**PepsiCo Snapshot**

A relatively young corporation with 100 year heritage

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1898</td>
<td>Pepsi Cola invented</td>
</tr>
<tr>
<td>1965</td>
<td>Founded through merger with Frito-Lay</td>
</tr>
<tr>
<td>Mid 1990’s</td>
<td>Total Beverage Company</td>
</tr>
<tr>
<td>2000</td>
<td>Strategic Move to Health &amp; Wellness</td>
</tr>
</tbody>
</table>

**Performance with Purpose**

- 1998 Tropicana (including Gatorade)
- 2001 Quaker Oats Co.
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

Top Branded Food and Beverage Manufacturers

*Net Sales in Billions*
*Food and beverage sales, excludes food ingredients, pet and agricultural products. Includes fruit and dairy.*

- Nestlé
- PepsiCo
- Kraft Foods
- Unilever
- Coca-Cola
- Groupe Danone
- Cadbury Schweppes
- Diageo
- Anheuser-Busch
- General Mills

PepsiCo is the world’s second largest food and beverage company.
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
Big Global Reach

Brands available in nearly 200 countries & territories

Frito-Lay North America

PepsiCo Beverages North America

PepsiCo International

Quaker Foods North America
International driving growth

37% of revenue, 27% operating profit outside of NA
Key Challenges for Global Growth
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
Global formulation may not be realistic anymore

Taste rules but what is great taste?

How sweet it is...
- Thailand

Mangoes are not mangoes...
- India Totapuri
- India Alfonso
- Phils Carabao

Oranges are not oranges...
- US Valencia
- Asia Mandarin
- India Kinnow
- Europe Pera

Soy is not soy....
- Vietnam/China Beany note
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

Global formulation may not be realistic anymore

- Taste
- Local Preferences
- Legal
- Profit
- Supply Chain

Regulations very different by country
Can’t use ingredients across globe
Common reformulation
Halaal
Global formulation may not be realistic anymore

Can we make a profit?

Local regulations, taxes, duties vary widely

Can lose money on some formulas; adjust to reduce cost
Global formulation may not be realistic anymore

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

Taste
Local Preferences
Legal
Profit
Supply Chain
Adapting to drive growth

R&D 5 years ago

Valhalla, NY
Adapting to drive growth

Today - Global Satellite Lab Network

- Barrington, IL
- Valhalla, NY
- Cork, Ireland
- London, England
- Hamburg, Germany
- Mexico City, Mexico
- New Delhi, India
- Shanghai, China
- Bangkok, Thailand
Global formulation may not be realistic anymore

Case Study....Pepsi Twist

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

Wanted to take global

Became > 47 different formulations

- Flavor type/quality → Local taste
- Preservative levels/types → Regulations
- Juice content → Taxes/duties
- Ingredient cost/availability → Sweetener selection
  - HFS, Sucrose, Beet Sugar
Global Purpose

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
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
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
Peddling Poison: Coca Cola and Pepsi Must Go!
(Sunday, 17 August 2003) - Contributed by Administrator - Last Updated ()

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.

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.

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.
We reacted...

Went to India to understand the context

- Met with scientists, government, NGO
- 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

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

Helping to establish appropriate protocols in India

Case Study....What I learned in India
Case Study....What I learned in India

Turned negative perception into positive reality

---

Not Choke-a-Cola nor Pepsicide

Drinks safe, meet WHO norms: Govt

Sanctita Sharma
New Delhi, August 24

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 the demand from the public, the Public Health Ministry has asked the United Nations (WHO) to set up a committee to examine the safety issue further.

Health Minister Sushma Swaraj told Parliament that tests on 62 soft drinks carried out in the Central Food Technology Research Institute, Mysore, and the Kolkata-based Central Food Laboratory “clearly show that all the 62 samples do not have pesticide residues of the level of 0.1 ppm as 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 the “safety debate” had been put to rest. “The results refute all the claims that 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 we can confidently say that our products can be exported to any part of the world,” said PepsiCo India Holdings Chairman Rajiv Bajaj.

Both Coca-cola and PepsiCo heads said they were happy that the “safety debate” had been put to rest. The results refute all the claims that 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 we can confidently say that our products can be exported to any part of the world,” said PepsiCo India Holdings Chairman Rajiv Bajaj.

But both Gupta and Bajaj 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 they are within the existing PFA standards, which are the same as the Codex standards for cold drinks,” said Health Secretary, U.R. Prasad, RJIO. 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 Sanjul Nambiar said it was clear that the Centre had acted in “private interest”. He said the task forces on the privacy of consumer data had not been finalised.

---

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.

<table>
<thead>
<tr>
<th>Beverage</th>
<th>Pesticide Level</th>
<th>Govt standard for bottled water</th>
<th>CSE claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coke</td>
<td>0.45</td>
<td>Yes</td>
<td>95</td>
</tr>
<tr>
<td>Pepsi</td>
<td>0.37</td>
<td>Yes</td>
<td>37</td>
</tr>
</tbody>
</table>

---

Govt tests

- Coke, Pepsi meet WHO standard for bottled water
- Pepsi meets EU norms, Coke 4 times over limit
- CSE claims

---

Tests carried out at CFTRI, Mysore and CFL, Kolkata. Samples from ICP in India - some sources as CSE.
Succeeding Globally
Demands a Global Context

Performance with Purpose
It’s not just about profit.....
need to be known as a “good” company

<table>
<thead>
<tr>
<th>It’s about Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building trust to enter markets and protect the core</td>
</tr>
<tr>
<td>Designing and delivering the right products consistently</td>
</tr>
<tr>
<td>Taking action to fulfill the purpose</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>It’s about Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate responsibility</td>
</tr>
<tr>
<td>Doing good for people and the planet</td>
</tr>
<tr>
<td>Sustainability</td>
</tr>
</tbody>
</table>

Performance with Purpose