SAVOURY SNACKS

UK CATEGORY VISION

JANUARY 2024

PEPSICO

SAVOURY SNACKS

UK CATEGORY VISION CONTENTS

LANDSCAPE

OPPORTUNITIES

INSIGHTS

VISION

WHY PEPSICO?

DEPLOYMENT

UNDERPINNED BY THE LATEST MACRO, CATEGORY & HUMAN INSIGHTS

MACRO & MICRO FACTORS

Current Landscape:

- Economic
- Environmental
- Social
- Regulatory

CATEGORY DYNAMICS

'Triple-Win' Opportunities:

- Drags & Drivers
- Barriers To Growth
- Growth Levers
- Sales Outlook

CONSUMPTION TRENDS

Human & Cultural Insights:

- Demographics
- Lifestyles
- Need States
- Demand Spaces

SHOPPING BEHAVIOURS

Execution Insights:

- Channel Choice
- Path To Purchase
- Decision Science
- Promotional Space

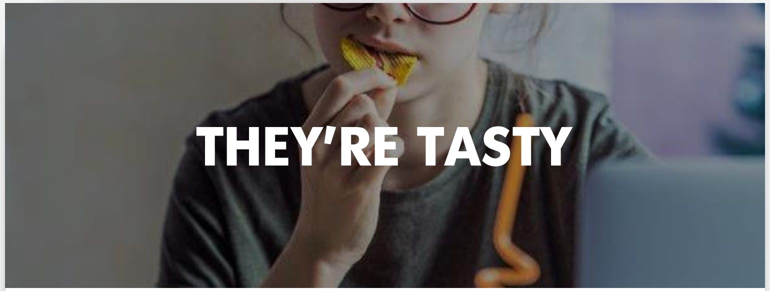
SAVOURY SNACKING IS A WAY OF LIFE IN THE UK

107MM
Consumption Occasions per Day

1.7X
Snacks per Person per Day (2.4X for Gen. Z)

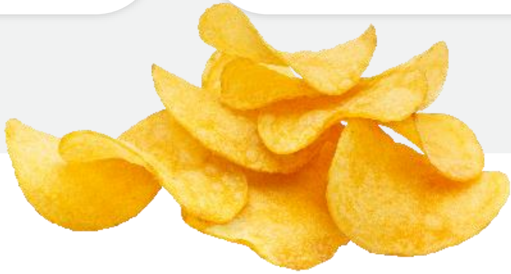
10.2KG
Per Capita Consumption per Year

	Savoury Snacks	Index vs. Total Snacks
Morning	29%	93i
Lunch	20%	116i
Afternoon	25%	99i
Evening	26%	98i



Top Category Drivers:

1. TASTY TREAT
2. SATIETY
3. PERMISSIBILITY
4. CONVENIENCE
5. PERFORMANCE



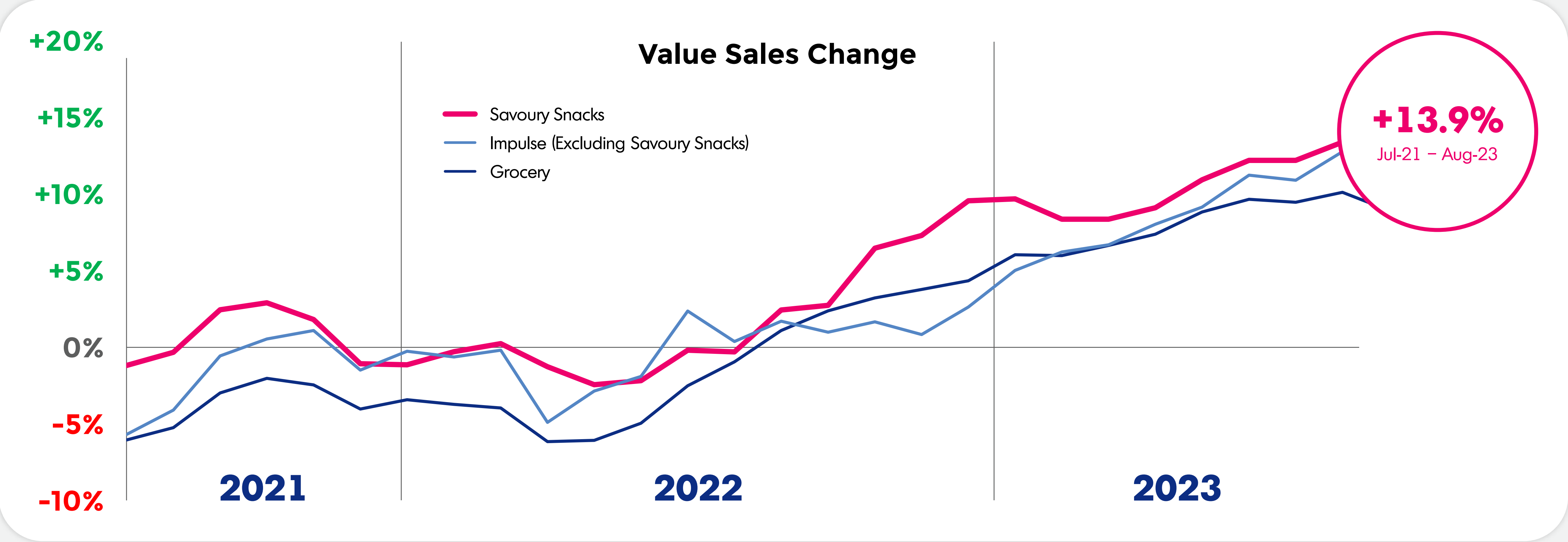
Source: Internal Daypart Data MAT Q2 2023

IT'S A TRUE 'POWER CATEGORY' & THE #1 WITHIN IMPULSE

	PENETRATION	FREQUENCY	TRIP SPEND	EXPANDABILITY	CATEGORY RANK
SAVOURY SNACKS	1 99%	1 55	2 £2.95	1 94%	1st
BISCUITS	2 98%	2 37	3 £2.29	3 86%	2nd
SOFT DRINKS	3 92%	3 33	1 £3.62	4 85%	3rd
SUGAR CONFEC.	4 90%	4 22	4 £2.04	2 93%	4th

Source: Kantar MAT August 2023

SAVOURY SNACKS HAS DELIVERED PEER-LEADING GROWTH...



Source: Kantar 12-Week Ending August 2023

...WHERE BRANDS WILL CONTINUE TO PLAY AN IMPORTANT ROLE

1 SALIENCE: AWARENESS & ASSOCIATION

140i — 2023 PV TASTE INDEX BRAND vs. PLB

161i — 2023 PV FLAVOUR INDEX BRAND vs. PLB

3 PERFORMANCE: SCALE & GROWTH

77% — 2022 SHARE OF VALUE SALES

93% — 2022 vs. 2019 CONTRIBUTION TO GROWTH

2 EQUITY: QUALITY & LOYALTY

#2 Most loved FMCG Brand

2x — 2023 PV WPMF BRAND vs. PLB

4 INNOVATION: ENGAGEMENT

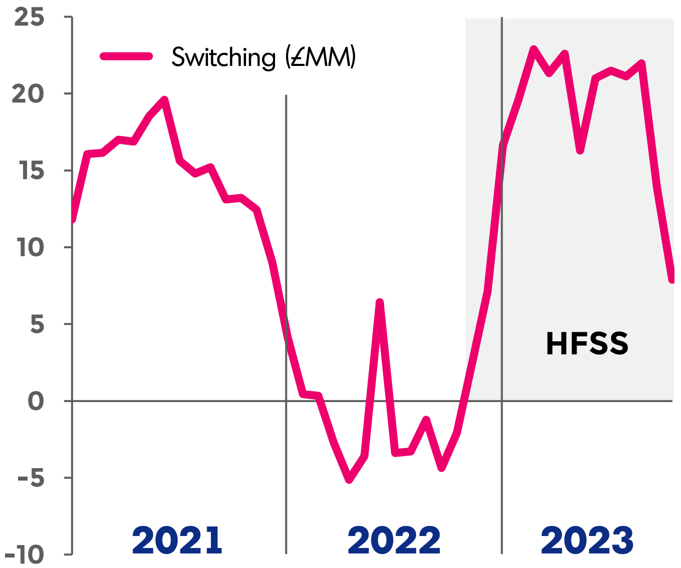
91% — 2022 SHARE OF NPD VALUE SALES

Source: Perceived Value (Mainstream PC), Nielsen

THE CATEGORY IS WELL POSITIONED FOR THE FUTURE

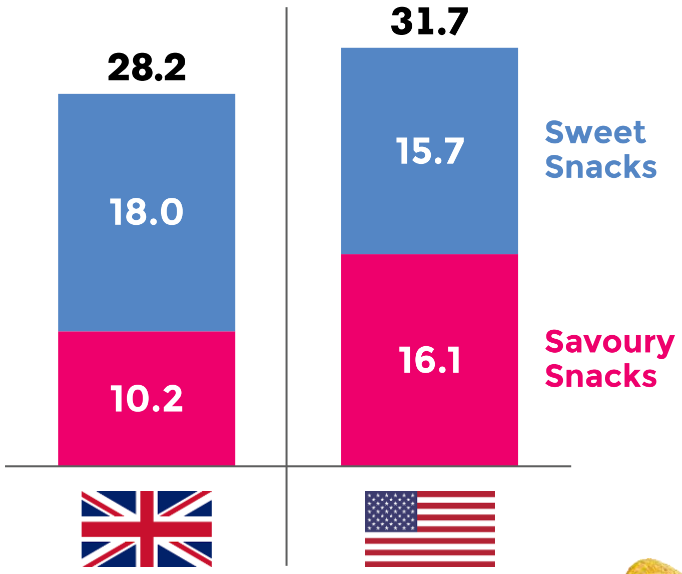
WE'RE BECOMING MORE POPULAR

Category Switching To Savoury



WE'VE GOT HEADROOM TO GROW

Per Capita Consumption (KG)



WE'RE A HEALTHIER CHOICE

Fat, Salt & Sugar (NPM)

SAVOURY SNACKS — >20% COMPLIANT, NPM SCORE: 10

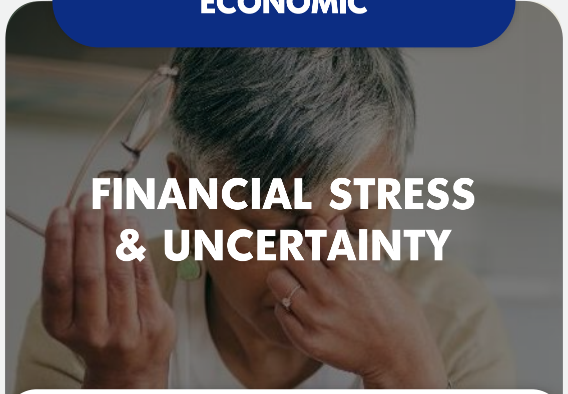
BISCUITS — <1% COMPLIANT, NPM SCORE: 19

SUGAR CONFEC. — <1% COMPLIANT, NPM SCORE: 21

Source: Kantar MAT September 2023 | Euromonitor 2023 | Nielsen & Brandbank

BUT GROWTH WON'T COME EASILY...

ECONOMIC



88% — **COST OF DOING BUSINESS**
of surveyed European executives named margin pressure a top trend

53% — **COST OF LIVING CRISIS**
of consumers look for ways to save money when shopping (up from 41%)

ENVIRONMENTAL

19% — **GHG EMISSIONS**
intend to spend more on environmentally friendly products

65% — **PACKAGING WASTE**
of decisions are affected by the recyclability of a product's packaging

SOCIAL

61% — **AGEING POPULATION**
increase in the number of people over 65 years old in the UK by 2032

38% — **MULTICULTURAL BRITAIN**
of residents are estimated to be from ethnic minority groups by 2050

REGULATORY

26% — **TACKLING OBESITY**
of adults are currently living with obesity (at a cost of £6.5BN to the NHS)

70% — **RECYCLED PLASTICS**
of the UK's plastic waste is from the packaging of single-use products

Source: State of Grocery Retail | GS1 | ONS | Social Integration Commission | UK Government

WE'VE IDENTIFIED FIVE CATEGORY OPPORTUNITIES TO PRIORITISE

CONSUMER | **SHOPPER** | **SUPPLIER & RETAILER**

DEMAND SPACES

1

Adapt to the since-COVID era

DECISION ECONOMICS

2

Define the right value equation

PATH TO PURCHASE

3

Unlock additional points of interruption

VALUE CHAIN

4

Lower costs & reduce complexity

PLANETARY WELLBEING

5

Protect public health & the environment

1

DEMAND SPACES

ADAPT TO THE SINCE-COVID ERA

CHANGING CONSUMER LIFESTYLES


MEALTIMES **+5pp**


OUT OF HOME **+5pp**


SOCIAL **+3pp**


EVENING **-5pp**


SCREEN TIME **-8pp**

1 CAPTURE ETHNIC OPPORTUNITIES

6%
VALUE MARKET SHARE

Value Sales Forecast
+7.4%

2 ACCELERATE WITH KIDS & FAMILIES

27%
VALUE MARKET SHARE

Value Sales Forecast
+6.5%

3 BUILD RELEVANCE WITH GEN Z

17%
VALUE MARKET SHARE

Value Sales Forecast
+5.8%

4 DOUBLE-DOWN ON LUNCH

14%
VALUE MARKET SHARE

Value Sales Forecast
+5.7%

5 TRANSFORM IN POST-FAMILY

14%
VALUE MARKET SHARE

Value Sales Forecast
+3.8%

Source: Bolt Snacking Research Q2 2022

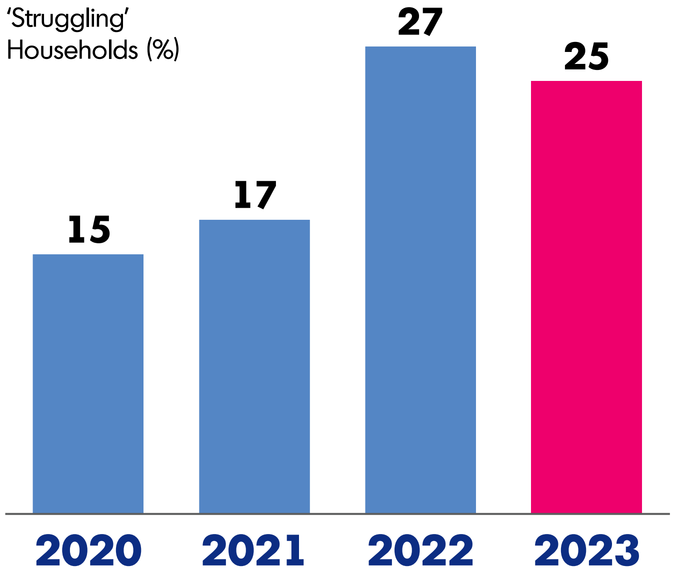
2

DECISION ECONOMICS

DEFINE THE RIGHT VALUE EQUATION

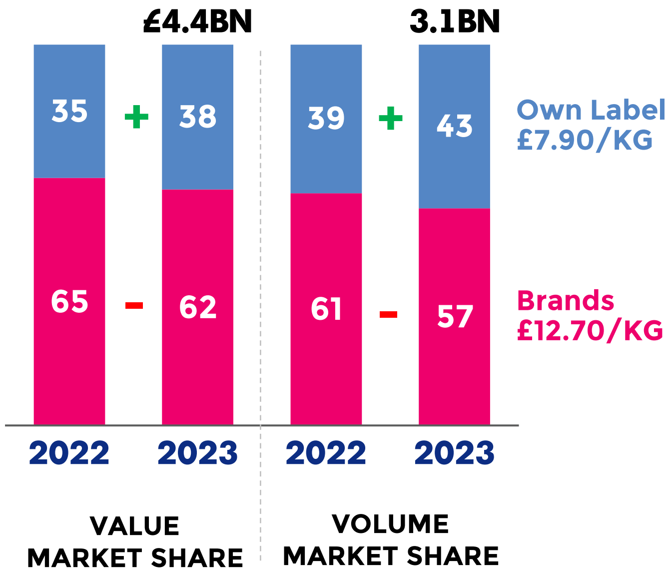
SHOPPERS ARE STRUGGLING

Financial Difficulty



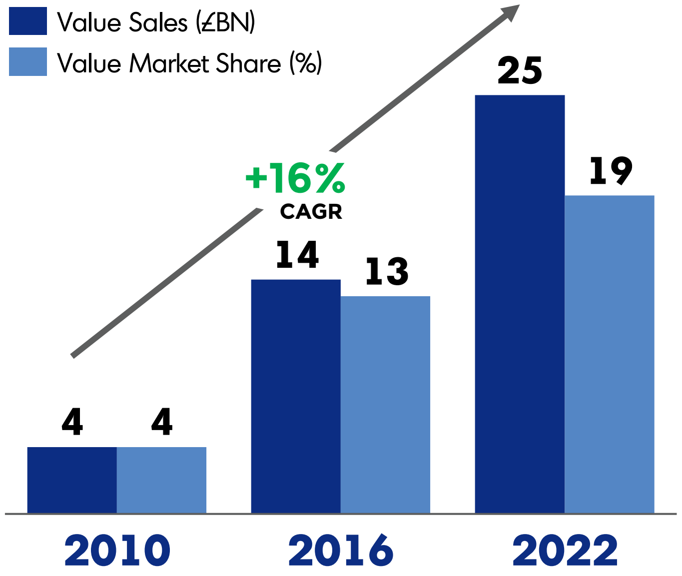
SHOPPERS ARE DOWN-TRADING

Grocery Category Depreciation



SHOPPERS ARE SWITCHING

Discount Retail



Source: Pressure Groups Survey | Nielsen YTD August 2023 | Kantar

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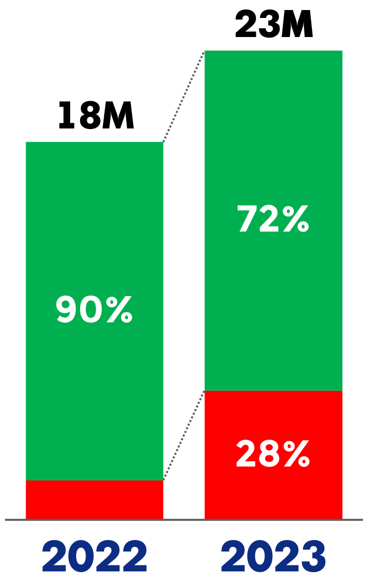
PATH TO PURCHASE

UNLOCK ADDITIONAL POINTS OF INTERRUPTION

WE'RE LESS VISIBLE IN LARGE STORES

Grocery Promotional Space

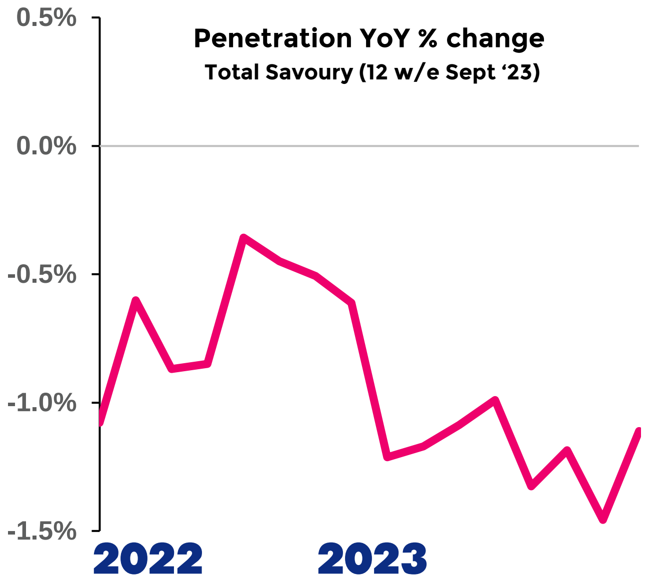


HIGH QUALITY
Out-of-Aisle Spaces:
- Front of Store
- Gondola End
- TRDU & Pallet

LOW QUALITY
In-Aisle Spaces:
- In-Aisle Bay
- Seasonal

WE'RE LOSING LIGHT BUYERS

Impulsive Conversion



WE LIVE IN A 'PHYGITAL' WORLD

Omnichannel Touchpoints

	CAGR 2019-2022	Market Share 2022
E-COMMERCE	+20%	8%
DISCOUNTERS	+8%	15%
IMPULSE	+3%	11%
OUT OF HOME	+2%	26%
ORGANISED	+1%	40%

Source: TRAX YTD August 2023, Kantar

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VALUE CHAIN

LOWER COSTS & REDUCE COMPLEXITY

HIGHER 'MAKE & MOVE' COSTS

+1.3% in the nominal unit costs for labour to Q4 2022 (+6pp versus 2021)

+16% in the cost per mile for UK haulage & courier vehicles (last 3-years)

+20% in the price to produce food & drinks in the 12-months to January

+40% in the price of unleaded & diesel fuels in the UK (respectively)

INEFFICIENT 'SELL' OPERATING MODEL

PRODUCT

2019	2021	2023
525	466	485

SAVOURY SNACKS SKU COUNT:
2023 increase has been driven by non-HFSS NPD

PACKAGING

- SKU Case Sizes
- Brand Pack Formats
- Display Lead Times
- Material Waste

ACROSS THE VALUE CHAIN (SUPPLIER & RETAILER)

Source: ONS, Nielsen YTD October 2023

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PLANETARY WELLBEING

PROTECT PUBLIC HEALTH & THE ENVIRONMENT

DAMAGING THE ENVIRONMENT... DAMAGES HUMAN HEALTH

UK'S FOOD SYSTEM IS CREATING A HEALTH CRISIS

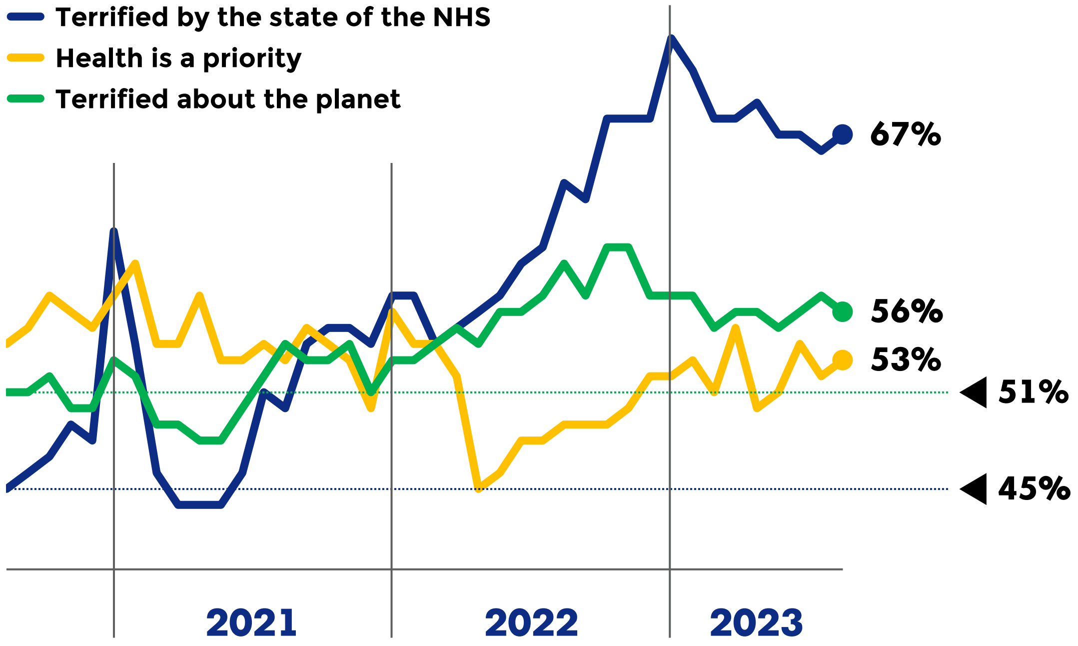
+5% obesity rates in children between 2020 & 2021

64% adults estimated to be overweight or obese in 2022

>15M people in the UK are living with a long-term condition

>25% adults in the UK diagnosed with high blood pressure

ACTION FOR A SUSTAINABLE FUTURE

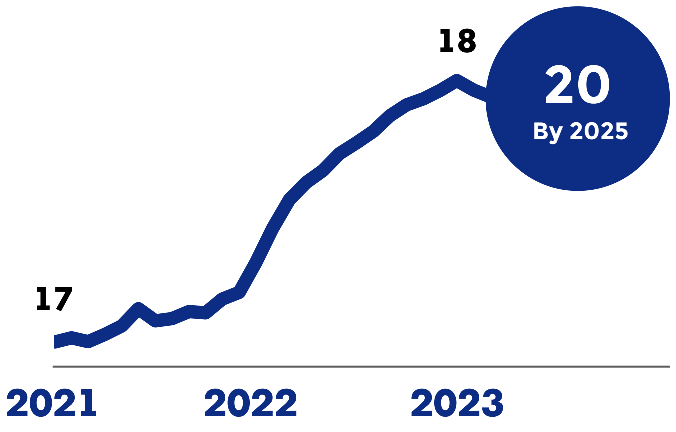


Source: BMA, KOKORO Survey August 2023

OUR 3-YEAR VISION IS TO GROW & TRANSFORM 'FOR THE BETTER'

GROWTH

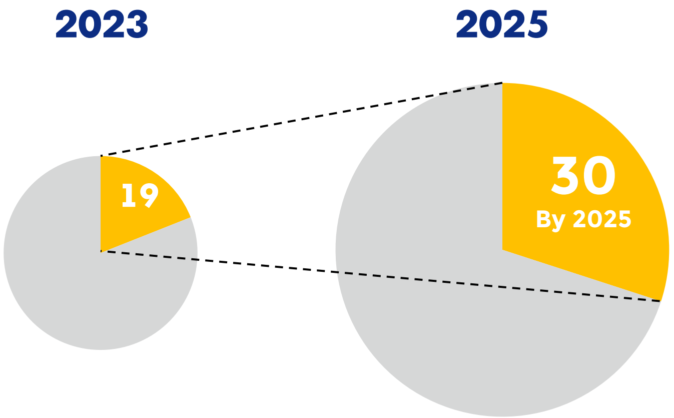
Savoury Snacks: % of Impulse Sales



+20% OF IMPULSE

HEALTH

Savoury Snacks: % of Non-HFSS Sales



+30% OF SAVOURY

PLANET

PepsiCo: % of Virgin Plastic Packaging

PACKAGING TO BE REUSABLE, RECYLCED, RECYCLABLE OR COMPOSTABLE BY 2025

100% OF PRODUCTS

Source: Kantar | Nielsen YTD

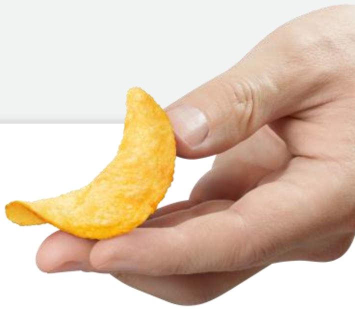
BY CONVERTING SAVOURY SNACKS INTO MORE TRIPS

PEPSICO'S 3-YEAR SAVOURY SNACKS CATEGORY VISION:

1 IN 6 TRIPS

+1

1 IN 5 TRIPS



Converting Savoury Snacks into 1 in 5 trips is worth:

+£600MM

for the category

Source: Kantar

CATEGORY VISION
FROM CATEGORY OPPORTUNITIES TO GROWTH PLATFORMS

1. Adapt to the since-COVID era
DEMAND SPACES
CONSUMER CENTRICITY

2. Define the right value equation
DECISION ECONOMICS
HOLISTIC VALUE

3. Unlock additional points of interruption
PATH TO PURCHASE
IMPULSIVITY

4. Lower costs & reduce complexity
VALUE CHAIN
SIMPLIFICATION

5. Protect public health & the environment
PLANETARY WELLBEING
POSITIVE ACTION

CATEGORY VISION

GROWTH PLATFORMS, STRATEGIC IMPERATIVES & DRIVERS

CONSUMER CENTRICITY

- Kids, families & Generation Z
- Out of home consumption
- Social snacking occasions

HOLISTIC VALUE

- Accessible value
- Value for money
- Worth paying more for

IMPULSIVITY

- Breakthrough innovation
- Magic of shopping
- Omnichannel execution

SIMPLIFICATION

- Low-touch solutions
- Portfolio optimisation
- Range rationalisation

POSITIVE ACTION

- Healthier choices
- Plastic packaging
- Greenhouse gas emissions

RELEVANCE

SALIENCE

DISTINCTION

AVAILABILITY

VISIBILITY

UTILITY

PEPSICO AS YOUR IMPULSE PARTNER FOR GROWTH

FOR OUR CONSUMERS

Create joyful moments through our delicious and nourishing portfolio of products and unique brand experiences

PEPSI WALKERS Doritos QUAKER

9/10 OF HOUSEHOLDS IN THE UK BUY A PEPSICO PRODUCT

FOR OUR CUSTOMERS

Be the best possible partner, drive game-changing innovation and delivering peer-leading growth

>£2BN IN SALES WITH GROWTH OF 38% VS. 2016

FOR OUR PEOPLE & PLANET

Conserve nature's precious resources and foster a more sustainable planet for our children and grandchildren

pep+ pepsico positive planet + people

2040 ACHIEVE NET ZERO EMISSIONS BY 2040

- INDISPENSIBLE INNOVATION & BRAND-BUILDING
- DIGITAL & ECOMMERCE CAPABILITIES
- HUMAN & SHOPPER INTIMACY
- END-TO-END SUPPLY CHAIN AGILITY
- ADVANCED INSIGHTS & ANALYTICS
- COLLABORATIVE JOINT BUSINESS PLANNING