



PEPSICO



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*“Just how much will consumers **actually** pay for this?”*

**How PepsiCo Cashes in its Chips
with Behavioral Experiments**



Your hosts



Former Wedding Singer



Wine connoisseur



Rainier
Co-Founder

Jonathan
Sr. Global Insight Manager



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Experts in Behavioral Science

Innovators of Vickrey Auction for MR

Founded 2015 / Amsterdam HQ / 40 Emp

Trusted by:



PEPSICO

McKinsey
& Company



Microsoft



General
Mills

reckitt®



Unilever



Heineken®

MARS



Nestlé

KraftHeinz





PEPSICO

Global beverages



PERFORMANCE



\$79+ billion
net revenue '21

BRANDS



Iconic
billion-dollar
brands

Global convenient foods



SCALE



200+
countries
& territories

PEOPLE



~309,000
employees

How can a category leader grow further?

Why we're here

Unlocking penetration, frequency and pricing is key...

...but it's critical to understand the potential of innovation to unlock these





The Business Challenge

- Big bet on innovation
- Requires significant price premium
- Needs to be incremental
- Requires sustained demand

Global \$MM+ investment

130-150ix

The Research Challenge

How can we know how many consumers will actually buy our innovation?

And buy it again at a price that works?

Traditional methods are poor predictors of habit changes.

The Magic Ingredients: Behavioral Science in Every Step

Will they pick our product?

1. Choice-based



2. Transactional

What will they actually pay?

3. Actual Usage

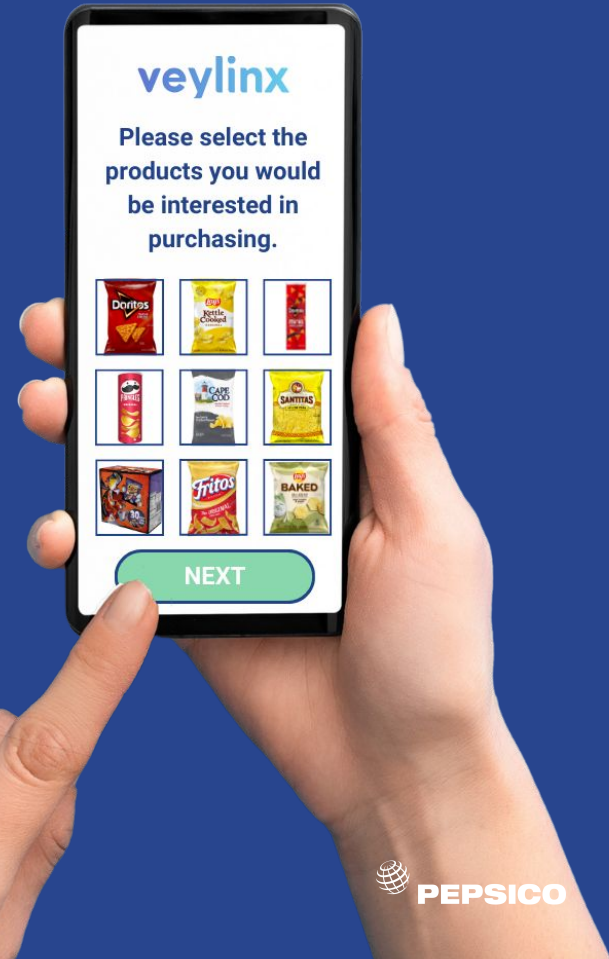
And buy it again?

We gave consumers a choice...

Consumers select all products they're interested in from a competitive environment

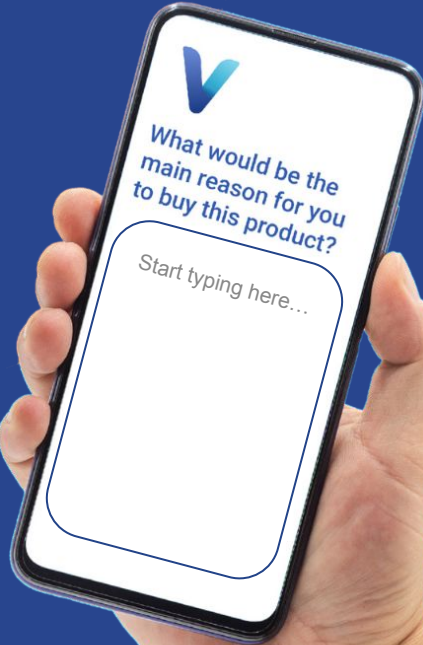
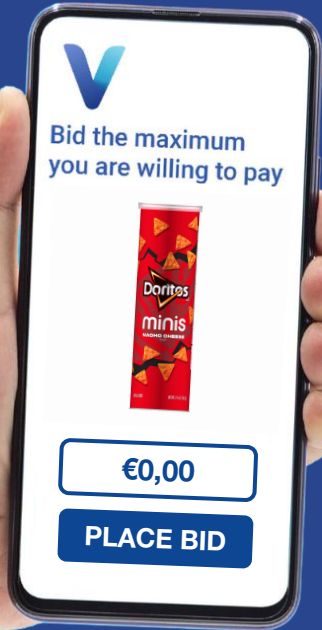


Validates consideration and competitive choice



...primed them to part with their cash if they liked it...

Consumers place a bid with their own money to actually buy the products they selected



Validates purchase potential & price for innovation AND competitive set

...and sent them the innovation for testing...



...and are offered a
chance to buy again

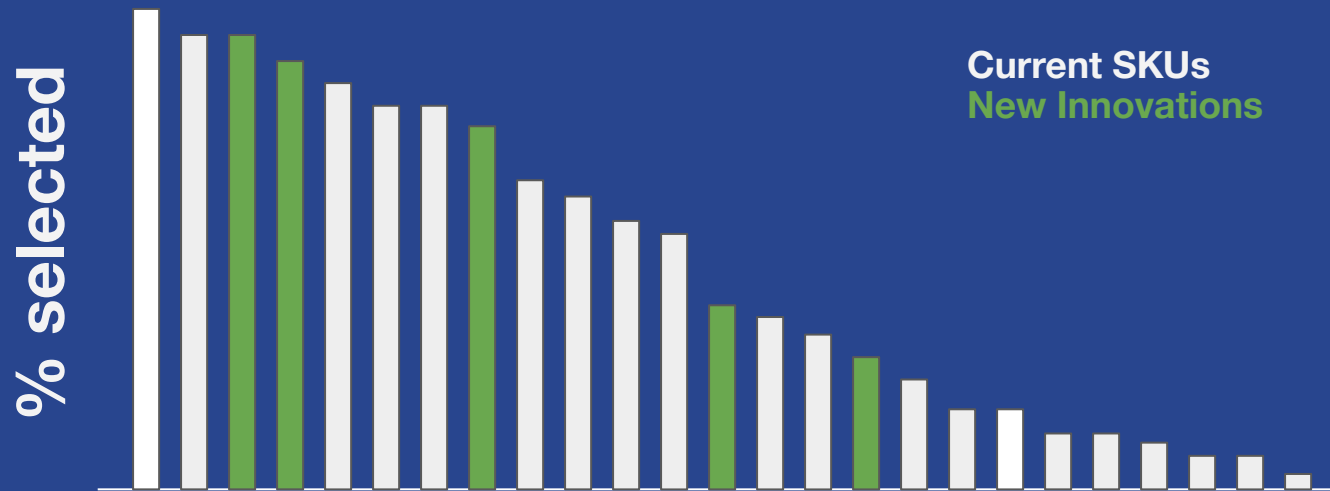
*Validates usage & repurchase
and understands product
performance*

Successfully tested in 6 markets on 4 continents



What We Learned

Consumers selected our new innovation line at a comparable rate to competition



Sufficient # of consumers willing to pay a premium for the new innovation line-up

	Pos bids	£2	£2.5	£3	£3.5
Innovation	59%	34%	19%	14%	8%
Current	46%	26%	17%	10%	5%

The innovation would be challenged to push past certain category price thresholds



Bidding showed that the innovation drove a relative price premium vs. competition

	Market 1	Market 2	Market 3	Market 4	Market 5
Innovation Median Bid	2.50	3.00	2.00	5.00	2.30
Competition Median Bid	3.80	3.90	2.90	7.90	3.40
Innovation IX to Current	153	129	144	159	150

Innovation trial helped us understand:

Value Perceptions...



29%

Value development
through experience

...and Delivery vs. Expectations

Net
Expectation
Score =
79%

Innovation trial also used video qual to help us understand usage and performance



	Pre-Trial	Post-Trial
KPIs		↑
Emotional Benefits		↑↑
Functional Benefits	—	
Product Drivers		↑
Occasionality	↓	
Attributes		↑

Business Impact

- ✓ **“Do Evidence” behavioural proof of relative value / price premium**
- ✓ **Clear indication of impact of comms on trial and A&M investment requirements**
- ✓ **Ability to ground forecasting and P&Ls in consumer-led demand, repeat and pricing understanding**
- ✓ **Unprecedented levels of engagement from senior stakeholders in learning plan**

Recommendation

**Don't be afraid to
experiment,
even on
big bets**

**Infuse reality
into your research
to prioritize
human-centricity**

**Partner with an
agency that shares
your commitment
to innovation**



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THANKS

Any questions?