



THE MARKET

The global carbonated soft drinks market is one of the most hotly contested of all, with worldwide retail sales of Trade Mark Pepsi-Cola alone reaching \$20 billion annually. The popularity of PepsiCo products is stronger than ever with more than one out of every ten soft drink products sold worldwide being a PepsiCo product – totalling 44 billion litres per annum.

In the United States, annual per capita consumption of carbonated soft drinks equals 188 litres, making these the country's most popular beverage.

In Western Europe, annual per capita consumption of carbonated soft drinks is closer to 76 litres, but is growing steadily. Australians' fondness for carbonated soft drinks is reflected in annual per capita consumption of 166 litres with carbonated soft drinks representing 55 per cent of total soft drink consumption.

ACHIEVEMENTS

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

The company prides itself on offering Australian teens an opportunity to interact with some of the world's and Australia's biggest music artists and celebrities through its innovative music promotions. This included the unique music program, Pepsi Live, which aired for four years in Australia. The format has been used in a number of countries globally.

Pepsi has been successfully positioned as a credible relevant cola choice for youth.

The Pepsi logo, together with its famous globe icon, is ranked as one of the most recognisable logos in the world.

HISTORY

Mr Caleb 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 in North Carolina 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, a nickel. To boost sales, Guth cut his price to a nickel 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 named 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 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, Robby Williams, Enrique Iglesias and Beyonce Knowles.

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.

Today, the three dimensional globe has grown in its graphic presence on a new look logo on a "shard" background, themed across the entire Pepsi range to create a distinctive Pepsi-look.

THE PRODUCT

PepsiCo International'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.

PepsiCo products in Australia include Pepsi, Diet Pepsi, Pepsi Max, 7UP, Diet 7UP, Caffeine Free Diet Pepsi, Mountain Dew, Gatorade and Propel. 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.

RECENT DEVELOPMENTS

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

The Pepsi Taste Challenge took to the streets that year with its blind, side-by-side taste test between Pepsi and its largest competitor. This youth-focused, street-based sensory experience involved entertainment, interactive games, giveaways and highly visible vehicles. The Challenge was supported by the already famous "Let your Taste Decide" tagline.

In Australia, PepsiCo International joined forces with Cadbury Schweppes in October 2000, placing Pepsi in a strong position for growth on the back of the established distribution network, sales and manufacturing systems of the bottler. The partnership holds a 30 per cent share of the Australian carbonated soft drink market.

At the beginning of 2001, PepsiCo International acquired Quaker Oats, adding the Gatorade and Tropicana brands to the international portfolio, bringing the company closer to becoming the world's number one "Total Beverage Company".

The company is now internationally and locally focusing on creating engaging and exciting advertising and

promotional campaigns through its second to none line up of international stars: soccer player David Beckham, music artists Shakira, Britney, Pink and Beyonce.

Pepsi in late 2003 signed up Australian celebrities Holly Valance, Harry Kewell and Chloe Maxwell to join the international line up, the locals featuring in the country's biggest-ever outdoor advertising campaign.

Today, Pepsi Max is the focus of a new advertising and street sampling campaign focusing on 20 to 30-something consumers.

PROMOTION

Staying on the leading edge of advertising and consumer promotions is the hallmark of PepsiCo International. 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, for its target: teens and young adults.

The "Choose your music" promotion, in partnership with record company EMI and web company Excite, gave consumers the opportunity to create a personalised CD by choosing their favourite songs. The offer was a huge success, with 90,000 CDs distributed in just 12 weeks.

The following summer, Pepsi offered consumers the opportunity to win tickets to major music festivals and concerts in the "We'll take you there" promotion.

In 2003, Pepsi recorded another world first with its Pepsi stick-its promotion, offering teens the opportunity to collect ten stickers of international music artists featured on the inside of the label of 600ml bottles of Pepsi, Pepsi Max and Diet Pepsi.

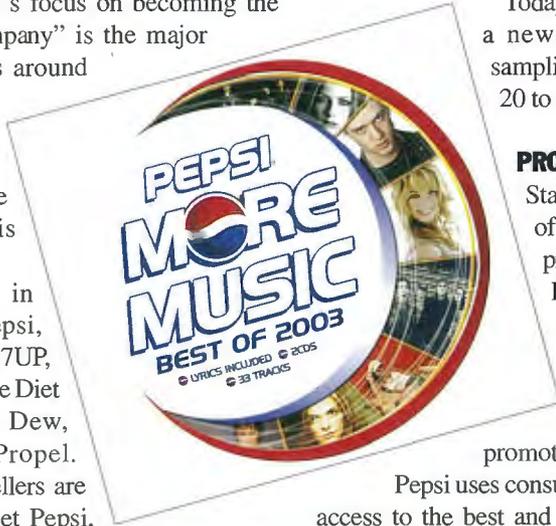
BRAND VALUES

Pepsi is about taste, choice and a feeling of youthful optimism. Daring its consumers to ask for more out of their own lives, being fun and bold is what Pepsi is all about.

To ensure Pepsi remains the "coolest" brand in the eyes of teens, the company maintains a strong connection with something very important in their lives: music and aspirational celebrities.

Through celebrities, Pepsi can connect with all kinds of teens in all walks of life. Pepsi makes this involvement credible by delivering the hottest and most relevant international and local music artists and celebrities. Such associations are strengthened through campaigns like the "Dare for

More" outdoor advertising that ties into activity with radio partner DMG's Nova radio stations and on Pepsi's own progressive website www.pepsi.com.au. Pepsi has always been a little younger, more hip and more relevant than any of its competitors. That is what has helped keep it what it is today – simple, 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.
- A bottle of Pepsi took centre stage in a Cold War summit in 1959 between Soviet premier Nikita Khrushchev and US vice-president Richard Nixon. The two men shared a Pepsi at an international trade fair in Moscow. The meeting was photo-captioned in US media as 'Khrushchev 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'.
- The winner of the Pepsi Space competition run in 1998/99 will be the first Australian civilian to go into space. This Australian comp was picked up by Pepsi all over the world.
- Pepsi has created more than 16 world firsts with the Pepsi Max Team tour, including one World Record officiated by the Guinness Book of Records – the most ever consecutive back flips on a vert ramp.