

## January MarketingMasters Luncheon Report

### Marketing Best Practices Help PepsiCo Brands Make a Splash

*John Maples, vice president of sales for PepsiCo/Quaker Foods and Snacks, was the keynote speaker at BMA's January MarketingMasters Luncheon Seminar at [The Standard Club](#). The following article is a recap of his presentation.*



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At [PepsiCo](#), sharing best marketing practices between business-to-consumer and business-to-business functions has yielded considerable loyalty among the company's b-to-b retail partners, according to John Maples, vice president of sales for PepsiCo/Quaker Foods and Snacks. Whether the target is an end user, bottler or retailer, PepsiCo works toward establishing an insight-based discussion with these customers.

A diversified foodservice company totaling \$43 billion in sales—\$170 billion if one includes partnerships with retailers in the b-to-b realm—and featuring 18 brands with at least \$1 billion in sales, PepsiCo uses three go-to-market systems. In the warehouse system, products under the Tropicana, Gatorade and Quaker brands are manufactured and shipped to retail partners. In Frito-Lay's self-contained direct-store-delivery system, 26,000 delivery trucks are used to deliver product to large retailers such as Safeway. The b-to-b system uses the Pepsi-Cola model, in which concentrate is priced and sold to third-party vendors, who package product and deliver it to convenience stores, vending machines, office locations and other retailers.

An example of the company's emphasis on insight is annual "discovery meetings" with retailers and bottlers, Maples said. These ideation meetings cover sales and marketing strategies and cover financial returns. Test items are decided upon and subsequently test-marketed and, based upon performance, PepsiCo decides whether or not to opt for broader launches.

Maples detailed how consumers are engaged in an insight-based discussion of Gatorade's benefits through marketing. "Gatorade is trying to inspire people in two ways," he argued. "One is with sports imagery—when they see their favorite athlete using the product, to aspire to that. But then, functionally, we want them to see that

we're on the field of play. Think about Gatorade: what we're trying to do is be part of the sports equipment. If you want to be your best when you're sweating, how do you rehydrate and refuel? Gatorade is always in your bag—all athletes, athletes in this room and athletes that we show on the field of play.”

Then, using the Gatorade-as-equipment concept, he expanded upon the theme to discuss how b-to-b partners are developed. “We want to ‘own the sidelines’—that’s a big mantra, a big battle cry,” he said, adding that the goal is for the Gatorade brand to appear on a bottle on top of a hockey goalie’s net, in baseball dugouts and on basketball courts. The “own the sidelines” concept began in 1986, when New York Giants linebacker Harry Carson doused coach Bill Parcells with Gatorade in the closing seconds of the Giants’ Super Bowl victory over the Denver Broncos. The “Gatorade bath” has become a tradition and made the brand synonymous with victory.

Demonstrating PepsiCo’s desire for the sports drink to remain victorious in its product segment, Maples then showed the audience two media clips. The first was developed to reposition the product via the “G” campaign. Stars such as Michael Jordan and Serena Williams provide testimonials and event footage reveals the ubiquity of the brand on the sidelines. The second spot was developed to focus on product performance and the expertise of the Gatorade Sports Science Institute research team, which tests athletes in various workouts to determine their individual nutritional needs. Maples noted that this spot conveys the benefits of Gatorade’s Performance Series, which features before-activity carbohydrate-loading products and an after-activity protein-recovery drink, launching this .

Sam’s Club is a b-to-b partner with which PepsiCo has experienced particular success, Maples noted. He recalled a campaign to boost Sam’s Club sales to convenience-store business-class members in which those customers would receive Gatorade equipment such as racks and displays for their stores with volume purchases of Gatorade. The campaign used ads in all of the major C-store industry trade magazines to promote one-day memberships and helped to boost membership renewals, Maples noted. The same concept was used to promote one-day memberships for “CEO moms,” i.e., value-minded moms who often share memberships with friends but focused on low unit pricing within economy packs.

PepsiCo has grown C-store partnerships in other ways, he pointed out. One example is helping C-store owners to set up their coolers—along with gas pumps and register, the highest-traffic area at these retail locations—to maximize Gatorade product sales in four-, six- or seven-shelf configurations, or through the use of full Gatorade product coolers. The coolers are arranged by product color—a major consumer decision criterion according to research and a concept that beer and soft-drink companies have been using for a few years, Maples said.

Developing C-store-specific packaging for Quaker's Oatmeal to Go product has driven sales in that channel, he added. Small display packs that include a vertical label at the back provided C-store owners with a new breakfast solution. "They told us, 'We do great with our coffee bar and with hot dogs and pizzas for lunch—why don't you have a breakfast solution for us?' A breakfast bar-Tropicana solution adjoining the coffee bar was successfully test-marketed in a Southeastern C-store. "So you had a breakfast solution," Maples said. "I can come in and get coffee, I can get oatmeal, I can get juice. It's high-margin and high-traffic, so it's profitable for both of us," he said, adding that in some markets Quaker substituted its more indulgent Big Chewy bar.

PepsiCo has also succeeded in partnering with major foodservice retailers, Maples added. Noting that the company already distributes Starbucks' Frappacino product, PepsiCo sensed an opportunity to provide healthy breakfast solutions to accompany Starbucks' own indulgent offerings. "Using our partnership, we said, 'Have you thought about a health and wellness breakfast solution and wouldn't that be cool if we tested it?'" Unbranded Quaker oatmeal choices are being test-marketed at Starbucks.

In contrast, Dunkin' Donuts wants to leverage PepsiCo's Quaker and Tropicana brands in its own healthy breakfast test-marketing initiatives. "They think the Quaker equity will help them."

Maples also took questions from the audience:

- On the differences inherent in implementing programs with independently owned retail outlets (e.g., Starbucks) vs. franchisees (e.g., Dunkin' Donuts): "I'll use [Frito-Lay's] SunChips as an example. Our No.1-selling SunChips customer is Subway and they're franchised." When introducing a new product with a franchise partner such as a new SunChips flavor, he said that PepsiCo uses the Subway model, in which a program is test-marketed at a key franchise with which a strong relationship already exists. PepsiCo tries to be as transparent as possible with the publication of the test results. Insight is particularly critical when implementing programs with franchises because of the potential scale of implementation after test marketing is complete, Maples added.
- On the evolution of retailing in recent years and how it will further evolve, particularly in regard to increased competitive pressure from private-label products: "We're going to start with insights and understand where our consumer is going and we're going to have to develop products and packaging to win within our market. The store brand has had a resurgence within this economy; the difference vs. maybe the '80s and '90s is that with store brands, the quality is equal to a lot of the branded products now, so you must have the right continued innovation and the right consumer information. The sports science on Gatorade,

we think, makes it the most efficacious, but if we can't convince consumers that there is truth in that and make them see the value in it, we're not going to be successful."

- On how PepsiCo reaches athletic trainers, and how it promotes the value of its product formulation to them: Maples reiterated the value of testing at the Gatorade Sports Science Institute. "We actually market to them in a unique way. We bring them into the Sports Science Institute, but the other thing we do is bring them to other sporting events in their off season and they talk with other trainers about the association that Gatorade has with their athletes. When you have an individual Ironman Triathlon runner, they're going to need a lot more sugar to sustain the muscles vs. maybe hydration, so the testing they're doing for those longer periods is very interesting to a football trainer for when their athletes go into overtime. We're constantly having best practice sharing among our trainers and we're also bringing them to other sporting events."
- On why PepsiCo sought to "own a letter" and de-emphasize the Gatorade name through its G campaign: Qualifying his response by pointing out that he technically works in the sales rather than marketing function, Maples said, "Gatorade was developed in 1967 and for a while, we were the only sports beverage. If you think back then, the key beverages in household consumption were milk, coffee, tea and sodas, and now we had this great functionally efficacious product that everybody went to. Fast forward to now and how many new age beverages are there? The whole concern was reaching millennials in new ways. It's the same science, but how do you really inspire that next generation that this is the most effective product and that it should be part of your equipment? In our research, we used a Gatorade database loaded with athletes, males and females in that core target, and they gave us key feedback that we used on YouTube and in blogs. We're actually tweaking the label again for the Performance Series."
- On why Gatorade is not advertising during the Super Bowl this year: Again qualifying his response by pointing out that he technically works in a sales function, Maples said he thinks that other PepsiCo brands are following Frito-Lay's lead of reducing its traditional Super Bowl advertising in favor of its "Crash the Super Bowl" campaign. "We're trying to learn from best practices in other divisions," he said. "I think that PepsiCo is trying to figure out how to do that same broader viral communication and not spend all of our media in the first week. There's a whole 'Pepsi Refresh' campaign behind it and I think we'd rather have it such that every generation has its own hero or cause so that it could be more effective and grassroots-sustainable."

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