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U.S. Department of Agriculture  
Agricultural Outlook Forum 2004  
February 19 & 20, 2004

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

By

Brock Leach



**PEPSICO**



**PepsiCo Health and Wellness Case Study:  
Capturing Growth at the Intersection**

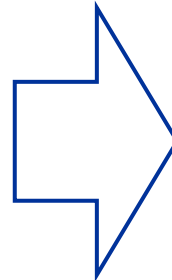
**USDA Outlook Forum  
February 20, 2004**

## Major Trends

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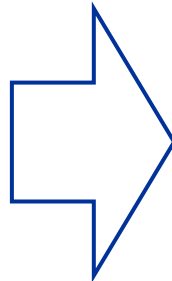
### 1. Big Demographic Shifts

- Both older and younger
- Increasing ethnicity



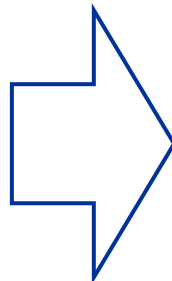
### 2. Increasing Time Pressure

- Dual Income Families
- Increasing Work Time



### 3. Increasing Health Concerns

- Emerging obesity epidemic
- Increasing age-related
- Behavioral shift to prevention



## Major New Growth Opportunities

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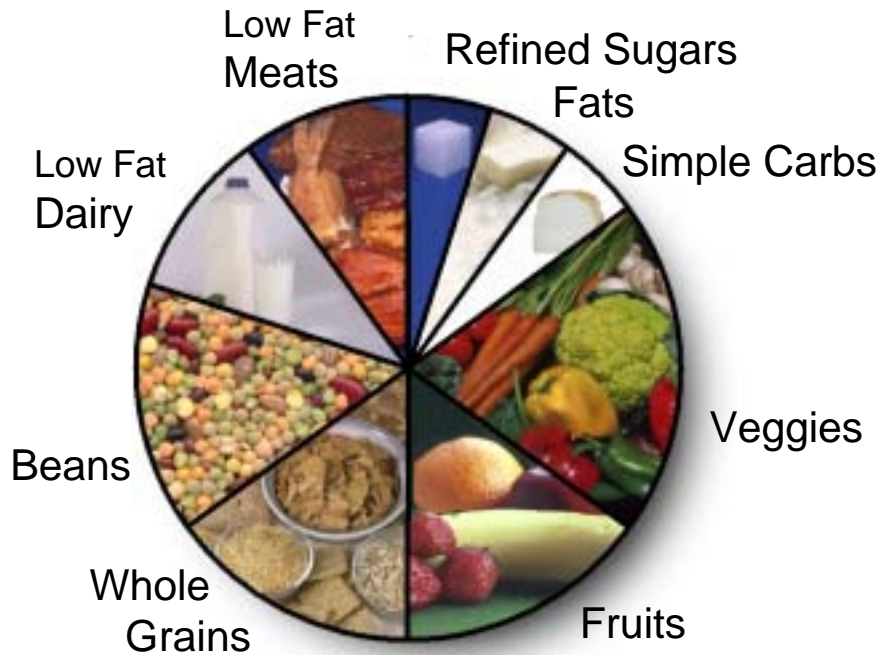
- Life-stage Tailored Products
- More Taste / Experience Variety
  
- Improved Convenience
- Re-Defined Meals: “Snack Meals”
  
- Growing Demand for Wellness
  - Better-For-You choices
  - Good-For-You nutrition



## But What's the Solution to Obesity?



# The Big Idea in Wellness: Energy Balance

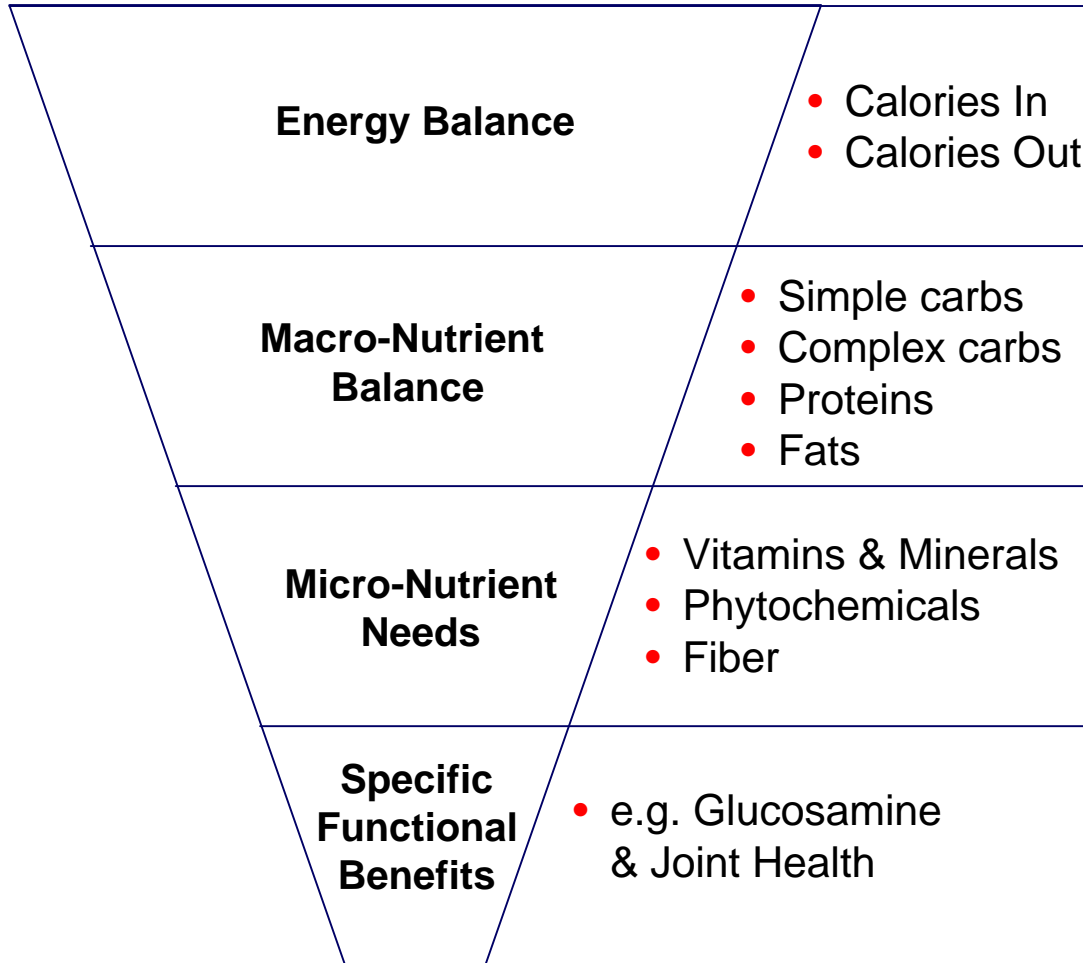


**Calories In**

**Calories Out**

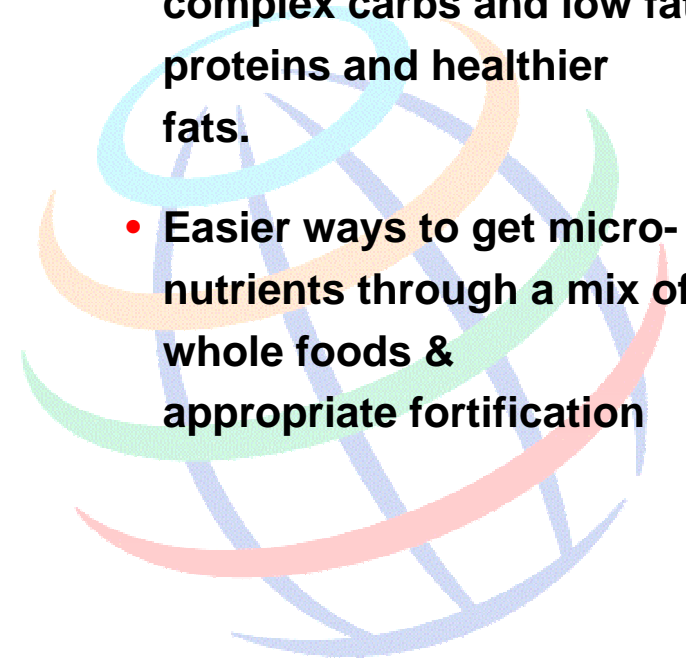


## Consumer Knowledge Needs



## 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**

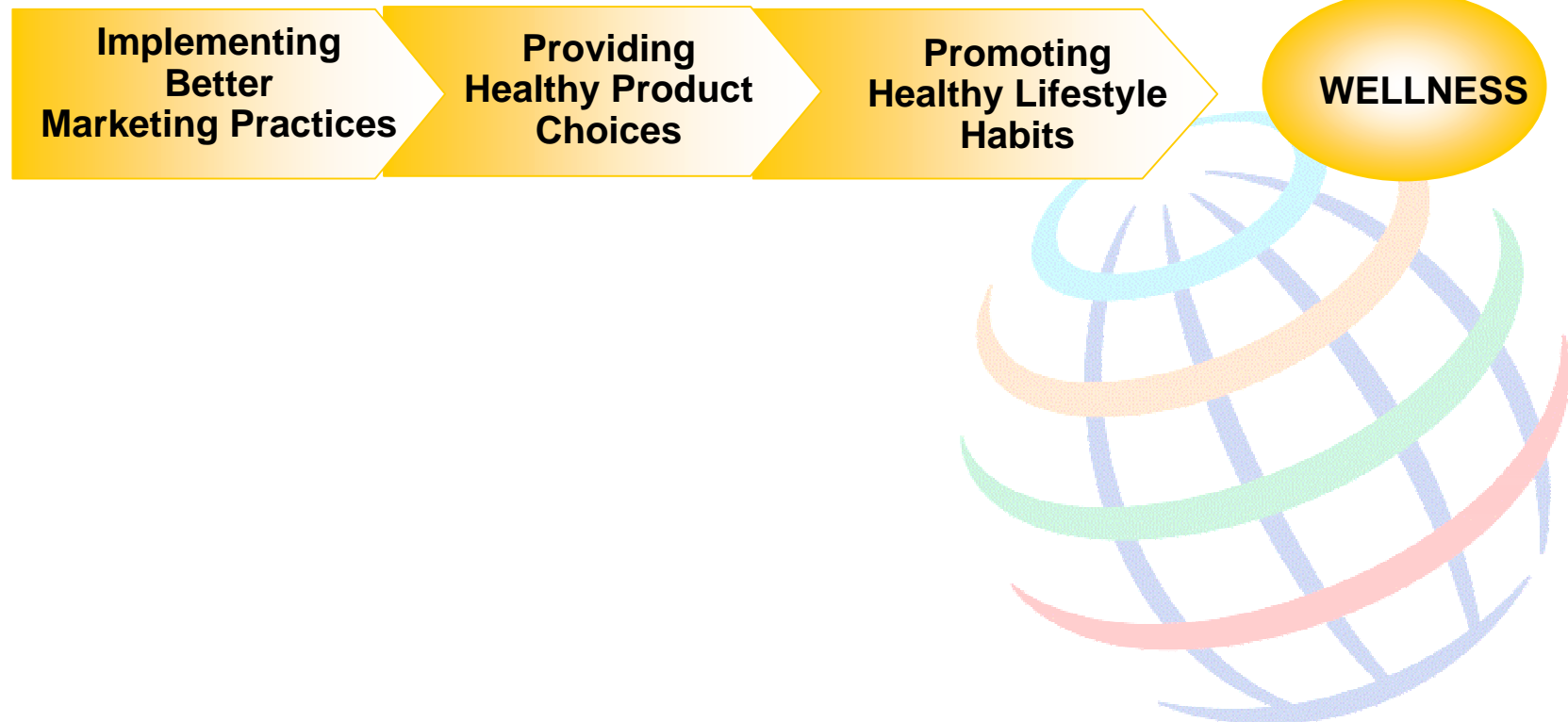


## Proposed Solutions

Creating an  
Appropriate  
Environment

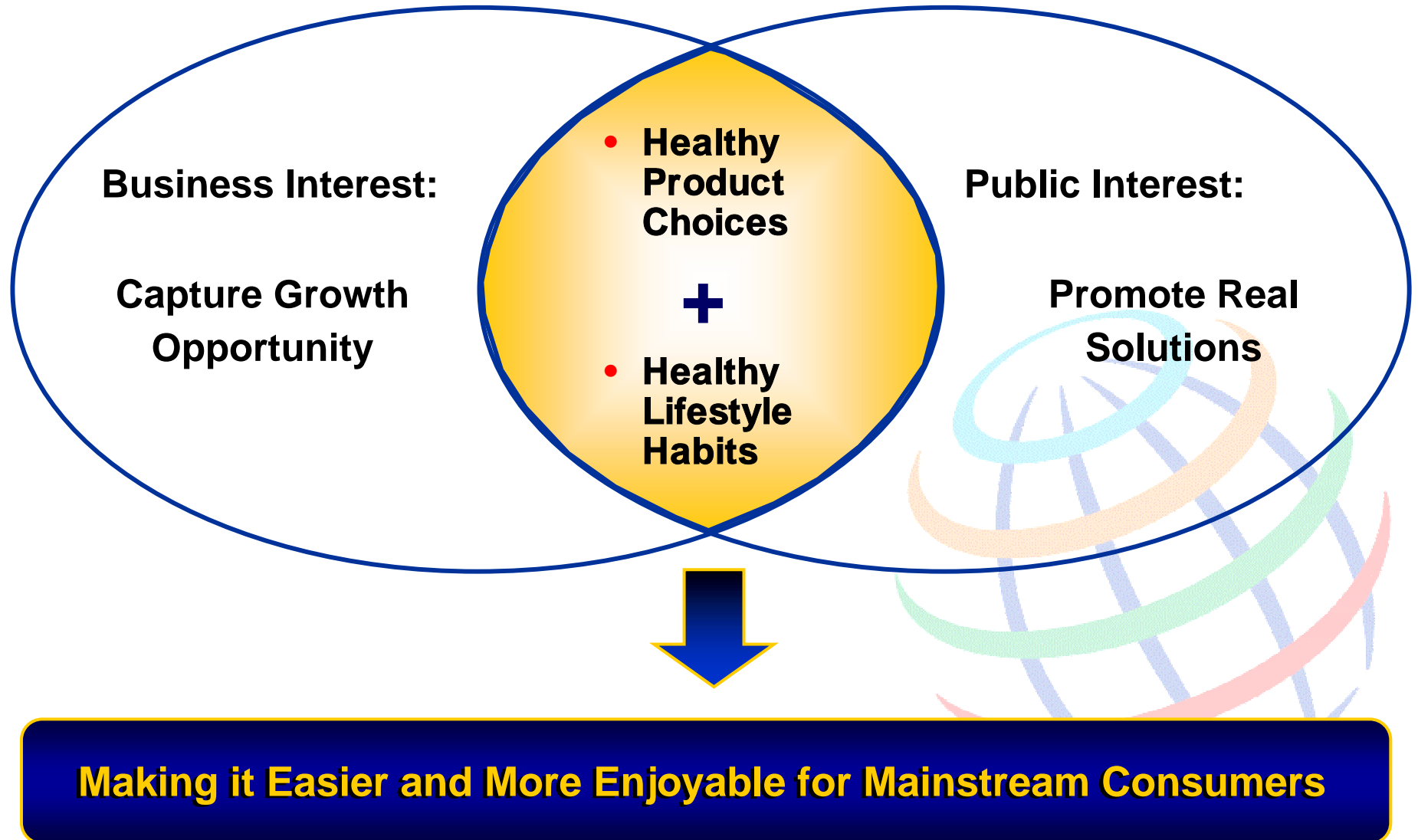


Motivating  
Individual  
Action



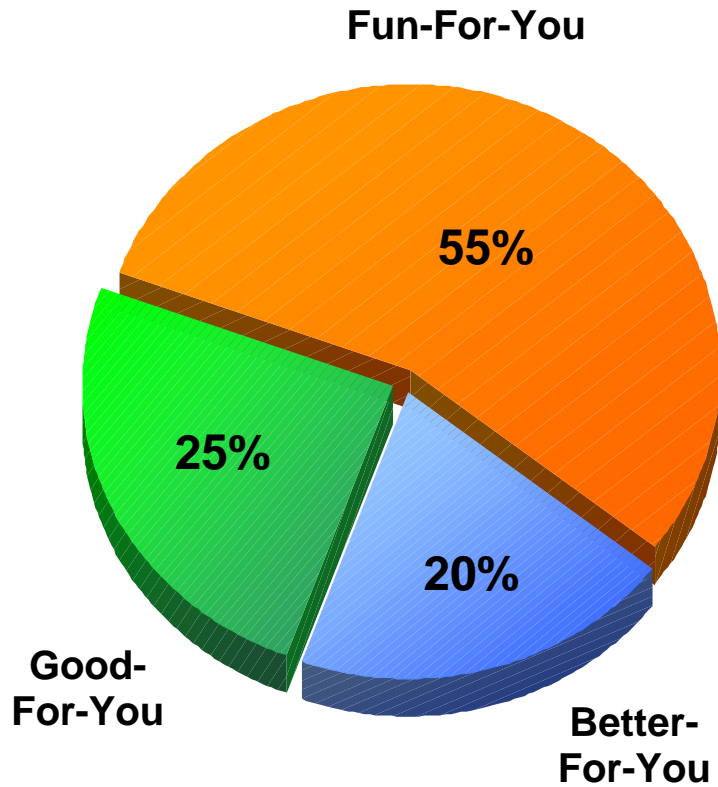


**Focus Our Efforts at the Intersection of Business Interest and Public Interest . . .**

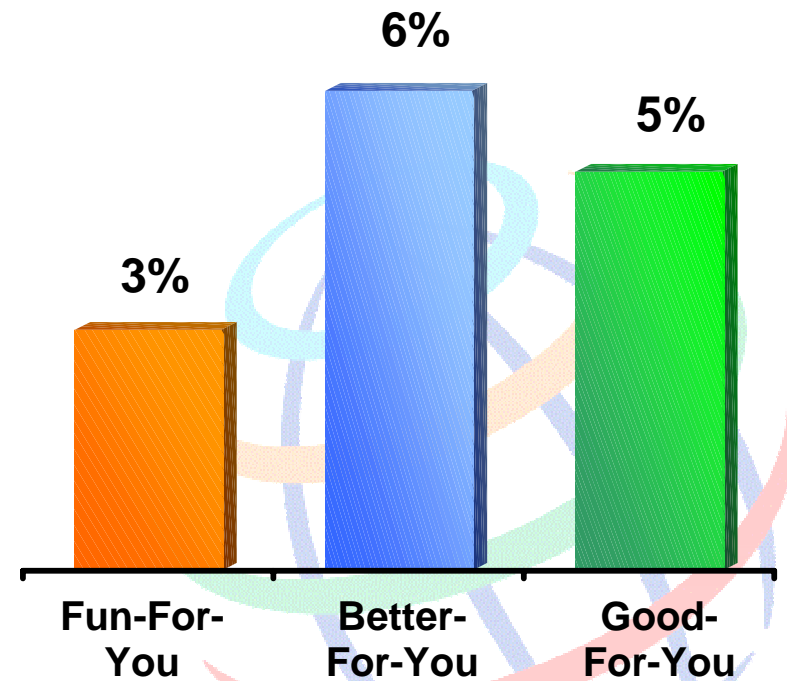


# In North America, GFY/BFYIs Almost Half The Business And Growing Faster.

## 2002 Revenue — PepsiCo North America



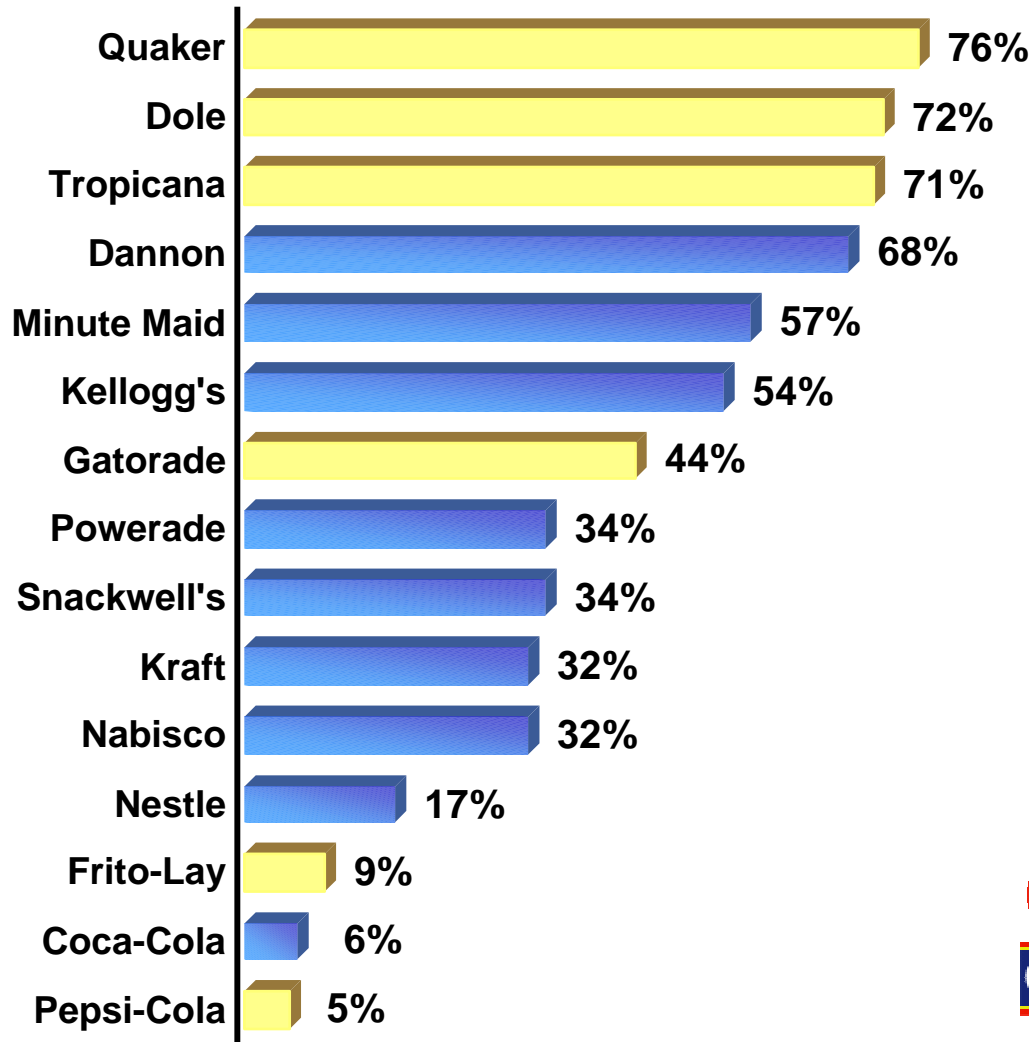
## 2002 Net Sales Growth vs. YAG



# We're Starting From A Very Strong Position

## Most Respected Brands in Health

% Consumers Consider Brand Very or Extremely Healthy



+

## The Leading Brands in all Healthy Segments



## Choices

1

**Accelerate  
BFY / GFY  
Product  
Development**

2

**Improve  
Healthfulness  
of Existing  
Products**

## Habits

3

**Deliver  
Healthy Food  
& Bev Solutions  
to Schools**

4

**Promote  
Healthy Kids  
Lifestyles**

- 50% of 3-Year New Product Revenues
- New Good-For-You Ventures
  - Proteins
  - Whole grains
  - Fruits & vegetables

- Eliminated Trans-Fats at Frito-Lay
  - Completed on core salty snacks
  - New labels in market
- Cooper Smart Snack Labeling
- Establishing Wellward Choices™ Nutrition Standards

- Introducing New Wellward Choices™ in Schools
- Promoting Wellward Choices™ in Schools
  - New Aquafina & Gatorade vending
  - In-School marketing
- Promoting Healthy Breakfast

- Promoting Youth Sports
- Motivating Lifestyle Change: America On The Move™
- Supporting School Decision-Makers: “Health Is Power™”



# Big New Healthy Product Introductions This Year in Every Division



## 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 Cheese puffs  
 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™?

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- Energy balance education & activation:  
“Move More, Eat Less”
- A National Movement to help people get started
  - Eating Habits: 100-calorie sustainable change
  - 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





- 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

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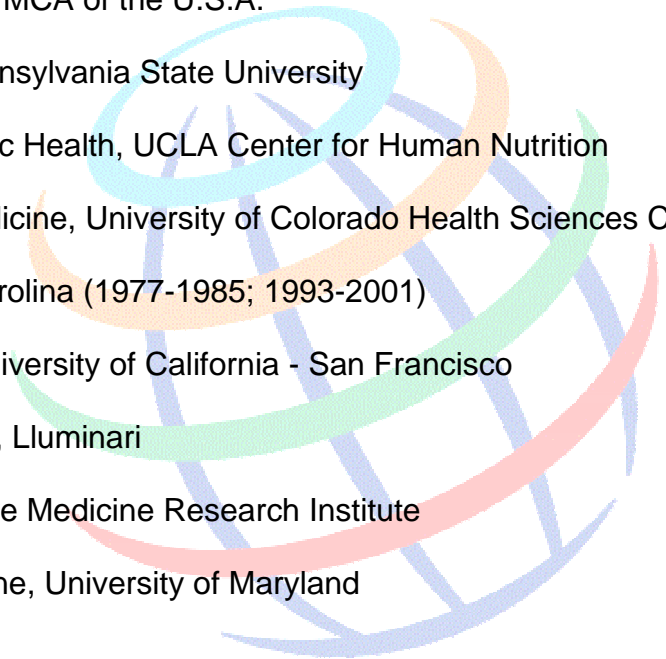
- Dr. Ornish & Preventive Medicine Research Institute
- Dr. Cooper & The Cooper Aerobics Center
- Dr. Jim Hill & America On The Move™
- YMCA Mission Sponsorship
- American School Food Service Administrators
- PepsiCo Blue Ribbon Advisory Council on Health & Wellness





## Blue Ribbon Advisory Board on Health & Wellness

S. Ward Casscells, III, M.D.	Professor of Medicine & Cardiology, University of Texas
Kenneth H. Cooper, M.D., M.P.H.	President & Founder, The Cooper Aerobics Center
Antonia Demas, Ph.D.	Director, Food Studies Institute
Ambassador Thomas Foley	Partner, Akin Gump Strauss Hauer & Feld, LLP
Kenneth L. Gladish, Ph.D.	National Executive Director, YMCA of the U.S.A.
George Graham, Ph.D.	Professor of Kinesiology, Pennsylvania State University
David Heber, M.D., Ph.D.	Professor of Medicine & Public Health, UCLA Center for Human Nutrition
James O. Hill, Ph.D.	Professor of Pediatrics & Medicine, University of Colorado Health Sciences Center
Governor James B. Hunt, Jr.	Former Governor of North Carolina (1977-1985; 1993-2001)
David A. Kessler, M.D., J.D.	Dean, School of Medicine, University of California - San Francisco
Susan Love, M.D.	Co-Founder & Senior Partner, Luminari
Dean Ornish, M.D.	Founder & Director, Preventive Medicine Research Institute
Pamela Peeke, M.D.	Assistant Professor of Medicine, University of Maryland





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