

Business Standard

A NOOYI TAKE
PepsiCo's CEO on the
issues her business faces

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Q&A INDRA NOOYI

'Calories equation in India has changed'

INDRA NOOYI became chief executive of PepsiCo in May this year, underlining her position as one of the world's most successful women business leaders. She heads a company whose leading brands include Pepsi, Gatorade, Quaker Oats and Doritos. In a video interview with JONATHAN BIRCHALL AND CHRYSTIA FREELAND, Mrs Nooyi, 51, who was born in India and educated in the country and in the US, discusses concerns about environmental and health issues and the impact of rising commodity prices. Edited highlights appear below.

How worried are you about environmental issues such as the packaging of bottled water?

It is a convenience product. People who want a uniform taste of water, who want it in a convenient form, who want it portable, buy bottled water. The backlash itself — I can understand why it's there, but I do not understand it in some ways. To me, if consumers believe that they don't want the convenience, then they shouldn't buy the bottle.

Is obesity a problem for your

company?

If you go back and look at the last 10 years, the average number of calories consumed by the individual, let's take the United States, has not really changed from about 2,500 to 2,600 calories, but the calories [expended] have come down precipitously, so when you have this sort of mismatch, you are going to have obesity. Now, it would be easy for food companies to say it's not our responsibility. But what we have to do, as food and beverage companies, is ask how do we constantly shift the portfolio to give people an incentive to consume less calories on the intake side, but make it fun to eat whatever product they're eating.

Are issues of childhood obesity and the environment rising higher up the agenda in emerging markets?

They have to be, because of the diets. I look at the diet in India. It is high-calorie, high in sugar, high in oils, but that's the basic diet that we consume. When you have a diet like that, and when you've moved away from a society that walked every-

where, that had to take mass transit, now to a society where everything is on the Internet, you take a car instead of walking some place, you're going to have the problem. So the diet really hasn't changed, but all of a sudden the calories out equation has completely changed, so it will be a problem.

And will that be a problem for PepsiCo?

Yes and no. It's an opportunity and a problem. If we don't shift our portfolio to make healthy products more available and more fun, it will be a problem.

Does traditional advertising still work for PepsiCo and its products?

Yes and no. Sometimes it works, and a large portion of our budget is still in traditional advertising. There's still a place for that, but I think a lot of the models are also shifting to non-traditional media — online, mostly web-generated advertising, or what we call 360-degree marketing. How do you activate a brand or a message, not just on television, through traditional commercials, but through ring-

tones, through web-generated advertising?

Is it happening as fast in emerging market economies as in developed economies?

I'd say it's happening faster in the emerging markets. In fact, [it is similar to] how wireless telephony has become such a huge factor in emerging markets. They skipped a whole generation of putting the wires in for telephony. I think the same thing is happening. Because they've got more wireless telephony, they're now able to advertise through a cell phone.

How worried are you about the sharp increase in commodity prices? Do you see that continuing in future?

There is certainly commodity inflation going on, pretty much across the board. Look at the price of oil today. It's well over \$80, and when you have energy prices as high as they are, inflation in pretty much every aspect of the economy is something that naturally follows. So I'd say food and beverage products are in an inflationary environment.

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