

Live your life, **everyday.**

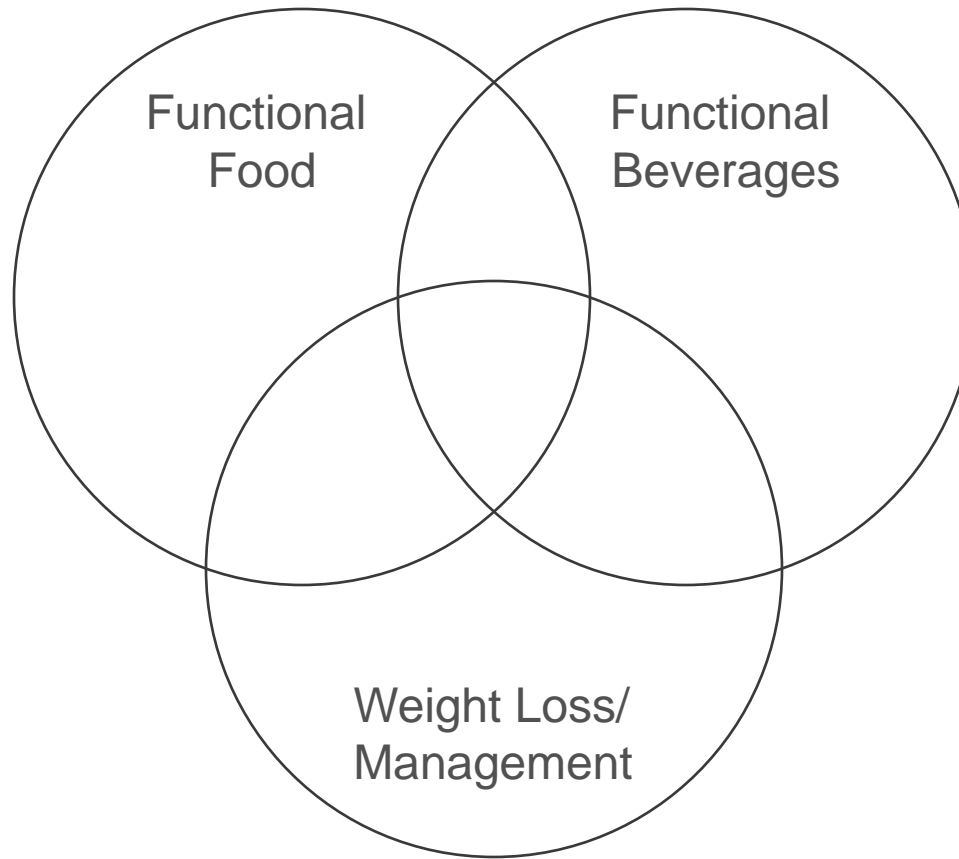
## Preliminary Strategic Recommendation



for  
Indra Nooyi  
CEO, PepsiCo

# To get from 0 to \$100 million in 3 years, redefine the **function** in functional beverages

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# Everybody gets thirsty

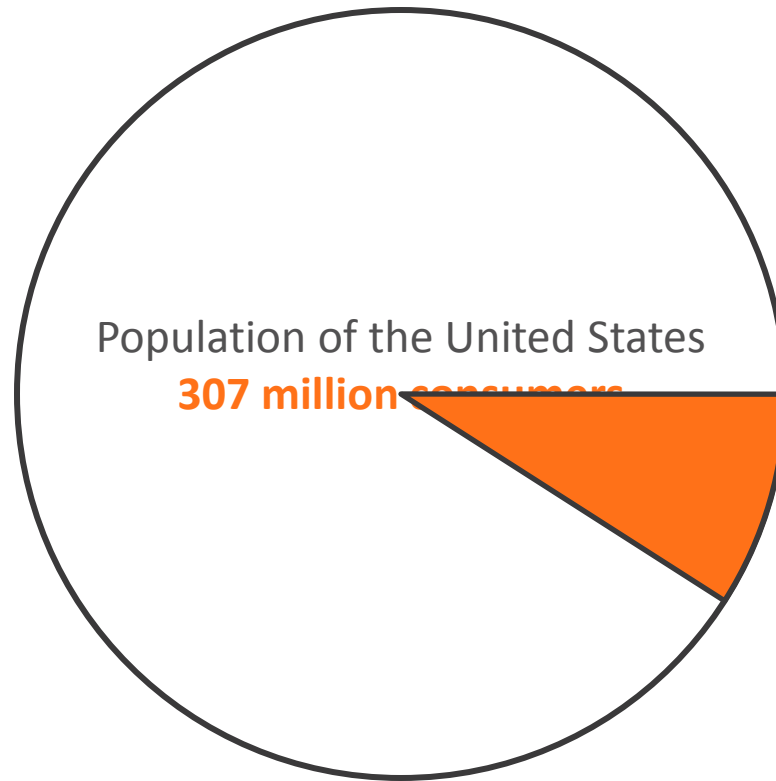
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Population of the United States  
**307 million consumers**

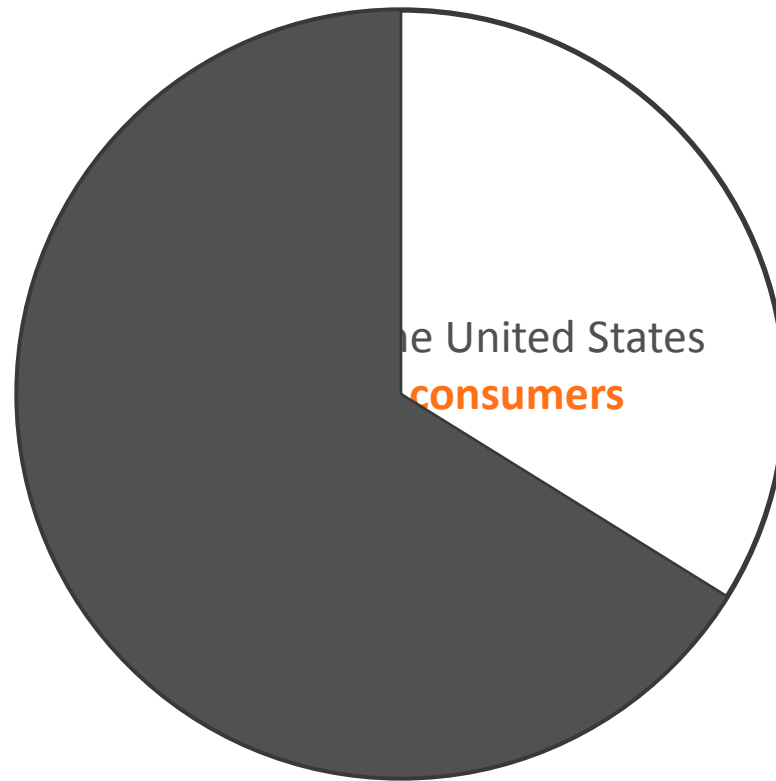
If just 9% of the population buys 2 drinks in a year at \$2.00, you pass \$100 million in sales

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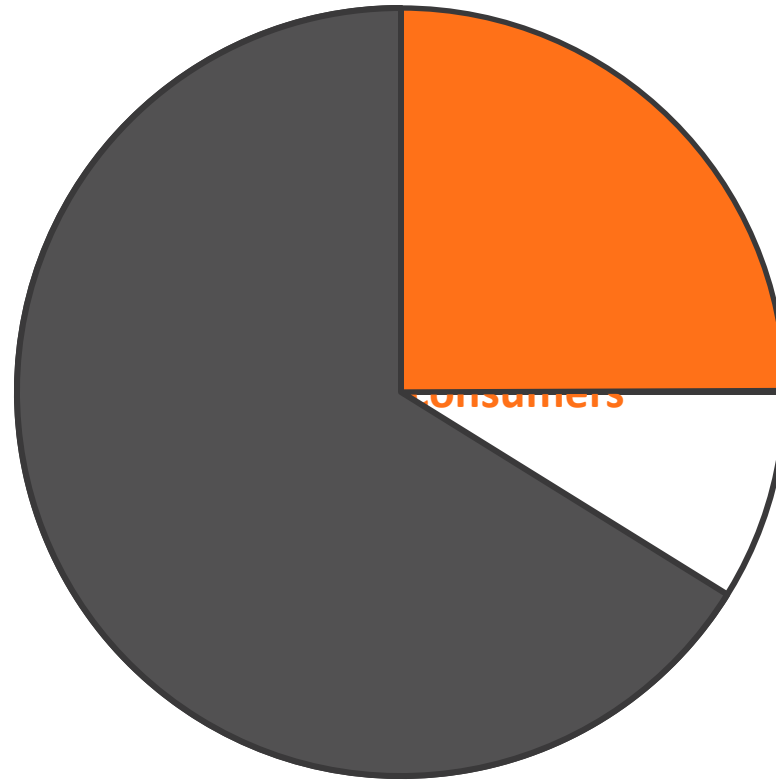
# Currently **66%** of the population are considered **non**consumers of functional food and beverages

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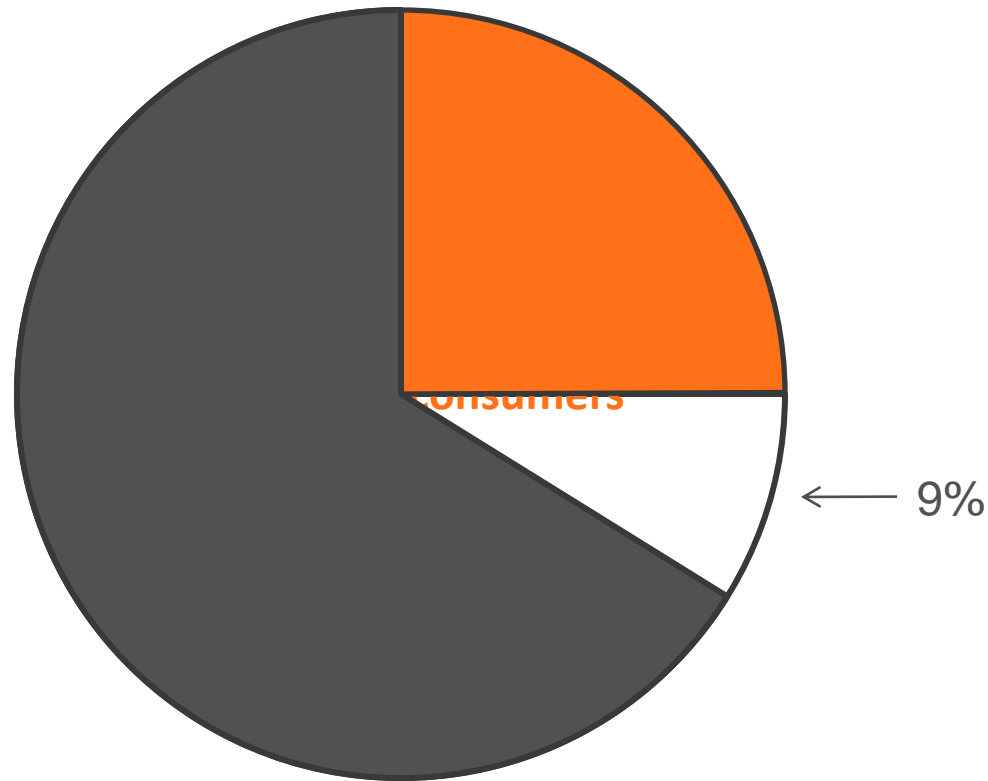
# Only ¼ of consumers actually drink functional beverages with any notable frequency

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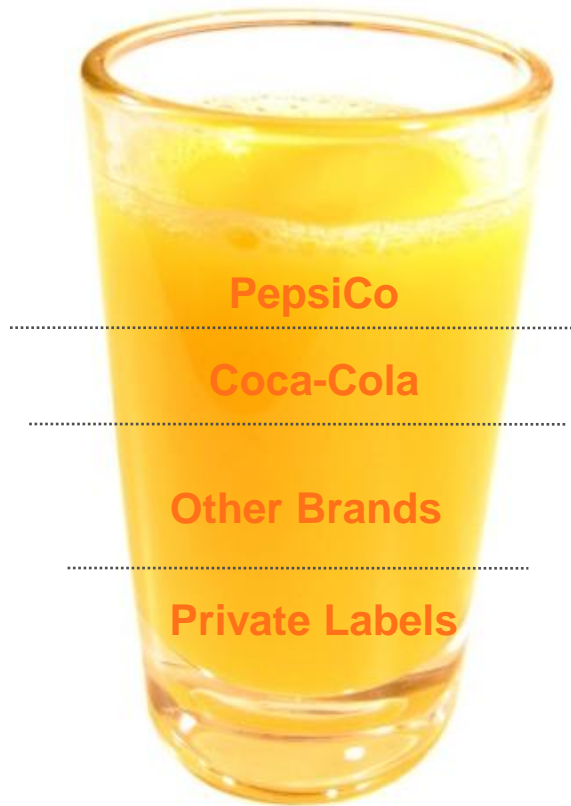


**Why innovation is so important  
now.**



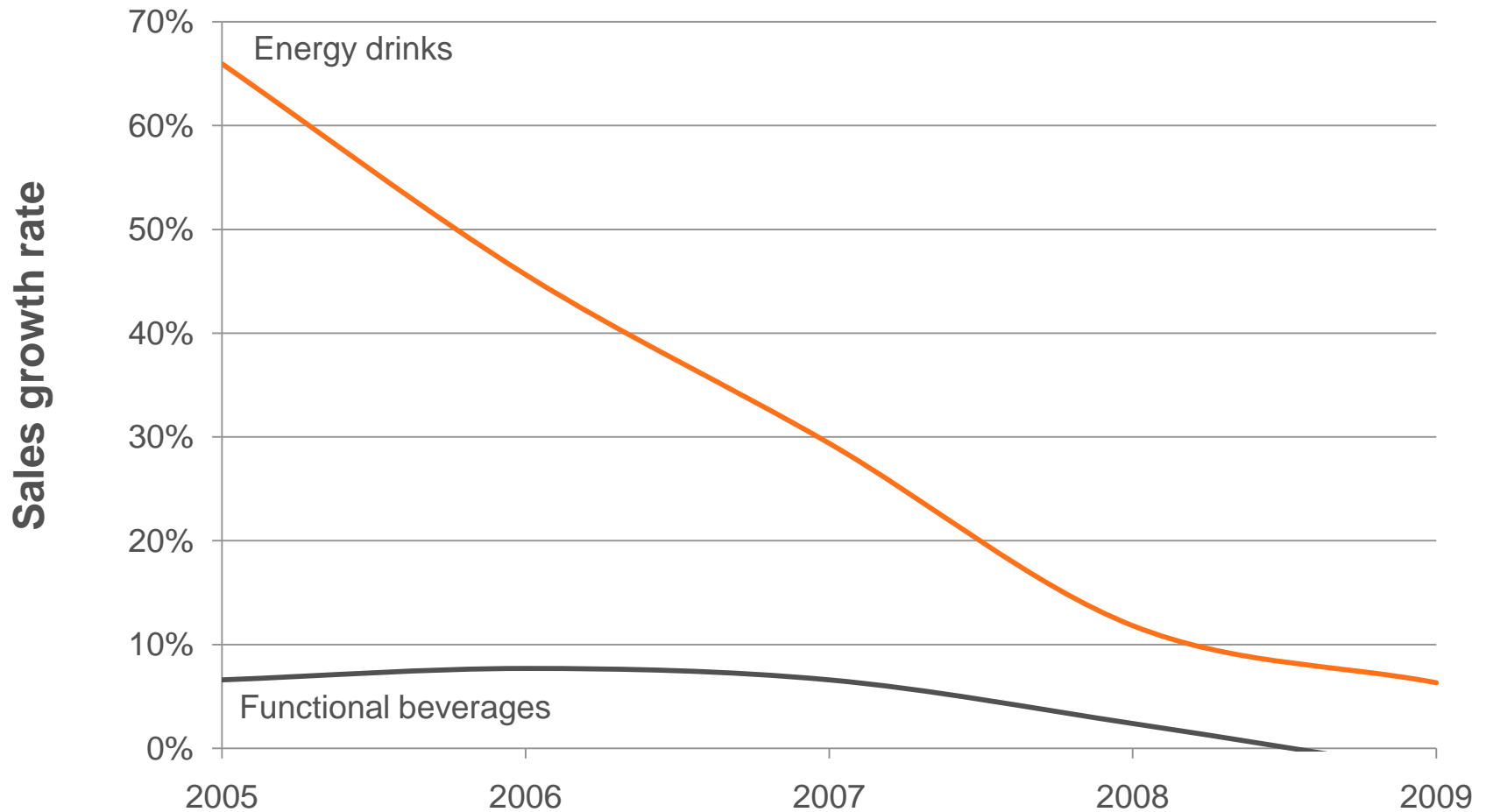
# PepsiCo's market position is deteriorating

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# Declines in functional juices are dragging down overall sector sales despite some bright spots

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# Innovate or surrender the **next big thing** to another Red Bull or Vitamin Water

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## 2009 Sales (Millions)



Energy drinks - \$1,026



Enhanced water - \$772

**So what are consumers really after?**

# Taste

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# Convenience

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# Taste + Convenience

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# Functional foods and beverages help people **feel better** about their other dietary habits

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43%



For consumers, functional food and beverages mean you can . . .

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**Live** the lifestyle you want

# For consumers, functional food and beverages mean you can . . .

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## Live without the guilt

**Then why aren't more people  
drinking up?**

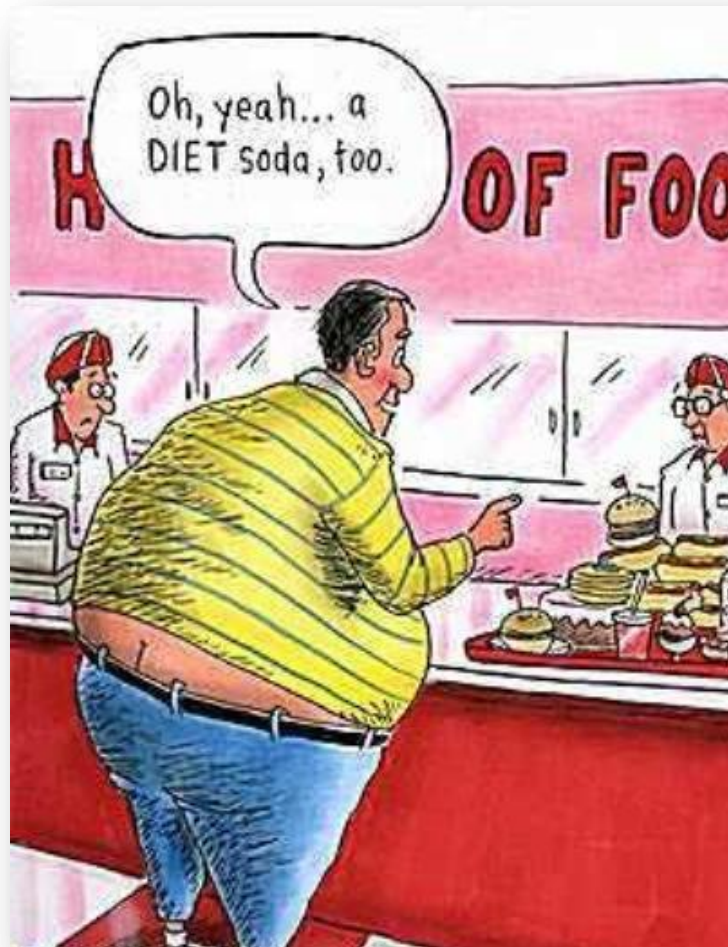
Consumers are **skeptical** of and **confused** by all the claims on labels

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# Consumer behavior frequently defeats any intended benefit from functional beverages

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# Gain consumer trust by focusing on **observable** benefits

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**Ok, which benefit then?**



People are worried about the **obesity** epidemic and associated diseases like **diabetes**

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# Weight loss and diet control is a **\$58.6 billion** market

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# But functional drinks still trail functional food in **weight loss** and weight management

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## Functional Food

1. Make up for other dietary habits (48%)
- 2. Weight loss/management (44%)**
3. Supplement already healthy habits (35%)
4. Address specific health issues (30%)
5. Avoid eating empty calories (26%)
6. Replace a meal (16%)
7. Other (7%)

## Functional Beverages

1. Make up for other dietary habits (43%)
2. Supplement already healthy habits (34%)
3. Address specific health issues (31%)
- 4. Weight loss/management (31%)**
5. Avoid drinking empty calories (26%)
6. Replace a meal (15%)
7. Other (9%)

# The **convenience** of functional beverages can help supplant functional foods in this market

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Product of Ben Biddle, not intended for commercial use

**Are you saying we should just  
make another low calorie drink?**

# People want something that will let them get back to just **living** their **life**

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# Help them live their life, **everyday**

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		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

# The genius of enhancing water – it's an **anytime** drink

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# Meet Maria





# Pepsi Co. has the technology to help Maria stop worrying about eating and **get back to living**

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- a) An ingredient that can reduce the caloric content of a beverage by up to 25%
- b) And ingredient that temporarily affects satiety
- c) A new vitamin combination that has been shown to improve memory/recall

# Technology that would allow Maria to enjoy her favorite drink on the go and **feel full**

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- a) An ingredient that can reduce the caloric content of a beverage by up to 25%
- b) And ingredient that temporarily affects satiety**
- c) A new vitamin combination that has been shown to improve memory/recall

695,000 Marias buying a functional drink  
**instead of functional food** to stave off hunger

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**\$100,000,000**

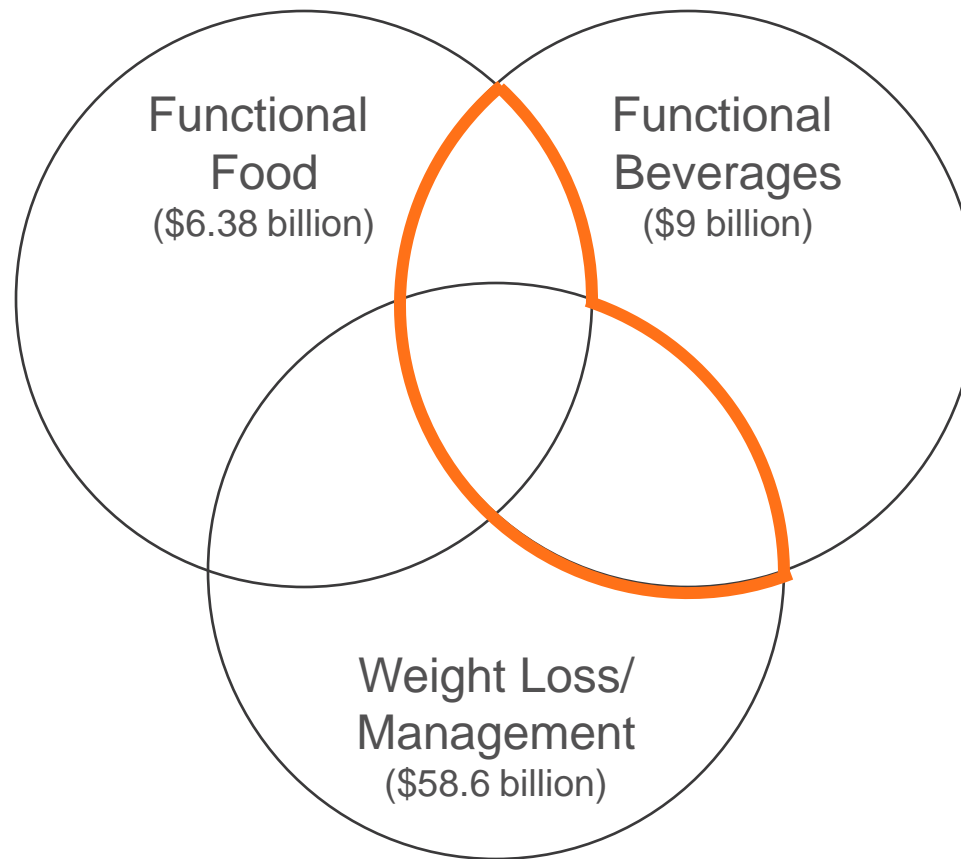
481,000 Marias enjoying a \$2 drink **just twice** a week to help her manage her weight

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**\$100,000,000**

# With first mover advantage, PepsiCo can dominate the satiating drinkable snack segment

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**Live your life, everyday.**