



THE MARKET

The global soft drinks market is one of the most vibrant and hotly-contested of all, with worldwide sales reaching \$32 billion for Pepsi Cola alone. Pepsi's popularity is stronger than ever. Today, nearly one out of every four soft drinks sold worldwide is a Pepsi product, totalling more than 200 million servings a day and growing.

In the United States, consumers annually drink almost 208 litres of carbonated soft drinks each, making these by far the country's most-consumed beverage. In Europe, that number is closer to 55 litres, but that's growing steadily as carbonated soft drinks become an increasingly important part of life.

Australians share a fondness for soft drinks, consuming 118 litres per capita, and better than two out of three liquid refreshments sold are carbonated soft drinks.

ACHIEVEMENTS

Pepsi Cola beverages can be found around the globe in more than 195 countries. Key markets include China, India, the US and Scandinavia. The company also has a presence in emerging markets like the Czech Republic, Hungary and Russia.

PepsiCo Beverages International prides itself on offering Australian teens the opportunity to interact with some of the most respected music artists



through innovative music promotions. With millions of Australian teens and young adults participating in its Taste Challenge, PBI has established that the majority of 12-29 year olds prefer the taste of Pepsi. The brand has successfully positioned itself as a credible choice in the cola market today.

Today, the Pepsi logo together with its famous globe icon is ranked as one of the most familiar in the world.

HISTORY

Mr Bradham could not possibly have expected Pepsi's future success when he developed his digestive aid in 1886 made from carbonated water, sugar, vanilla and rare oils. It was sold locally as "Brad's Drink", but in 1898 Bradham renamed his refreshing, energising beverage "Pepsi Cola" and took it to a larger audience.

The brand fared well over the next two decades, but then shortages of sugar and transportation among other things in World War I forced the company into bankruptcy. Charles Guth, the president of soda fountain chain Loft Industries, purchased a majority stake and put Pepsi into his stores. To economise, he used 12 ounce beer bottles as containers. These initially sold for 10 cents when the standard soft drink was a six-ounce and sold for five cents, or a nickel. To boost sales, Guth cut his price to a nickel as well but kept Pepsi in the 12 ounce bottles.

In 1938, Walter Mack became president of Pepsi Cola and introduced new advertising backing the 12 ounce bottle with the jingle, "Nickel Nickel". The song became so popular that it was recorded in 55 languages. Renamed "Pepsi Cola Hits the Spot", the tune was called "immortal" by LIFE



magazine in 1940.

After World War II and into the 1950s, Alfred Steele presided over an extended period of growth. Pepsi adopted standard pricing and a strategy to achieve a world class, sophisticated image, developing the distinctive "swirl" bottle and a new ad campaign, "Be Sociable, Have a Pepsi". This was the first Pepsi campaign to focus on young people.

The stage was set for another advertising breakthrough. The baby-boom generation was heading into the future with optimism. Pepsi captured that spirit with a theme that has stood

the test of time – The Pepsi Generation. For more than 30 years, it was the common thread running through some of the most popular advertising around. The Pepsi Generation also introduced Diet Pepsi in 1964 with its own catchy jingle "Girlwatchers". That hit the Top 40.

As the '60s gave way to the '70s, Pepsi began to close the gap on its largest competitor. Innovations under CEO Don Kendall included the development of the first two-litre bottle, along with plastic bottles that were lighter and stronger than glass.

In the mid '70s, the Pepsi Taste Challenge was born. Consumer tests revealed that more people preferred the taste of Pepsi over the largest brand of cola, and soon the Challenge made its way into advertising.



A long list of superstars have lent their magic to Pepsi including Michael Jackson, Tina Turner, Michael J Fox, Ray Charles, Cindy Crawford and, more recently, Kylie Minogue, Madonna, Britney Spears, Ricky Martin and Robby Williams.

In 1998, Pepsi celebrated its 100th Anniversary and unveiled a new logo for the new millennium – a three dimensional globe against an ice blue

background, which unifies the brand's graphic identification across the world.

THE PRODUCT

Pepsi Cola's focus on becoming the "Total Beverage Company" is the major reason for its success around the world, and the company sees huge potential for growth in the years to come while it reaches for this pinnacle.

Pepsi Cola brands in Australia include Pepsi, Diet Pepsi, Pepsi Max, 7UP, Diet 7UP, Caffeine Free Diet Pepsi, Mountain Dew and Gatorade. Internationally, best sellers are Pepsi, Pepsi Max, Diet Pepsi, Mountain Dew, 7UP and Gatorade. Other markets have even wider portfolios. In the United States PepsiCo also offers Sierra Mist, Wild Cherry Pepsi, Aquafina, Tropicana Juices and Sobe, to name a few.

The recipe for Pepsi itself is a closely guarded secret. The Pepsi process begins with the finest ingredients. Then, Pepsi uses great care and the best technology to blend them. During the 100 years Pepsi has been making soft drinks, the company has created its own exacting production and quality standards, monitored constantly to guarantee quality and consistency.

This is topped off by an efficient distribution network which ensures that every Pepsi is as fresh and delicious as it was when it left the plant.

RECENT DEVELOPMENTS

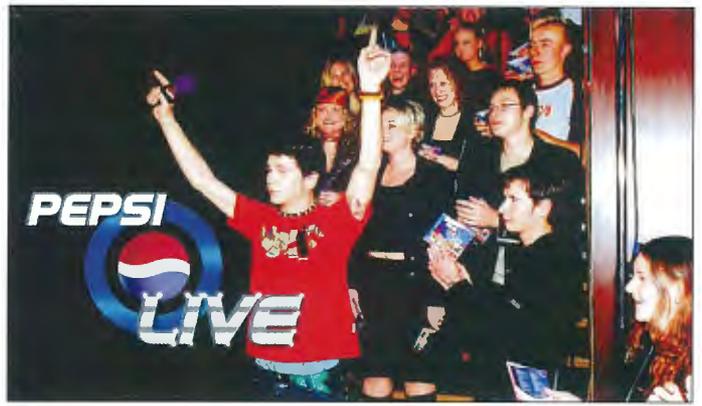
In 1998, Pepsi launched its most aggressive attack on the \$4.4 billion Australian cola market – asking a million young Australians to reassess their cola preference. This is the Pepsi Taste Challenge.

The challenge is a blind, side-by-side taste test between Pepsi and its largest competitor. This youth-focused and street-based sensory experience involves entertainment, interactive games, giveaways and highly visible taste challenge vehicles. The Challenge is supported by the already famous tag line "Let Your Taste Decide". Details are available on www.pepsi.com.au.

In Australia, PepsiCo International joined forces with Cadbury Schweppes in October 2000. PepsiCo Beverages International in Australia is poised for strong growth on the back of Cadbury Schweppes' established distribution network and sales and manufacturing systems. The partnership has a 30 per cent share of the

carbonated soft drink market in Australia.

At the beginning of 2001, PepsiCo International became PepsiCo Beverages International. The acquisition of Quaker Oats has seen Gatorade and Tropicana added to the international portfolio, and the acquisition brings PepsiCo closer to becoming the world's number one "Total Beverage Company".



qualities are strong in all Pepsi advertising.

To ensure that Pepsi remains the "coolest" brand in the eyes of teens, the company maintains a strong

PROMOTION

Staying on the leading edge of advertising and consumer promotions is a hallmark of the Pepsi Cola Company. In fact, the company is recognised worldwide as a leader in advertising, marketing, sales and promotional initiatives.

Pepsi uses consumer promotions to deliver access to the best and biggest artists around the world, including the hottest Australian talent, to its target: teens and young adults.

The recent "Choose Your Music" promotion was the first of its kind in Australia. PBI joined forces with record company EMI and the youth web company Excite. The promotion gave consumers the opportunity to choose six of their favourite songs from 200 tracks for a personalised CD. The promotion was a huge success, with over 90,000 CDs distributed in just 12 weeks.

That was followed by "We'll Take You There", which broke further new ground with the opportunity to win tickets to all major music festivals and concerts in Australia over an entire summer.

BRAND VALUES

Pepsi is all about taste, choice and a feeling of optimism and youthful exuberance as well as a sense of humour. These

connection with them through something very important in their lives, music. Through music, Pepsi can connect with all kinds of teens in all walks of life. This involvement needs to be credible. To ensure that, Pepsi strives to deliver the hottest talent from international and local artists. The association is strengthened through Pepsi's exclusive global television show Pepsi Chart (called Pepsi Live in Australia), a national radio show on Austereo, internet radio on www.pepsi.com.au and an instore presence that includes an exclusive partnership with Australia's number one music retailer Sanity.

Pepsi has always been a little younger, a little more hip, and a little more relevant than any of its competitors. That's what has helped keep it what it is today – simply, joyful refreshment.



THINGS YOU DIDN'T KNOW ABOUT PEPSI

- In 1908, Pepsi-Cola became one of the first companies to switch its delivery fleet from horse-drawn carts to motor vehicles.
- Movie actress Joan Crawford, wife of Pepsi president Alfred Steele, played a key role in transforming the company's advertising strategy after World War II. She was elected a member of the board of directors after Steele's death in 1959.
- A bottle of Pepsi took centre stage in a Cold War summit in 1959 between Soviet premier Nikita Krushchev and US vice-president Richard Nixon. The two men shared a Pepsi at an international trade fair in Moscow. The photo was captioned in the US media as 'Krushchev Gets Sociable', in line with Pepsi's ad slogan at the time.
- In 1985, Pepsi made its first trip on the Space Shuttle, carried in a specially designed 'space can'.