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Special Issue: PepsiCo Reorganization.

PepsiCo Alters North America Beverage Management. Names Burwick to Run Marketing for Most Beverages. Nooyi: Move Furthers North America Beverage Integration. Stronger Bottler Focus and CSD Growth.

In interview with BD, PepsiCo chairman/CEO Indra Nooyi and PepsiCo Americas Beverages CEO Massimo d'Amore outline significant changes in company's North American beverage business. Nooyi says that integration moves are "logical evolution" and that PepsiCo has stronger focus on bottlers and returning its CSD portfolio to growth. Details. Dave Burwick takes over marketing for most PepsiCo North American beverages, including CSDs and Gatorade. He most recently has been executive vp commercial for PepsiCo International. Earlier in his PepsiCo career, he ran marketing for Pepsi-Cola North America (PCNA). This change brings the marketing of PepsiCo's North America CSDs and Gatorade under the same leadership, and PepsiCo, in internal memo, says reasons for changes include "increase(ing) coordination across brands" and "look(ing) at the North American beverage business in an integrated way." Burwick will not have direct responsibility for Tropicana, Lipton, Starbucks, Izze and Naked Juice, but says PepsiCo source, will be involved with marketing of those products. Burwick reports to d'Amore.

Pepsi, Gatorade, etc. Hugh Johnston, who has recently run PCNA, gets role with more pronounced emphasis on working with bottlers. His new title is president Pepsi-Cola North America Beverages. Internal PepsiCo memo says he has "P&L accountability for our entire North American franchise business." In letter to bottlers, d'Amore says Johnston's "foremost responsibility now is you -- our bottling partners." He is charged with improving "mutual economics of our partnership." He will also manage the Unilever and Starbucks joint ventures. Johnston reports to d'Amore. Company also names Mario Mercurio -- currently PCNA vp East division -- to new role of senior vp independent bottlers; reports to Johnston and Tom Bené who is senior vp sales/system transformation. Nooyi says Mercurio's role is to work directly with the non-anchor bottlers. Some of those bottlers have recently expressed concerns and formed new independent bottler association (IBA) (BD 5/23/08). Functional beverages. Rich Beck, president PepsiCo Chicago, takes on a new role of president North America Functional Beverages. PepsiCo says he will have accountability for Gatorade and the warehouse sales force. He reports to d'Amore. In essence, Beck heads up warehouse-delivered products, while Johnston heads up bottler-DSD products. Neil Campbell remains president of Tropicana, reporting to d'Amore. PepsiCo says Gatorade president Todd Magazine has decided to leave company.

Interview with Nooyi and d'Amore. BD asks: What's driving these changes? Nooyi: "This is really a logical evolution of the PepsiCo Americas Beverages structure that we moved to in November 2007. An integrated functional organization for North American beverages is something we've been talking about for the last three or four years. We wanted to make sure we had the right people in the leadership positions and the right overall organization. Once we accomplished all that, it was time to move North American beverages to a functional structure. This is the right time, it makes a lot of sense, as we're getting ready for our 2009 planning cycle."

Will this change involve cost savings? D'Amore: "Consistent with what I said on the second quarter earnings conference call, we are looking for ways to really take cost out of our system. This reorganization has nothing to do with that, but it will enable us to be more efficient in decision-making and running the business."

Will Gatorade/Tropicana operations stay in Chicago? D'Amore: "They will stay in Chicago as long as I'm alive. There is absolutely no plan to move them. It is the home-base of some of those products. And it is a great way for us to tap into Midwestern talent."

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Will Rich Beck, heading 'functional beverages,' oversee more than Gatorade? Energy drinks? SoBe Life Water? Nooyi: "In any organization, nomenclature is never 100% clean. Rich Beck is going to be overseeing, largely, functional beverages. So, he's going to be doing Gatorade and its off-shoots and Tropicana, which are predominantly functional beverages. And they are the biggest functional beverages within PepsiCo." D'Amore: "Energy drinks, no. As far as the hot-fill products are concerned, we have these great Gatorade plants, and we're looking at ways to use them even more productively. So, in the future, we might find opportunities to leverage the Gatorade plants to produce other hot-fill products." Nooyi: "Remember, Rich's role is not marketing."

Johnston's new role vs his previous role running PCNA? D'Amore: "He can now devote 100% of his time to bottlers, customers and retail execution. He does not now have to get distracted by the marketing agenda. Hugh, Rich Beck and Dave Burwick will work together very closely to make sure that the agenda is seamless." Are these changes in any way a response to the unhappiness of some non-anchor bottlers and the formation of the IBA? Nooyi: "No, not the overall restructuring. It is the appointment of Mario Mercurio that is in response to the independent bottlers, because they wanted their voice to be heard, and they wanted someone dedicated to them, and that's Mario Mercurio's job. His role is focusing on all the non-anchor bottlers. All independent bottlers regardless of size." To make sure they have a dedicated touch-point in the company? Nooyi: "Absolutely."

Will bottlers get Gatorade, G2 or Propel in more channels than have now? Nooyi: "This is something that Hugh Johnston, Rich Beck and Dave Burwick should work out. From our perspective, what we are working on is a way to grow the overall profit pool and figure how to share it between ourselves and the bottlers and make it a win-win. Each product, as it's developed, is going to go through a decision-making process of what is the best fit from a distribution perspective." Any changes anytime soon for Gatorade, G2 and Propel? Nooyi: "That is for Hugh, Rich and Dave to work out. And they'll look at each one and look at the economic value of staying warehouse or going bottler." How important will innovation be next year for the Pepsi system? D'Amore: "We'll have the strongest innovation for North American beverages that I can remember. We'll disclose our plans as we get close to the start of the year. Innovation will be the lifeblood of our growth for next year." Nooyi: "Including CSD innovation." D'Amore: "Across the board."

Will some hot-fill products be switched to cold-fill so bottlers can produce them? D'Amore: "We are looking at these opportunities all the time. We transferred the manufacturing of AMP to the bottlers a few months ago, precisely to better leverage their assets. It is in the interest of everyone to better leverage their assets." Is Propel under consideration? D'Amore: "I would like Hugh, Rich and Dave to work this out." Nooyi: "We are very cognizant of the fact that the cold-fill assets need to be utilized."

With PCNA CMO Cie Nicholson having left recently and Todd Magazine leaving now, are you concerned about marketing bench strength? Nooyi: "No, not a bit. I actually feel very good about PepsiCo's bench strength. We are a very attractive place to come to work. We've hired some very good talent from the outside, and we're constantly improving the marketing talent base."

What priorities have you set for Dave Burwick? D'Amore: "Dave and I think alike in many, many ways. He will take what we've started doing for the last nine months and take it to the next level. He will be focused in an undivided way on building the brands, resuming growth in sparkling -- that's one of his big priorities. He also will work on accelerating the growth of categories that have been very successful for us this year, such as enhanced waters and energy drinks." You're saying you can grow your CSD portfolio again? Nooyi: "We're talking about anything that has bubbles in it." On a combined basis, can you get that part of your business into positive volume territory again? Nooyi: "That's the hope. There has to be a breakthrough here or a breakthrough there. We're going to go figure out how to grow that business. It's a very attractive business. Consumers love bubbles. It won't happen in 2009. But I'll tell you, over the next three to five years, that's the goal we're singularly focused on."