

PEPSICO



Performance with Purpose



A relatively young corporation with 100 year heritage

<p>1898 Pepsi Cola invented</p>	<p>1965 Founded through merger with Frito-Lay</p>	<p>Mid 1990's Total Beverage Company</p>	<p>2000 Strategic Move to Health & Wellness</p>	<p>Performance with Purpose</p>
		<p>Key JV's Unilever/Lipton Starbucks Ocean Spray</p> 	<p>1998 Tropicana 2001 Quaker Oats Co. (including Gatorade)</p> 	

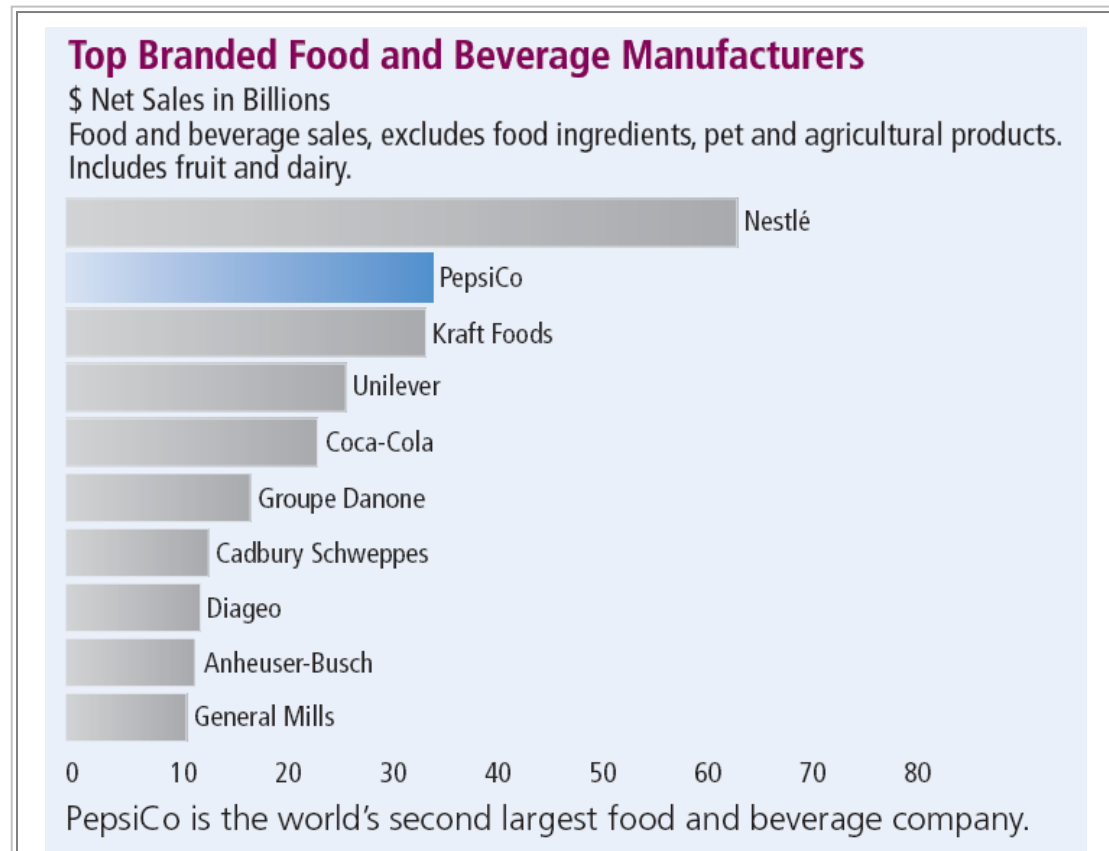
A Global Leader, Key to Future Growth...



2nd largest food and beverage company in the world

Revenues of over \$35 billion

Over 168,000 employees



Leaders in the U.S.



Beverages

- #2 Carbonated Soft Drinks
- #1 Sports Drinks
- #1 PET Water (non-jug)
- #1 Chilled Juices/Juice Drinks
- #1 Enhanced Water
- #1 RTD Coffee
- #1 RTD Tea



Frito

- #1 Potato Chips
- #1 Tortilla Chips
- #1 Corn Chips
- #1 Extruded Snacks
- #1 Multigrain Chips
- #2 Pretzels

Quaker

- #1 Grits
- #1 Hot Cereal
- #1 Rice Side Dishes
- #1 Pancake Syrup
- #1 Pancake Mix



Mega brands in the market



17 \$1billion+ brands



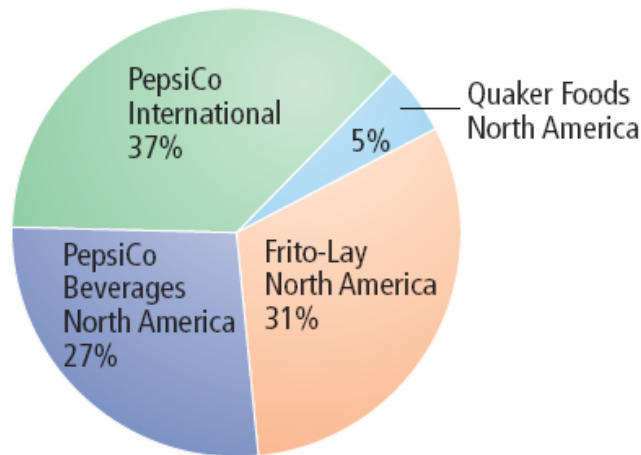
International driving growth



37% of revenue, 27% operating profit outside of NA

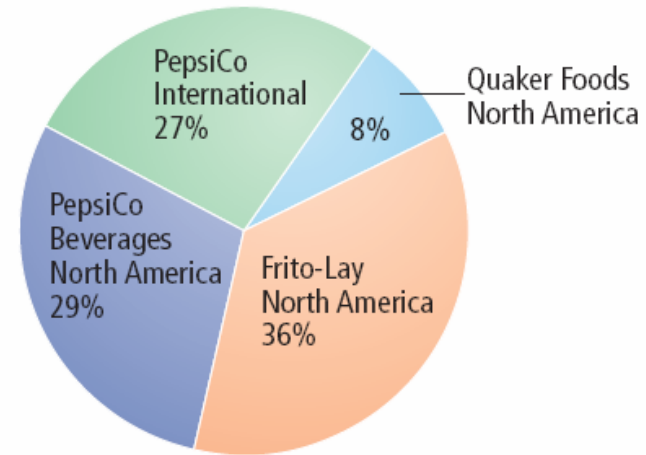
Net Revenue

Total: \$35,137



Division Operating Profit

Total: \$7,172



Key Challenges



for Global Growth



Country Strategy – 2 distinct challenges

Market entry

Right taste & benefits
Deliver design to the
consumer



Protect the Core

Protecting brands once in
country takes increasingly
more effort



Perform Local, with Global Purpose

Customize products
for country/region



around Global Platforms

Satisfy local needs
and desires



within Global Context

Design and deliver
the right products



everywhere....consistently

Perform Local



Global formulation may not be realistic anymore

Taste

Local Preferences

Legal

Profit

Supply Chain



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Taste rules but what is great taste?

How sweet it is...

- Thailand

Mangoes are not mangoes...

- India Totapuri
 Alfonso
- Phils Carabao

Oranges are not oranges...

- US Valencia
- Asia Mandarin
- India Kinnow
- Europe Pera

Soy is not soy.....

- Vietnam/China Beany note

Perform Local



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How do we best determine local preferences?

Research local tastes

New science to get insights from consumers

Challenges of markets such as Asia

Perform Local



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Regulations very different by country
Can't use ingredients across globe
Common reformulation
Halaal

Perform Local



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Can we make a profit?

Local regulations, taxes, duties vary widely

Can lose money on some formulas; adjust to reduce cost

Perform Local



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Supply Chain

Can we deliver good quality products to the consumer every time?

Supply chain challenges in developing countries

Can we make it right?

People and process capability

Can we keep it right?

Warehousing & distribution infrastructure

Trade age management

Consumer complaint process

Adapting to drive growth



R&D 5 years ago



Adapting to drive growth



Today - Global Satellite Lab Network



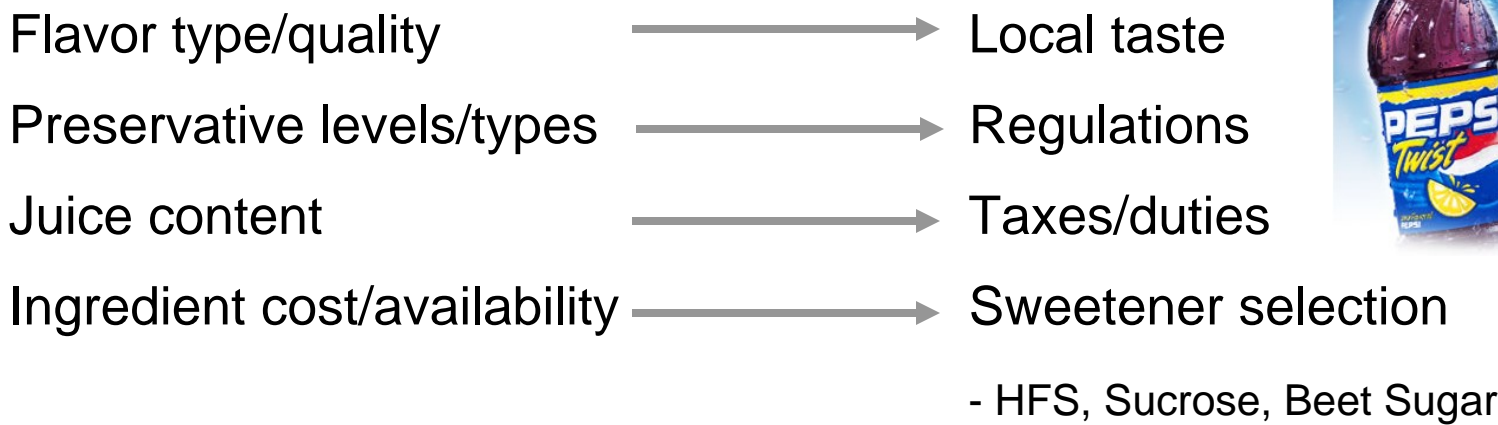


Case Study....Pepsi Twist

Created a very successful line extension with lemon flavor in U.S.

Wanted to take global

Became > 47 different formulations





Local demands becoming more different
.....need states becoming more similar

Health & Wellness is Global

Obesity	—————→	Surging in India, China & globally
Diabetes	—————→	India fastest growing epidemic
Heart health	—————→	Global

Sustainability	—————→	Huge issue to address globally
		India Water usage
		Europe Recycle/reuse



Speed of information spread is disruptive
....issues become global challenges over night

An issue in California or UK today is an issue in India & China within hours: lead, pesticides, artificial colors/benzoate.....

Anticipate problems

Need to be preemptive and proactive

Know where countries/NGO's are going

And build fast reaction capabilities





It's all about context

Before 2003

An NGO in India, The Center for Science and the Environment (CSE), concerned about water quality.....no progress made

2003

Claimed KO & Pepsi were “poisoning” the Indian consumers

Products banned from certain states, volumes down over 40%

Brought significant attention to the NGO and Indian Government

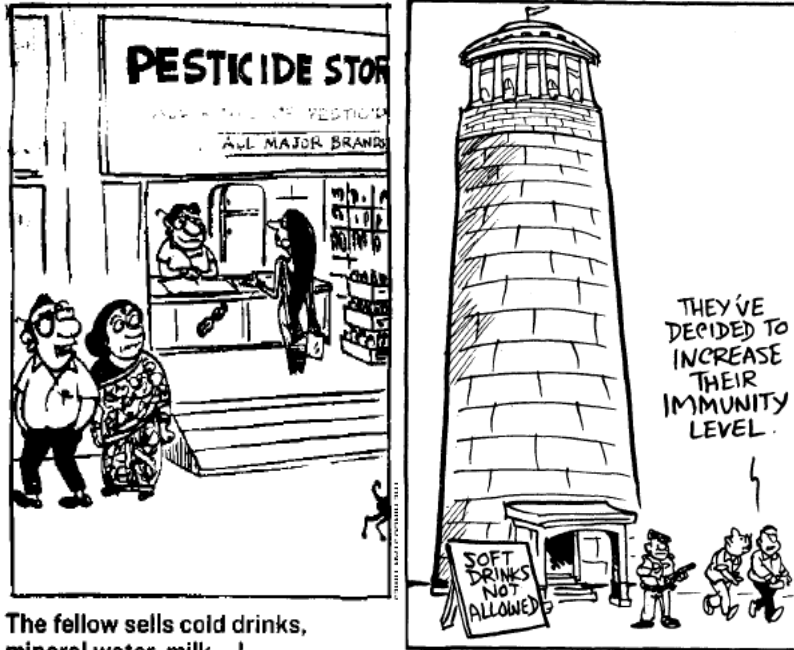
and the press attacked

Case Study... What I learned in India



Peddling Poison: Coca Cola and Pepsi Must Go!

(Sunday, 17 August 2003) - Contributed by Administrator - Last Updated ()



The fellow sells cold drinks, mineral water, milk....!

Pepsi, Coca-cola Contain Poisonous Pesticides

By Gopal Krishna 05/08/2003 At 17:14

Laboratory test of Centre for Science and Environment (CSE) finds pesticide residues in all cold drinks such as Pepsi and cold drinks tested, proving the hollowness of the quality claims of soft drink multinationals. Indian consumers are saddled with sub-standard products since companies get away with its bad practices.

ASIA TIMES Online
www.atimes.com

India: What's your poison?

August 16, 2006

By Sudha Ramachandran

BANGALORE - Coca-Cola and PepsiCo are back in the middle of controversy in India. Samples of their soft drinks have been found to contain dangerous levels of pesticide. India Inc, however, is more worried that the ban on the colas in several states will spark an American backlash and affect investment in India.





We reacted...

Went to India to understand the context

- Met with scientists, government, NGO

Quickly understood that the data was wrong...needed to develop a new context

- Created a coalition: KO, US Government, AOAC, consultants, Indian scientists
- Worked with AOAC to create methods capable of measuring residues at sub ppb levels in soft drinks
- Agreed on need to have standards but based on science
- 3-4 year process

Helping to establish appropriate protocols in India



Turned negative perception into positive reality

Not Choke-a-Cola nor Pepsicide

Drinks safe, meet WHO norms: Govt

Sanchita Sharma
New Delhi, August 21

THE GOVERNMENT on Thursday gave the thumbs up to the cola majors by announcing that the soft drinks tested in its laboratories were "well within the safety limits prescribed for packaged drinking water". On opposition demand, however, a Joint Parliamentary Committee (JPC) is being set up to examine the safety issue further.

Health Minister Sushma Swaraj told Parliament that tests on 12 soft drinks carried out in the Central Food Technological Research Institute, Mysore, and the Kolkata-based Central Food Laboratory "clearly show that all the 12 samples do not have pesticide residues of the high order as was alleged by the Centre for Science and Environment (CSE) report".

"That CSE was way off the mark became apparent when the two labs confirmed that malathion — which can affect the central nervous system — was absent from all cold drink samples. The CSE report said it was 87 times over the EU limit.

"The motion for setting up the JPC, will come up in the Lok Sabha on Friday. The committee will file a report before the beginning of the winter session of Parliament.

Both Coca-cola and Pepsico heads said they were happy that the "safety debate" had been put to rest. "The results reiterate what we have been saying all along: that our drinks are completely safe," said Sanjiv Gupta, President, Coca-Cola India. "We are open to any further tests."

"Not only do we conform to local standards but I can confidently say that our products can be exported to any part of the world," said PepsiCo India Holdings Chairman Rajiv Bakshi.

But both Gupta and Bakshi refused to comment on the small amounts of pesticide that was found to be above EU limits in nine of the 12 samples.

"Their claim that all their products are within EU limits is not exactly correct but the fact is they are within the existing PFA standards, which are the same as the Codex standards for cold drinks," said Health Secretary J.V.R. Prasada Rao. Codex standards are food safety standards set up by the UN's Food and Agricultural Organisation and the WHO.

The government is considering introducing EU norms for water content in cold drinks from January 1, 2004, the same day they would be applicable for packaged drinking water.

CSE chief Sumita Narain said it was clear that the Centre had acted in "private interest" to clear the cola companies.

THE RESULTS ARE IN

Govt lab finds pesticide levels in soft drinks within WHO bottled water limits (no separate soft-drink standards). Tests* show levels less than a tenth of the CSE's claims



4.0 Pepsi meets EU norms, Coke 4 times over limit

45 Coke 45 times over EU limit, Pepsi by 37

Govt tests

✓ Coke, Pepsi meet WHO standard for bottled water

✓ Pepsi meets EU norms, Coke 4 times over limit

CSE claims

Brand	WHO standard for bottled water	No. of times over EU limit (govt tests)	No. of times over EU limit (CSE tests)
Limca	✓	✓	30
Diet Pepsi	✓	✓	14
Fanta	✓	1.7	43
Mirinda Lemon	✓	4.2	70
Mountain Dew	✓	2.0	28
Thums Up	✓	2.0	22
7 Up	✓	1.6	33
Mirinda Orange	✓	3.4	39
Sprite	✓	3.2	11

*Tests carried out at CFTRI, Mysore and CFL, Kolkata, Samples from Jaipur, Ghaziabad and Mathura plants — same sources as CSE

Graphic: SANJAY KAPOOR

*Succeeding Globally
Demands a Global Context*



Performance with Purpose

It's not just about profit.....

need to be known as a “good” company

It's about Performance

Building trust to enter markets and protect the core
Designing and delivering the right products consistently
Taking action to fulfill the purpose

It's about Purpose

Corporate responsibility
Doing good for people and the planet
Sustainability

Performance with Purpose



PEPSICO



Tropicana



Tropicana

