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MANAGEMENT DISCUSSION SECTION

Dara W. Mohsenian
Analyst, Morgan Stanley & Co. LLC

All right. Good afternoon, everyone. Before we get started, I have to read disclosures. Please note there are important disclosures including my personal holdings and Morgan Stanley disclosures which all appear as a handout available in the registration area, as well as on the Morgan Stanley public website.

Some of the statements we will make may be considered forward-looking. These statements involve a number of risks and uncertainties that could cause the actual results to differ materially. Any forward-looking statements made are based on the assumptions as of today and Coca-Cola undertakes no obligation to update them. Please refer to Coke's Form 10-K for a discussion of the risk factors that may affect actual results.

So with that, good afternoon. I'm Dara Mohsenian, Morgan Stanley's beverage household products and food analyst. I'm pleased to welcome David Godsman, Coca-Cola's Chief Digital Officer today and look forward to hearing about the company's strategy in e-commerce and digital advertising, as well as their plans for the future.

QUESTION AND ANSWER SECTION

Dara W. Mohsenian
Analyst, Morgan Stanley & Co. LLC

Q

So to start with David, you're the first Chief Digital Officer for Coca-Cola.

David Godsman
Chief Digital Officer, The Coca-Cola Co.



Yeah.

Dara W. Mohsenian
Analyst, Morgan Stanley & Co. LLC

Q

Can you tell us a little bit about your background, what your main responsibilities are? Said another way, what does this role mean at a company like Coke?

David Godsman
Chief Digital Officer, The Coca-Cola Co.

A

Yeah, hi. I ask myself that occasionally. So, I joined Coca-Cola two years ago. My background is a combination of agency, start-up in large corporate, and in large corporate I've been in financial services three times in my career. I've also spent close to 13 years in the hospitality industry at Starwood Hotels, now a part of Marriott.

So, the role I think to your, the second part of your question, the role is really a transversal role. So my job is to help take a 132-year old company that has traditionally been brick-and-mortar-oriented and reposition that for the digital future. And to think about how you take data and technology and apply that to all facets of the business in order to drive out efficiency and effectiveness whatever that objective may be.

Dara W. Mohsenian
Analyst, Morgan Stanley & Co. LLC

Q

Okay. And to start, James has been clear on digitizing the enterprise being one of the key priorities of focus. Can you break down exactly what that means from a strategic standpoint and what are you focused on against that priority?

David Godsman
Chief Digital Officer, The Coca-Cola Co.

A

Yeah. So I refer to it as pillar four of the five pillars that James shares openly with everyone. So we think about digitizing enterprise in three specific areas, three specific lenses, if you will. The first areas is around consumer and how we digitized within for our consumers and that really means how do we create more relevant and more personalized experiences wherever we tend to interact with that consumer, whether that's in a digital environment or even in a physical environment whether using a digital device.

The second main area is digitizing with our customers. So, we have 27 million customer outlets that we have a relationship with around the world, and we're always looking for ways to create more powerful tools and capabilities to help grow their business but ultimately helps to grow our business.

And really the third area is around the company, digitizing the company. We refer to it as Enterprise, I guess on the slide, but that's really about how do we drive out productivity and efficiency within the company, how do we use data and technology to make ourselves more efficient and at the tasks that we do on a day-to-day basis, and or how do we redeploy resources to another growing area of the company where we can use automation as a mechanism to complete those similar tasks if you will.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Q

Okay. And focusing on the consumer piece of that, what's your ad strategy in this new digital era we're in? What are the key must wins in digital advertising as you see them and how do you generate ROI from the digital area and how do you measure it?

David Godsman

Chief Digital Officer, The Coca-Cola Co.

A

Yeah. So I'd say our strategy at a high level is pretty straightforward. We want to get to know our consumers. We want to get to know their preferences, their behaviors, how they choose to interact with us. We ultimately then want to translate that into relevancy, whether that's messaging or content that's being served, and ultimately surround their everyday drinking moments, if you will, the eight times a day that, well, fifteen drinking moments but eight particular beverages a day, really surround that with the right engagement opportunity with our consumers.

So you know, I think that is easily said, not easily done. And the reason I say that is the opportunity to intersect consumers, a, to gather data with purpose and create value for them is an important thing that all companies have to do. But ultimately be able to translate that in real time to effective marketing is kind of the art and science behind it. And that's where we're spending the vast majority of our time and continuing to grow.

I would say the must-wins are really transitioning or translating our historical marketing strategies to the digital world. And what I mean by that is, we've long been a large player and still remain a large player in television. Television is 60-second or 30-second spot is something I would argue that we have mastered very, very well globally. How that translates to a 2-second moment for a teenager in Instagram is a very, very different animal.

And so that is, that ability to bring across video effectively, which has long been one of our core marketing elements, and to be able to translate now that into a new form that is engaging and effective in a matter of seconds versus a longer duration, is an absolute must win for us.

I would say that secondly, just in how that translates into the commerce world, we have to master, and we are incredibly focused on how we present ourselves, how we show up in a commerce environment. And we'll probably talk about that a little bit later but how the quality of our products and the way that we present our content, not just the nutritional facts of the bottle, but the brand and what the brand stands for and the messaging there is also something that we have to make sure translates as effectively as possible to digital.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Q

Okay. And what's the ROI like from a marketing standpoint in digital compared to the traditional business? Has it shifted over time? Do you anticipate it shifting going forward? And also, what percent of mix are you at today and where does that sort of move over time as you look out longer-term?

David Godsman

Chief Digital Officer, The Coca-Cola Co.

A

Let's, I'll take the second first, then come back because it'll probably be, make more sense. So on average we, in our major markets, we're spending about 21% to 22% in digital today. We see that probably working its way up to 25% by the end of this year. And that's just natural shift coming across to [ph] be new (6:46) forms of video, things of that nature.

Now, the variance there is pretty great. Our highest market is probably in the 40%s, low 40%s in terms of percent of spend. And our lowest markets are at virtually zero, right, where you just don't have a digital opportunity to spend significantly media and there are still parts of the world that are that way.

From an ROI perspective, the closer we get to a transaction, the higher the ROI we're able to extrapolate, right? So if you think broad reach and frequency like a television campaign and how you translate that across to digital, those are pretty equal but where we can tie it then ultimately to a transaction or an engagement moment that we know then leads to a transaction, we start to see a higher ROI relative to the spend and obviously, we try to maximize those opportunities.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Q

Okay. And how do you think your digital strategy differs from your competition as well as just the CPG space in general in terms of Coca-Cola specific strategy?

David Godsman

Chief Digital Officer, The Coca-Cola Co.

A

Yeah, again, we're executing what I think is a very straightforward strategy and I think where we'll differ is in the execution of the strategy, not the strategy itself. Getting to know your consumers better, getting to understand their preferences and behaviors and then tailoring messages to them, I think many people are frankly doing across the vertical. We're very focused on the targeting element of it. So, we're going after audiences. We're not going after broad demographic swaths anymore. We're looking for individuals in a ZIP code with a sports affiliation, and we're marketing to that audience, independent of what we might do for the next ZIP code over, if you will.

And so, we're operating multiple strategies at the same time. We're altering, operating multiple campaign types and executions of creative, within creative, within those campaigns simultaneously and I don't think a lot of people are yet tackling that from a strategy perspective.

And then ultimately, I think a big shift for us is we're moving our marketing to have a [ph] packed (8:44) transaction, right? So, in the digital world at any given point in time, you should be able to buy something if you want to. And so, opening that door and then allowing people if they're interested in purchasing a 12-pack of soda or a 6-pack of Coca-Cola, enabling that to happen with one of our customer partners is a shift as well. And you're seeing us really lean into that earlier than I think others.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Q

Okay. How do you deal with the shift to e-commerce in terms of impulse purchases versus at brick-and-mortar? Is that sort of a limiting factor for your business when it comes to e-commerce and how do you deal with that?

David Godsman

Chief Digital Officer, The Coca-Cola Co.

A

Well, I think first, in fairness [ph] to (9:24) everyone is trying to crack the impulse purchase in the category online, it's a different dynamic than having an urge to walk over to a cooler and to grab a beverage a few feet away. We have found great success in a couple of areas. One, we have found success in bundling multiple product types together as a purchase opportunity. And what I mean by that is we're finding scenarios where there's the impulse purchase, but there's also the practicality of serving your household. So you might think of a purchase of Coca-Cola being alongside a DASANI water and then ultimately a juice, whether that's Simply or something else. And so putting those together actually starts to, using the combination is driving impulse.

I shared a notion earlier with someone that I also think the definition of impulse purchasing in digital is changing. The ability to have a beverage delivered to you in a matter of minutes is becoming a reality in many parts of the world. And so where you used to walk necessarily or you used to walk into a customer outlet, that customer actually may bring it to you now. And so there's some changing dynamics there that we're keeping our eye on and studying because, ultimately, it's incredibly important to us and to the franchise to ensure that that behavior continues.

We've also had some success in things that we have done within messaging platforms as an example. So in Brazil, we were trying to move a new brand of Fanta [ph] Guarana (10:51). And we were targeting people through Facebook Messenger and offering them a free trial or free, or a discount promotional opportunity. And because we were using a native platform that they were familiar with and because we could understand where they were, we could provide them with the location being 50 feet or 100 kilometers maybe – 100 feet away from their location. And we saw exponential lift in the activation and the redemption rate, 2 and 3 times, what we saw in traditional forms. And so, using again digital as a means of driving into the physical also to reinforce impulse, there's significant opportunity there.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Q

Okay. And today, what percent of your business is e-commerce at Coke? What is it for the industry? Where do you see it evolving to as you look out over the next few years eventually? And can you talk about margin differential also?

David Godsman

Chief Digital Officer, The Coca-Cola Co.

A

Yeah. So I would say we don't just think about e-commerce. We think about digital commerce. And we think about purchases. And it's really for the consumer to decide how these purchases come to be. But we think about the notion of a transaction that happens through any digital medium as being kind of a digital commerce transaction. That can be you going to a website and purchasing something on a large e-tail or pure play platform. That could be an advance purchase and walking into an outlet and to recover that purchase, or to pull up to the curb and have it delivered to you. And that can also be a scenario where it's actually being brought to you. So we broadened the definition a little bit of e-commerce.

To answer your question, we're in the single digits. And I think the industry is generally in the single digits. That varies greatly by market as we all know. So there's no one kind of set percentage that we can give to markets. We do have some markets where it's a little bit higher. But over the next three to five years I think our perspective is it will get into the double digits in the major markets where it's slow growing. But it is starting to hit that point of the exponential curve or subtle exponential curve, and it will continue to increase.

And we want to make sure that we are incredibly well-positioned as that transition happens. And again that goes back to our intense focus on ensuring that our digital shelves are the equivalent of our physical shelves, that we show up when people are searching, and that we're in the consideration set, and that we can share the whole breadth of the portfolio. And then ultimately we're able to serve whatever the scenario is the consumer wants because they're really the ones who are choosing how they purchase and how they access the beverage, making sure we show up in all of those different scenarios in the most efficient and effective way.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Q

Okay. And how do you cope as a company with very large established brands with digital direct brands or sort of the infinite shelf of a retailer online versus the physical store?

David Godsman

Chief Digital Officer, The Coca-Cola Co.

A

Yeah. I mean we spend a lot of time studying digital direct brands. And the barriers to entry, if you will for small micro brands have significantly been reduced. I was reading an article earlier today that suggests that you can turn on an e-commerce platform for any product that you want as an individual through a Shopify or someone like that for \$29 a month, right? So the ability to actually stand up a commerce platform, to create a product, do some real time manufacturing in limited runs, and to be able to sell your product either on your own platform or through third-parties has become part of the growth engine in CPG for sure. And you can see that in where the growth trends are coming from.

So we spend a lot of time, we spend a lot of time looking at that. We have leveraged many of those tactics frankly with some of our smaller brands, what we call our explorer brands and have leveraged some of those platforms in very similar ways. And ultimately over time, we think that that's a winning formula for the right brand in the right category at appropriate scale.

The infinite shelf again, and I don't want to harp on this point, but it's incredibly important. And the shelf is not as simple as putting an image and a description of your product on it. Because behind the shelves is an algorithm that is processing all of the data that you provided and then establishing search rankings, right? And so as the consumer comes through and chooses to search sparkling beverages or whatever it may be, your opportunity to influence that, not just to buy your way in but to organically present yourself similar to the way that Google started its business, you now see these large platform players doing the same thing, is incredibly important and we think that's an area where we've got competitive advantage and we're going to continue to invest in it.

So there is the practical side of a digital shelf which is quality and the right content. But then there's kind of the art and science a little bit, if you will, in terms of how do you influence an algorithm and ultimately, how do you try to take a greater consideration set there, and then how that translates to the infinite shelf which is true, you could, we can literally put every product we have on many of these platforms. The ability to get it there, the ability to get it there efficiently without having to hire hundreds and hundreds of people is about technology, and technology enablement. And so, we're investing heavily there as well and have been for a number of years. But it's something we keep an eye on, and we're smart enough to know that we can learn certain things from others where you're seen great growth rates.

I think the limiting factor as you probably rightly know in the micro brand space is how far they can grow. The hit rate is not always as high as it is, as everyone would expect. But more importantly, at some point, you need significant investment of marketing dollars to push it to that next level and not everyone is able to do that all the

time. And so, I think that's where you see some fall out. So, we're not overly worried about the fragmentation being caused there as of yet, because we still have a strategy that we're executing from an advertising perspective we think works and we know works. But ultimately, we'll see over time how that evolves.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Q

Okay. And then shifting from the consumer aspect to the customer aspect, obviously, huge changes going on with brick-and-mortar retailers in response to e-comm risk, how do you sort of help the traditional brick-and-mortar customer adapt in this new digital era and how do you adapt your strategy also to some of the pure play e-tailers like an Amazon or whoever it might be?

David Godsman

Chief Digital Officer, The Coca-Cola Co.

A

So, we work incredibly closely with our customers. I would say a couple of things. One, we're hiring a different talent profile. So, we're putting very digitally oriented, visually savvy individuals on those accounts or adding them to those accounts, so that we can help to ensure that those customers are, that we're supporting them in the growth of their business obviously, but that they're taking advantage of as much talent and as much knowledge around digital and effective digital tactics and strategies as possible.

Two, we spend a lot of time sharing with them what we know to be brilliant basics. So we can look across a large number of customers and understand what works and what doesn't work regardless of the actual customer type. And so, we spend a lot of time sharing that information, helping them think about that and execute into it.

Third we are providing a variety of insights that we can see across a system at large in aggregated form and helping them understand growth opportunities within their local market. And so that has been highly effective.

On the pure-play side, I mean we work with those partners as well. We work with all large scale e-tailers, we work with large pure-plays, all the food aggregators, if you will. And so, there's a variety of models there. Again, we look at those partnership opportunities as holistically as possible. We don't want them to just purely be a transactional relationship because that's similar to the way that we would buy media in the traditional sense. We want to try to find deeper, more lasting, more fortified partnership opportunities with them where we can create a competitive position.

And so, it's a learning experience. In many cases, we establish joint development plans with these partners, many cases we've co-invested in trials and pilots. So we invest a lot of time and also learning in with them on how we can grow our business within their arena but also how we can support the growth of their business.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Q

Okay. And as you think about pricing power, is there a difference in your level of power from a traditional brick-and-mortar retailer versus an e-tailer and what's the margin differential also between the two businesses, and does that change at all over time in your mind?

David Godsman

Chief Digital Officer, The Coca-Cola Co.

A

I won't, so, it holds pretty well today. And the reason is that the same consumer who shops offline in a physical location is also a consumer who shops online therefore we hold our pricing obviously or work to manage the pricing power and/or our franchise partners do.

I think, over time, to be determined. A lot of the platforms are obviously introducing new services and new capabilities. Some of them are aspiring to be media companies now. I don't know that that necessarily changes the margin. It may change a shift in spend and the spend allocation, but we believe as long as we approach it holistically, as long as we approach the partnership structures as kind of a total partnership structure where there's the right puts and takes from a mutual benefit perspective, it's holding.

Dara W. Mohsenian
Analyst, Morgan Stanley & Co. LLC

Q

Okay. And in some countries like China, you've tried some direct-to-consumer models in a small way.

David Godsman
Chief Digital Officer, The Coca-Cola Co.

A

Yeah.

Dara W. Mohsenian
Analyst, Morgan Stanley & Co. LLC

Q

Can you talk about the potential for that in the U.S., if it's something that makes sense or could be a large business for you over time or other countries around the world?

David Godsman
Chief Digital Officer, The Coca-Cola Co.

A

Yeah. I mean, China, there's a lot of innovation happening in China and experimentation and so that's a great example. I think a bigger more scaled one right now, frankly, is in Mexico. We service two million households with a direct-to-consumer business that can bring you large scale bottled water, all the portfolio of beverages we make available. It even brings dairy and other forms today. So I think you're seeing good scale potential in markets like Mexico.

In the U.S., candidly, we have, the closest we have right now is Share a Coke and that is where you personalize the beverage and it's not something we scaled significantly. I think our perspective is the consumers, in partnership with our customers, are going to drive these models. So if consumers are demanding large-scale deliveries of products to their homes, whether that's the company or the enterprise or through partnerships, we'll have to help figure out a way to solve for that, right? Because that's really where the bar is being set, not by what we choose to deem to be the most valuable but what consumers are demanding and expecting.

Dara W. Mohsenian
Analyst, Morgan Stanley & Co. LLC

Q

Sure, okay. At the bottler level, do you think this digital transformation, does it create a smaller role for the bottlers over time? How do you sort of view the relationship with the bottlers as a result of this?

David Godsman
Chief Digital Officer, The Coca-Cola Co.

A

Yeah. I think transformation is driving changes in roles for everybody, is the way I would start. It is clearly going to change the dynamics of the ecosystem in which we operate and our bottlers operate. And so there will be adjustments to that.

Our bottlers, in fairness, probably look further and wider than they have historically in the way the service models and some of the capabilities that they're enabling on behalf of their customers. We still, we fundamentally believe there is an established distribution system that is highly scaled, and that the relationships with the customers can create some opportunities for us going forward.

The ability to kind of manage and localize inventory and even make that delivery out of a potential small traditional trade outlet or something is a huge opportunity for us given the relationships we've developed and the system that we have to enable that.

So I, we fundamentally believe that there's still a significant amount of opportunity to be had there but certainly can't assume that the model doesn't change and that the rules don't need to morph as the consumer expectations change. And so we stay very close with that with our franchise partners in looking at it.

Dara W. Mohsenian
Analyst, Morgan Stanley & Co. LLC

Q

Okay. And how is the relationship managed with the bottlers with e-commerce sales versus traditional brick-and-mortar? Are there sort of differences in the way you approach that relationship?

David Godsman
Chief Digital Officer, The Coca-Cola Co.

A

Not necessarily. We've not as of yet, again, the sales and distribution model, it's, there is a customer ultimately at the end of the it and so how we support those customers is consistent with the way we've operated our business. We'll see if those expectations change over time, and we'll adjust accordingly. But as far as the way we account for the sales, it's done through the kind of the traditional franchise model and how that's enabled; remember, our bottlers have relationships as well with many of these third parties. And so for them, it's still, a customer is a customer.

Dara W. Mohsenian
Analyst, Morgan Stanley & Co. LLC

Q

Okay. In general, the CPG world, there's obviously been a lot of brand demand fragmentation over the last few years. Do you think e-commerce has been a big driver of that? Is it other societal factors driving it? How do you think about e-commerce sort of fitting in within that framework?

David Godsman
Chief Digital Officer, The Coca-Cola Co.

A

I think e-commerce has enabled the proliferation of smaller brands, again to the earlier comment about barriers of entry coming down and people being able to enable that, I mean as an individual you could start a brand of your choice tomorrow, have product on a shelf probably by the end of the week. And if you chose to be able to tap into the scale of the distribution and the interaction with the consumers on one of these large-scale platforms or even some of the smaller regional ones, you have the ability to do that.

So, I think what you have seen is a growth in the realization of that as an opportunity for the entrepreneurial world. But over time, again, those will scale – many of those will only scale so far. And so, I don't, our perspective is

some of that fragmentation isn't really seen even by the consumer. It depends if they're looking for a very specific type of product.

And so, again, that may change as time moves forward. But I think what e-commerce has done for any smaller brand is truly enable it to start to reach further into and to take advantage of logistics and distribution capabilities as an individual brand or an individual company would have been challenged to do.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Q

Okay. And Coke has an unparalleled DSD network, how does e-commerce change your thought process if at all around your DSD network and fit in with that?

David Godsman

Chief Digital Officer, The Coca-Cola Co.

A

Yeah. We don't think, we see DSD living in harmony or in partnership or in parallel I guess is probably the best way to describe it with some of these other models. There's still a, certainly a need in terms of servicing certain markets with that capability. So we think it's kind of an and, not an or, at this point, if that makes sense.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Q

Okay. And then sort of tying everything together in this digitizing enterprise. A lot of these strategies and initiatives you talked about will clearly generate a massive amount of data over time, something we're focused on at Morgan Stanley ourselves. So...

David Godsman

Chief Digital Officer, The Coca-Cola Co.

A

Everybody is...

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Q

...how do you sort of turn that data into insights and then into actions in order to drive a sustained competitive advantage in the marketplace, so sort of putting the data to action for a benefit in the marketplace?

David Godsman

Chief Digital Officer, The Coca-Cola Co.

A

Yeah. I mean, we're trying to be as deliberate as we possibly can be in this space. So, from our perspective, there are 50, maybe 75 variables of data that are material for our ability to drive interactions with consumers, make them more relevant and personalized and ultimately drive growth. That may surprise some people in the audience. You hear many people talking about 1,500 and 2,000 variables of data and I think that's where you start to create a fairly unwieldy asset that is never really fully utilized. So we're being very deliberate. We're actually on the more specific end of the spectrum in terms of the type of data we're gathering, that's who, what, when, where, type of data around individuals.

And ultimately, that helps us understand the why they choose to purchase. We have one of the benefits that not all companies have in that we interact with consumers on a daily basis, and that's something that's actually,

frankly, very attractive to us with some of the large pure-plays and other platform players is that we do have a product that people are consuming on a daily basis.

So opportunity to intersect and engage the consumer and create value exchanges where they'll share specific pieces of data with us in order for them to receive something of greater value in return, we have a lot of those opportunities at our disposal.

What we're thinking, the way that we execute from a data perspective without getting into real specifics at a high level, we're using that data to better the experiences, the type of content we serve, the types of promotions and recommendations you receive, obviously, that data plays into that. We're using that data to improve our content, the execution of our advertising, our marketing, the way that we message that data is very helpful in shaping that, in the types of content that we're using. We start to learn patterns and behaviors where we interact with consumers, and we can optimize obviously the creative for that.

We look at it from a media efficiency perspective. A lot of this data that we have that's available to us, we no longer need to procure. And so that's a benefit for us, and we also can buy more effectively. As I mentioned, this idea of audience, it's a slightly different scale from just buying complete broad reach. And so we're [ph] able to be targeted (29:04) more efficient with the marketing dollars.

Acquisition and retention certainly plays in. And the way we look at the data frankly and use the data to start to adapt or evolve our products based off of what we can see consumer preferences shifting towards. So, when we think about kind of a data model, the reason we are interested and the reason that we gather data is to build intelligence and capability. We deploy that intelligence and capability into a model that evolves our products, so that our products ultimately match the consumer by design, and then we use that to go, not only to reinforce the relationship we have with consumers, but then to acquire new customers, or consumers I should say. And then that model just starts to grow exponentially. That's the way we think about kind of the flywheel of data, if you will, in the company.

Dara W. Mohsenian
Analyst, Morgan Stanley & Co. LLC

Q

Okay. And maybe you could give us a bit of background on your team and how it's structured, how it's sort of embedded within the Coca-Cola organization operationally, and how you guys execute.

David Godsman
Chief Digital Officer, The Coca-Cola Co.

A

Yeah. So as mentioned at the beginning, I have a transversal role, right. So on any given day we can be having a conversation around marketing or commerce, or it could be supply chain, product development, it can even be building digitally direct brands. And so it evolve, it kind of moves and shifts across the organization.

I have a team that's centrally housed within the corporate environment in Atlanta. That team has an extension that fits within each of our business units. We have 17 business units around the world. So for the first time every one of our business units and our business unit presidents who run those groups have a digital lead sitting on their leadership team. And so that has really helped to bring the digital conversation forward as we drive out the strategy and seek to execute it.

And then within those teams we're developing an extended resource pool of digitally oriented talent. What's really important for us is that we're picking the right types of talent for the markets and what the market needs. So you have markets that are highly competitive and mature from a marketing perspective and we need the best possible

digital marketing-oriented talent and data profiles in those types of markets. We have markets where you're seeing significant growth from a commerce perspective.

And so we're bringing individuals out from, in from the outside who come from some of the names and probably some of the companies that are being featured in many of the conversations today. So we're tailoring the mix of the talent and then we're connecting all of that talent using a platform that allows us to share experimentation at scale. And so in every one of our business units on any given day, we are experimenting with a variety of different elements within the digital world. We house that in a central repository and within a central platform, and we enable anybody in the organization and within the bottling network to tap in and access that data and to be able to understand what experimentation is happening around the world.

So hypothetically, if you wanted to know every augmented reality experience that's being created in marketing around the world, you have a central location where you can go to see that. You can see the results, the spend, the time to market. You can see the key learnings, whether positive or negative. And then you ultimately can reach out to the person who ran it and understand exactly what the dynamics were in the vendors.

And so, we're seeing through this kind of combination of talent and structure, which is fairly light touch and the use of platform capability, we're seeing a rapid acceleration in our learning curve overall across market. And then, we're really able to do a lift and shift. So when we know something works and we know it works well, we're able to take that and redeploy really, really quickly in other markets. So, you're starting to see a high degree of efficiency out of that. You're taking a lot of redundant spend out of the system. And again, we're leveraging the best that we can from a talent perspective, not just housing it at a central level or at a corporate level but putting it into the business units where operations happen every day.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Q

Okay. And you as think about the cost of growth over time, does it decrease over time? Does it rise over time in terms of investments behind all these areas that we talked about?

David Godsman

Chief Digital Officer, The Coca-Cola Co.

A

I think you're seeing a redeploying of investment dollars, right? So, historically, where we had deployed it in one capability we're now starting to reshift that into another one. As an example, within the resource and talent pool, we operate at a very significant social network, social media capability as a company. Many of those individuals are still able to do that but are now translating or transitioning across into data type of roles and other things within the markets. And so, I think you're seeing an evolution of a resource pool over time. I don't know that it significantly increases the amount of investment needed, but we are seeing where we can redeploy from other areas of the company into the space where we need to make the investments as those decisions are being made.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Okay. Well, we thank you very much for being here. We're out of time. And a fascinating [indiscernible] (34:04).

David Godsman

Chief Digital Officer, The Coca-Cola Co.

Appreciate the opportunity. Yeah.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Thanks again.

David Godsman

Chief Digital Officer, The Coca-Cola Co.

Cool.

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