



JOSEPH L. BADARACCO
MATTHEW PREBLE

PepsiCo, Profits, and Food: The Belt Tightens

Indra Nooyi, CEO of the food and beverage company PepsiCo, had emphasized adding healthier offerings to the company's portfolio since her arrival in 2006. Her goal was to grow the company's "Good-for-You" product category (with items as oatmeal and fruit juices) to a \$30 billion business by 2020.¹ "With everyone's focus on health, products that are nutritiously good, or nutritionally better than anything else out there, are a huge opportunity," Nooyi explained in 2011.² With roughly one-third of the U.S. adult population obese, Nooyi's strategy was also in line with a growing recognition that excess sugar consumption contributed to serious health problems.³

However Nooyi and PepsiCo faced criticism not only for this strategy, but for the company's financial results—particularly that of its stock price—which lagged its competitors (see **Exhibit 1** for stock price comparisons with competitors, and **Exhibit 2** for PepsiCo's and select competitors' financials). PepsiCo's U.S. beverages business had struggled and some believed that Nooyi's strategy drew attention away from PepsiCo's major brands.⁴ It appeared at times in the early 2010s that her job was at risk.⁵ While PepsiCo's board publicly vouched for Nooyi and PepsiCo's strategy, it was also said to be disappointed at the lack of potential successors within PepsiCo's top management.⁶

PepsiCo's efforts to develop healthier foods had won it few friends among health advocates. "The best thing Pepsi could do for worldwide obesity would be to go out of business," one academic remarked.⁷ Others pointed to apparent duplicity as PepsiCo fought, through industry trade groups, against regulations, taxes, and other initiatives aimed at reducing obesity.⁸ Comparisons were made between the food and beverage industries and the tobacco industry in their lobbying efforts.⁹

Fundamental questions remained about how Nooyi would lead PepsiCo. As the company grew in international markets, and as obesity became a larger concern in the developing world, should it sell its high-earning core brands there or focus on designing new, more healthful products? What were PepsiCo's responsibilities to its consumers? Like tobacco companies in the late 20th century, food and beverage companies could be targeted with health-related lawsuits. How should Nooyi protect against this risk? Nooyi also had to decide what her strategy should be for the coming years. Should Nooyi invest in the core products such as Doritos and Pepsi-Cola that had made it successful in the first place, or push through with her vision of PepsiCo's future? Was it possible for PepsiCo to succeed with a focus on nutritious foods considering its broad product portfolio and competitors eager to take market share away from the company?

Professor Joseph L. Badaracco and Case Researcher Matthew Preble (Case Research & Writing Group) prepared this case. This case was developed from published sources. Funding for the development of this case was provided by Harvard Business School and not by the company. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

Copyright © 2013, 2014 President and Fellows of Harvard College. To order copies or request permission to reproduce materials, call 1-800-545-7685, write Harvard Business School Publishing, Boston, MA 02163, or go to www.hbsp.harvard.edu. This publication may not be digitized, photocopied, or otherwise reproduced, posted, or transmitted, without the permission of Harvard Business School.

In response to mounting criticism, Nooyi launched a strategic review to answer some fundamental questions in late 2011. What was the right balance in terms of investments and management focus between PepsiCo's major brands, such as Pepsi Cola and Doritos, and its healthier offerings? Was it possible to succeed with a focus on nutritious foods considering its broad product portfolio and competitors eager to eat away at its market share? How long could Nooyi accept subpar performance while developing the Good-for-You category?

America's Obesity Problem

Nearly 36% of adults and 17% of children in the U.S. were obese.¹⁰ Obesity occurred when a person developed excess body fat from consuming more calories than he or she used (obesity differed from being overweight, which could come from muscle, water, or bone weight, as well as body fat).¹¹ Obesity increased a person's risk of developing serious health conditions including heart disease, type 2 diabetes, high blood pressure, stroke, and certain cancers.¹² Medical treatment for obesity-related diseases cost nearly \$150 billion annually.¹³

Obesity rates had increased in the U.S. from the late 20th century through the early 2000s. In 1990, no state had more than 15% of its adult population classified as obese.¹⁴ By 2010, no state had a population where less than 20% of adults were obese, and many states had rates above 30%.¹⁵ Multiple causes were given for this rise, including more sedentary lifestyles, food choices, and portion sizes. The U.S. Centers for Disease Control and Prevention (CDC) dismissed ideas of some individuals having a genetic predisposition towards obesity, as "[g]enetic changes in human populations occur too slowly to be responsible for the obesity epidemic."¹⁶

Drinks high in sugar were correlated to obesity, and as one observer noted, "it's no surprise that America's rising thirst for sugar-water has paralleled the epidemic rise of obesity and type 2 diabetes."¹⁷ Approximately half of all U.S. adults drank at least one soda per day, and the average American drank 50 gallons of soda annually.¹⁸ The American Heart Association recommended that women consume no more than 100 calories per day, and men no more than 150 calories per day, from added sugar—one 12 ounce (oz.) soda had 130 calories.¹⁹ The United States Department of Agriculture listed soda as an empty calorie product—a food with little or no nutritional value.²⁰ (See **Exhibit 3** for a comparison of the nutritional content of various foods and beverages.)

Scientific evidence increasingly pointed towards drinks with added sugar or artificial sweeteners as contributors to obesity. "It is estimated that sweetened beverages account for at least one-fifth of the weight gained between 1977 and 2007 in the U.S. population," one study found.²¹ Another study conducted on children found that "[f]or each additional serving of sugar-sweetened drink consumed, both body mass index [. . .] and frequency of obesity [. . .] increased after adjustment for anthropometric, demographic, dietary, and lifestyle variables."²² The study came to the conclusion that "consumption of sugar-sweetened drinks is associated with obesity in children."²³ Another team of researchers tied sugary drinks to 180,000 deaths globally each year (133,000 from diabetes, 44,000 from cardiovascular disease, and 6,000 from cancer).²⁴

Studies were also conducted on sugar addiction. In one experiment, rats were given cookies and plain rice cakes and then allowed to "self-dose" with cocaine, and the rats who liked the cookies best were also the heaviest cocaine users.²⁵ "It has been found that the criteria for substance dependence are similar to that for food dependence. [. . .] When we looked at our animals, we observed that foods with properties which are more appealing, such as those high in sugars and fats content, are preferred and engender addictive-like responses," said one academic.²⁶ Another team of researchers worked with rats on sugar addiction.²⁷ "If bingeing on sugar is really a form of addiction, there

should be long-lasting effects in the brains of sugar addicts. [. . .] Craving and relapse are critical components of addiction, and we have been able to demonstrate these behaviors in sugar-bingeing rats in a number of ways,” explained another academic.²⁸

Some blamed the food and beverage industry for contributing to the obesity problem, with one individual describing “a conscious effort—taking place in labs and marketing meetings and grocery store aisles—to get people hooked on foods that are convenient and inexpensive.”²⁹ For example, one specialized consulting firm was tasked with researching various combinations of a new Dr. Pepper soda.³⁰ The consultants taste-tested 61 different flavor combinations on almost 4,000 people.³¹ Each participant was asked a detailed set of questions, and the firm was thus able to create a report on precisely how the new product should taste and be made to draw in consumers.³²

PepsiCo

PepsiCo formed in 1965 via the merger of the Pepsi-Cola Company (which owned the Pepsi and Mountain Dew beverage brands) and Frito-Lay, Inc. (the makers of the Fritos, Lay’s, Cheetos, Ruffles, and Rold Gold brand snack foods).³³ Over time, the company introduced and acquired other well-brands including Doritos, Tostitos, Walker’s, and Quaker, Gatorade, Aquafina, and Tropicana. The company had once owned quick-serve restaurants, including the Pizza Hut, Taco Bell, and Kentucky Fried Chicken restaurant chains, all three of which it sold off in 1997.³⁴

The company had 22 “mega brands” in 2011 that each topped \$1 billion in global sales.³⁵ Its leading mega brands, in order of sales, were Pepsi-Cola, Lay’s, Mountain Dew, Gatorade, and Tropicana.³⁶ PepsiCo further segmented its products into the categories of fun-for-you (such as Doritos); better-for-you (diet sodas); and good-for-you (Quaker oatmeal).³⁷ The company’s net revenues were evenly split between its food and beverage offerings (its beverage products contributed 52%).³⁸ PepsiCo divided its operations into four segments (see **Table A**). The U.S. was PepsiCo’s primary market, responsible for half of its total net revenues.³⁹ (See **Exhibit 4** for PepsiCo’s historical financials by segment.)

Table A PepsiCo’s Revenues and Operating Profit by Segment

2012	PepsiCo Americas Foods	PepsiCo Americas Beverages	PepsiCo Europe	PepsiCo Asia, Middle East, Africa
% of net revenues	35%	34%	20%	11%
% of operating profit	51%	30%	11%	8%

Source: PepsiCo, 2011 Annual Report, p. 7, http://www.pepsico.com/annual11/downloads/PEP_AR11_2011_Annual_Report.pdf, accessed August 2014.

The Making of a Manager

Nooyi was born in Madras, India (modern day Chennai) in 1955 to a family that pushed her to succeed.⁴⁰ Her grandfather in particular had a lasting impact: “First [he taught me that] if you are given a job to do, do it really well. You must consistently ask yourself ‘Have I done it to the best of my ability?’ Second, he taught me to be a lifelong student. Don’t ever think you’ve arrived, and remember that what you don’t know is so much more than what you do.”⁴¹ One observer noted that college friends described Nooyi as “a tough and independent team player whose first taste of business was managing college magazine advertising.”⁴²

Nooyi earned an undergraduate degree and an M.B.A. in India and joined a British textiles company.⁴³ Nooyi left to join Johnson & Johnson as a local area product manager for a sanitary pad brand.⁴⁴ One observer described the obstacles she faced in this job: "At that time, not only could such a product not be advertised in India, but many retailers shied away from stocking sanitary pads."⁴⁵

Nooyi wanted to continue her education and attended the Yale School of Management.⁴⁶ "It was unheard of for a good, conservative, south Indian Brahmin girl to do this. It would make her an absolutely unmarriageable commodity after that," Nooyi later recalled.⁴⁷ She graduated with a degree in public and private management and worked for the Boston Consulting Group (BCG) for six years on corporate strategy.⁴⁸ "I don't think I could have gotten here without a strategy consultant background because it taught me inductive thinking. It taught me how to think of the problem in micro terms but also to zoom out and put the problem in the context of the broader environment and then zoom back in to solve the problem," Nooyi remarked of her time with BCG.⁴⁹

She then spent four years at Motorola, which she joined as the business development executive responsible for the automotive and industrial electronic group, and left as vice president and director of corporate strategy and planning.⁵⁰ Nooyi then moved to the industrials company Asea Brown Boveri (ABB) as senior vice president of strategy and strategic marketing.⁵¹ She worked closely with the CEOs of both companies on corporate strategy.⁵²

Nooyi joined PepsiCo as senior vice president of strategic planning in 1994, and became senior vice president for corporate strategy and development in 1996.⁵³ "Indra can drive as deep and hard as anyone I've ever met [. . .] but she can do it with a sense of heart and fun," remarked former PepsiCo CEO Roger Enrico.⁵⁴ She played a key role in the decisions to sell PepsiCo's restaurants and bottling operations.⁵⁵ This was a difficult time for her: "I'd sit in meetings and try to be real macho and dehumanize these decisions. [. . .] Then I'd go into my office and close the door and shed a few tears, thinking, God, why can't I just be building."⁵⁶ However, Nooyi was also behind decisions to move the company in new directions, and PepsiCo acquired the Tropicana and Quaker (which owned Gatorade) companies during her time in strategic planning.⁵⁷ These acquisitions were driven by her understanding that health and nutrition were increasingly important to consumers.⁵⁸

Nooyi became president and CFO in 2001 under CEO Steve Reinemund.⁵⁹ Reinemund described Nooyi's "sharp talent for turning insightful ideas and plans into reality."⁶⁰ When Reinemund retired in 2006, Nooyi was chosen as the new CEO.⁶¹ The move was hailed by analysts.⁶² One observer noted how Nooyi's background differentiated her from other CEOs: "Unlike people in operations and sales, who have to worry solely about meeting quarterly-earnings targets and expanding existing markets, a corporate strategist must position the company for markets that don't exist yet, and may not for another 20 years."⁶³

Commitment to Nutrition

Nooyi's strategic decisions reflected her belief that consumer demand was shifting towards healthier foods. She also saw little chance to grow through sodas alone.⁶⁴ "What's been happening in this category forever: we, Pepsi, would push like hell to get a program with the [retailer], we'd spend everything, and get a tenth of a point of market share. [. . .] The next period, Coke would come along, push like hell, and gain a tenth. This was a zero-sum game. The cola category was profitable, but didn't grow profits," she remarked.⁶⁵ Instead, Nooyi saw opportunity in both making its existing snack and beverage products healthier through R&D, and in transforming the company's portfolio to include healthier items: "Reduce the salt level, but don't give up on taste. Reduce the fat levels. Reduce the sugar levels. Take the zero calorie products and nudge consumers to buy more of that. [. .

.] Take the Good-for-You products and make them great tasting so people never have to compromise taste for health or health for taste,” Nooyi said.⁶⁶

Shortly into Nooyi’s tenure as CEO, PepsiCo launched *Performance with Purpose*, its plan for sustainable growth built on three sustainability “pillars”: human, environmental, and talent (see **Exhibit 5**).⁶⁷ Under this plan, PepsiCo would increase the number of products based on healthy foods such as whole-grains, fruits, and vegetables.⁶⁸ PepsiCo also planned to cut sodium by 25% and saturated fats by 15% in some foods and markets by 2015, and sugar in some beverages and markets 25% by 2020.⁶⁹ The company planned to include nutritional information on all packaging by 2012, and to stop selling drinks high in sugar in schools by 2012.⁷⁰

Nooyi made two significant hires early in her tenure: that of Derek Yach, an epidemiologist and former World Health Organization (WHO) official, as PepsiCo’s director of global health policy, and Dr. Mehmood Khan, who had once served as director of the Mayo Clinic’s diabetes, endocrinology and nutritional clinical trial unit, as chief scientific officer.⁷¹ Yach recalled that in his first meeting with Nooyi, “[s]he said, ‘I want you to do exactly what you were doing at the WHO [developing dietary guidelines], and do it here for us at PepsiCo.’”⁷²

Nooyi invested heavily in R&D.⁷³ PepsiCo reformulated some products and launched new ones by identifying a product’s unique taste and then replacing ingredients without changing taste.⁷⁴ For example, PepsiCo created a salt with less sodium but a similar taste and used it on potato chips in the U.K.⁷⁵ PepsiCo also looked to reduce sugar or find replacement sweeteners for beverages.⁷⁶ Tropicana’s Trop 50 brand fruit juices used a sweetener from the stevia plant and had 50% less sugar and calories than regular fruit juice.⁷⁷ PepsiCo launched Pepsi Next in early 2012 claiming it had “real cola taste with 60% less sugar.”⁷⁸

PepsiCo added to its nutrition portfolio through acquisitions and partnerships. In early 2011, PepsiCo became the majority owner of the Russian food company Wimm-Bill-Dann, a food and beverage company with dairy and juice products, for \$3.8 billion.⁷⁹ In 2012, PepsiCo partnered with the German dairy company Theo Muller Group on a U.S. joint venture called Muller Quaker Dairy. The joint venture’s \$206 million yogurt plant was scheduled to open in mid-2013.⁸⁰

Analysts noted that the market was wary of the nutrition focus.⁸¹ However, these same analysts thought that “Pepsi will experience solid payback on nutritional initiative spending, given the large size and strong growth potential of the nutrition category.”⁸² The Access to Nutrition Alliance (an initiative partly funded by the Bill and Melinda Gates Foundation) gave PepsiCo good marks for its work: “PepsiCo has a clear focus on nutrition and health in its growth strategy [. . .]. While a significant portion of its product portfolio consists of soft drinks and snacks, the company has undertaken meaningful efforts to diversify its offerings and improve its nutrition practices.”⁸³

The Food and Beverage Industries’ Actions to Address Obesity

PepsiCo’s competitors took similar steps in the face of rising obesity rates and shifting consumer demands. Soda consumption rates in the U.S. had fallen since 2005.⁸⁴ In 2006, The Coca-Cola Company (Coca-Cola), the Dr. Pepper Snapple Group (DPS), PepsiCo, and the American Beverage Association (ABA), along with the Alliance for a Healthier Generation (formed through a partnership between the American Heart Association and the William J. Clinton Foundation), agreed to limit the types of beverages available in schools.⁸⁵ A progress report issued in early 2010 showed that while carbonated soft drinks accounted for nearly 40% of beverages these firms placed in U.S. schools in 2004, they accounted for just under 7% in the first half of the 2009-2010 school year.⁸⁶

Coca-Cola had listed calorie content on its drinks since 2009, and introduced smaller 7.5 ounce cans of its leading sodas.⁸⁷ Roughly 25% of the company's beverage portfolio was low- or no-calorie drinks.⁸⁸ In 2013, Coca-Cola launched an advertising campaign that touched upon obesity and health. One commercial highlighted the company's healthier products, R&D, and efforts to educate consumers and support physical education.⁸⁹ Some observers criticized these efforts. "The idea that Coca-Cola is a force against obesity is ludicrous [. . .]. They sell liquid candy at a time when the last thing people need are calories with no nutrients attached," one academic remarked.⁹⁰ "The company needs to get off the idea that Coke is just another source of calories like broccoli, or rice cakes. It's not. Coke is tasty, refreshing and delivers a little jolt, all of which are wonderful things, but they're not nutrition," an observer noted.⁹¹

Major food companies had responded similarly. The fast-food giant McDonald's included apple slices in all of its Happy Meals (designed for children), and allowed customers to replace the Happy Meal's soda with milk or juice.⁹² McDonald's also pledged to cut sodium in its U.S. food offerings by an average of 15% by 2015.⁹³ A number of companies including PepsiCo and Mondelez International introduced pre-portioned 100 calorie packages of leading snack brands.⁹⁴

Full Commitment?

Openly discussing obesity was challenging for food and beverage companies: as one advertising professional noted, "[h]eavy drinkers are profitable consumers [. . .] and large servings at convenience stores and movie theaters mean more syrup sales. [. . .] [Coca-Cola] has every right to collect money from any consumer who buys its products, but perhaps there is such a thing as too much of a good thing?"⁹⁵ Industry executives tended to talk about food and beverage choice as just one of many factors contributing to obesity. Nooyi remarked in one speech that a range of players – from urban planners, to video game manufacturers, to food retailers – all contributed in some way to obesity.⁹⁶ "We've got to get [children] off their rumps," remarked DPS' CEO in reference to children spending too much time watching television and using computers.⁹⁷

Companies fought against attempts to paint the food and beverage industries as the main cause of obesity. One ABA executive, commenting on advertisements connecting soda and obesity, remarked that "the notion that there is a direct correlation between soda consumption and obesity doesn't measure up to where the numbers are [. . .]. If consumption is down and obesity is up, it's hard to find that correlation."⁹⁸ One food company executive questioned whether people really wanted more healthy food options.⁹⁹ "Consumers say they want to eat healthy, but their behaviour tends to be slightly different," he noted.¹⁰⁰

Legislation and Industry Lobbying

Public officials had also taken action while companies redesigned their portfolios. In Boston, Massachusetts, Mayor Thomas Menino banned junk foods and soft drinks from the city's public schools in 2004, and selling drinks high in sugar and calories on city property in 2011.¹⁰¹ In New York City, Mayor Michael Bloomberg tried to ban the sale of sugary drinks in containers bigger than 16 oz. from certain venues (not including convenience stores and supermarkets).¹⁰² The ban was opposed by retailers, trade groups, and food and beverage companies through New Yorkers for Beverage Choices, an organization funded by the ABA.¹⁰³ The ban was halted in March 2013 before it went into effect when a New York State Supreme Court judge ruled that Bloomberg had to go through the city council and the board of health to institute the ban.¹⁰⁴

That same month, the state of Mississippi introduced a law to *prevent* local governments from limiting portion sizes.¹⁰⁵ “It simply is not the role of the government to microregulate citizens’ dietary decisions. [. . .] The responsibility for one’s personal health depends on individual choices about proper diet and appropriate exercise,” explained Mississippi’s governor.¹⁰⁶

Many states and cities contemplated soda taxes, but met with strong resistance: through early 2012, such efforts had failed in 24 states and five cities.¹⁰⁷ “We ran into the machine the way anti-smoking activists did in the early ‘60s [. . .] it’s not a fight you’re going to win right away,” noted New York’s governor.¹⁰⁸ Others compared the food and beverage industry’s resistance to regulation with that of tobacco companies.¹⁰⁹ One individual noted that companies were missing economic opportunities by fighting regulations, making the comparison to the U.S. automotive industry’s opposition to seat belts and other safety standards which ultimately caused them to lose market share to foreign companies more willing to meet consumer demand.¹¹⁰ Lawyers that had previously litigated against major tobacco companies had shifted focus to food and beverage companies over misleading product labeling.¹¹¹

It was not always clear how the general public wanted the government to address obesity. A 2013 poll of people from across the U.S. indicated that 69% of those surveyed would vote against a law similar to the one Bloomberg tried to implement in New York City.¹¹² However, a poll conducted in 2012 showed that a full 57% said it was either extremely or very important for the federal government to work on obesity-related health problems.¹¹³

Partnerships with Non-Profits and Professional Associations

Beverage companies were also criticized for providing financial support to and partnering with non-profits, medical professional associations, and other groups that historically supported consumers or health interests. For example, both Coca-Cola and PepsiCo had sponsored the Academy of Nutrition and Dietetics, and supported nutritional and public health fellowships and programs at universities.¹¹⁴ The American Association of Family Physicians and the American Academy of Pediatrics had both previously partnered with Coca-Cola.¹¹⁵

Some observers questioned beverage companies’ financial support of minority organizations.¹¹⁶ In New York City, the local chapter of the National Association for the Advancement of Colored People and the Hispanic Federation fought against Mayor Bloomberg’s proposed soda ban.¹¹⁷ Both Coca-Cola and PepsiCo said they did not ask for these groups’ support on such issues, and that the partnerships had been in place well-before obesity concerns arose.¹¹⁸

Some believed that partnerships with these companies were inappropriate, if not detrimental to making substantive change, as one academic noted:

When the history of the world’s attempt to address obesity is written, the greatest failure may be collaboration with and appeasement of the food industry. I expect history will look back with dismay on the celebration of baby steps industry takes (such as public-private partnerships with health organizations, ‘healthy eating’ campaigns, and corporate social responsibility initiatives) while it fights viciously against meaningful change (such as limits on marketing, taxes on [. . .] sugared beverages, and regulation of nutritional labeling).¹¹⁹

Another academic echoed these feelings: “There is a basic conflict in working with the snack food sector, since branding snacks as ‘healthy’ only diverts attention from the real issues. In my view it is

the culture of snacking—the consumption of superfluous calories between meals, or perhaps instead of healthy main meals—which is an unhealthy practice in itself.”¹²⁰

PepsiCo Struggles and Shareholders Push Back in the 2010s

Nooyi faced an increasingly frustrated shareholder base as she moved forward with her strategy while PepsiCo’s performance lagged its peers. Coca-Cola and PepsiCo had long dominated the U.S. carbonated soft drink market, but soda consumption had declined since the mid-2000s.¹²¹ PepsiCo saw its share of the U.S. carbonated soft drink market fall from 31.2% at the start of Nooyi’s leadership (2006) to 28.5% for 2011.¹²² Coca-Cola’s market share dropped from 42.9% to 41.9% during the same timeframe (see **Exhibit 6** for market share in carbonated soft drinks).¹²³

Coke Classic and Pepsi-Cola had historically ranked first and second respectively as the U.S.’s leading soda brands but Pepsi-Cola fell to third place behind Diet Coke in 2010.¹²⁴ PepsiCo responded with increased marketing for Pepsi-Cola in 2011.¹²⁵ “I think one of the mistakes Pepsi’s made is that Nooyi has taken her eye off Pepsi and she’s focused on these better-for-you, lower-margin product items,” said one marketing industry executive.¹²⁶

Analysts pointed to market share losses in PepsiCo’s snack categories due to higher prices, and noted that increased advertising and new innovations in its beverage category had not boosted market share.¹²⁷ Coca Cola was directly competing with PepsiCo’s Gatorade and Tropicana brands.¹²⁸

Investors demanded clarity on Nooyi’s nutrition strategy and how she planned to grow the company.¹²⁹ In 2011, Nooyi explained that growth in the nutrition side of the business would come naturally, with limited direct funding.¹³⁰ “Nooyi has been trying to reassure Wall Street that soda and potato chips aren’t taking a back seat to nutrition,” one observer commented.¹³¹ Some analysts were skeptical that nutrition brands would grow the company. “They [Pepsi] have to realize that at their core they are a sugary, fatty cola company, and people like that,” one analyst remarked.¹³² Other analysts were optimistic, noting the lack of a major global competitor in the category and PepsiCo’s strong nutrition brands such as Quaker and Tropicana.¹³³

When Nooyi launched the strategic review in late 2011, some analysts felt it was long overdue.¹³⁴ “The company’s somewhat neglected core brands are in desperate need of substantial incremental marketing support and perhaps less short-term promotional dollars,” one analyst noted.¹³⁵ Another analyst said that “[t]he rise and fall of PepsiCo over the last several years has been a frustrating example of strategy trumping execution and long-term fears compromising short-term asset allocation, market share, and returns.”¹³⁶ The company’s board was also apparently losing patience: “The priority for the board is not breaking up the brands, but how quickly do they replace Indra [Nooyi],” stated one individual.¹³⁷

Expanding Internationally

With attractive growth opportunities in the developing world, food and beverage companies increasingly turned to these markets, particularly as populations and incomes rose. PepsiCo had sold products in China since the early 1980s and Pepsi-Cola was available in the Soviet Union starting in the 1970s, while Coca-Cola had a presence in Indonesia since the 1930s and Africa since the 1920s.¹³⁸

PepsiCo’s products were used by roughly 3 billion people each year.¹³⁹ “[Emerging markets] represent all the growth of the future,” Nooyi noted in late 2011.¹⁴⁰ She explained that PepsiCo would

invest heavily in developing countries in coming years, with a focus on Brazil, China, Columbia, Egypt, Jordan, India, Nigeria, Russia, Venezuela, and Vietnam.¹⁴¹ PepsiCo had invested some \$9 billion in Russia alone in the early 21st century, which she said was “the single largest bet we’ve made on any single country outside the United States.”¹⁴²

The question remained of how PepsiCo should expand in these markets: by continuing to sell its existing line of products, or focus on more nutritious offerings. In general, developing nations had a lower adult obesity rate (8.7% in 2008) than the total global adult obesity level (11.7% in 2008).¹⁴³ However, some regions were already experiencing serious obesity issues: Central America and South America had adult obesity rates of 30.4% and 21.6% respectively for 2008.¹⁴⁴ Europe by comparison had a rate of 21.4% and North America 31% during the same time period.¹⁴⁵

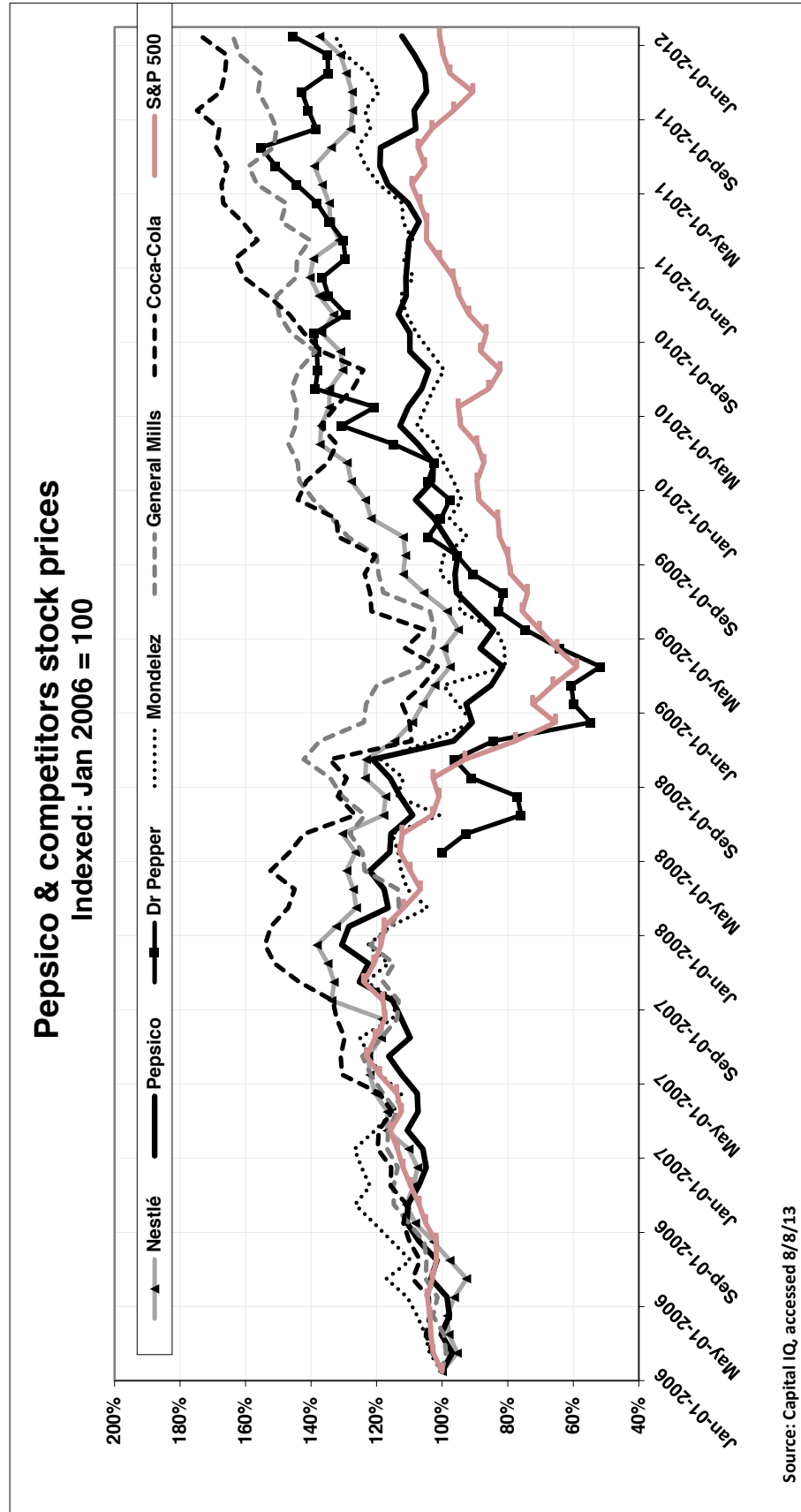
Mexico, for example, had one of the world’s highest adult obesity rates in 2009 at 30%.¹⁴⁶ One report noted that soda was a major source of sugar for Mexicans and that “Between 1999 and 2006, the consumption of high-energy beverages more than doubled for adolescents and tripled for women. The net effect was to more than double the total energy consumed for adolescents and adult women.”¹⁴⁷ Mexico was the largest consumer of Coca-Cola products by far, with a per capita consumption of 728 8 oz. servings in 2001—the second largest was Chile at 460 servings.¹⁴⁸ One industry analyst noted that there were a number of low-calorie products available in Mexico, but that “I think it really is more of an apathy issue. Consumer education is the key in my mind.”¹⁴⁹

The Future of PepsiCo

Nooyi expected balanced growth in all of PepsiCo’s product categories: “Our goal is to make sure that we grow with the market in fun-for-you and better-for-you, but the market for good-for-you is growing almost twice as much as [the other categories]. So we want to make sure we grow as fast as the market or faster. So if you look at PepsiCo 10 years from now, I suspect right now good-for-you products are 22% of the portfolio, it might rise to 27% to 30% of the portfolio,” she said in 2011.¹⁵⁰ “A large company like ours has to learn to place multiple bets, and that’s what we’re doing.”¹⁵¹

Where should Nooyi place her bets for PepsiCo? What should Nooyi do to protect PepsiCo’s position in developed markets such as the U.S.? What products should it develop and sell for emerging markets, and should it try to get ahead of potential obesity crises in these countries?

314-055 -10-

Exhibit 1 PepsiCo and Select Competitor Stock Prices 2006-2012 (indexed to 100 as of January 2006)

Source: Capital IQ, accessed August 2013.

Note: In October 2012, Kraft Foods Inc. became Mondelez International and spun off its North American grocery operations to create Kraft Foods Group, Inc. In this graph, Mondelez International represents the former Kraft Foods Inc. prior to October 2012. "Mondelez International Completes Spin-Off of its North American Grocery Business," *Mondelez International*, October 1, 2012, <http://ir.mondelezinternational.com/releasedetail.cfm?ReleaseID=734903>, accessed August 2013.

Exhibit 2a PepsiCo Financials (in US\$ millions, except EPS. PepsiCo's fiscal year ended in late December)

	2011	2010	2009	2008	2007	2006
Total revenue	66,504	57,838	43,232	43,251	39,474	35,137
Gross profit	34,957	31,661	23,133	22,988	21,436	19,375
EBIT	10,375	9,499	8,130	7,502	7,284	6,502
Earnings from continuing operations	6,462	6,338	5,979	5,166	5,670	5,642
Net income	6,443	6,320	5,946	5,142	5,658	5,642
Diluted EPS (excluding extra items)	4.03	3.92	3.77	3.21	3.41	3.34

Source: Capital IQ, accessed May 2013.

Exhibit 2b The Coca-Cola Company Financials (in US\$ millions, except EPS. Coca-Cola's fiscal year ended December 31)

	2011	2010	2009	2008	2007	2006
Total revenue	46,542	35,119	30,990	31,944	28,857	24,088
Gross profit	28,338	22,426	19,902	20,570	18,451	15,928
EBIT	10,912	8,965	8,544	8,796	7,252	6,497
Earnings from continuing operations	8,646	11,837	6,906	5,874	6,027	5,080
Net income	8,584	11,787	6,824	5,807	5,981	5,080
Diluted EPS (excluding extra items)	1.85	2.53	1.47	1.25	1.29	1.08

Source: Capital IQ, accessed May 2013.

Exhibit 2c Dr. Pepper Snapple Group Financials (in US\$ millions, except EPS. DPS' fiscal year ended December 31)

	2011	2010	2009	2008	2007	2006
Total revenue	5,903	5,636	5,531	5,710	5,695	4,700
Gross profit	3,418	3,393	3,297	3,120	3,131	2,741
EBIT	1,024	1,025	1,085	973	1,015	1,013
Earnings from continuing operations	606	528	555	(312)	497	510
Net income	606	528	555	(312)	497	510
Diluted EPS (excluding extra items)	2.74	2.17	2.17	(1.23)	1.96	2.01

Source: Capital IQ, accessed May 2013.

Exhibit 2d Nestlé Financials (in US\$ millions, except EPS. Figures are rounded to the nearest million. Nestlé's fiscal year ended December 31)

	2011	2010	2009	2008	2007	2006
Total revenue	91,142	95,760	109,430	112,157	117,016	107,122
Gross profit	43,132	47,045	62,138	62,375	68,016	62,826
EBIT	14,229	14,928	14,386	14,405	16,346	14,473
Earnings from continuing operations	10,667	9,844	10,392	8,330	12,384	10,635
Net income	10,322	37,245	11,346	19,626	11,586	10,006
Diluted EPS (excluding extra items)	3.22	2.83	2.81	1.94	3.00	2.56

Source: Capital IQ, accessed August 2013.

Exhibit 2e General Mills Financials (in US\$ millions, except EPS. Figures are rounded to the nearest million. General Mills's fiscal year ended in late May)

	2011	2010	2009	2008	2007
Total revenue	14,880	14,636	14,556	13,652	12,442
Gross profit	5,954	5,800	5,175	4,892	4,486
EBIT	2,762	2,638	2,242	2,268	2,097
Earnings from continuing operations	1,804	1,535	1,314	1,318	1,144
Net income	1,798	1,531	1,304	1,295	1,144
Diluted EPS (excluding extra items)	2.70	2.24	1.90	1.85	1.59

Source: Capital IQ, accessed August 2013.

Exhibit 2f Mondelez International, Inc. Financials (in US\$ millions, except EPS. Mondelez's fiscal year ended December 31)

	2011	2010	2009	2008	2007	2006
Total revenue	35,810	31,489	38,754	40,492	35,858	33,256
Gross profit	13,100	11,872	13,935	13,366	12,269	11,937
EBIT	4,060	3,386	5,215	4,880	4,739	4,880
Earnings from continuing operations	1,737	672	2,810	1,678	2,492	2,828
Net income	3,527	4,114	3,021	2,884	2,721	3,060
Diluted EPS (excluding extra items)	0.97	0.38	1.89	1.10	1.56	1.71

Source: Capital IQ, accessed August 2013.

Exhibit 3 Nutritional Content of Various Foods and Beverages

Product	12 oz. can of Coca-Cola Classic	12 oz. can of Pepsi-Cola	1 Snickers Bar (52.7g)	1 medium sized apple (with skin)	Quaker Instant Oatmeal - Maple and Brown Sugar (1 packet; 43 g)	Starbucks 12 oz. (tall) Caffè Latte with 2% milk	Yoplait Original Yogurt, French Vanilla (6 oz.)	Panera Bread Pumpkin Muffin
Calories	140	150	250	100	160	150	170	590
Total Fat	0 g	0 g	12 g	0 g	2 g	6 g	1.5 g	22 g
Saturated Fat			4.5 g	0 g	0.5 g	3.5 g	1 g	4 g
Cholesterol	NA	NA	5 mg	0 mg	0 mg	25 mg	10 mg	30 mg
Sodium	45 mg	30 mg	120 mg	0 mg	260 mg	115 mg	85 mg	480 mg
Total	39 g	41 g	33 g	25 g	32 g	14 g	33 g	91 g
Carbohydrates								
Sugars	39 g	41 g	27 g	19 g	12 g	13 g	26 g	53 g
Protein	0 g	0 g	4 g	0 g	4 g	10 g	5 g	7 g

Source: The Coca Cola Company, "Coca-Cola, 12 fl oz. can," <http://productnutrition.thecoca-colacompany.com/products/coca-cola?packagingId=6971#nutrition>, accessed May 2013; PepsiCo, "Pepsi, 12 fl oz.," http://www.pepsicobeveragefacts.com/infobyproduct.php?prod_type=1026&prod_size=20&brand_fam_id=1051&brand_id=1000&product=Pepsi, accessed May 2013; Mars Incorporated, "Snickers Bar," <http://www.snickers.com/Nutritional-Info>, accessed May 2013; United States Department of Agriculture, Household Commodity Fact Sheet, "Apples, Fresh," April 2009, http://www.fns.usda.gov/food/factsheets/New_HHPFacts/Fruits/HHFS_APPLES_FRESH_F510-515_Final.pdf, accessed May 2013; Quaker Oats Company, "Quaker Instant Oatmeal - Maple and Brown Sugar," <http://www.quakeroats.com/products/compare.aspx>, accessed May 2013; Starbucks, "Caffè Latte," <http://www.starbucks.com/menu/drinks/espresso/caffe-latte#size=41&milk=63>, accessed May 2013; Yoplait USA, Inc. Yoplait Original, French Vanilla," <http://www.yoplait.com/products/yoplait-original-style>, accessed May 2013; Panera Bread, "Panera Bread Product Nutrition Information 3/13/13 - 5/7/13," <http://www.panerabread.com/pdf/nutr-guide.pdf>, accessed May 2013.

Exhibit 4 PepsiCo's Performance by Segment 2008-2012 (in US\$ millions. PepsiCo's fiscal year ended in late December)

Segment	2011		2010		2009		2008	
	Revenue	Operating Profit	Revenue	Operating Profit	Revenue	Operating Profit	Revenue	Operating Profit
Frito-Lay North America	13,322	3,625	12,573	3,376	12,421	3,105	12,507	2,959
Quaker Foods North America	2,656	803	2,656	741	2,687	781	1,902	582
Latin America Foods	7,156	1,126	6,315	1,004	5,703	904	5,895	897
PepsiCo Americas Beverages	22,418	3,452	20,401	3,592	10,116	2,172	10,937	2,026
Europe	13,560	1,427	9,602	1,205	7,028	948	6,891	910
Asia, Middle East and Africa	7,392	896	6,291	708	5,277	700	5,119	592
Corporate	-	-	-	-	-	(566)	-	(1,007)
Total	66,504	11,329	57,838	10,626	43,232	8,044	43,251	6,959

Source: Capital IQ accessed May 2013.

Note: Operating profits are all pre-tax.

Exhibit 5 Performance with Purpose

Performance with Purpose is supported by three pillars: Human Sustainability, Environmental Sustainability, and Talent Sustainability.

Human Sustainability Human Sustainability means providing a wide range of foods and beverages, from treats to health eats. Our efforts to increase choices for our consumers include reducing levels of fat, sodium and added sugars in many of our treats. At the same time, we have expanded our portfolio to provide consumers with convenient foods and beverages that support their daily nutrition requirements.

Environmental Sustainability Environmental Sustainability means finding innovative ways to cut costs and minimize our impact on the environment through energy and water conservation and reduction of packaging volume.

Talent Sustainability Talent Sustainability means investing in our associates to help them succeed; providing a safe and inclusive workplace globally; and respecting, supporting and investing in the local communities where we operate.

Source: This material is taken verbatim from PepsiCo, "In the Words of CEO Indra Nooyi," <http://www.pepsico.com/Purpose/Performance-with-Purpose/In-the-words-of-CEO-Indra-Nooyi.html>, accessed May 2013.

Exhibit 6 U.S. Carbonated Soft Drink Category Market Share by Company (in %)

Company	2011	2010	2009	2008	2007	2006
Coca-Cola Co.	41.9	42.0	41.9	42.7	42.8	42.9
PepsiCo	28.5	29.3	29.9	30.8	31.1	31.2
Dr. Pepper Snapple	16.7	16.7	16.4	15.3	15.0	14.9
Cott Corp.	5.2	4.8	4.9	4.7	4.8	5.1
National Beverage	2.8	2.8	2.7	2.6	2.5	2.5
Hansen Natural (Monster Beverage Co.)	1.2	1.0	0.9	0.8	0.8	0.6
Red Bull	1.0	0.8	0.7	0.7	0.6	0.5
Big Red	0.6	0.5	0.5	0.4	0.4	0.4
Rockstar	0.6	0.5	0.4	0.4	0.4	0.3
Monarch Co.	-	-	-	-	-	0.1
Private Label/other	1.5	1.6	1.7	1.6	1.6	1.5
Total	100	100	100	100	100	100

Source: Compiled from "Special Issue: U.S. Beverage Results for 2012," *Beverage-Digest* 63, no. 6 (March 25, 2013), http://www.beverage-digest.com/pdf/top-10_2013.pdf, accessed May 2013; "Special Issue: U.S. Beverage Results for 2011," *Beverage-Digest* 61, no. 6 (March 20, 2012); "Special Issue: Top-10 CSD Results for 2010," *Beverage-Digest* 59, no. 5 (March 17, 2011); "Special Issue: Top-10 CSD Results for 2009," *Beverage-Digest* 56, no. 7 (March 24, 2010); "Special Issue: Top-10 CSD Results for 2008," *Beverage-Digest* 54, no. 7 (March 30, 2009); "Special Issue: Top-10 CSD Results for 2007," *Beverage-Digest* 52, no. 5 (March 12, 2008); and "Special Issue: Top-10 CSD Results for 2006," *Beverage-Digest* 50, no. 5 (March 8, 2007). All reports dated from 2006 through 2012 are available at the *Beverage-Digest* archives, <http://www.beverage-digest.com/editorial/archive07.php#070308>, all accessed in May 2013.

Note: In 2012, Hansen Natural changed its name to Monster Energy Corp.

Endnotes

- ¹ John Seabrook, "Snacks for a Fat Planet," *The New Yorker*, May 16, 2011, http://www.newyorker.com/reporting/2011/05/16/110516fa_fact_seabrook?printable=true¤tPage=all, accessed March 2013.
- ² Seabrook, "Snacks for a Fat Planet," *The New Yorker*, May 16, 2011.
- ³ Centers for Disease Control and Prevention, "Obesity and Overweight," updated May 30, 2013, <http://www.cdc.gov/nchs/fastats/overwt.htm>, accessed July 2013.
- ⁴ Mike Esterl, "PepsiCo Board Stands by Nooyi," *The Wall Street Journal*, January 13, 2012, <http://online.wsj.com/article/SB10001424052970203721704577157173241727072.html>, accessed April 2013.
- ⁵ "Good For You, Not for Shareholders," *The Economist*, March 17, 2012, <http://www.economist.com/node/21550263>, accessed August 2013.
- ⁶ Esterl, "PepsiCo Board Stands by Nooyi," *The Wall Street Journal*; Josh Kosman, "PepsiCo Loses Pop With Nooyi Liter-ship," *New York Post*, November 8, 2011, http://www.nypost.com/p/news/business/pepsico_loses_pop_with_nooyi_liter_lyQhnPQs3s8K0W79TGGLKL, accessed August 2013.
- ⁷ Seabrook, "Snacks for a Fat Planet," *The New Yorker*, May 16, 2011.
- ⁸ Duff Wilson and Janet Roberts, "Special Report: How Washington Went Soft on Childhood Obesity," *Reuters*, April 27, 2012, <http://www.reuters.com/article/2012/04/27/us-usa-foodlobby-idUSBRE83Q0ED20120427>, accessed April 2013.
- ⁹ Kelly Brownell, "Meet Big Soda — as Bad as Big Tobacco," *Time*, October 24, 2011, <http://ideas.time.com/2011/10/24/meet-big-soda-as-bad-as-big-tobacco/>, accessed April 2013.
- ¹⁰ U.S. Centers for Disease Control and Prevention, "Overweight and Obesity," updated August 13, 2012, <http://www.cdc.gov/obesity/data/adult.html>, accessed March 2013; and Cynthia Ogden and Margaret Carroll, Division of Health and Nutrition Examination Surveys, "Prevalence of Obesity Among Children and Adolescents: United States, Trends 1963-1965 Through 2007-2008," *U.S. Centers for Disease Control and Prevention*, June 2010, http://www.cdc.gov/nchs/data/hestat/obesity_child_07_08/obesity_child_07_08.pdf, p. 5, accessed March 2013.
- ¹¹ "Obesity," *MedlinePlus*, U.S. National Library of Medicine, National Institutes of Health, last reviewed January 22, 2013, <http://www.nlm.nih.gov/medlineplus/obesity.html>, accessed August 2013.
- ¹² U.S. Centers for Disease Control and Prevention, "What Causes Overweight and Obesity," updated April 27, 2012, <http://www.cdc.gov/obesity/adult/causes/index.html>, accessed May 2013.
- ¹³ U.S. Centers for Disease Control and Prevention, "Overweight and Obesity," updated August 13, 2012.
- ¹⁴ U.S. Centers for Disease Control and Prevention, "Obesity Trends Among U.S. Adults Between 1985 and 2010," available at: <http://www.cdc.gov/obesity/data/adult.html#Groups>, accessed May 2013.
- ¹⁵ U.S. Centers for Disease Control and Prevention, "Obesity Trends Among U.S. Adults Between 1985 and 2010."
- ¹⁶ Office of Surveillance, Epidemiology, and Laboratory Services, Public Health Genomics, "Genomics and Health," *U.S. Centers for Disease Control and Prevention*, updated May 10, 2013, <http://www.cdc.gov/genomics/resources/diseases/obesity/>, accessed July 2013.
- ¹⁷ DJ Frenk, "Time to Focus on Healthier Drinks," *Harvard School of Public Health, The Nutrition Source*, <http://www.hsph.harvard.edu/nutritionsource/focus/>, accessed May 2013.
- ¹⁸ Lydia Saad, "Nearly Half of Americans Drink Soda Daily," *Gallup*, July 23, 2012, <http://www.gallup.com/poll/156116/nearly-half-americans-drink-soda-daily.aspx>, accessed March 2013; and Seabrook, "Snacks for a Fat Planet," *The New Yorker*, May 16, 2011.
- ¹⁹ The American Heart Association, "Sugars and Carbohydrates," June 11, 2012, http://www.heart.org/HEARTORG/GettingHealthy/NutritionCenter/HealthyDietGoals/Sugars-and-Carbohydrates_UCM_303296_Article.jsp, accessed April 2013.

- ²⁰ United States Department of Agriculture, "What are Empty Calories?" <http://www.choosemyplate.gov/weight-management-calories/calories/empty-calories.html>, accessed April 2013.
- ²¹ Gail Woodward-Lopez, Janice Kao, and Lorrene Ritchie, "To What Extent Have Sweetened Beverages Contributed to the Obesity Epidemic?" *Public Health Nutrition* 14, no. 3 (March 1, 2011): 499, via Academic Search Premier, accessed April 2013.
- ²² David S. Ludwig, Karen E. Peterson, and Steven L. Gortmaker, "Relation Between Consumption of Sugar-Sweetened Drinks and Childhood Obesity: A Prospective, Observational Analysis," *The Lancet* 357, no. 9255 (February 17, 2001): 505, via Academic Search Premier, accessed April 2013.
- ²³ Ludwig, Peterson, and Gortmaker, "Relation Between Consumption of Sugar-Sweetened Drinks and Childhood Obesity: A Prospective, Observational Analysis," *The Lancet* (February 17, 2001): 505.
- ²⁴ American Heart Association, "180,000 Deaths Worldwide May be Associated with Sugary Soft Drinks," March 19, 2013, <http://newsroom.heart.org/news/180-000-deaths-worldwide-may-be-associated-with-sugary-soft-drinks>, accessed April 2013.
- ²⁵ "Study Finds Strong Incentives Drive Food Addictions," *University of Guelph*, May 29, 2013, http://www.uoguelph.ca/news/2013/05/study_finds_strong_incentives_drive_food_addictions.html, accessed August 2013.
- ²⁶ "Study Finds Strong Incentives Drive Food Addictions," *University of Guelph*, May 29, 2013.
- ²⁷ Kitta MacPherson, "Sugar Can Be Addictive, Princeton Scientist Says," *Princeton University*, December 10, 2008, <http://www.princeton.edu/main/news/archive/S22/88/56G31/index.xml?section=topstories>, accessed August 2013.
- ²⁸ MacPherson, "Sugar Can Be Addictive, Princeton Scientist Says," *Princeton University*, December 10, 2008.
- ²⁹ Michael Moss, "The Extraordinary Science of Addictive Junk Food," *The New York Times*, February 20, 2013, <http://www.nytimes.com/2013/02/24/magazine/the-extraordinary-science-of-junk-food.html?pagewanted=all>, accessed May 2013.
- ³⁰ Moss, "The Extraordinary Science of Addictive Junk Food," *The New York Times*, February 20, 2013.
- ³¹ Moss, "The Extraordinary Science of Addictive Junk Food," *The New York Times*, February 20, 2013.
- ³² Moss, "The Extraordinary Science of Addictive Junk Food," *The New York Times*, February 20, 2013.
- ³³ PepsiCo, "Our History," <http://www.pepsico.com/company/our-history.html>, accessed May 2013.
- ³⁴ Glenn Collins, "Three Restaurant Chains Prepare for Life After PepsiCo," *The New York Times*, July 16, 1997, <http://www.nytimes.com/1997/07/16/business/three-restaurant-chains-prepare-for-life-after-pepsico.html?pagewanted=all&src=pm>, accessed July 2013.
- ³⁵ PepsiCo, 2011 Annual Report, p. 9, http://www.pepsico.com/annual11/downloads/PEP_AR11_2011_Annual_Report.pdf, accessed August 2014.
- ³⁶ PepsiCo, 2011 Annual Report, p. 9.
- ³⁷ "1. Indra Nooyi," *Financial Times*, November 16, 2010, <http://www.ft.com/intl/cms/s/0/ca66b59e-ed92-11df-9085-00144feab49a.html#axzz2SWL61CTP>, accessed May 2013.
- ³⁸ PepsiCo, 2011 Annual Report, p. 7.
- ³⁹ PepsiCo, 2011 Annual Report, p. 7.
- ⁴⁰ Patricia Sellers, "It's Good to Be the Boss," *CNNMoney*, October 2, 2006, <http://money.cnn.com/2006/09/29/magazines/fortune/mpw.femaleCEOs.intro.fortune/index.htm>, accessed May 2013; and "1. Indra Nooyi," *Financial Times*, November 16, 2010.
- ⁴¹ "1. Indra Nooyi," *Financial Times*, November 16, 2010.
- ⁴² Anto Joseph, "A Woman with Fizz and Bottle," *The Observer*, August 19, 2006, <http://www.guardian.co.uk/business/2006/aug/20/theobserver.observerbusiness2>, accessed July 2013.
- ⁴³ Sellers, "It's Good to Be the Boss," *CNNMoney*, October 2, 2006.

- 44 "Indra Nooyi," *Newsmakers*, May 1, 2004, updated September 20, 2007, (Detroit: Gale, 2004.) *Biography in Context*, accessed April 2013.
- 45 "Indra Nooyi," *Newsmakers*, May 1, 2004, updated September 20, 2007.
- 46 "Indra Nooyi," *Newsmakers*, May 1, 2004, updated September 20, 2007.
- 47 "Indra Nooyi," *Newsmakers*, May 1, 2004, updated September 20, 2007.
- 48 PepsiCo, "Our Leadership, Indra K. Nooyi" <http://www.pepsico.com/company/leadership.html>, accessed May 2013.
- 49 Gary Burnison, "How Pepsi's Indra Nooyi Learned to Be a CEO," *Fast Company*, April 29, 2011, <http://www.fastcompany.com/1750645/how-pepsis-indra-nooyi-learned-be-ceo>, accessed July 2013, reprinted by permission of the publisher, John Wiley & Sons Inc., from: Gary Burnison, *No Fear of Failure: Real Stories of How Leaders Deal With Risk and Change*, (Hoboken, NJ: John Wiley & Sons, Inc. 2011).
- 50 PepsiCo, "Our Leadership, Indra K. Nooyi"; and "Indra Nooyi," *The Paulson Group*, 2013, <http://www.paulsoninstitute.org/voices/meet-the-experts/indra-nooyi/>, accessed July 2013.
- 51 PepsiCo, "Our Leadership, Indra K. Nooyi".
- 52 John A. Byrne, "A Potent Ingredient in Pepsi's Formula," *Bloomberg Businessweek*, April 10, 2000, http://www.businessweek.com/2000/00_15/b3676008.htm, accessed July 2013.
- 53 PepsiCo, "Our Leadership, Indra K. Nooyi"; and Byrne, "A Potent Ingredient in Pepsi's Formula," *Bloomberg BusinessWeek*.
- 54 Diane Brady, "Indra Nooyi: Keeping Cool in Hot Water," *Bloomberg Businessweek*, June 10, 2007, <http://www.businessweek.com/stories/2007-06-10/indra-nooyi-keeping-cool-in-hot-water>, accessed May 2013.
- 55 "Indra Nooyi," *Newsmakers*, May 1, 2004, updated September 20, 2007.
- 56 Sellers, "It's Good to Be the Boss," *CNNMoney*, October 2, 2006.
- 57 "Indra Nooyi," *Newsmakers*, May 1, 2004, updated September 20, 2007.
- 58 "1. Indra Nooyi," *Financial Times*, November 16, 2010.
- 59 "Indra Nooyi," *Newsmakers*, May 1, 2004, updated September 20, 2007.
- 60 "Special Issue: PepsiCo Names Indra Nooyi its Next CEO," *Beverage Digest* 49, no. 4 (August 14, 2006): <http://www.beverage-digest.com/pdf/060814-special.pdf>, accessed May 2013.
- 61 "Indra Nooyi," *Newsmakers*, May 1, 2004, updated September 20, 2007.
- 62 "Special Issue: PepsiCo Names Indra Nooyi its Next CEO," *Beverage Digest*.
- 63 Seabrook, "Snacks for a Fat Planet," *The New Yorker*, May 16, 2011.
- 64 Valerie Bauerlein, "PepsiCo Chief Defends Her Strategy to Promote 'Good for You' Foods," *The Wall Street Journal*, June 28, 2011, <http://online.wsj.com/article/SB10001424052702303627104576412232408827462.html>, accessed May 2013.
- 65 Bauerlein, "PepsiCo Chief Defends Her Strategy to Promote 'Good for You' Foods," *The Wall Street Journal*, June 28, 2011.
- 66 Justin Menza, "PepsiCo Gets Healthier: CEO," *CNBC*, September 5, 2012, <http://www.cnn.com/id/48911235>, accessed March 2013.
- 67 PepsiCo, "In the Words of CEO Indra Nooyi," <http://www.pepsico.com/Purpose/Performance-with-Purpose/In-the-words-of-CEO-Indra-Nooyi.html>, accessed May 2013.
- 68 PepsiCo, "Human Sustainability," <http://www.pepsico.com/Purpose/Human-Sustainability.html>, accessed May 2013.
- 69 PepsiCo, "Human Sustainability."
- 70 "PepsiCo Unveils Global Nutrition, Environment and Workplace Goals," company press release, March 22, 2010, PR Newswire-First Call, via PepsiCo Inc., <http://www.pepsico.com/PressRelease/PepsiCo-Unveils-Global-Nutrition-Environment-and-Workplace-Goals03222010.html>, accessed March 2013.

- ⁷¹ "PepsiCo Appoints Derek Yach as Director – Global Health Policy," February 8, 2007, PR Newswire, <http://www.prnewswire.com/news-releases/pepsico-appoints-derek-yach-as-director---global-health-policy-54752372.html>, accessed May 2013; Seabrook, "Snacks for a Fat Planet," *The New Yorker*, May 16, 2011; "PepsiCo Names Dr. Mehmood Khan Chief Scientific Officer," December 12, 2007, PR Newswire, <http://www.prnewswire.com/news-releases/pepsico-names-dr-mehmood-khan-chief-scientific-officer-58693932.html>, accessed May 2013.
- ⁷² Seabrook, "Snacks for a Fat Planet," *The New Yorker*, May 16, 2011.
- ⁷³ Nanette Byrnes, "Pepsi Brings in the Health Police," January 14, 2010, http://www.businessweek.com/magazine/content/10_04/b4164050511214.htm, accessed May 2013.
- ⁷⁴ Seabrook, "Snacks for a Fat Planet," *The New Yorker*, May 16, 2011.
- ⁷⁵ Seabrook, "Snacks for a Fat Planet," *The New Yorker*, May 16, 2011.
- ⁷⁶ Seabrook, "Snacks for a Fat Planet," *The New Yorker*, May 16, 2011.
- ⁷⁷ Tropicana, "Trop 50," http://www.tropicana.com/#/trop_home/home.swf?/trop_trop50/productsLanding.swf, accessed May 2013.
- ⁷⁸ Mark J. Miller, "Pepsi Expands Mid-Calorie Brands with 60 Calorie Pepsi Next," *brandchannel*, February 27, 2012, <http://www.brandchannel.com/home/post/2012/02/27/Pepsi-Next-Mid-Calorie-022712.aspx>, accessed May 2013; and PepsiCo, "Actor William Levy Seduces Taste Buds Across America to try Pepsi NEXT," April 22, 2013, <http://www.pepsico.com/PressRelease/Actor-William-Levy-Seduces-Taste-Buds-Across-America-To-Try-Pepsi-NEXT04222013.html>, accessed May 2013.
- ⁷⁹ PepsiCo, "PepsiCo Completes Acquisition of 66% of Wimm-Bill-Dann," February 3, 2011, <http://www.pepsico.com/PressRelease/PepsiCo-Completes-Acquisition-of-66-of-Wimm-Bill-Dann02032011.html>, accessed May 2013.
- ⁸⁰ PepsiCo, "PepsiCo and Germany's Theo Muller Group to Enter U.S. Dairy Market with European-Style Premium Yogurt," July 9, 2012, <http://www.pepsico.com/pressrelease/pepsico-and-germanys-theo-muller-group-to-enter-us-dairy-market-with-european-st07092012.html>, accessed May 2013; and Elaine Watson, "Muller Pepsi JV Takes Muller Yogurt to More US Cities as Batavia Factory Prepares for Summer Opening," *Foodnavigator-USA*, February 27, 2013, <http://www.foodnavigator-usa.com/Manufacturers/Muller-PepsiCo-JV-takes-Mueller-yogurt-to-more-US-cities-as-Batavia-factory-prepares-for-summer-opening>, accessed May 2013.
- ⁸¹ Dara Mohsenian, Ruma Mukerji, Kevin Grundy, Alison M. Lin, "PepsiCo Inc. Near-Term Concerns Create an Attractive Entry Point," Morgan Stanley, January 4, 2011, via Thomson ONE, accessed May 2013.
- ⁸² Mohsenian, Mukerji, Grundy, Lin, "PepsiCo Inc. Near-Term Concerns Create an Attractive Entry Point."
- ⁸³ Access to Health Index, "About Us," 2013, <http://www.accesstonutrition.org/about-us>, accessed July 2013; and Access to Health Index, "PepsiCo Inc.," 2013, <http://www.accesstonutrition.org/pepsico-inc>, accessed May 2013.
- ⁸⁴ Natalie Zmuda, "Soda Consumption Down to Levels Last Seen 1996. While Volume is Down, Retail Sales are Up," *Advertising Age*, March 25, 2013, <http://adage.com/article/news/consumers-continue-snob-soda/240536/>, accessed May 2013.
- ⁸⁵ American Beverage Association, "Alliance School Beverage Guidelines Final Progress Report," March 8, 2010, http://www.ameribev.org/files/240_School%20Beverage%20Guidelines%20Final%20Progress%20Report.pdf, p. iv, accessed March 2013.
- ⁸⁶ American Beverage Association, "Alliance School Beverage Guidelines Final Progress Report," March 8, 2010.
- ⁸⁷ The Coca Cola Company, "Nutrition Labels," <http://www.coca-colacompany.com/brands/nutrition-labels>, accessed March 2013; and "Coca-Cola Unveils Sleek, New 90-Calorie Mini Can," *Business Wire*, October 14, 2009, <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aSlu5hm7wBbI>, via Bloomberg, accessed March 2013.
- ⁸⁸ The Coca-Cola Company, "Coca-Cola Announces Global Commitments to Help Fight Obesity," May 8, 2013, <http://www.coca-colacompany.com/press-center/press-releases/coca-cola-announces-global-commitments-to-help-fight-obesity>, accessed May 2013.

- ⁸⁹ The Coca-Cola Company, "Coming Together," January 14, 2013, <http://www.youtube.com/watch?v=zybnaPqzJ6s>, accessed May 2013.
- ⁹⁰ Alan Rappeport, "Drink Groups Fight Back Over Obesity," *The Financial Times*, May 7, 2012, <http://www.ft.com/intl/cms/s/0/d082ef1e-9634-11e1-9d9d-00144feab49a.html#axzz1uwvO20PS>, accessed May 2013.
- ⁹¹ Jonathan Salem Baskin, "Coke's Sugar Response: A Glass Half Full," *Advertising Age* January 22, 2013, <http://adage.com/article/cmo-strategy/coke-s-sugar-argument-a-glass-half-full/239297/>, accessed May 2013.
- ⁹² The McDonald's Corporation, "McDonald's USA Nutrition Journey, A 2012 Progress Report," September 2012, <http://www.aboutmcdonalds.com/content/dam/AboutMcDonalds/Newsroom/Electronic%20Press%20Kits/Nutrition%20E/PK/McDonaldsNPR.pdf>, p. 5, accessed August 2013.
- ⁹³ The McDonald's Corporation, "McDonald's USA Nutrition Journey, A 2012 Progress Report," September 2012.
- ⁹⁴ "Doritos Nacho Cheese Flavored Tortilla Chips – 100 Calorie Mini Bites," Frito-Lay North America, Inc., <http://www.fritolay.com/our-snacks/doritos-nacho-cheese-100-calorie.html>, accessed August 2013; and "Nabisco 100 Cal," Mondelēz International, <http://brands.nabisco.com/100caloriepacks/>, accessed August 2013.
- ⁹⁵ Baskin, "Coke's Sugar Response: A Glass Half Full," *Advertising Age* January 22, 2013.
- ⁹⁶ Indra K. Nooyi, speech delivered at the Consumer Goods Forum, June 17, 2011, http://www.pepsico.com/assets/speeches/CGF_IKN_Speech_Final_6.20.11.pdf, accessed May 2013.
- ⁹⁷ Karen Robinson-Jacobs, "Dr. Pepper CEO Discusses Soft Drink Links to Obesity, Taxes," *The Dallas Morning News*, May 14, 2010, <http://www.dallasnews.com/business/headlines/20100513-Dr-Pepper-CEO-discusses-soft-drink-8032.ece>, accessed May 2013.
- ⁹⁸ Rappeport, "Drink Groups Fight Back Over Obesity," *The Financial Times*, May 7, 2012.
- ⁹⁹ "Food Companies: Food for Thought," *The Economist*, December 15, 2012, <http://www.economist.com/news/special-report/21568064-food-companies-play-ambivalent-part-fight-against-flab-food-thought>, accessed May 2013.
- ¹⁰⁰ "Food Companies: Food for Thought," *The Economist*, December 15, 2012.
- ¹⁰¹ Meghan E. Irons, "Menino Expands Sugary Drink Ban," *Boston.com*, April 8, 2011, http://www.boston.com/news/local/massachusetts/articles/2011/04/08/city_properties_added_to_boston_ban_on_sugary_drinks_1302233569/, accessed March 2013.
- ¹⁰² New Yorkers for Beverage Choices, "Get the Facts About the Ban On Beverages Over 16 Ounces," <http://nycbeveragechoices.com/the-facts/>, accessed May 2013.
- ¹⁰³ Laura Petrecca, "Coke, Pepsi, Others Launch Assault Against NYC Beverage Ban," *USA Today*, July 18, 2012, <http://usatoday30.usatoday.com/money/industries/food/story/2012-07-09/Coke-Pepsi-fight-soda-ban/56279302/1>, accessed May 2013; New Yorkers for Beverage Choices, "Who Are We," <http://nycbeveragechoices.com/who-we-are/>, accessed May 2013.
- ¹⁰⁴ Michael Howard Saul, "Judge Cans Soda Ban," *The Wall Street Journal*, March 11, 2013, <http://online.wsj.com/article/SB10001424127887323826704578354543929974394.html>, accessed May 2013.
- ¹⁰⁵ Holly Yan, "No Soda Ban Here: Mississippi Passes 'Anti-Bloomberg' Bill," *CNN*, March 21, 2013, <http://www.cnn.com/2013/03/21/us/mississippi-anti-bloomberg-bill>, accessed March 2013.
- ¹⁰⁶ Cheryl K. Chumley, "Mississippi Passes Anti-Bloomberg Bill Banning Bans on Soda Sales," *The Washington Times*, March 21, 2013, <http://www.washingtontimes.com/news/2013/mar/21/mississippi-passes-anti-bloomberg-bill-banning-ban/>, accessed May 2013.
- ¹⁰⁷ Wilson and Roberts, "Special Report: How Washington Went Soft on Childhood Obesity."
- ¹⁰⁸ Wilson and Roberts, "Special Report: How Washington Went Soft on Childhood Obesity."
- ¹⁰⁹ Kelly Brownell, "Meet Big Soda — as Bad as Big Tobacco."

- ¹¹⁰ Hank Cardello, "How Everybody Can Win the War Against Big Food," *Forbes*, October 3, 2012, <http://www.forbes.com/sites/forbesleadershipforum/2012/10/03/how-everybody-can-win-the-war-against-big-food/>, accessed May 2013.
- ¹¹¹ Stephanie Strom, "Lawyers from Suits Against Big Tobacco Target Food Makers," *The New York Times*, August 18, 2012, <http://www.nytimes.com/2012/08/19/business/lawyers-of-big-tobacco-lawsuits-take-aim-at-food-industry.html?pagewanted=all>, accessed May 2013.
- ¹¹² Alyssa Brown, "Americans Reject Size Limit on Soft Drinks in Restaurants," *Gallup*, June 26, 2013, <http://www.gallup.com/poll/163238/americans-reject-size-limit-soft-drinks-restaurants.aspx>, accessed July 2013.
- ¹¹³ Elizabeth Mendes, "Americans' Concerns About Obesity Soar, Surpass Smoking," *Gallup*, July 18, 2012, <http://www.gallup.com/poll/155762/Americans-Concerns-Obesity-Soar-Surpass-Smoking.aspx>, accessed July 2013.
- ¹¹⁴ Julie Deardorff, "Critics Pounce on Coke, Pepsi Health Initiatives," *Chicago Tribune*, February 5, 2012, http://articles.chicagotribune.com/2012-02-05/news/ct-met-coke-pepsi-health-20120205_1-coca-cola-north-america-health-groups-healthy-lifestyle-choices, accessed April 2013.
- ¹¹⁵ Deardorff, "Critics Pounce on Coke, Pepsi Health Initiatives," *Chicago Tribune*, February 5, 2012.
- ¹¹⁶ Derrick Z. Jackson, "Time to Stop Selling Out for Soda," *The Boston Globe*, March 16, 2013, <http://www.bostonglobe.com/opinion/2013/03/15/time-stop-selling-out-for-soda/AcNPW2HJOLNZXGBCMdovO/story.html>, accessed May 2013.
- ¹¹⁷ Nicholas Confessore, "Minority Groups and Bottlers Team Up in Battles Over Soda," *The New York Times*, March 12, 2013, <http://www.nytimes.com/2013/03/13/nyregion/behind-soda-industrys-win-a-phalanx-of-sponsored-minority-groups.html?pagewanted=all&pagewanted=print>, accessed May 2013.
- ¹¹⁸ Confessore, "Minority Groups and Bottlers Team Up in Battles Over Soda."
- ¹¹⁹ Kelly D. Brownell, "Thinking Forward: The Quicksand of Appeasing the Food Industry," *PLOS Medicine*, July 3, 2012, <http://www.plosmedicine.org/article/info%3Adoi%2F10.1371%2Fjournal.pmed.1001254>, accessed March 2013.
- ¹²⁰ Seabrook, "Snacks for a Fat Planet," *The New Yorker*, May 16, 2011.
- ¹²¹ "Special Issue: Top-10 CSD Results for 2010," *Beverage-Digest* 59, no. 5 (March 17, 2011), http://beverage-digest.com/pdf/top-10_2011.pdf, accessed May 2013.
- ¹²² "Special Issue: U.S. Beverage Results for 2011," *Beverage-Digest* 61, no. 6 (March 20, 2012); and "Special Issue: Top-10 CSD Results for 2006," *Beverage-Digest* 50, no. 5 (March 8, 2007). Both reports are available in the *Beverage-Digest* archives, <http://www.beverage-digest.com/editorial/archive07.php#070308>, both accessed in May 2013.
- ¹²³ "Special Issue: U.S. Beverage Results for 2011," *Beverage-Digest*; and "Special Issue: Top-10 CSD Results for 2006," *Beverage-Digest*.
- ¹²⁴ "Special Issue: Top-10 CSD Results for 2010," *Beverage-Digest* 59, no. 5 (March 17, 2011).
- ¹²⁵ Mike Esterl, "PepsiCo Board Stands by Nooyi," *The Wall Street Journal*, January 13, 2012, <http://online.wsj.com/article/SB10001424052970203721704577157173241727072.html>, accessed April 2013.
- ¹²⁶ Martha C. White, "Coke and Pepsi May be Readying Another Cola War," *NBC News*, February 14, 2012, <http://www.nbcnews.com/business/coke-pepsi-may-be-readying-another-cola-war-1C7100822>, accessed May 2013.
- ¹²⁷ Dara Mohsenian, Kevin Grundy, Ruma Mukerji, Alison M. Lin, "PepsiCo Inc. Downgrade to Equal-weight: US Trends Lagging Despite Reinvestments," Morgan Stanley, September 6, 2011, p. 3, via Thomson ONE, accessed May 2013.
- ¹²⁸ Bill Schmitz, Jr. and Eric Katzman, "More Blue = More Green," Deutsche Bank, February 9, 2012, via Thomson ONE, accessed April 2013.
- ¹²⁹ Carlos Laboy, Emily Klingbeil, "PepsiCo, Inc. Hard Medicine," Credit Suisse, November 1, 2010, p. 4, via Thomson ONE, accessed May 2013.
- ¹³⁰ Valerie Bauerlein, "PepsiCo Chief Defends Her Strategy to Promote 'Good For You' Products," *The Wall Street Journal*, June 28, 2011, <http://online.wsj.com/article/SB10001424052702303627104576412232408827462.html>, accessed April 2013.

- 131 Bauerlein, "PepsiCo Chief Defends Her Strategy to Promote 'Good For You' Products."
- 132 Seabrook, "Snacks for a Fat Planet," *The New Yorker*, May 16, 2011.
- 133 Bonnie Herzog, Brendan Metrano, Sophia Ru, "PepsiCo, Inc. PEP: Brands Being Positioned for Future Growth, Initiated Coverage with a Market Perform Rating," Wells Fargo, May 12, 2011, via Thomson ONE, p.5, accessed May 2013.
- 134 Paul Ziobro, "PepsiCo CEO Nooyi's 2011 Pay Rose," *The Wall Street Journal*, March 25, 2012, <http://online.wsj.com/article/SB10001424052702304724404577300062313691498.html>, accessed May 2013.
- 135 Schmitz and Katzman, "More Blue = More Green," Deutsche Bank, February 9, 2012, p. 3.
- 136 Bill Schmitz Jr., Eric Katzman, and Nicholas Cavallo, "PepsiCo. All for One?" Deutsche Bank, February 6, 2012, p. 3, via Thomson One, accessed August 2013.
- 137 "PepsiCo to Stir Up CEO Succession Battle," *New York Post*, updated January 27, 2012, http://www.nypost.com/p/news/business/new_cola_war_SVpzJmISG7CKJOwLvGgcoO, accessed August 2013.
- 138 PepsiCo, "PepsiCo and PepsiCo Greater China," updated July 2011, http://pepsico.com.cn/downloads/pdfs/gongsixinxi_en_20110809.pdf, accessed July 2013; Anthony Ramirez, "International Report; Pepsi Will be Bartered for Ships and Vodka in Deal with Soviets," *The New York Times*, April 9, 1990, <http://www.nytimes.com/1990/04/09/business/international-report-pepsi-will-be-bartered-for-ships-vodka-deal-with-soviets.html>, accessed July 2013; Coca-Cola Amatil Indonesia, "More Than 80 Years Believing in Indonesia," April 2013, http://coca-colaamatil.co.id/pdf/Factbook_The_Coca-Cola_System-v2.pdf, accessed July 2013; and Duane Stanford, "Africa: Coke's Last Frontier," *Bloomberg Businessweek*, October 28, 2010, http://www.businessweek.com/magazine/content/10_45/b4202054144294.htm#p1, accessed July 2013.
- 139 Seabrook, "Snacks for a Fat Planet," *The New Yorker*, May 16, 2011.
- 140 Indra Nooyi, interview by Kiryl Sukhotski, "PepsiCo CEO Names 10 Emerging Markets Critical to Its Future," *ReutersVideo*, uploaded October 18, 2011, available from YouTube, <http://www.youtube.com/watch?v=PNkxu68oWdM>, accessed July 2013.
- 141 Indra Nooyi, interview by Kiryl Sukhotski, "PepsiCo CEO Names 10 Emerging Markets Critical to Its Future."
- 142 Indra Nooyi, interview by Kiryl Sukhotski, "PepsiCo CEO Names 10 Emerging Markets Critical to Its Future."
- 143 Food and Agriculture Organization of the United Nations, "The State of Food and Agriculture," 2013, <http://www.fao.org/docrep/018/i3300e/i3300e.pdf>, p. 73, accessed July 2013.
- 144 Food and Agriculture Organization of the United Nations, "The State of Food and Agriculture," p. 77.
- 145 Food and Agriculture Organization of the United Nations, "The State of Food and Agriculture," p. 78-79.
- 146 Organization for Economic Cooperation and Development, "Obesity Update 2012," p. 6, <http://www.oecd.org/health/49716427.pdf>, accessed August 2014.
- 147 Sarah E. Clark, Corinna Hawkes, "Exporting Obesity. How U.S. Farm and Trade Policy is Transforming the Mexican Food Environment," *Institute for Agriculture and Trade Policy*, April 5, 2012, <http://www.iatp.org/documents/exporting-obesity>, p. 3-4, accessed July 2013.
- 148 The Coca-Cola Company, 2011 Annual Review, p. 12, http://www.coca-colacompany.com/annual-review/2011/pdf/TCCC_2011_Annual_Review.pdf, accessed August 2014.
- 149 Ben Bouckley, "'Alarming' Canadean Data Shows Low-Calorie Soda Support Slump in Mexico," *Beveragedaily.com*, May 21, 2013, <http://www.beveragedaily.com/Regulation-Safety/Alarming-Canadean-data-shows-low-calorie-soda-support-slump-in-Mexico>, accessed August 2014.
- 150 Indra Nooyi, interview by Kiryl Sukhotski, "PepsiCo CEO Names 10 Emerging Markets Critical to Its Future."
- 151 Indra Nooyi, interview by Kiryl Sukhotski, "PepsiCo CEO Names 10 Emerging Markets Critical to Its Future."