

# Accelerating CPG DEMAND

DRIVING SALES WITH BIG DATA HAS PEPSICO NORTH AMERICA CEO AL CAREY MORE EXCITED THAN EVER. > By Mike Troy

Al Carey's 40-year CPG career began in the mid-'70s at Procter & Gamble followed by 35 years with PepsiCo. Such tenure gives Carey a unique perspective on how the industry has evolved to deal with emerging threats and capitalize on new opportunities. Consider the advent of club stores in the 1980s and the channel's subsequent growth. The efficiency driven operating model powered low prices and gave other retail channels fits.

In response to the pressure, a new collaboration initiative dubbed Efficient Consumer Response (ECR) was born that focused supermarket operators on reducing supply chain costs to improve their competitive position. Carey was among those involved in refining the concept and uncovering new efficiencies to improve profits. One such initiative involved usage of advanced

shipping notices or ASNs, that resulted in huge savings for a company like PepsiCo since an entire truckload could be checked in at one time rather than a delivery driver having to scan each individual item. ASNs and other supply chain efficiencies born out of the ECR movement are taken for granted today, but Carey believes the industry is ready to have an ECR-like moment when it comes to big data usage.

"Maybe this big data opportunity can be the next Efficient Consumer Response. Maybe we can use big data collaboration to drive sales like we drove efficiency in the supply chain back in the ECR days," Carey pondered recently during a presentation at IRI's annual Growth Summit. PepsiCo is thinking differently about how it uses big data, the structure of its insights organization and how insights are shared with customers to power better marketing and assortment decisions. "I don't want to develop a bunch of data tools

that overwhelm our organization and give us so much data we don't know what to do with it. I want to drive sales, real volume increases, using big data."

To make that happen, PepsiCo had to rethink its organizational structure and create a new foundation for leveraging information. It established a unified insights team as a separate function in the company just like manufacturing, marketing, sales or research and development. Having a unified organization also meant PepsiCo could avoid a situation Carey said he encountered many times during his career when separate insights teams from the PepsiCo, Frito-Lay, and Quaker teams would present conflicting information about consumer behavior.

"We now have one insights organization for PepsiCo with 200 people that is doing the work and really making a big difference," Carey said. "The organization can really be an asset to (retail) customers to drive consumer demand and drive sales and that's what it is all about."

One key example he shared related to the 2017 launch of the Lemon Lemon brand, a lower calorie sparkling product designed to appeal to younger consumers. By leveraging PepsiCo's massive first party database with information on nearly 106 million households with extensive third party information provided by IRI plans were developed to spend marketing dollars in ways designed to reach consumers most likely to purchase while also optimizing assortments by retailer and neighborhood.

Leveraging big data is essential in a media landscape that has become very fragmented and created new challenges for connecting with consumers. Likewise, PepsiCo wanted to make sure the new brand was in stores and prominently displayed in locations where it was most likely to be purchased. Carey said assortment optimization has been a goal throughout his career, but the advent of actionable big data has made it more of a reality.

The use case for big data when it comes to new product launches is strong because it enables a level of precision that was lacking as recent as a decade ago not to mention much earlier in Carey's career when mass marketing, standardize assortments and in-store sampling were relied upon. Now, PepsiCo is able to spend trade marketing dollars more efficiently and leverage its direct store delivery infrastructure to provide specialized merchandising at optimal locations.

Carey is convinced that big data will help PepsiCo overcome some persistent industry headwinds that have hindered CPG growth in recent years and that is why the new insights organization has been named Demand Accelerator.

"We want consumer demand generated from the work this group does," Carey said. RL



◀ Al Carey, PepsiCo North America CEO