

PepsiCo cuts jobs amid uncertain demand outlook

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PepsiCo, the US soft drinks and Food Company, yesterday announced a \$1.2bn cost cutting drive with the loss of 3,300 jobs, amid growing uncertainties over the outlook for global consumer demand.

The job cuts represent just 1.7 per cent of the group's global workforce, but reflect a symbolically significant retrenchment by one of America's best-run companies in response to the gathering macroeconomic gloom.

The company also declined to give earnings guidance for its coming 2009 financial year, underlining the impact of the current turmoil in global markets on business planning.

Indra Nooyi, chief executive, said PepsiCo was "facing challenges that are really out of our control, and that affect others as well".

"We have to stop and ask ourselves the question, is it prudent to do something radical to deliver [earnings forecast] numbers?"

"And the answer is no. Because we are running the company for the long term. "You never run a company where you burn the furniture for the short term," Ms Nooyi said.

PepsiCo yesterday announced third quarter earnings that fell short of Wall Street expectations, due mainly to the impact on its international revenues of the sudden strengthening of the US dollar, and weak soft-drink sales in its US market.

Richard Goodman, chief financial officer, noted that the decline in US demand for soft drinks was "unprecedented", and pointed to falling sales at fast-food restaurants as consumers ate out less, to declining sales in convenience stores and to a steep decline in sales of bottled water.

Case sales of Pepsi-Cola carbonated soft drinks declined 3 per cent in the Americas, while non-carbonated volumes were down 5 per cent, reflecting double-digit falls in sales of bottled drinking water and the company's Propel energy drink.

But Mr Goodman said PepsiCo had seen no significant slowdown in international consumer demand for its drinks and snacks.

"When I look around the world... both in snacks and beverages, the trends are really consistent with what we've seen year to date," he said, citing in particular "very, very healthy growth" in Asia and the Middle East.

In North America, Pepsi-Co's Frito-Lay snacks saw continued solid growth, which Ms Nooyi said reflected both the comparative saturation of the drinks market, and the more discretionary nature of drinks.

"There's a free substitute called tap water . . . and that's why you are seeing the beverage category more impacted than the snacks category," she said.

The company said third-quarter revenue grew 11 per cent to \$11.2bn, while earnings fell to \$1.58bn or 99 cents per share, including 7 cents of mark-to-market losses on its commodity positions.

PepsiCo's shares fell in New York, dragging down rival Coca-Cola.

Fonte: Financial Times, London, October 15 2008, Companies & Markets, p. 22.