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Pepsico Health and Wellness Case Study:
Capturing Growth at the Intersection

By

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PepsiCo Health and Wellness Case Study:

Capturing Growth at the Intersection

USDA Outlook Forum
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Wellness is One of the Largest Growth Opportunities in Food

Major Trends

1. Big Demographic Shifts
   - Both older and younger
   - Increasing ethnicity

2. Increasing Time Pressure
   - Dual Income Families
   - Increasing Work Time

3. Increasing Health Concerns
   - Emerging obesity epidemic
   - Increasing age-related
   - Behavioral shift to prevention

Major New Growth Opportunities

- Life-stage Tailored Products
- More Taste / Experience Variety

- Improved Convenience
- Re-Defined Meals: “Snack Meals”

- Growing Demand for Wellness
  - Better-For-You choices
  - Good-For-You nutrition
But What’s the Solution to Obesity?
The Big Idea in Wellness: Energy Balance

Calories In

The Energy Balance

Calories Out

Percentages of Calories In

Percentages of Calories Out

Low Fat Meats

Refined Sugars Fats

Simple Carbs

Veggies

Beans

Whole Grains

Fruits

Low Fat Dairy

Endurance

Strength

Flexibility

Living
### Consumer Knowledge Needs

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<td>• Calories In</td>
<td>• Simple carbs</td>
<td>• Vitamins &amp; Minerals</td>
<td>• e.g. Glucosamine &amp; Joint Health</td>
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<td>• Calories Out</td>
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### Biggest Consumer Opportunities

- Easier ways to manage energy balance
- Easier ways to replace simple carbs with complex carbs and low fat proteins and healthier fats.
- Easier ways to get micro-nutrients through a mix of whole foods & appropriate fortification
The Big Idea in Lifestyle Change: Individual Motivation

Proposed Solutions

Creating an Appropriate Environment → Motivating Individual Action

Implementing Better Marketing Practices → Providing Healthy Product Choices → Promoting Healthy Lifestyle Habits

WELLNESS
PepsiCo Strategy:

Focus Our Efforts at the Intersection of Business Interest and Public Interest . . .

Business Interest:
- Capture Growth Opportunity
- Healthy Product Choices

Public Interest:
- Promote Real Solutions
- Healthy Lifestyle Habits

Making it Easier and More Enjoyable for Mainstream Consumers
In North America, GFY/BFY is almost half the business and growing faster.

2002 Revenue — PepsiCo North America

2002 Net Sales Growth vs. YAG

- Fun-For-You: 55%
- Better-For-You: 25%
- Good-For-You: 20%

- Fun-For-You: 6%
- Better-For-You: 3%
- Good-For-You: 5%
We're Starting From A Very Strong Position

Most Respected Brands in Health
% Consumers Consider Brand Very or Extremely Healthy

- Quaker: 76%
- Dole: 72%
- Tropicana: 71%
- Dannon: 68%
- Minute Maid: 57%
- Kellogg’s: 54%
- Gatorade: 44%
- Powerade: 34%
- Snackwell’s: 34%
- Kraft: 32%
- Nabisco: 32%
- Nestle: 17%
- Frito-Lay: 9%
- Coca-Cola: 6%
- Pepsi-Cola: 5%

The Leading Brands in all Healthy Segments

Source: Morgan Stanley Consumer Research
PepsiCo Health & Wellness: A Commitment to Action

**Choices**

1. Accelerate BFY / GFY Product Development
   - 50% of 3-Year New Product Revenues
   - New Good-For-You Ventures
     - Proteins
     - Whole grains
     - Fruits & vegetables

2. Improve Healthfulness of Existing Products
   - Eliminated Trans-Fats at Frito-Lay
     - Completed on core salty snacks
     - New labels in market
   - Cooper Smart Snack Labeling
   - Establishing Wellward Choices™ Nutrition Standards

**Habits**

3. Deliver Healthy Food & Bev Solutions to Schools
   - Introducing New Wellward Choices™ in Schools
   - Promoting Wellward Choices™ in Schools
     - New Aquafina & Gatorade vending
     - In-School marketing
   - Promoting Healthy Breakfast

4. Promote Healthy Kids Lifestyles
   - Promoting Youth Sports
   - Motivating Lifestyle Change: America On The Move™
   - Supporting School Decision-Makers: “Health Is Power™”

BHL: NGA Workshop -- 02/10-11/04_
Big New Healthy Product Introductions This Year in Every Division
Key Health & Wellness Programs: Making it Easier

Provide Healthy Product Choices

Promote Healthy Lifestyles

Support School Decision-Makers

School Resource Guide

ASFSA Partnership & Interactive Wellness System
What Are Wellward Choices™?

- Consumer reference for BFY/GFY
  - Naturally Nutritious
  - Formulated for Function
  - Reduced and Rewarding
- Based on Credible Nutrition Standards
  - Fat, Saturated fat, Trans-fat
  - Sugar
  - Sodium
- Used as a Connector / Endorser

Snacks

Examples:
- Baked! Lays® Original Potato Crisps
- Baked! Ruffles® Originals Potato Crisps
- Baked! Tostitos® Bite Size Tortilla Crisps
- Cheetos Reduced Fat Cheesepuffs
- Fritos® Black Bean Dip
- Quaker® Rice Cakes Cheddar
- Quakes® Butter Flavored
- Rold Gold® Honey Braided Twists
- Ruffles Reduced Fat Potato Chips
- WOW! Fat Free Snacks
- Tostitos® Restaurant Style Salsa

Beverages

Examples:
- All Gatorade® Products
- Aquafina® Purified Drinking Water
- Diet Pepsi®
- Dole® 100% Juices
- Lipton® Iced Teas
- Propel Fitness Water™
- SoBe® Black Tea 3G™
- SoBe® Synergy™
- Tropicana® 100% Juices
- Tropicana® Smoothies

Foods

Examples:
- Baked Apple Breakfast Squares
- Instant Quaker® Oatmeal
- Kretschmer® Wheat Germ
- Near East® Taboule Wheat Salad Mix
- Quaker Oats Nutrition for Women
- Old Fashioned Oatmeal
- Quaker® Cinnamon Oatmeal Squares
- Quaker® Low Fat 100% Nat. Granola
- Quaker® Oatmeal Express®
What Is America On The Move™?

- Energy balance education & activation: “Move More, Eat Less”

- A National Movement to help people get started
  - Eating Habits: 100-calorie sustainable charge
  - Exercise Habits: 2000+ extra steps

- A “Big Tent” public/private partnership
  - Organization: 501(C)3 affiliated with University of Colorado Health Sciences Center
  - Developers: HHS, CDC, State of Colorado
  - Sponsors: PepsiCo as national presenting sponsor, 4-5 additional corporate sponsors
  - Affiliates: States & Cities
  - Delivery Partners: e.g. AARP, Association of Black Churches, Y of the USA

- An umbrella development resource for programs in schools
  - Elementary schools
  - Middle schools
Support School Decision-Makers

- Strategic partnership with American School Food Service Association
- PepsiCo “Wellness Day” at National Convention
  - Dr. Cooper keynote speech
  - Dr. Cooper video of ASFSA wellness strategy with PepsiCo leadership
  - Breakouts led by PepsiCo wellness partners
- PepsiCo Health Is Power™ School Resource Guide
- PepsiCo-ASFSA Interactive Wellness System
  - Provided by PepsiCo, a personal wellness resource for American Food Service workers
  - Integrated into ASFSA web site
Enlisting the Best Support

- Dr. Ornish & Preventive Medicine Research Institute
- Dr. Cooper & The Cooper Aerobics Center
- Dr. Jim Hill & America On The Move™
- YMCA Mission Sponsorship
- American School Food Service Administrators
- PepsiCo Blue Ribbon Advisory Council on Health & Wellness
Enlisting the Best Support

Blue Ribbon Advisory Board on Health & Wellness

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