

SILVIU POPOVICI

WE PUT SUSTAINABILITY AT THE CORE OF EVERYTHING WE DO, TO CREATE POSITIVE CHANGE FOR BOTH PLANET AND PEOPLE

Interviewed by Nordal Cavadini and Vikram Dhaliwal



Silviu Popovici became Chief Executive Officer of PepsiCo Europe in 2017. He previously presided at PepsiCo's business in Russia, Ukraine and CIS. Since taking over as CEO of PepsiCo Europe he has been implementing ambitious transformations towards greater sustainability and healthier products, while delivering strong performance every year. Over the last four years, PepsiCo has been one of the fastest growing food and beverage companies in Europe. When the COVID pandemic hit, Silviu embarked on another transformation – to make the organization less centralized and quicker to adapt to change.

Silviu Popovici talked about some of his projects with Nordal Cavadini, a Partner in Oliver Wyman's Retail and Consumer Products practice, and Vikram Dhaliwal, a Principal in the practice.

What impact has the COVID pandemic had in the world of the consumer?

After the waves of lockdowns, people have a completely different attitude to health and indulgence. We want both: to eat healthier and to indulge ourselves at the same time. We also want convenience. The way we shopped during lockdown also changed. We wanted the food at our door steps. So we went online. Including my in-laws. They are both in their 80's, and they have started to order groceries online. In three months, e-commerce made progress that usually takes three years. The pandemic acted as an inflection point not just for health and indulgence, but also for e-commerce, for virtual working, for digitalization and sustainability.

Did your company jump directly on these trends and help drive them?

We did indeed. We used the moment to reassess priorities and to rethink our strategy across all our value chain: from prioritizing e-commerce, to accelerating consumer digital engagement, to changing our operating model, to accelerating the sustainability transformation. e-commerce is a good example. e-grocery was not such a surprise, but the acceleration of rapid food delivery was. We reacted fast by significantly increasing the investment in this channel (people, operations infrastructure, advertising and marketing).



What about your suppliers and securing production?

Like everybody else in our markets, we are confronted with supply-chain disruption: shortages of cans, drivers, and potatoes.

Also, we are growing very fast. In combination with supply-chain disruption that is creating a lot of tension. Such strong growth is relatively new in food and beverages. Five or six years ago in Western Europe, there was no growth, and companies – including mine – were focusing on efficiency. Then, all of a sudden, growth happens, and we are moving to expansion. It is again a question of adaptability, which has an implication not just on resource allocation (buying new lines, building new warehouses) but also on the mental model of the organization. It's very hard for an organization to be ambidextrous. If you ask to grow and cut costs at the same time, the organization struggles. But you need to do both. We need to grow share and to make more profit at the same time. It's the same as, "Who do you love more? Your father or your mother?" Of course, you love both of them equally.

So, how have you implemented the necessary changes?

In the first wave of COVID, we were trying to coordinate everything from the headquarters in Geneva, and that was impossible. So we said, "Look, we have a set of principles: safety of the employees first; support our customers; protect the bottom line." Business units were asked to apply the principles as they thought appropriate, and it worked phenomenally well. You say, "Just run the business within the framework." You don't have to check every single step. This was a moment when we said, "OK, is there any bigger learning?"

We moved power from the top of the organization. For example, the traditional way for an organization to build capabilities is through centers of excellence. The best person in a specific domain is appointed the head of the center of excellence. All of a sudden, they own the universal truth and are ready to spread it to the masses. This makes it hard for the organization to adopt the new practices, as you have a lot of resistance – in some cases justified. The role of support centers should evolve towards community coordinators and knowledge management coordinators. From top-down coordination or control, we are moving to bottom-up co-creation.

Which caveats do you see by going back to a learning-from-each-other type of model?

The old concept is that everyone will say, "My market is different, and I have to do it on my own." We need to embed a culture where people say, "OK, it's smarter to partner together and co-develop an asset that will help all of us. It's better quality and much more cost-effective." When people develop things on their own you can impose an internal charge to discourage them. But if they collaborate and cooperate with others, they'll get an advantage.

Consumers are looking for taste, convenience, affordability, and sustainability, in that order.

We understand sustainability is a big topic for PepsiCo.

In my opinion, consumers are looking for taste, convenience, affordability, and sustainability, in that order. In Europe there is a lot of pressure to accelerate the sustainability agenda from our customers, our employees and from governments, both East and West. After COP26 there is no more debate about the direction of travel. There is a debate about the speed of travel. The European Green Deal and "Farm to fork" strategy are putting the European Union in the driving seat, but I also see increased momentum in Turkey.

I'm very proud that Europe is leading the work on sustainability for PepsiCo. PepsiCo has a strategy built around three pillars, which is faster, stronger, better. It is all about what we need to do to grow faster, to future proof our capabilities to be stronger and how we transform the business to be more sustainable. In Europe, our strategy is Better, Faster, Stronger. We place sustainability at the beginning of everything we do. Last year we announced the new end-to-end transformation of our business, putting sustainability at our core. We call this PepsiCo Positive (pep+). Through this we are looking to create a positive impact for both planet and people across three pillars: Positive Agriculture, Positive Value Chain and Positive Choices.



We are an agriculture business at our heart, and we have a commitment to move 7 million acres of land to regenerative agriculture across the globe. One of my favorite initiatives is taking the leftover potato peelings from our Walkers potato chips and converting them into a 90% organic fertilizer. We give this to our farmers to use on our next crop of potatoes. We expect this to reduce Walkers' potato carbon emissions by 70%. Waste can be gold.

A big component of our Positive Value Chain work is to build a world where plastic never becomes waste. By the end of 2022, 11 markets in Europe will be using 100% rPET (recycled plastic) bottles for brand Pepsi. We are also investing in alternative models for packaging. These will allow the consumer to enjoy fantastic soft drinks in reusable packaging. SodaStream is a great example where we hope to help consumers avoid more than 200 billion plastic bottles by 2030 globally.

My ambition is that one day all beverages will be calorie free.

Health has become a huge issue for food companies. What is PepsiCo doing?

We want to inspire positive choices for people. Today, one in three beverages in Europe is no-sugar, like Pepsi Max. We want to move to one in two. My ambition is that one day all beverages will be calorie free.

In snacks, PepsiCo Europe aims to increase sales of snacks rated Nutri-Score B or better. But you need to transform the core products. The consumer will never trade taste for health, and it is very difficult to make a tasty food without salt, sugar, or fat at all. Still our R&D team is bringing great innovation to create products that are tasty and healthier. For example, for Lay's, rather than fry the chips, we can bake them. This reduces the fat levels by 50%. Then we have to take down the salt content, while keeping the taste right. It's a big ambition but in our food business we will grow our portfolio of Nutri-Score B+ products to \$1 billion by 2030.