CAPI
THE CANADIAN AGRI-FOOD POLICY INSTITUTE

PROCESSED FOOD SECTOR RESEARCH PROGRAM

PROJECT 4a:
CASE STUDIES ON SUCCESS TRAITS

PepsiCo Canada

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About the CAPI Processed Food Research Program

Food processing is one of the country's largest manufacturing sectors and an essential channel for Canadian agricultural products. Yet the rising trade deficit is signaling deteriorating performance. CAPI has launched a research consortium to galvanize a new approach. CAPI is not only focused on the problems but how to move forward to address them. This case study is part of a project to isolate company traits of success and what we can learn from companies to inspire change which includes a cross-case analysis.

Project 4a: **Food Processing Company "Traits of Success":** Despite the challenges confronting the sector, many individual companies are doing well. By collaborating with several business schools across the country, 13 case studies on diverse food companies were undertaken to isolate how companies are succeeding and positioning themselves to do even better. The individual case studies are based on in-depth interviews with company CEOs or senior leaders. This project is accompanied by a cross-case analysis.

PHASE 1 Diagnosis

- 1a. Diagnosing the trade deficit
- 1b. Reasons for the trade deficit
- 2. Explaining the trade deficit
- 3a. Food manufacturing performance
- 3b. Plant openings, closings & investments

PHASE 2 Inspiring practices

- 4a. Case studies on company success
- 4b. Cross-case study analysis
- 5. Consumers and markets
- 6. Innovation insights

PHASE 3 Competitive advantage

- 7. Conclusions
- 8. Implications for policy & strategy
- 9. Dialogues on outcomes

.All completed projects, along with supporting material and data, can be found online at **www.capi-icpa.ca**.

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Canada

EXECUTIVE SUMMARY

SITE: PEPSICO FOODS CANADA

This case focuses on **PepsiCo Foods Canada (PFC)**, a business unit within PepsiCo Canada representing the food businesses Frito Lay and Quaker. PepsiCo Canada has similarly organized its beverage operations into a business unit called PepsiCo Beverages Canada, which is not the focus of this case. PepsiCo Canada is a subsidiary of the publicly-traded American multinational food and beverages corporation, PepsiCo Inc. (NYSE: PEP), which has presence in over 200 countries and territories.

PHENOMENON AND RESEARCH QUESTION

PFC's success is a tale of two aisles: the salty and the sweet. The collective successes and challenges of Frito Lay and Quaker tell a story through their individual pasts, and since 2008, their shared PFC future.

Frito Lay has a history of game-changing moves that has allowed it to retain market leadership. Despite struggling through the 1980s to maintain profitability in a significantly fragmented Canadian market, Frito Lay was able to emerge as a leader by partnering with Hostess in 1988 to form a joint venture, the Hostess Frito Lay Company. Frito Lay would go on to fully acquire the joint venture, and later launch another game-changing brand in Canada: Tostitos.

Before joining PepsiCo Canada, **Quaker** had nearly a century of experience serving Canadians. Opening its first facility in Peterborough, Ontario in 1902, Quaker continued to add new products, and ultimately underwent a major expansion in 1988 to introduce the Ready-to-Eat product line, previously imported from the US. In 1998, Quaker launched one of its most successful products, Crispy Minis rice chips, which was developed in Canada, and would go on to be sold in the US and UK.

Frito Lay and Quaker came together in 2008 to form PFC and are now joined in a market that is at the nexus of two consumer forces: health-consciousness and "*on-the-go*" convenience-orientation. According to the Childhood Obesity Foundation (2012), 59% of adults and 30% of children and youth are overweight or obese in Canada. Despite these concerns, according to Statistics Canada, snack foods are among the fastest growing categories, as "*on-the-go*" consumers look for convenient meal supplements and replacements. PFC capitalizes on these two forces by providing a widening array of snack food options while leading the industry in reducing trans-fats and sodium content – both Canadian-led innovations that contribute to PepsiCo's global vision of Human Sustainability.

As a subsidiary of a multinational organization with considerable global brand strength, PFC is a market leader that delivers products made in processing facilities in Canada or imported from the US. PFC's facilities are strategically placed throughout Canada to minimize costs, and have a strong relationship with their growers and advanced go-to-market systems. However, as a subsidiary in a mature market, capital investments do not offer the same returns on investment that are being boasted by emerging markets, such as China, India and South America. This can create challenges for a subsidiary that competes for corporate dollars to open new facilities or modernize aging infrastructure in order to implement productivity improvements. Given this, the question becomes "*How does a subsidiary within a mature market maintain relevance within its multinational organization and compete for corporate investment?*"

COMPANY DESCRIPTION & HISTORY

PepsiCo Foods Canada and PepsiCo Beverages Canada were formed in 2008 as a restructuring of the PepsiCo Canada operations into two units. PepsiCo Foods Canada manages the Frito Lay and Quaker operations, while PepsiCo Beverages Canada manages the Pepsi, Gatorade and Tropicana operations.

Like many multinational organizations that have seen their fair share of mergers, acquisitions and consolidations, PepsiCo Foods Canada can trace its roots to many beginnings.

Frito Lay

The Frito Lay Canada story begins in 1935, when Edward Snyder started the Hostess Company near Kitchener Ontario. The early years were not nearly as prosperous as the 1950s, when newer technology and a growing interest in snack foods led to greater success. Hostess expanded under the new ownership of E.W. Vanstone, and was sold to General Foods in 1958.

In 1987, Hostess partnered with Frito Lay Canada, bringing Doritos to Canada for the first time. This was followed by a merger between the two companies to form The Hostess Frito Lay Company, a joint venture that was later fully acquired by Frito Lay, a subsidiary of PepsiCo.

Quaker

Quaker hails out of Ohio in the late 1800s, where its name was chosen to represent values of quality and honesty. The Canadian operation was opened in 1902 on the banks of the Otonabee River, in Peterborough, Ontario. The company underwent a major expansion in 1988, adding state-of-the-art manufacturing equipment that would enable the production of new products previously imported from the US.

In 1996, a facility was opened in Trenton, Ontario to produce the Rice Cake product line, and ultimately Crispy Mini rice chips, which were developed in Canada, and became one of Quaker's most successful products. The plant would operate for a little more than a decade before being closed, according to Marc Guay, President of PepsiCo Foods Canada, "*due to under-utilized assets in our manufacturing system and the rising cost of commodities, along with a need to expand and centralize our distribution centre*" (Kuglin 2008). Manufacturing was consolidated to the US.

Quaker was acquired by PepsiCo in 2001. Along with the acquisition came its subsidiary Gatorade, which would later become part of PepsiCo Beverages Canada, adding sports drinks to the company's beverage lineup.

PepsiCo Beverages Canada

While the focus of this case is on PepsiCo Foods Canada, it is helpful to understand the relationship to the beverages operations, as the food and beverage units operate within a common organization, PepsiCo Canada.

Pepsi-Cola opened its first bottling facility in Montreal, Quebec in 1934. The operations were expanded through more than eighty Franchise-Owned Bottling Operations (FOBOs), each of which was responsible for bottling, distributing and selling to their respective regions. The collaboration with the FOBOs and their integrated communities successfully expanded the Pepsi brand in Canada. In 1965, the Pepsi-Cola company merged with Frito Lay to form PepsiCo.

PepsiCo filled out its beverage offerings through the acquisition of Tropicana in 1998 and Gatorade in 2001 (through its acquisition of Quaker).

Figure 1 is the organizational structure of PepsiCo Canada, with PepsiCo Foods Canada, the focus of this case, being emphasized.

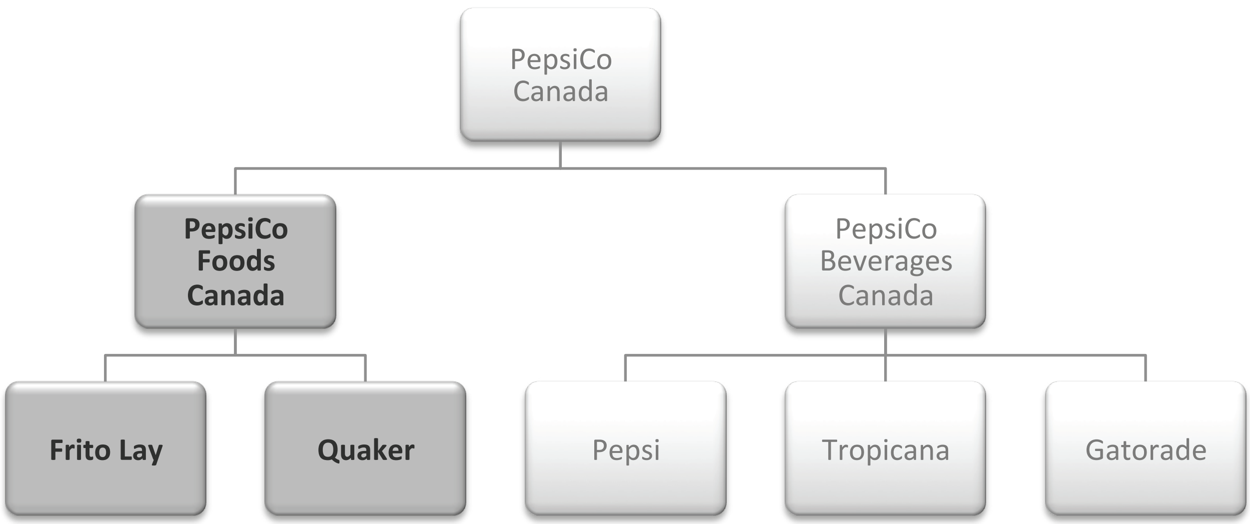

Figure 1. Organization of PepsiCo Canada as of October 2008

CATEGORY, INDUSTRY & COMPETITIVE CONTEXT

PFC operates two lines of business: Frito Lay and Quaker. Each line of business is a leader in the snack food industry, one of the fastest growing product categories in Canada, with distribution channels on virtually every corner, including gas stations, grocery stores, and vending machines. Despite being a market leader, PFC has a healthy respect for its competition, which largely comes from the US.

Frito Lay

Frito Lay is a secondary food processor in the processed snack foods category. Frito Lay also markets its products by delivering them directly to Canadian retail outlets, where they are merchandized by Frito Lay employees. Additionally, Frito Lay exports products to the US on a supplemental basis, and in the case of Miss Vickie's, as the sole supplier. Frito Lay occupies two positions in the value chain, as secondary processor and marketer, as seen in Figure 2.

Figure 2. Frito Lay's position in the Food Manufacturing Industry value chain

Quaker

Quaker is a secondary food processor in the processed snack foods and cereal categories. Unlike Frito Lay, Quaker does not market its products through retail outlets, but rather delivers its products to customer warehouses. Quaker Chewy bars are market leaders, while the cereal brands are smaller players. As seen in Figure 3, Quaker occupies the secondary processor position in the value chain.

Figure 3. Quaker's position in the Food Manufacturing Industry value chain

SUCCESS FACTORS FOR PEPSICO FOODS CANADA

All sorts of information can be obtained for publicly-traded companies, through annual reports, security filings and investor information packages. When those companies are part of a large multinational organization, there is even more information available through news and magazine articles. While these sources provide invaluable information, they offer a view through a very specific lens, and not one that fully answers the research question. An interview with Anne-Marie Renaud, VP of Operations for PFC, offers an inside view through the lens of a person who is approaching 30 years of service with PFC, and who provides a first-hand account of how PFC continues to be a market leader, and remains relevant within its multinational organization.

COLLABORATION &PARTNERSHIPS

Collaboration is a common theme as Anne-Marie Renaud describes factors that lead to PFC's success. Collaboration is the source of one of the greatest strengths of PFC, as seen in the degree of partnership at both ends of the supply chain. Conversely, it can also be one of the greatest sources of frustration, particularly when facing barriers to partnerships with government organizations, in order to leverage significant investment opportunities toward sustainability.

LEVERAGING THE MULTINATIONAL ORGANIZATION

There is no question that one of PFC's strengths is being a subsidiary within a multinational organization that boasts substantial global brand strength, wherein each of its 22 brands generated at least one billion dollars in sales in 2012. Equally important is the access that PFC has to significant resources, including a deep and diverse brain-trust, best practices and data, to name a few.

In her 2012 Annual Report, PepsiCo, Inc. Chairman and CEO, Indra Nooyi, reports that "*Performance with Purpose*" is the vision that guides the PepsiCo strategy and new operating model, which has changed from a "*loose federation of countries and regions to a more globally integrated one*" (PepsiCo 2012). This statement is echoed by Anne-Marie Renaud, who reinforces PFC's alignment with the global vision focus of "*Human Sustainability, Environmental Sustainability and Talent Sustainability.*"

The global PepsiCo community goes well beyond aligning with a common vision. Flexible frameworks have been put in place to leverage collaboration, transparency and best practices. For example, an annual innovation summit is hosted to allow global R&D and Marketing representatives to come together to "*lift and shift*" innovation ideas. Canada hosts a follow-on event to showcase innovation ideas to Canadian teams for consideration. To facilitate innovation decision-making, Canada leverages a stage-gate process practiced by the global PepsiCo community.

Anne-Marie Renaud describes a high degree of transparency within the global community, which helps achieve "*executional excellence,*" as global counterparts are able to benchmark themselves against one other, helping to identify potential areas for process improvement. Benchmarking against the US is an important strategy, given their higher average level of productivity. According to the Conference Board of Canada, the productivity gap between Canada and US is widening, as seen in Figure 4.

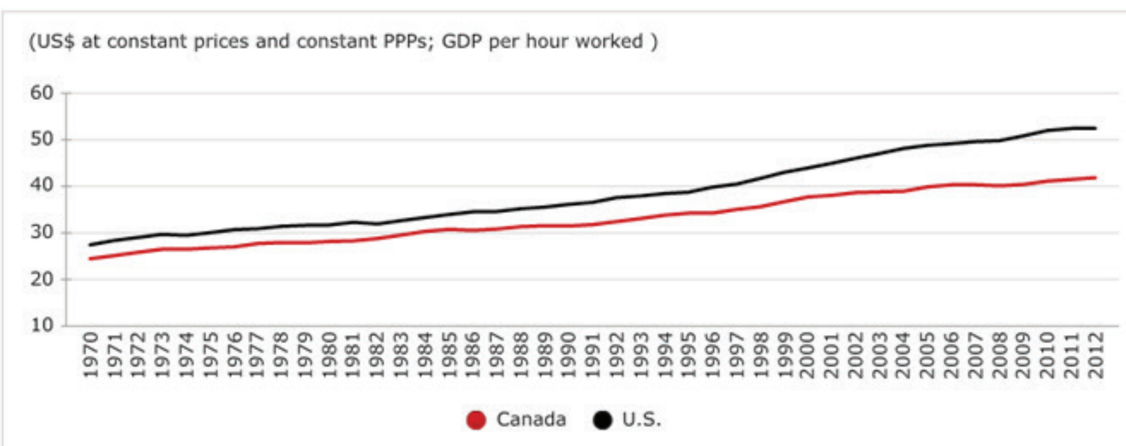

Figure 4. Labour Productivity for Canada & US. Reprinted from *Labour Productivity Growth,* Retrieved January 15, 2014, from http://www.conferenceboard.ca/hcp/details/economy/measuring-productivity-canada.aspx. Copyright 2014 by The Conference Board of Canada. Reprinted with permission.

PFC counters the productivity gap by comparing respective levels, and successfully leveraging its proximity to the US to perform site visits, pinpoint differences and implement lessons learned. In this way, proximity to the US can be a blessing.

However, proximity can also be a curse when the economics of a multinational organization are factored in. Anne-Marie Renaud notes that, as the strong Canadian dollar combines with local costs and infrastructure deficits, Canadian manufacturers can struggle to compete with their US counterparts, and run the risk of their operations being consolidated south of the border, as announced recently with Heinz and Kellogg, where according to the CBC, closures will result in job losses of 740 (CBC, 2013, November) and 500 respectively (CBC, 2013, December).

One of the ways that PFC strengthens the Canadian business case is by increasing productivity through investments in machinery and equipment (M&E), including digital technologies, such as Enterprise Resource Planning (ERP). This approach is backed by findings of The Conference Board of Canada, who reports a strong correlation between M&E investment and productivity. Figure 5 demonstrates the correlation, as well as the difference in investment and resulting productivity between Canada and the US:

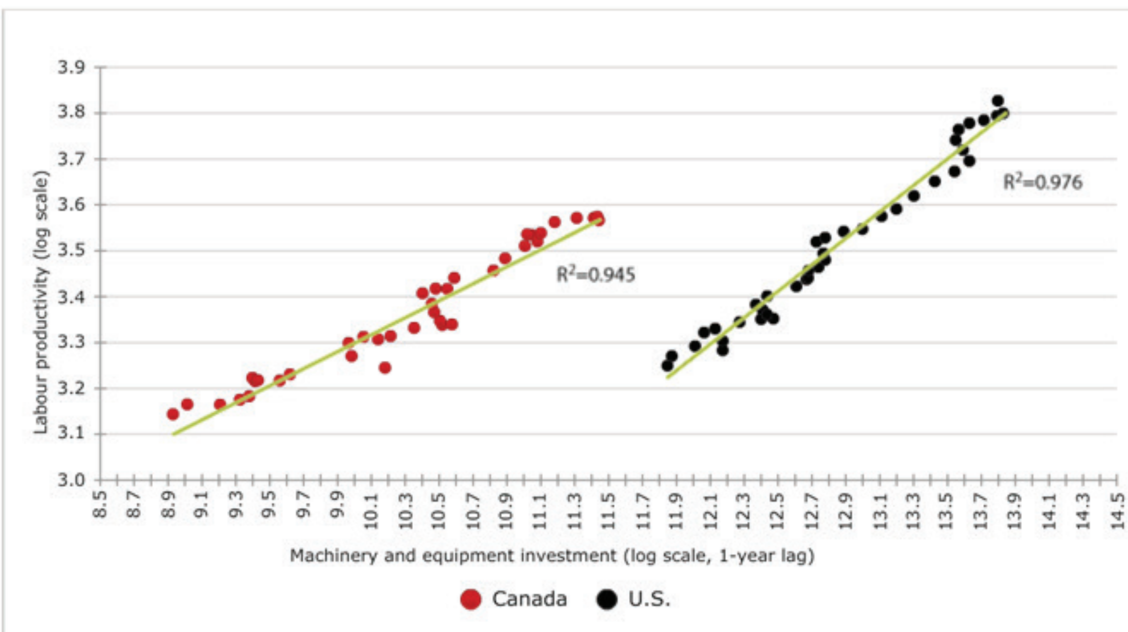

Figure 5. Relationship between M&E Investment and Labour Productivity. Reprinted from *Labour Productivity Growth*, Retrieved January 15, 2014, from http://www.conferenceboard.ca/hcp/details/economy/measuring-productivity-canada.aspx. Copyright 2014 by The Conference Board of Canada. Reprinted with permission.

Anne-Marie Renaud warns that mature market subsidiaries of multinational organizations can face two significant challenges when competing for M&E investment: emerging markets, and legacy infrastructure. Emerging markets, such as Russia, China, India and South America offer high rates of return that attract significant investment, leaving less for developed markets, such as Canada and the US. Investment is available for capital projects in Canada, but only when they meet an IRR (Internal Rate of Return) threshold. This can be a tall order in a mature market that has legacy infrastructure assets requiring significant upgrades, such as addressing ceiling height issues in order to accommodate newer M&E. In these instances, strong business cases for implementing M&E are weakened and can easily fail when the cost of facility upgrades are added in. Through innovation, M&E may at some point become more compatible with legacy facilities. But until then, these facilities will continue to fall behind in productivity and become less relevant.

Government can be an important partner in overcoming these economic challenges, says Anne-Marie Renaud, who points to the recent announcement of a partnership between the Ontario government and Cisco. In a recent CBC report, "*the 10-year agreement could create up to 1,700 new jobs in Ontario, primarily focused on research and development. The province would make a total investment of $190 million over that time (about $111,000 per job) which is contingent on the company meeting certain investment and job targets*" (CBC, 2013, December).

PARTNERING WITH GOVERNMENT

Anne-Marie Renaud acknowledges that direct government investment is not the only way to support Canadian production. Any element of a business case that flows to the bottom line is important to consider, such as Ontario's high water pricing, which Anne-Marie Renaud cites as a good example of public policy that disadvantages Canadian production when compared to US counterparts. Innovations or policies that deliver water at a more competitive price, or innovations that reduce water utilization during production can help level the playing field and strengthen the Canadian business case.

Anne-Marie Renaud stresses the importance of addressing the economic challenges of the Canadian subsidiary, which in the case of PFC, have contributed to a reduction in exports to the US for six consecutive years. While such erosion does not necessarily or immediately translate into facility closures, it does raise the per-unit cost, as fixed costs are distributed over smaller production runs. This further reduces the Canadian subsidiary's ability to compete with its US counterparts.

PFC endeavors to partner with government to overcome obstacles that stand in the way of growth and competitiveness, a practice that is supported by Canada's

Economic Action Plan 2013, which states that "*Canadian businesses are confronted with the many challenges of a competitive market. They need their government to be a partner in achieving success, not an impediment to it*" (Canada 2013, p. 6).

Anne-Marie Renaud cites a compelling example where PepsiCo Canada was able to collaborate with government to expand a facility to three times its original size. It was 1997 and PepsiCo needed to create corn processing capacity in the American northeast for the Doritos and Tostitos brands. PepsiCo Canada made a bid for Quebec City, but the addition of railway services was an essential part of the business case. With the right government partnerships, the obstacles were removed, the railway services were approved, and Quebec City was chosen as the production facility, adding new jobs to the economy. In stark contrast, Anne-Marie Renaud is convinced that, were it not for this partnership, this facility would have ultimately closed.

Government partnerships can also help to implement cost-saving strategies. As Anne-Marie Renaud explains, PFC worked with the Province of Ontario and other industry advocates to implement the Ontario Long Combination Vehicle (LCV) Program, which allows for the use of a combination of two trailers being pulled by a single tractor. LCVs have been in use in Quebec and the Prairies for many years, but lagged in Ontario due to infrastructure and traffic density challenges. As Transportation Minister Jim Bradley was quoted in the Toronto Star, LCVs "*reduce transportation costs, fuel consumption and emissions*" (The Star 2009).

However, the LCV program cannot be "*rolled-out*" at every facility because of public infrastructure limitations, namely smaller intersections - LCVs require a larger turning radius. To implement the LCV program, PFC must work with municipalities to improve smaller intersections. Anne-Marie Renaud cites a specific example of Cambridge, where PFC has a facility that cannot implement LCVs without intersection improvements. Since these improvements would not benefit a wider public, Cambridge would require PFC to fully fund the improvement. PFC is willing to participate in the funding as a local improvement, where the costs would be shared by local land owners through taxes. But, PFC would not be able to fully fund the improvement. Without a successful partnership solution, opportunities to reduce costs and benefit the environment continue to go unrealized.

There may be opportunities for municipalities to engage the federal government in a solution, given the Economic Action Plan 2013 "*to build roads, bridges, subways, commuter rail and other public infrastructure in cooperation with provinces, territories and municipalities. The new plan supports Canada's infrastructure advantage, a key enabler of economic growth and job creation. New investments will focus on projects* *that promote productivity and economic growth such as highways and public transit, and are designed to capitalize on innovative approaches, such as public-private partnerships (P3s)"* (Canada 2013, p. 8).

CREATING A COMMUNITY OF FOOD PRODUCERS

Anne-Marie Renaud states that collaboration with their growers is critical to success.

Potatoes: Most potato growers are located within two hours of their respective production facilities, which are located in Prince Edward Island, Nova Scotia, Quebec, Ontario and Alberta. This proximity not only reduces landed costs, it also fosters very close grower relationships, in some cases over three and four generations. PFC supports their potato growers in maximizing their yield and minimizing their costs by providing a specific variety of potato that is developed in the US and tested with Canadian growers. This variety staves off disease, stores well, and is easy to plant, grow and harvest. In addition, PFC provides training to growers to ensure they are well-equipped to deliver a high-quality product.

Oats: Peterborough is home to the only PFC facility in Canada to process oats, which are sourced from Atlantic Canada to minimize landed costs. All oats grown in Western Canada for PepsiCo are exported to the US operations. The relationship with the oats growers is strong, but less evolved than that of the potato growers. PFC is beginning to apply the potato grower relationship model to the oats grower base.

Sunflower seeds: The Spitz brand is manufactured by PFC in Bow Island, Alberta, using sunflower seeds sourced through strong relationships with Alberta and Manitoba growers. PFC also supplements its demand by importing from the US.

Wheat: PFC uses wheat in SunChips, Twistos and muffins, which are manufactured in Cambridge. However, due to the lower volume, there are currently no grower contracts in place, so wheat is purchased through suppliers.

Rice: PFC also uses brown rice in SunChips, which are manufactured in Cambridge. Rice is imported from suppliers in the US.

Corn: Wrapping up the PFC raw material lineup is corn, which is imported from the US, due to the lack of favorable growing conditions in Canada, which are required to produce the quality of corn needed. The relationship with the growers is very strong, but managed through the US operations. The corn is processed in facilities in Quebec City, Cambridge and Lethbridge.

THE INTEGRATED CUSTOMER

PFC has an equally close relationship with their customers as with their growers. Depending on the product and customer needs, PFC uses one of two delivery methods – DSD (direct-store-delivery) and warehouse delivery.

DSD is the traditional practice of Frito Lay, where product is delivered to the retail stores and put on shelves by PFC employees, allowing for the best product presentation and promotion. This allows PFC to develop strong relationships with the retailers, and better understanding their individual needs and consumers' purchase intentions. This also provides a higher degree of market intelligence that PSC shares with its customers to anticipate demand. Anne-Marie Renaud highlights this as a distinct competitive advantage for PFC.

Warehouse delivery is the traditional practice for Quaker. Merchandising is performed by the retail store managers, who work with PFC sales staff to book in-store promotions. This lower-cost alternative is generally selected for products that are less fragile or perishable.

Regardless of the delivery method, PFC works closely with all retailers to meet their individual needs, especially larger outlets, as Canada undergoes a high degree of retail consolidation. Larger outlets look for products to match their business models, such as customized packaging for Costco's bulk purchase model, or promotional tie-ins for Walmart's "*Hero*" brand. As Anne-Marie Renaud notes, it is imperative to be the partner of choice and "*win with the winners*."

PFC is not limited to serving the Canadian market. PFC also leverages its agility to supplement US demand for SunChips, Cheetos and Tostitos. Additionally, due to specialized equipment that does not exist in US facilities, PFC acts as the sole supplier of Miss Vickie's potato chips for the US consumer.

RECRUITMENT & RETENTION

According to a recent report by the Conference Board of Canada (2013), "*Canada's system of education and skills remains one of the best in the world, but needs to do much better at matching what Canadians learn to evolving labour market needs,*" further advising that "*Within the post-secondary system, we must improve coordination among offerings, thereby creating better pathways to workplaces, jobs and careers. And Canadian employers need to step forward with increased resources for education and retraining of their workers*."

PFC recruitment and retention practices align very well with these recommendations in that "*Talent Sustainability*" is a core element of PepsiCo's global vision of

“*Performance with Purpose.*” Anne-Marie Renaud notes that talent has always been very important at PepsiCo, and is a key element of the company’s success. Talent sustainability is achieved in two ways – working with universities and other organizations to create profiles and pathways for students to become a good fit at PFC and providing growth opportunities and career paths so that employees can build long-term careers with PFC. Additionally, Anne-Marie Renaud has extensive experience working with employees and unions, and has found it works best to be a transparent partner, working to find the “*sweet spot*” in the balance between compensation and competitiveness.

EXECUTIONAL EXCELLENCE

Anne-Marie Renaud cites “*executional excellence*” as a success factor - and a part of the PepsiCo DNA. Executional excellence requires attention to detail in every aspect of the business. To do otherwise runs the risk of getting caught “*sleeping at the wheel*.”

PLANNING FOR SUCCESS

Executional excellence starts with a plan, and for PFC, it is one that is aligned with the PepsiCo global vision, yet reflects the Canadian environment and collaborative forces. PFC performs a strategic planning session every 3-5 years, with annual reviews and adjustments, including input from all areas of the business, including R&D, market and policy trends.

ADDING VALUE TO THE VALUE CHAIN

Anne-Marie Renaud describes PFC value chain as a system of partners that work collaboratively to deliver quality food, keenly aware that their end consumers will “*put their products in their mouths.*” PFC not only focuses on its specific link in the chain, but believes it is important to invest in close relationships with growers and retailers.

To be profitable, Anne-Marie Renaud says that “*you need to understand the key levers that will make your supply chain as efficient as possible.*” To that end, PFC has implemented an integrated supply chain system that provides visibility of demand up to 16 weeks out, and provides ability for ASN (Advanced Shipping Notice), which is currently being rolled out with select customers.

"LIFT & SHIFT" COLLABORATIVE INNOVATION

As noted earlier, PepsiCo hosts an innovation summit to help "*lift and shift*" innovation ideas across the global community, and implements a stage-gate process to facilitate decision-making.

Anne-Marie Renaud believes that Canada's size, in comparison to the US, provides a distinct advantage. For instance, in the US, Frito Lay and Quaker each have their own president. In Canada however, there is only one president, of PepsiCo Foods Canada. This creates a closer structure that can be more nimble and creative, and contributes to "*executional excellence*."

Anne-Marie Renaud describes Canadian consumers as being similar to those in the US, but ahead in terms of purchase intentions toward healthier options. When this is combined with a smaller market to serve and smaller production line to setup, Canada can be a good test bed for new products.

Such was the case for the Twistos brand, a product originally from Argentina. PFC recently took a risk to lead the launch of Twistos in Canada, expanding outside the chip aisle and into the cracker aisle. This endeavor was possible because the Cambridge plant had space and most of the equipment needed for a new line to service all of Canada. Anne-Marie Renaud contrasts this to the US, where lines would have had to be setup in five facilities to service ten times the population. Given the success of Twistos in Canada, it is now being considered for launch in the US.

When approaching global innovations, Anne-Marie Renaud describes the *"Three L's"* approach: Lead, Learn and Lock-step. Sometimes Canada will lead with an innovation; sometimes follow another country and learn from their experience; and sometimes work in lock-step, potentially launching at the same time.

Another important "*lead*" opportunity for Canada was the removal of trans-fats from its portfolio. This was an important innovation for PFC and Canada, as well as a defining moment for PepsiCo, as it led the CPG world (consumer packaged goods) in taking this step. Given the need to switch to a more expensive oil, it was also a risk. But given PFC's investment in market research and understanding of the Canadian consumer's purchase intentions, it was an educated risk, which according to Anne-Marie Renaud, is the typical risk approach: educated.

By taking the lead position on successful innovations, PFC has earned the respect of the global PepsiCo community.

RESPONDING TO TRENDS

PFC conducts a great deal of research to understand market trends and purchase intentions. Anne-Marie Renaud cites the removal of trans-fats and reduction in sodium content as examples of PFC responding to the increasingly health-conscious Canadian consumer. Where DSD is implemented, more data is available for analysis because PFC employees directly manage the in-store merchandising. In fact, Anne-Marie Renaud points to DSD as a differentiator and competitive advantage, as PFC is able to learn more about their category than anyone else, including their retailers.

Public policy is another trend area that PFC proactively follows, predicts and influences, by working with government agencies to understand new and existing regulations, providing feedback on their impacts, and lobbying for change when necessary. Such was the case with trans-fats and LCVs noted earlier.

GLOSSARY OF SUCCESS FACTORS

An interview with Anne-Marie Renaud, VP of Operations for PFC, provides a first-hand account of how a market leader has successfully transformed itself over and over again. Following is a summary of some of the factors contributing to that success:

COLLABORATION &PARTNERSHIPS

LEVERAGING THE MULTINATIONAL ORGANIZATION: PFC leverages the global brand strength and significant resource pool of a collaborative organization that serves over 200 countries and territories to achieve "*executional excellence*"

PARTNERING WITH GOVERNMENT: PFC has a history of partnering with the various levels of government to unleash projects that create sustainability and execute cost-saving strategies.

CREATING A COMMUNITY OF FOOD PRODUCERS: PFC has built strong relationships with its growers, working with them to maximize their yield and quality.

THE INTEGRATED CUSTOMER: PFC strives to be the partner of choice for their customers, working closely with them to understand and adapt to their specific needs.

RECRUITMENT & RETENTION: PFC works with universities to help them understand the ideal candidate profile, and works with employees to help them grow at PFC.

EXECUTIONAL EXCELLENCE

PLANNING FOR SUCCESS: PFC creates a new strategic plan every 3-5 years, and updates it annually, incorporating information from all aspects of the business, including R&D, marketing and policy.

ADDING VALUE TO THE VALUE CHAIN: PFC strives to add value throughout the value chain, working with growers to maximize their yields, and working with customers to meet their individual needs.

"LIFT & SHIFT" COLLABORATIVE INNOVATION: PFC leverages its nimble operations and market intelligence to implement its own innovations, while tapping into a global innovation process that "*lifts & shifts*" innovation ideas throughout the global PepsiCo community.

RESPONDING TO TRENDS: Delivering products that are consistent with market demand and public policy requires executional excellence. PFC invests significantly in understanding and responding to market and policy trends.

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