



The Innovators

Conversations

On the *Cutting Edge*

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Interview with **Jaya Kumar** **President** **PepsiCo's Global Nutrition Group**



Jaya directs a global innovation and branding team comprised of product development, innovation, marketing, R&D, customer, and partnership experts strategically focused on delivering great tasting, wholesome nutrition products to markets around the world. Previously, he served as President of PepsiCo's Quaker Foods & Snacks business unit, and Chief Marketing Officer of Frito-Lay North America. Jaya joined PepsiCo in 2005, and has more than 18 years international and domestic brand management and sales experience at consumer goods companies.

Interview conducted by Doug Berger, managing director, INNOVATE doug@innovate1st.com

Doug: Please begin by giving us an introduction to PepsiCo's nutrition business.

Jaya: The Global Nutrition Group includes brands such as Tropicana, Quaker, Lebedyansky, Naked, Alvalle, and the recently acquired food and beverage business, Wimm-Bill-Dann (WBD) in Russia. It was late Q4 2010 that we announced our aim to build a business of about \$30 billion in size by 2020. At that point in time our business was about \$10 billion. The heart of the business proposition was to make healthier products more convenient, accessible, and available to most parts of the world without compromising the fundamental, delicious taste that we do so well across all of our products.

We said, "Let's look at everything from a pure consumer lens and an occasion lens." We looked at one vector around day parts. There is breakfast, AM snacking and lunch, PM snacking and dinner. We looked at the second vector around where they consume. Home? On the go? Out of home? The third vector was the people. Who is doing it? We had three or four social cohorts that we looked at. Fourth, we asked, "What are the broad needs that are getting addressed"? If you think of these four vectors as a Rubik's Cube, we then mapped out for the next ten years the key phases in which we believe we are going to drive health, wellness, and nutritious beverage and food solutions, which are exciting in terms of growth. That was our strategic context.

We did some consumer mapping to understand the spaces. We will take the basic five ingredients: grains, fruit, whole grains, vegetables, and dairy (milk and other forms), and combine them to create delicious foods and beverages within this Rubik's Cube of opportunities.

Doug: How is this strategic context different than the context that existed 1½ to 2 years ago?

Jaya: The first difference is that \$10 billion is a far smaller set within the \$60 billion PepsiCo set. Secondly, we felt that many of our established brands had big potential. Quaker is viewed as one of the world's most healthy equities, and we track over 100 food and beverage brands around the world. We said, "How do we take this immense portfolio of very powerful brands and unlock the growth that we clearly see as the potential, which these brands can offer?"

Doug: To unlock this potential, what is the different mindset that you would want the thousands of employees who walk around all of the PepsiCo operations interacting with customers to internalize?

Jaya: By far, number one would be the consumer as the compass of everything we do. Rather than focusing on categories and needs state, we said "Let's talk about experience and occasions, with far more nuance than we do traditionally." For example, when you get up in the morning, it is breakfast time. What is the experience that you go through? You get up; you get ready, walk down stairs, and have seven minutes to get your kids off to school. The question I'm asking is, "What solution should fit in that consumer experience within that occasion, and how do you engineer it in a manner that significantly creates value for consumers, especially around solving the challenges that they encounter as they go through that experience?"

Take somebody who is 50-plus with two people in the home the way they get up, the products in the refrigerator, the actions they take, are all very different from a mom who has kids going to school. The needs state might be the same, but the manifestation of that needs state varies dramatically depending on your stage of life. That would be one fundamental shift ... moving away from the "category frame" to an occasion frame and a cohort frame.

Companies who have done dramatic innovation have cracked the code of leveraging both internal networks and external networks. The second change is that we are relying far more on external networks, the fundamental difference being how we collaborate and engage with them to get things done. So, buckets 2 and 3 would be internal networks and external networks.

The fourth I would call "thoughtful risk-taking." The classical Consumer Package Goods metrics of innovation success is less than 10% and 80% of innovations don't last more than a year. We asked, "What is it that we can do to actually get transactional consumer data vs. research-consumer data?" The consumers are actually paying money as we learn, versus consumers who are telling us their intended behavior. We considered the fact that we are going to share with competitors what we're doing ahead of the time. However, in the longer term, we believe it will be advantageous as we get a far better read in the real world of how consumers are going to react.

Doug: I can imagine that people who do BASES testing wouldn't be particularly happy?

Jaya: You raise an interesting point. BASES does a good job among the various methodologies of evaluative research. You have a proposition, define the marketing variables, and you ask a mathematical technology algorithm to predict the size of the proposition. Far before BASES, I'm really focused on the 9 or 12 months between concept and an actual prototype. If we can get more consumer transactional data at that point, you will get to a better outcome.

Doug: If you and I were having this conversation, and you were in the digital space, we would be saying, "Of course, that's how the digital space operates." You put something out into the market place, see who starts using it and usage becomes the basis for what we expand and what we kill.

Jaya: That is exactly right. The Global Nutrition Group is the first PepsiCo global business unit that is experimenting at this point. We are defining the pathway. So we started saying, "The best thing we could do is to leverage all of the talent that we have in PepsiCo, not to focus too much on structural change but talk about collaborative change.

What is the nature of questions that we need to answer, the types of conversations that we'd like to have, and the core philosophy about how we engage around these conversations? We defined three types of conversations. Tactical conversations are about how you communicate certain things more effectively. Strategic conversations are about how you do things differently. Then what I call "transformative or generative conversations" are about how you see things differently. When we are operating on a continuous basis, we do a lot in the tactical and strategic conversation realm, and we don't do the third conversation, transformative or generative.

In my previous operating role, I would say that tactical conversations occupied 30–40%, maybe even 60% of the time, with the remaining 40% being strategic conversations. At GNG, the ratio is about 30% tactical, 40% strategic and 30% transformational. That is the simple way to describe what we have started to do. So rather than focus on structure, we said, "Let's change the nature of the conversations a group of people is going to engage in, and let's have some processes that enable those conversations around the world."

Doug: How did you go about engaging people in transformative conversations?

Jaya: First of all, we never used to have a group focused on breakfast as an occasion. We used to focus on categories. The moment we talk about breakfast as an occasion, the frame of reference looks very different from the category frame they have been used to. The simple act of just opening up the space of the conversation allows us to see questions differently.

If I push that part further, the U.S. breakfast business is \$120 billion business. That's what consumers in the United States consume between 4:30 AM until about 9:00 AM. If I were to ask you, "What is

the number one occasion in the breakfast space?" what would your guess be?

Doug: I don't even know how to answer that question.

Jaya: That is the first part of what we discovered. The fact that I asked a question which forces you to think, "How can I answer that?" changes your frame on how to approach the question to be answered. The very premise of a transformative question is that it is not intuitive to answer. It takes time. You have to probe it in different ways and different angles.

The answer to that question is the \$30 billion that is out of home. All of a sudden, you are not telling me my next flavor of oatmeal, you are reframing yourself to understand how you would approach the task of approaching this weekend's breakfast occasion. You step back and say, "What is driving some of those occasions?" I am using that as an example of what happens when you reframe and get to a transformative type of conversation.

Doug: How did you go about deploying this and engaging people in those transformational questions? This is intended to be a highly practical question.

Jaya: I would love to just sit here and tell you that all I have to do is to give people a theoretical concept. No, we have to launch commercially viable products in the market space starting 2012. Therefore, we resourced the appropriate teams within the business units, as well as a smaller team outside the business unit. We had a process by which we could rapidly prototype concepts, rapidly get to consumer understanding around these transformative territories, and then put a process in place to introduce them within the businesses around the world.

The teams are organized around consumer growth corridors vs. product categories or geographies. They get up in the morning and for example, spend the full day thinking about how kids are operating, eating drinking, playing. What do they do from morning to evening and what are our opportunities? The team comes up with a concept and identifies the places of biggest opportunity space. They push the concept through a pretty rapid prototyping mechanism, get to a commercial game plan, and will launch it in the market in 2012. This framework makes for a conversational change.

Doug: We are now one to two years before launch. What forward-looking signals do you use to indicate the bigness of the concept?

Jaya: We are adopting a fundamental shift. We are migrating from a "classic evaluative" model of research to a transactional model of research. We are asking the consumers to pay for the product as they use it. So it's, "Put your money where your mouth is." and that says how much you love it. Through various methodologies we are starting to discover that even if someone buys the product, the moment you ask them, "Why did you buy it?" they move from what I call a combination of intuitive, emotive, and rational parts to a pure rational explanation. We have to change methodologies to truly understand the emotive reasoning, as well as the intuitive reasoning without necessarily making it a research program.

Doug: Over the last 12 months, what have been your “ahas” and insights that changed your direction of thinking?

Jaya: Personally, during my career I’ve had a number of years in marketing and number of years in innovation. The first thing that I realized is how much I have missed understanding the consumer across all of the experience touch points. I was the CMO of Frito-Lay, and how many times have I actually walked in the consumers’ shoes, step-by-step, truly understanding their daily challenges? When they put the pack of chips there, does it sprinkle? Do the pieces fall between the seats? Do the mothers then figure out how to vacuum it?

When you get into an operating mode, the opportunities for you to really spend time with a consumer are exponentially reduced. As much as I thought I was consumer-engaged and consumer-focused, I've learned so much more in the last 12 months ... I would argue that what I've learned the last 12 months exceeds what I've learned in the last 12 years.

Secondly, we tend to confuse activity with progress. My grandmother used to say "Slow down. I'm in a hurry." The idea that you need to really slow down to get to an outcome that is fast is a paradox I've started to take to heart.

The other thing is the power of a conversation, the power of a very good question. When you actually slow down and truly engage in a conversation, the power of what you unlock and the gift of the people around you is so different from a meeting where you state, "Okay, I want to do these three things. Let's go." It's staccato. You don't hear every voice. You don't probe the nuances of the voice. So really just engaging in a powerful conversation has been the third thing.

Doug: I would welcome any concluding remarks you would like to make.

Jaya: I can tell you the transformational questions which I have used consistently. I happen to be lucky to have gone to the World Peace Summit in Vancouver. It was one of the places where we had the highest density of Nobel laureate winners put together. The Dali Lama asked three powerful questions:

1. "When you talk to somebody, ask them what makes them feel most alive?"
2. "What gift do you observe in that person when he or she was most alive?"
3. "Are you creating an environment in your teams to express those gifts?"

If you ask those three questions systematically, you will create an innovative culture because you are building so much more in the parts and gifts of others.

