PepsiCo Inc.: Establishing a Role in a Sustainable Society

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In early 2021, PepsiCo Inc. (PepsiCo), one of the world's largest food and beverage companies, was undergoing immense criticism for its role in global health issues including obesity, diabetes, heart disease, malnutrition, and cancer. As far back as 2010, executives at PepsiCo had recognized that "society, people, and lifestyles have changed" and that PepsiCo had no choice but to move in healthier directions. Although PepsiCo had made impressive strides in reducing the negative health impacts of some of its products, criticism persisted that it was not going far enough.

Learning Objectives:

This case is suitable for courses in business and society, business strategy, and marketing at the undergraduate and graduate levels. The case describes how PepsiCo's efforts to increase profitability led to a significant number of social issues related to health and well-being. Students are tasked with ascertaining whether PepsiCo should and could move in a more sustainable direction where consumer health and well-being are central to the company's core strategy. In light of the inherent conflict between the interests of society and those of the food and beverage industry, the case examines how PepsiCo should respond to growing pressure to address its role in consumer health issues.

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PEPSICO INC.: ESTABLISHING A ROLE IN A SUSTAINABLE SOCIETY[1]

Major players in the food and beverage industry had been haunted by criticism for some time, as the media was replete with warnings of the close connection between the Western diet and trends in obesity, diabetes, heart disease, and cancer. It was common knowledge that the products of large food and beverage corporations did not, in the very best case, represent an antidote to remedy these issues. A regular target of criticism had been PepsiCo Inc. (PepsiCo), a large multi-brand conglomerate that had not denied the association between some of its products and global health issues. As far back as 2010, the chief executive officer (CEO) at the time, Indra Nooyi, had recognized that "society, people, and lifestyles have changed" and that PepsiCo had no choice but to move in healthier directions.[2] By 2021, PepsiCo had made impressive strides in reducing the negative health and ecological impacts of some of its products, but criticism persisted that the conglomerate was not going far enough. Would it be possible for PepsiCo to further address these criticisms and, if so, how?

PEPSICO AND THE FOOD AND BEVERAGE INDUSTRY

Companies in the food and beverage industry transformed raw agricultural goods into consumer food products and then packaged and distributed these products.[3] In over more than half a century, the industry had blossomed from a collection of mom-and-pop operations to a trillion-dollar powerhouse led by huge international corporations.[4] Products from familiar names such as The Coca-Cola Company (Coca-Cola), Nestlé SA (Nestlé), and Kraft Foods Group Inc. (Kraft) dominated the industry and could be found in all corners of the globe.

Headquartered in Purchase, New York, PepsiCo was a world leader in convenient snacks, foods, and beverages, with more than 267,000 employees across a wide portfolio of brands, including five major billion-dollar brands—Pepsi, Frito-Lay, Tropicana Products Inc. (Tropicana), Quaker Oats Company (Quaker), and Gatorade Company Inc. (Gatorade)—found in more than 200 countries around the globe. In 2020, under the direction of CEO Ramon Laguarta, PepsiCo's estimated total net revenue amounted to US$70.4 billion.[5] PepsiCo's success was clearly the result of the company having built its empire on the manufacture and distribution of instantly recognizable products.[6] The company's ability to market its products also represented a core competence, while product development had the potential to be a new source of competitive advantage.

Industry Growth Constraints

Unlike other industries, the food and beverage industry faced a rather unique constraint: food consumption was ultimately tapped, as individuals could consume only so much food. Regardless of a person's income, consuming a steady rate of approximately 2,000 calories per day was in the best health interests of women, as was consuming 2,600 calories per day for men.[7] As of 2013, the worldwide food industry produced 2,884 calories per person each day, while North America produced 3,663 calories per person each day.[8] Food and beverage companies were therefore left with two options: convince consumers to eat more, or increase profit margins by adding value to existing foods so that consumers pay more.

Food Processing

Food processing was the means by which food companies added value to low-margin whole foods. Selling commoditized whole foods, while best for the consumer, resulted in low margins for food companies. To process food, crops such as corn, soy, and wheat underwent intensive processes such as wet milling, whereby cornstarch, as an example, was broken down into the seed kernel's component parts.[9] Food companies removed nutrients and vitamins that attracted bacteria and added synthetic versions of them later. Doing so meant that the food did not expire too quickly and allowed the food companies to expand their market reach beyond their localized environment, increasing performance exponentially. Ultra-processed foods were defined as foods that underwent multiple processes, contained many added ingredients, and were highly manipulated. Examples of ultra-processed foods included sweetened breakfast cereals, soft drinks, chips, chocolate, ice cream, packaged soups, and french fries. Almost 50 per cent of the food Canadians ate was from ultra-processed foods, whereas US citizens received almost 58 per cent of their calories from ultra-processed foods.[10] Speaking directly to breakfast cereals as the pinnacle of ultra-processed food, registered dietitian Chelsey Amer told food website The Daily Meal that a slice of pizza was a smarter meal than a typical bowl of cereal.[11]

Processed food also allowed companies to manipulate the ingredients of its products to take advantage of both the pricing variability of raw materials and the latest nutritional trends.[12] Using a process called "food fortification," food producers could replace costly ingredients with engineered ingredients that were based on low-cost corn and soy crops. As an example, high-fructose corn syrup was a low-cost replacement for sugar. With the help of government subsidies and the concentration of major agriculture companies, such as Monsanto Company, Tyson Foods Inc., and Archer-Daniels-Midland Company, food and beverage companies were able to substantially reduce the costs of processed foods by limiting the ingredients to two primary crops: corn and soy. By using the derivatives of corn and soy, food scientists avoided the limitations of perishable food and made their own version of butter (margarine), fruit juices (fruit drinks), and whipped cream (Cool Whip). A search through the processed food aisles of grocery stores revealed products that had corn and soy derivatives, including, among others, high-fructose corn syrup, citric acid, lactic acid, glucose, fructose, maltodextrin, ethanol, sorbitol, xanthan gum, sucrose, and ethyl acetate. It was estimated that close to 90 per cent of products in the grocery store contained either a corn or a soy derivative or both,[13] as did the following products: ketchup, Twinkies, peanut butter, salad dressing, painkillers, soft drinks, burgers, and maple syrup.[14]

Food processing was therefore a key means by which value was added to highly commoditized and low-margin whole foods. Paraphrasing a General Mills Inc. vice president, Michael Pollan said:

> Selling unprocessed or minimally processed whole foods will always be a fool's game, since the price of agricultural commodities tends to fall over time, whether they're organic or not. It will always be hard to distinguish one company's corn or chickens or apples from any other company's. It makes much more sense to turn the corn into a brand-name cereal, the chicken into a TV dinner, and the apples into a component in a low moisture, naturally sweetened apple piece infused with a red-wine extract.[15]

Companies therefore earned more profits by processing and adding value to fruits and vegetables. One example of this approach was in PepsiCo's Tropicana "100 % Pure Orange Juice," a product that claimed to give "your body a full day's supply of Vitamin C—a dietary antioxidant—plus all the potassium you'd find in a medium sized banana," conveniently packaged in plastic containers to allow for a long shelf life.[16]

Onslaught of Criticism

Criticism of the industry had grown rampant in the last decade by those claiming that the industry's practices were responsible for fundamental health issues. For instance, although the wet-milling process afforded food companies with enormous flexibility when designing food, processed food often required systemic chemicals, hormones, antibiotics, pesticides, toxins, and additives.[17] In 2019, the United States Food and Drug Administration conducted a study that tested for the presence of polyfluoroalkyl substances (PFASs) in food on grocery store shelves. This non-biodegradable chemical had leached into soil, air, and water and, as a result, had been found in the blood of 97 per cent of Americans, partly through the consumption of food.[18] Although the findings concluded that, in most cases, the level of contaminants found in the food would not be a health concern, many independent experts disagreed. The various ways in which PFASs affected the body were still unclear, but one route of harm appeared to be the immune system.[19]

As of 2016, more than 1.9 billion adults globally were overweight and at least 650 million were clinically obese. An estimated 38 million children under the age of five were obese or overweight worldwide in 2019. In the United States, nearly 14 per cent of children between the ages of two and five, 18 per cent of six-to-11-year-olds, and 21 per cent of 12-to-19-year-olds were considered obese.[20] According to 2015–16 figures from the Centers for Disease Control and Prevention (CDC), more than 70 per cent of US adults aged 20 and older were overweight or obese, with about 42 per cent considered obese according to 2017–18 CDC data.[21] This problem was not isolated to developed countries, as the prevalence of obesity worldwide had nearly tripled between 1975 and 2016.[22] More than 50 per cent of adults in China were classified as overweight, 16 per cent of whom were considered obese. Qatar was one of the worst-affected countries, with more than 70 per cent of its populator either overweight or obese.[23] A recent study concluded that being statistically obese "was tied to a 27 percent increase in the odds of dying within the study period" in which the research was conducted.[24]

McKinsey Global Institute estimated that the global economic impact of obesity was roughly $2.0 trillion, which was equivalent to the gross domestic product of Italy or Russia. Moreover, obesity had the same impact on the global economy as armed conflict and only a slightly lower impact than smoking.[25] Increased health problems associated with obesity included high blood pressure, high levels of triglycerides, type 2 diabetes, coronary heart disease, stroke, gallbladder disease, osteoarthritis, sleep apnea, many types of cancer, and mental illnesses.[26] Obesity was believed to account for 80 to 85 per cent of the risk of developing type 2 diabetes.[27]

Food's Role in Health Problems

The key causes of obesity and its associated diseases were increased consumption of energy-dense, nutrient-poor, and calorie-rich foods with high levels of sugar and saturated fats combined with reduced physical activity. Unhealthy foods were defined as generally nutrient-poor products that were high in sugar, salt, or fat, which included confectionery; sugary cereals; sugary soft drinks; ice cream; fast food, such as hamburgers, french fries, pizza, and fried chicken; processed meat and meat products, such as hot dogs and sausages; sauces, such as ketchup, mayonnaise, dips, and dressings; and ready-made meals.[28] Despite eating these foods, people often remained hungry, as unhealthy foods did not possess adequate amounts of amino acids, essential fatty acids, and antioxidants. In effect, consumers needed to consume three slices of bread today in order to

gain the same nutrients that one slice of bread provided in the 1950s.[29] The same effect had occurred as a result of simplified soil levels, caused by overuse of chemical fertilizers and pesticides: one now needed to eat three apples to obtain the same amount of complex nutrients that one apple provided in the 1950s.[30] On top of this, portion sizes had increased dramatically over the past decades—not because human beings had grown in their need for more calories but because any increase in the portion of food products allowed for higher prices without a corresponding and equivalent increase in the cost to food producers.

In response to growing criticism, food and beverage industry advocates argued that the power to improve the food available in the marketplace was in the hands of consumers. John Mackey, CEO of Whole Foods Market Inc., stated:

> We love ice cream. We love popcorn. We love French fried potatoes. And the market is providing people what they want. I don't think there's an access problem. I think there's a market demand problem. People have got to become wiser about their food choices. And if people want different foods, the market will provide it.[31]

However, many argued that the prevalence of saturated fats and salty and sugary foods in our diet was not a result of market trends, as it was nearly impossible for the average consumer to navigate through the dizzying claims of healthy processed food by marketers. Consumers lacked the time and the resources to conduct the extensive research required to distinguish between what was healthy versus unhealthy, resorting instead to cues such as claims found on packaging of added fibre and omega-3 fatty acids or reduced sugar levels.

Some of the leading addiction researchers believed that highly processed, modern-day foods interacted with the brain in ways similar to drugs of abuse.[32] Mark S. Gold, a distinguished professor and chair of psychiatry at University of Florida College of Medicine, pioneered the hypothesis of "pathological attachment," which referred to our propensity to become addicted to hedonically appealing foods. Studies involving sugar, chocolate, and other foods suggested that, as was the case with the consumption of drugs, continued consumption of these foods caused changes in the frontal part of the brain that governed insight and impulse control. The moment a person put a chocolate-glazed doughnut or other high-sugar, high-fat food into their mouth, their brain would release opioids, giving food its pleasure and making them want to keep eating. The brain also released dopamine, the chemical associated with feelings of reward.[33] American pediatric endocrinologist Robert Lustig argued that sugar was as addictive as cigarettes and that "sugar switched on the same hormonal pathways as nicotine."[34]

But the addiction to salt, sugar, and fat was really only part of the story. Consumer taste buds were very fluid, meaning that they could be conditioned to expect certain amounts of salt, sugar, and fat in food, which made it extremely difficult to reduce the consumption of these ingredients. In 2011, consumers rejected the low-sodium soup line of Campbell Soup Company (Campbell's) because of its poor taste.[35] Consumer taste buds had been conditioned to expect certain sodium levels to the point that any small reduction led to a substantial shock to how they defined "good" soup.

Critics also claimed that the industrial food complex had reduced the diversity of the foods that farmers grew, which arguably caused negative health effects. "As small and mid-size farms got swallowed up by the massive monoculture operations now considered 'conventional,' the varieties of fruits and vegetables grown on those farms got whittled down to just those few that shipped the best and had the longest shelf life."[36]

Eating a more varied diet was "associated with a higher intake of macro- and micro-nutrients as well as higher nutritional adequacy and diet quality."[37] In effect, dietary diversity scores appeared to have an inverse relationship with obesity, suggesting that greater diversity in an individual's diet reduced the likelihood of obesity and diabetes.[38]

Finally, many studies had shown that low-income consumers or consumers more severely hit by economic fluctuations, such as the one associated with the 2020–21 pandemic, were particularly susceptible to relying on less healthy food.[39] Drawing parallels to the economic recession of 2008, strong sales were recorded by such products as Kraft Macaroni and Cheese, Delissio frozen pizza, the processed cheese product Velveeta, and nostalgic favourites such as Jell-O and Kool-Aid. Kraft's net revenues increased by 19.4 per cent between July and late September of 2009.[40] On top of this, many people lived in food deserts, defined as large geographic locations where healthy food was not accessible to consumers living in that location.[41]

Organic Food Trends

There was no question that consumers and the general public were beginning to catch on to the negative effects of the food and beverage industry. US sales of organic products, both food and non-food, reached $55.1 billion in 2019, representing a 5 per cent increase from 2018.[42] Worldwide organic food revenue was anticipated to be about $416 billion by 2027, at a compound annual growth rate of 12.4 per cent each year.[43] Although organic food consumption appeared promising, it still represented a tiny portion of total food consumption, and not all organic food was considered healthy. It was important to keep in mind that because organic and natural food tended to be more expensive, 1 per cent of unhealthy food had many more calories than the same percentage of healthier food, meaning that the growth in organic food was likely an exaggerated amount when considering the amount of food consumed, as opposed to sales.

Corporate Social Responsibility in the Food and Beverage Industry

Amid growing criticism toward the food and beverage industry, food companies responded with a seemingly endless set of claims that they were socially responsible: The Kraft Heinz Company (Kraft Heinz) listed "ongoing improvements to the nutrition of our product portfolio, transparent and responsible marketing and communications, and alignment with credible science and public health goals" as some of the actions that the company was taking to support its "commitment to people."[44] Coca-Cola stated, "Wherever we can, we're making many of our beverages better and more nutritious by providing vitamins, minerals and electrolytes, while also introducing more dairy and plant-based beverages."[45] A similar sentiment was echoed by PepsiCo in the following statement:

> As consumers increasingly demand more-nutritious food and beverages, we continue to add product offerings with positive nutrition like whole grains, fruits and vegetables, dairy, protein and hydration. At the same time, we are making many of our products more permissible by reducing added sugars, sodium, and saturated fat to keep up with evolving consumer tastes and preferences.[46]

Consumers undoubtedly had a wider selection of healthier products than they did in the past. Although claims of reductions in calories, salt, sugar, and saturated fat and of increases in protein, fibre, omega-3 fatty acids, vitamins, minerals, and whole grains were plastered all over food and beverage products, many interpreted these claims of social responsibility as "nutriwashing." Nutriwashing involved the adding and marketing of healthier nutrients such as vitamins, minerals, and fibre to highly processed food to make the food appear more nutritious to consumers. This resulted in confusing messages about healthy eating.[47]

Food and beverage companies had also been criticized for focusing their corporate social responsibility (CSR) efforts on physical activity. For example, since 1985, Gatorade, a PepsiCo brand, had been recognizing the United States' most elite high school student athletes through the Play It Forward initiative "that empowers athletes to give back to other athletes to realize their potential through sport."[48] Kraft Heinz launched Kraft Hockeyville in Canada to help communities across the country refurbish hockey arenas in

need of repair.[49] The *New York Times* reported that Coca-Cola funded an organization to shift public health messaging away from diet and toward exercise.[50] In a paper titled "An Epidemic of Obesity Myths," the former Center for Consumer Freedom (now the Center for Organizational Research and Education), an organization sponsored heavily by the food industry, stated that "A hefty number of studies had shown that the trend of rising obesity rates was attributed not to increased intake of food in general (or any particular food) or to the influence of restaurants, but rather to less physical activity compounded by a variety of other factors that are constantly being explored."[51]

However, research showed that the amount of energy burned through exercise was far less important than the number of calories consumed.[52] "When it comes to reaching a healthy weight, what you don't eat is much, much more important [than exercise]."[53] The average American was advised to consume approximately 2,250 calories per day (2,000 for women and 2,500 for men), yet consumed up to 3,600 calories per day.[54] Walking for 60 minutes at a very brisk pace expended approximately 210 calories.[55] This meant that the consumer remained as much as 1,390 calories above the recommended intake despite the exercise.

The integrity of the industry's CSR initiatives was further weakened in light of the $24.6 million it spent in political lobbying in 2019—a good chunk of which had gone to opposing increased nutritional requirements, new labelling information, and advertising restrictions.[56] PepsiCo's lobbying expenses rose to $3.7 million in 2020 from $3.5 million in 2019.[57] According to the *New York Times*, the American Beverage Association, a trade association that represented and lobbied on behalf of the non-alcoholic beverage industry,[58] raised $6 million from PepsiCo and Coca-Cola to successfully aid in passing legislature in California that prevented any new local beverage or food taxes—including sugar or soda taxes—for 12 years.[59] Between 2011 and 2015, PepsiCo and Coca-Cola "opposed 28 bills and supported one. Among the opposed bills, 12 were soda taxes, four were Supplemental Nutrition Assistance Program (SNAP) regulations and one was a limit on soda portion sizes in New York."[60]

When Canadian consumers were consulted about new food labels back in 2013 and 2014, they pushed hard for labels that distinguished between "naturally occurring" sugars and "added" sugars. In response, food producers pushed back and convinced regulators that consumers had a "limited understanding" of what added sugar meant and that such labels would have led to market confusion. When a recent study asked three food producers to reveal the difference between natural and added sugar content, two dodged the request, indicating that they were within legal requirements, while the third (Campbell's) indicated that 11 out of 19 grams of sugar in one of its soups was added sugar.[61] In the United States, where making such a distinction between added and natural sugar was law, the same Campbell's product contained an additional three grams of added sugar.[62]

Food companies were eager to pre-empt government regulation by self-regulating. A study conducted by the *American Journal of Preventive Medicine* examined the food industry's efforts to self-regulate, wherein participating companies pledged to limit child-targeted advertising to healthier products in an effort to reduce growing public concern about the linkage between food advertising and childhood obesity. Despite these promises by the food industry, the study found that "no significant improvement in the overall nutritional quality of foods marketed to children has been achieved since industry self-regulation was adopted."[63]

Both Kraft and PepsiCo used green symbols on their food packaging to inform customers that products with such symbols were healthier than other products offered by the same company. This green symbol was meant to help consumers identify healthier food. However, critics were quick to recall the Smart Choices program, where unhealthy foods such as Froot Loops, Fudgesicle popsicles, and Frosted Flakes were branded with the Smart Choices logo despite their lack of nutritional content. Froot Loops, for example, was 41 per cent sugar.[64] Similarly, Kraft was recently criticized for providing financial support

for the Academy of Nutrition and Dietetics in exchange for being able to insert the academy's Kids Eat Right label on some of its products. Kraft Singles was one such product that had this label despite the fact that Kraft was not legally permitted to call this product cheese and instead had to call it "pasteurized prepared cheese product." More generally, food companies also used pictures of farmers, animals, vegetables, and crops on their packaging to give the false perception of natural and unprocessed, despite the fact that many of these products contained ultra-processed foods.[65]

CSR at PepsiCo

Back in 2006, PepsiCo changed its "Fun for you" slogan to "Better for you" and "Good for you," backed up by a diversification of products, including fruit juices, nuts, and oatmeal. Nooyi, the CEO at the time, did not see the change in slogan as a trade-off for profits and insisted that both were possible, as reflected in her motto "Performance with purpose," which referred to delivering sustainable growth by investing in a healthier future for people and the planet.[66] Since being appointed CEO of PepsiCo, Laguarta had taken a similar stance in transforming PepsiCo into a more sustainable company. In 2019, PepsiCo announced eight ambitious goals and commitments that spoke to the sustainability of people in both developed and developing countries (see Exhibit 1).[67] In terms of marketing to children, PepsiCo committed to responsible marketing, including joining global, regional, and national pledge programs that ensured "signatories advertise only products that meet specific common nutrition criteria to children under the age of 12."[68]

Like their competitors, PepsiCo worked to fortify its processed food with nutrients and to, more generally, make its unhealthy products less unhealthy; nevertheless, it, too, was criticized for nutriwashing. For instance, although PepsiCo's Quaker Dark Chocolate Chunk Granola Bars were advertised on the package to have "Fiber & Omega-3," the granola bars were full of unhealthy ingredients, such as white and brown sugar, corn syrup, evaporated cane juice, hydrogenated soybean and cottonseed oils, caramel colour, and sorbitan monostearate. Incidentally, the Quaker brand was, many argued, PepsiCo's leading health brand.[69]

PepsiCo acquired many healthy brands including TrueNorth nut snacks, SoBe Lifewater, Naked Juice, KeVita, SodaStream, and Bare Snacks, and launched its own brands including Imagine Snacks and Bubly.[70] Since 2011, PepsiCo continued to increase its research and development (R&D) budget by 45 per cent to help expand product offerings.[71] In addition, PepsiCo launched the Nutrition Greenhouse Accelerator in North America in 2018 to support 10 food and beverage companies that focused on health management, personal wellness, and encouragement of a healthy diet. Over the course of six months, these companies received $20,000 and mentorship from PepsiCo, with the best company from the cohort receiving a $100,000 cash prize at the end of the program.[72]

Although PepsiCo devoted immense resources to R&D, it was yet to produce products that showed the same level of innovation as those products produced by the companies it tended to acquire. Its in-house progress for the most part represented incremental improvements rather than the courageous radical changes to its operations. Put another way, the core of PepsiCo's business remained the products that had been and continued to be responsible for the aforementioned negative health effects.

PepsiCo's Future

PepsiCo sustained much criticism for its contribution to obesity and disease, but it also put forth a number of ambitious policies and implemented innovative changes to its products and operations. Failure to implement such changes would present an immense risk, as analysts were increasingly concerned that food companies were going the way of tobacco firms, which had been "perennially held responsible by

governments for the health problems associated with their products, and penalized accordingly."[73] There was growing belief that it was in PepsiCo's nature to cause social issues and that any attempt by PepsiCo to act as a force for change would be at odds with the company's fundamental purpose of profit creation.[74] As explained by the *American Journal of Public Health*,

> The social behavior of many food and beverage corporations is met with skepticism because the paradox of corporations actively marketing and selling products that are harmful to health on the one hand while engaging in health initiatives on the other hand is deemed insurmountable. This leads those critical of the role of corporate actors in the (global) food system to argue that, given these efforts, "food systems are not driven to deliver optimal human diets but to maximize profits."[75]

Why would PepsiCo want to shift to using ingredients that, on the one hand, represented higher costs (e.g., organic or natural ingredients), and, on the other hand, would not exploit consumer vulnerability to saturated fat, salt, and sugar? Would PepsiCo not lose market share to competitors that did not follow suit? At the extreme, should PepsiCo completely disassociate itself from unhealthy ingredients and products? If so, when? And could PepsiCo be a first mover strategically, thus creating a source of differentiation among the competition? Should the company straddle the market, being in both the unhealthy product mix and the healthy product mix by keeping true to higher-margin unhealthy products while introducing new healthier products? Another option would be to use PepsiCo's marketing and public relations team to exaggerate its efforts despite remaining true to its core unhealthy products. This approach would afford the company constant returns while creating the image that it was changing. To this point, perhaps PepsiCo's marketing team could point the finger of blame away from how many calories people consumed to how few calories they burned. As Nooyi, PepsiCo's CEO at the time, said, "Why aren't we going after computer and cable-TV companies for creating a sedentary lifestyle?"[76]

There was no denying that PepsiCo, Coca-Cola, Nestlé, and other food and beverage companies had shaped consumer tastes and behaviours over the last few decades. One had to wonder whether it would be in PepsiCo's best interests to use this same power to shift consumer tastes to a healthier trajectory. Was there a strategic advantage for PepsiCo? Should it collaborate with its peers to lead to a broader industry transformation? Was it possible to use PepsiCo's expertise in product design, packaging, manufacturing, and distribution to make these new healthier products more enticing? PepsiCo had built its empire on the manufacturing and distribution of instantly recognizable products. Was continuing this trend important in deciding on a future strategy? One thing was for sure, doing nothing was not an option. The world was changing, and PepsiCo did not want to be left behind.[77]

EXHIBIT 1: PEPSICO INC.'S COMMITMENTS TO NUTRITION

Products—Reduce Added Sugars, Sodium, and Saturated Fats

- Reduce added sugars: More than 67% of beverage portfolio volume will have less than 100 calories from added sugars per 12-ounce serving by 2025.
- Reduce sodium: More than 75% of foods portfolio volume will not exceed 1.3 milligrams of sodium per calorie by 2025.
- Reduce saturated fats: More than 75% of foods portfolio volume will not exceed 1.1 grams of saturated fat per 100 calories by 2025.

Global Labelling Policy

- Our products will provide, on the side or back of our packaging, nutrition information on the amount of energy (as calories, kilocalories, or kilojoules), protein, carbohydrates, total sugars, total fat, saturated fat, and sodium per 100-gram or 100-millilitre serving. Additionally, we will include nutrition information for nutrients for which a health or nutrition claim is made.
- Our products will include information on energy (as calories, kilocalories, or kilojoules) per 100-gram or 100-millilitre serving on front-of-pack labelling in all countries.
- PepsiCo will provide the percentage of the official Guideline Daily Amounts, Daily Values, or equivalents for energy, total fat, saturated fat, sodium or salt, and total sugars, on either the front, side, or back of the pack, in countries where such values are available.

Global Policy on Responsible Advertising to Children & School Sales

- Advertise to children under age 12 only those products that meet PepsiCo's Global Nutrition Criteria for Advertising to Children.
  - Specific to television programs whose audience profile is made up of greater than 35% children who are under the age of 12.
- PepsiCo does not advertise any products (regardless of nutritional profile) to children who are under the age of six.
- As social media continues to evolve, we are striving to update the ways in which we market our products while maintaining our responsible marketing practices.
- Restrict direct sales of certain foods and beverages to schools.

Nutrition Risk Management

- Expand our offerings of more-nutritious products in both developed and developing markets.
- Reduce added sugar, sodium, and saturated fat while continuing to focus on the great taste that consumers expect from our products.
- Expand our Affordable Nutrition business, with a focus on markets within Latin America and sub-Saharan Africa.

Source: "2019 Sustainability Report: Goals & Progress," PepsiCo, accessed February 24, 2021, https://www.pepsico.com/sustainability/goals-and-progress; PepsiCo, *PepsiCo Global Labeling Policy*, September 2014, accessed February 24, 2021, https://www.pepsico.com/docs/album/esg-topics-policies/pepsico_global_labeling_policy.pdf?sfvrsn=bc2b188d_6; "ESG Topics A-Z," PepsiCo, accessed February 24, 2021, https://www.pepsico.com/sustainability/esg-topics-a-z#advertising-and-marketing-to-children-and-school-sales; PepsiCo, *Nutrition Risk Management*, accessed February 24, 2021, https://www.pepsico.com/docs/album/esg-topics-policies/nutrition-risk-management.pdf.

ENDNOTES

[1] This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of PepsiCo Inc. or any of its employees.
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