study?

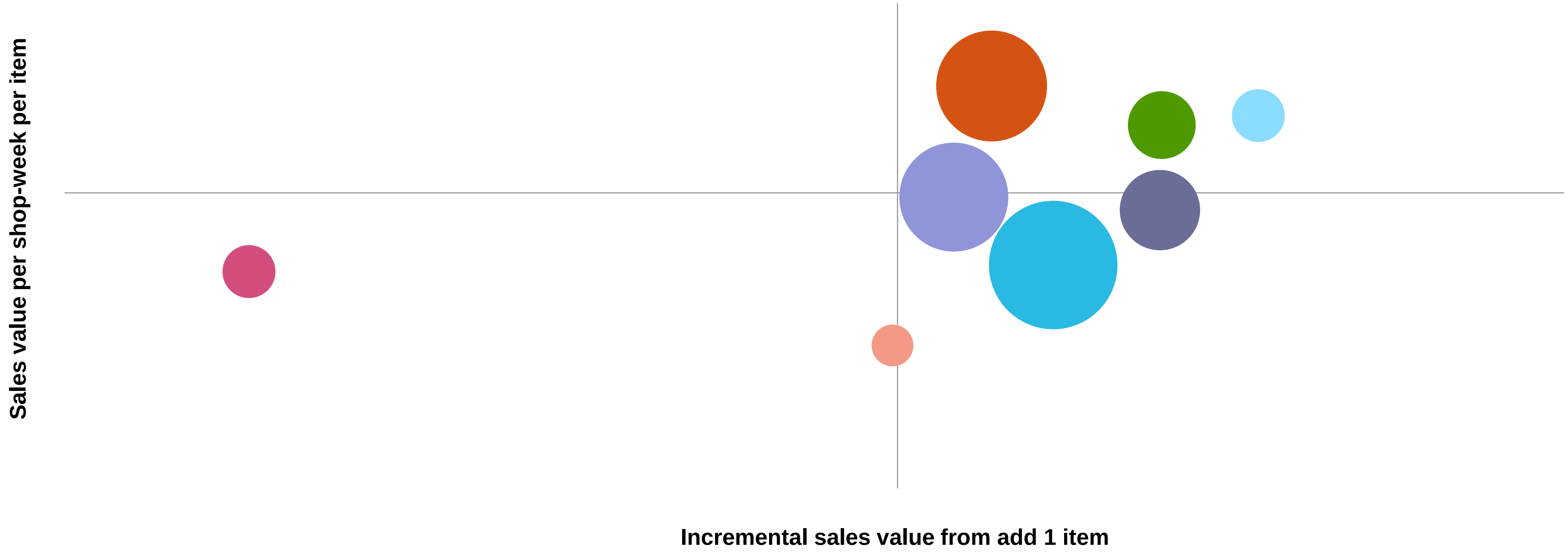
How to drive category growth?

What are PEP white spaces?

How can we make our innovations last longer in store?

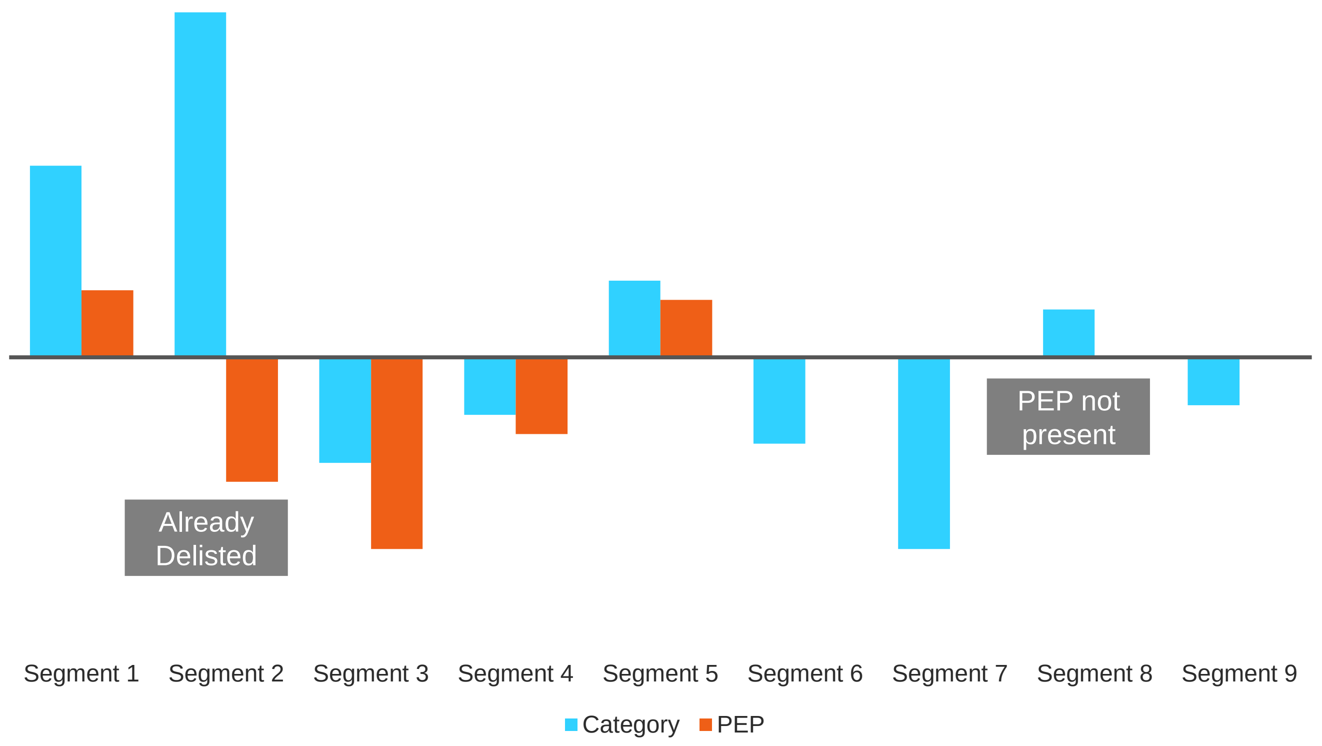
We have got an ideal map of how incremental each of our segments are for each retailer

Belgium ***SAVOURY SNACKS*** – ***Retailer 1***



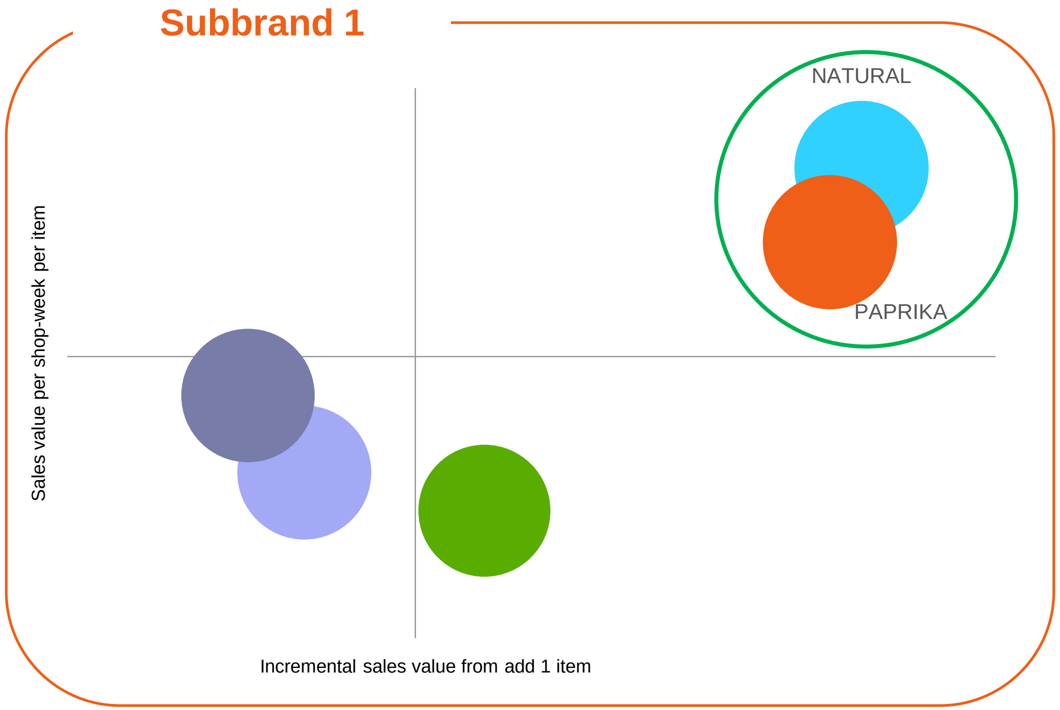
And we have been able to get an idea of where we need to increase our assortment

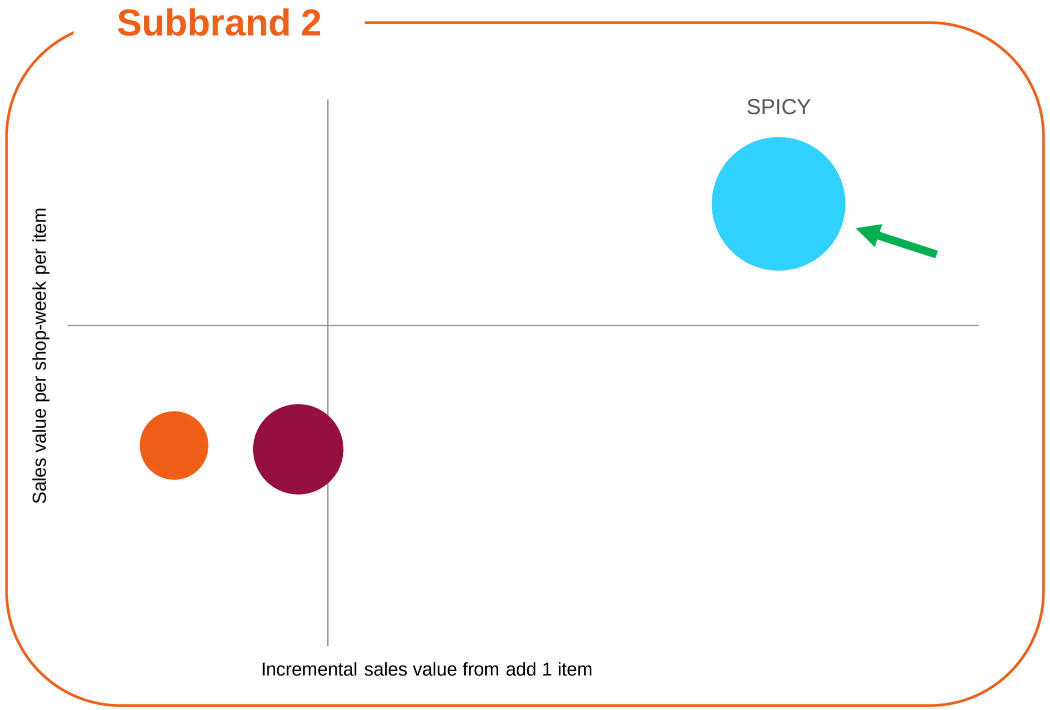
Retailer 1 – Savoury – Suggested change in #items per segment – NIQ Shelf Architect Study



Understanding of flavour incrementality influenced our innovations

Retailer 1






Fight the Flame
Flamin' Hot
budget!
Bewezen de goedkoopste!
Gebak
Doritos
MAX
Flamin' Hot
Flamin' Hot


Cheetos
CHIPITO
PAPRIKA FLAVOUR
NUTRI-SCORE
A B C D E

Thank you

Philippe Chapuis
Philippe.Chapuis@pepsico.com

Julien Loire
Julien.Loire@nielseniq.com

NIQ