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The Coca-Cola Co. (KO)

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CORPORATE PARTICIPANTS

James Quincey
President & Chief Operating Officer, The Coca-Cola Co.

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Okay, all right. Next up we are happy to be joined by James Quincey, President and Chief Operating Officer of the Coca-Cola Company. James recently celebrated his one-year anniversary in this role. The last 12 to 24 months have been busy for Coke, as the company has taken dramatic action to position its business for future growth. During this time Coke has refocused on its core business model through an accelerated bottler refranchising plan, reinvested productivity savings in incremental marketing, shifted to a more balanced revenue algorithm and implemented a geographic market segmentation strategy.

Of course, all of this has been against the backdrop of a challenging global macro environment, particularly in the emerging markets. We look forward to hearing James's perspective on these big changes at Coke, and what they could mean for the future. James, thanks so much for joining us again this year.

James Quincey

President & Chief Operating Officer, The Coca-Cola Co.

Thank you. Good afternoon, everyone. Of course, I'll start with the traditional forward-looking statement page and for a change I won't make any jokes about it.

Okay, this afternoon I'd like to do three things, so I'll talk about three things. One, just a quick recap on how we see the company has positioned to build from its core strengths and how those strengths are leading into the five priorities that we set out for ourselves a couple of years ago, and just reconnect everyone with where we're coming from.

The other two chapters, the accelerating our actions and evolving our strategies. That's essentially around the idea of what have we taken out and what we've learned to-date on the implementation of those five priorities, things that we know we can do faster and things were based on the macros, based on what we're learning with consumers, we see the need to evolve our strategies. I'll walk you through those three chapters.

Firstly, building from our strengths. Hopefully, this page will not be new news to anyone in the room. We, The Coca-Cola Company, through ourselves and our bottling partners, I believe we have an unparalleled set of assets from which to build. We have a dynamic brand portfolio, we have $20 billion brands, billion dollars of retail sales. We're number one not just in sparkling, but actually in stills and therefore number one in nonalcoholic ready-to-drink beverages.

And that we've achieved through a portfolio that now have some 500-plus brands. That we deliver into the marketplace with what we think is marketing – great marketing focused around not just the quality, the right quantity and the right strategic focus for that marketing, which then, when combined with what our bottling partners do in terms of superior execution, exemplified if you like just by the very simple idea that the Coca-Cola system globally visits some 24 million customer outlets on a frequent basis. We have placed in those outlets 16 million pieces of cold drink equipment, and we do that through our 250-plus bottling partners. So really a great combination of brands, marketing, and the execution as a system.

As we've told before, as we just mentioned, this is a bit of a transformation in progress at the moment. We went through a phase of buying into a number of bottling operations, of investing to grow operations in a number of countries, but we're now retransforming the company, a company that's transforming in essence focusing on its core value generators, building those strong brands I just talked about, using them to drive values with customers in a way that builds value for all of us through the supply chain, and from the company point of view, leading an unparalleled franchise system. That means partnering with bottlers, strong bottlers who have a passion and a belief in a collaborative franchise model, who have a vision for long-term value creation, and who have a passion for people and execution. We believe that what's happening now in this transformation is refocusing each component on the system, on what it does best and how we best create value together.

What have we been doing over the last couple of years? At the end of 2014, we laid out five priorities in the face of some changes in the marketplace. We said we were going to focus on the core business, which generated a lot of the refranchising I'll just touch on. We said we simplify and streamline as a consequence a number of the parts of the company operations whilst also driving efficiency with the productivity program and the accelerated productivity program.

The other parts were actually making more of a philosophical but very important transition to be more focused on revenue, and to be more focused on revenue by segmenting the different markets and seeing how we could extract yet still build the best consumer franchise going forward.

And then finally was the investment in brands and growth and some of the new campaigns that have come out. And in simple terms, it's the top three that we stood back a year ago and said these we've learned enough, we can accelerate them, we can bring them forward, and we'll talk about how we're making progress on that front. And the other two, we made a lot of progress, but what was happening in the marketplace is whether they would be the macros or the consumers call for some evolution, and that's what we've been doing recently.

So with that, let me go into the second chapter and talk a little bit about where we're accelerating our actions and the progress we've been making. Refranchising, actually the first thing to note, as I haven't put the word refranchising on the top of the page. The one shift that I want to point out is refranchising is not an end in itself. The end is a stronger system. It's about a better aligned system. It's about capturing synergies. It's about improving customer and consumer attention.

So what we're doing across the system is not just the mere act, not that it's mere at all because it's very complicated. But the actual act of refranchising is not the end result. There's more going on in the system to make the system stronger and more capable of growing in the marketplace.

Yes, there is a refranchising. In North America, we are still on track to meet our accelerated objective of refranchising the entire system that we hold by the end of 2017. 2017 will be a big year for transactions. There will be a lot of favorite structural adjustments during that year, but the important message is we are well on track to hit our goal by the end of 2017.

We've closed out the deals to set up the Coca-Cola European partners and Coca-Cola Beverages Africa. Both of them happened in the last quarter, so those are both up and running. In Asia-Pacific, there's a lot of work ongoing. Our expectations remain the same around China and Japan. But as I said, part of this is setting up the system to do better in the future.

We've recently announced together with Coca-Cola FEMSA some new economic conditions and investment programs, continue to grow our business in Mexico, and look for them to expand in some of the territories we're selling. But that's a part of managing and leading and working together in the franchise system that drives results over and above or apart from the idea just simply of refranchising.

And as a way of example, to just put a little bit more meat on that one, if I just take the two – a couple of markets here, in the U.S., we've been refranchising the bits of CCR for coming upon a couple of years now. I don't think an investor meeting goes by without someone asking me how the refranchise markets in the U.S. are doing. So let me answer the question. And I say this each time, it would be very disappointing if the new bottler acquiring the territory didn't do well in the first 12 months. It's my experience that when management puts attention on one and is determined to do well on something, especially when it's the first step of a multi-step program, they tend to get the results they're looking for. What's important is not that those territories have done well in the first 12 months, which they have done, but they continue to do well after 12 months have passed when it starts to become in the base, part of the normal business, when senior management is going to look at something else.

And in the U.S., the vast majority of the territories we refranchised for more than 12 months continue to outperform. The CCR guys did a good job of fixing the base, fixing what needed to be done to put it right, to put it on a trajectory to get it growing again. And the new partners, as I said, in the large majority have taken these territories to a higher growth level and being able to sustain it. And that's led the North American business in its total aggregate to maintaining what we can see today top quartile CPG revenue performance, not just in beverages but across all CPG in terms of revenue. So I think the U.S. business is not just about the refranchising, it's obviously clearly about the marketing, the innovation and the execution, but together with the refranchising, it's led to sustained business performance in North America.

Taking an example from the other side of the world, literally Indonesia. Indonesia has perhaps been a disappointing market for us for a number of years or a number of decades. Together with Coca-Cola Amatil, we came up with an investment plan where we combined to put in something new. And over the last couple of years, there has been very robust growth in Indonesia, robust growth in terms of unit cases, robust growth in terms of market share. So that's really starting to get traction.

So the focus on strengthening the system whether it'd be through refranchising or being through working together on new ways with the bottlers is leading to better results.

Now, having said that, there is a refranchising. Our objective is to complete the things we've announced by the end of 2017, in which case, the company would start to look something like this. So this is assuming all those transactions were true. The company itself would go down from something just over 120,000 employees to something just under 40,000 employees. Even with the transactions that we've talked about just operations in India and Southeast Asia would be about 19,000 employees, and would still account for almost half the employees of the company.

Now from a revenue point of view, we'll go from having about 50% of our revenue. Although that only is 20% of the global volume, it's 50% of the company's revenue because of the kind of asymmetries in the structures of the

P&L to bottling revenue being only about 10% of the company's revenue. So by the end of 2017, the company will be in large measure, the concentrate company that we have talked about.

And that, we've talked about this slide before. I just want to just bring it up again, so as we do so, as we focus on the call, as we return it to that brand, customer value driving, franchise leading type company. We will have a more asset light model, we'll have higher margins, we'll have reduced capital intensity and reduce the CapEx and that is all going to stop flowing through and I think you start to see that flowing through as we've made some of the transactions in the year-to-date.

Now the other thing that we're accelerating is our productivity program. We originally have had – let me address the question of accelerating first. We have originally had a program for $3 billion, as we have sold off some of the bottling companies, in a way we have sold off some of the productivity opportunity. But actually we have seen more opportunity to capture synergies and capture productivity opportunity that we – if you like on an apples-to-apples basis, it took a $3 billion to $3.5 billion, but sold off $0.5 billion so we're still at $3 billion. Perhaps the most important thing is actually if I look at the scale of what's happening relative to our new cost base. This is re-expresses our cost base as the core company, the company will be at the end of 2017.

So as you can see, when we get into really deep diving in some of the areas focusing more on standardizing and scaling the things we're doing. We will actually be trying to get out 12% of our cost of goods base, some almost 20% of our SG&A base and 16% taken in total of our total spend of the new company. So these are robust objectives and we are on track to meet them. We met them so far and we have some pretty good line of sight to completing this program over the next few years. So by the end of the refranchising and the productivity, we'll have a system that builds on the strength, it's positioned for growth, it's organized and energized, and it's got a more efficient system taking it forward.

So let me talk a little bit about how we're evolving our strategies. Here, I want to talk about three things. And in jumping into it, I think it's worth saying, we continue to see abundant opportunity in the beverage industry. The long-term growth of the beverage industry is being propelled, yes, by globalization, urbanization, the growth of the middle class. As much as that gets buffeted in the short-term, it's still there as a long-term trend, and we still see circa 5% revenue as the longer-term target for the category.

Yes, it's fair to say that with the macros, particularly some of the emerging market macros, we don't see that 5% being true this year or in the short-term. We see more in the 4% area, but that's still a pretty solid number. And notwithstanding the top-line growth of the industry, despite our size, our success, we still only have a third of the revenue of the non-alcoholic ready-to-drink market. There's still plenty of market share to continue to go for, and to continue have steady run of gaining market share quarter-after-quarter.

To do that, we believe in the simple expression of our strategy that we have continued to execute against and has enabled us to continue to win in the marketplace. There is consumer demand, we team that up with the great marketing and the execution through the bowling system with some disciplined choices, we believe we can drive the growth necessary in the revenue and in the profits and the economic profits.

So let me jump into the three evolutions that I just wanted to touch on. Firstly, we talked about the segmented market execution. So let me try and just use an example of how we are using that approach to deliver better results. And the idea of our segmented approach is in simple terms in somewhere like the U.S., between right price, headline price, if you like and mix is to take more pricing than we have perhaps done in the past, not push volume as hard and look for a better revenue outcome, which is in fact what we're getting, as I talked about earlier, the North American operation is running clearly in the top quartile of large cap CPGs.

Now obviously, in places like India, Indonesia are country I talked about other emerging market countries, we're looking still for our revenue to be volume led. And in terms of just exemplifying how that's flowing through into driving a better result, on the right-hand side, if over the period 2011 to 2014, you had taken a simple index of what was the volume growth rates of the system divided by the growth in Personal Consumption Expenditure, we were getting about 0.8%. In other words, if PCE, personal consumption was growing at 5%, volume was growing at 4%. But on inflation, we were only capturing half of inflation in the period 2011 to 2014.

Last year, and what at we're aiming to go to on a more go-forward basis, notwithstanding some of the emerging markets slowdown is, as we've gone for more of a revenue strategy, we are capturing slightly less of PCE in volume, 60% instead of 80%, but in terms of inflation capture, we're now getting 100% inflation instead of half of inflation. The net of those two is clearly a better algorithm from a revenue and profit point of view.

And that you can sort of see if you want to take another optic at it, and here I'm just showing the numbers for the core business. I'm excluding the company's bottling operations, which is kind of asymmetric because we don't own them everywhere. And we just look at apples-to- apples, all the concentrate operations. You can see that out from 2014 to 2015. And 2016 year to date, you have to add back the extra day that's missing. You can see that there's an acceleration in revenue from that 2014 period, sustained acceleration in revenue growth in the 2014 period, despite an unfortunate slowdown in the global economy. So we think the pieces are coming together. Of course, we'd all like more revenue growth, but the pieces are coming together to deliver a better outcome as we take the segmented approach.

Second thing I wanted to just talk about in terms of the evolution was where we're going on the marketing front. We've launched a new global marketing campaign, Taste the Feeling. We believe that marketing takes its time to build up. It's a huge business. The Coca-Cola business is not going to suddenly change overnight. And we've talked about how we're going to link the Taste the Feeling campaign to more of a marketing Coca-Cola as One Brand with a number of product variants rather than lots of separate brands.

The early signs from the data are starting to look very encouraging, especially in those places where we launched first and we launched the fastest and the hardest. We're seeing encouraging results in terms of retail sales growth of the Coca-Cola brand in total and in terms of the consumer franchise, the brand indicators that we track. So green shoots on the Taste the Feeling and the One Brand graphical look, which had been launched early in May, it's a little early to work out what's happening there, but both of them are looking promising.

Now, it's fair to say that the evolution of what we're doing on Coca-Cola and in some of the sparkling beverages is not just about a new campaign or a new graphic identity. It's actually reshaping our sparkling strategy so that we can sustain growth over time. It's about responding to the changes in the consumer landscape and the stakeholder landscape in terms of people's desire whether it be for more natural ingredients, whether it be the desire for less sugar, less calories, more of a treat. We have brought all these pieces together. So we have taken the idea of being more revenue-focused rather than volume-focused.

So in simple terms, that's not just about taking price, but it is about marketing smaller packages, more premium packages, more affordable small packages. All of these are good from a revenue point of view, but they're also good from the point of view of reducing the number of calories sold when they relate to sugar as sparkling beverages, plus it allows us to bring more people into the franchise because, quite simply put, some of the people who are out of the franchise didn't want to come in drinking a 20-ounce bottle, they preferred to come in at six or eight or 12 ounces. So the smaller packages work from a revenue point of view. It also works to help shape choice from a consumer obesity point of view.

The One Brand strategy takes us from an ineffective way of talking about four different brands. And if you grew up drinking Coke Classic and you wanted to switch to Coke Zero, you almost have to change brand and change your lifestyle. Now the idea of the One Brand is you can enjoy Coca-Cola the whole of your life and you can have it in different product variants as you want to mix and match whether it's caffeine or sugar or whatever.

So all of that together with a number of other elements around education, the way we market our brands, we are clearly trying to push an agenda of shaping choice and helping consumers shape the choices they make, and we believe that that will be good for them and it will also be good from an economic point of view of the company. Expressed perhaps in simple terms with that goal on the bottom line. If we can get revenue to grow faster than transactions, to grow faster than volumes, to grow faster than sugar, things will work out well from the consumer point of view in all dimensions and also from an economic point of view for the company.

That's sparkling. Let me talk about the third evolution we're making, which is in the stills business. Perhaps a misnomer, we even call it the stills business because it is in reality a series of different categories. So we – of course, yes, we're number one in sparkling. We're actually also number one globally in juice and juice drinks and number one globally in ready-to-drink coffee.

We're number two, largely a strong number two in most of the other categories whether that'd be energy through our partnership with Monster, water, near-water and sports drinks and ready-to-drink tea. But even those number one and strong number two positions in those various stills categories, still doesn't add up to anywhere near the same sort of market share that we have in sparkling. In sparkling, we have about 50% of global revenue in that category, but in stills all those ones and twos only add up to a 15% position. So it's still a more fragmented set of categories with its ample opportunity for us follow a very similar game plan and path of gaining market share steadily over the years as we have done in the sparkling beverage industry. How have we done that? How do we approach it? Simply put, we do of course use our own innovation, use our own R&D to try and drive local innovation. Here in front are a few examples, whether that would be Simply Orange in the U.S., Georgia Coffee in Japan, and even Gold Peak Tea here in the U.S.

So driving innovation, growing the local winners, and expanding those distributions is the foundation of what we've been doing. But in this world, we find the opportunity to make value accretive bolt-on M&A. We had a series of those in the juice drinks industry, in some of the plant protein industries here, the latest once on the run, a couple of shown here including AdeS, the soy drink coming out of Latin America.

And then when we see the resonance, when we see the potential to tap into truly global consumer trends, then we scale as fast as we can some of these brands, whether that would be the growth of Honest Tea, now exporting itself out of the U.S., as smartwater did or the growth of Innocent out of the UK into Western Europe, some 14 odd countries, or even Del Valle, which was bought in Mexico and Brazil and now is the platform for a total holistic approach to juice and juice drinks across Latin America.

If we build them steadily, the combination of local, bolt-on and the global expansions, we can build profitable positions in each of these stills categories and continue the ongoing share gains. So, as an example of how that's played out over time, because the lower big numbers remain true. The Coke companies huge anyone thing that happens in any one quarter will never really move the needle. But what you can see is that over time, that some of all these actions can produce a dramatic result. So if I take for example, the North American business and take the sum of those three actions and say how was that changed the portfolio over the – since the big turn of the century.

In the year 2000 – the sum of all the stills categories in the U.S. with 16% of the volume. Last year, it was 36% of the volume. So we have added 20% of the mix of the North American business, a little over a point a year. that's also more or less true globally. Every year, we add about a point to mix in stills, or that's the average as it has been over the last 10 years or so. So it doesn't produce big step changes, but over time a bit like gaining market share, those small amounts each year over time add up to a great deal of value creation.

So with that, let me summarize by saying we have a great base and foundation of strong assets. We have some clear strategic initiatives, as I said, that some of those what we just simply see the idea is we need to accelerate our action, so that we emerge stronger as macro growth returns a little more favorably. Leveraging the revenue segmentation as a strategy and using that flow through into margin is working. We've been clear in our need and our objectives in terms of reshaping our approach to the sparkling strategy and, as I just concluded on, accelerating our stills or accelerating all the stills categories. It will be a long-term build and we believe we can get there.

So with that, I think it's time for a question or two, now the clock has finally come on. Yes?

QUESTION AND ANSWER SECTION

Q

Thanks. So I know you've significantly increased marketing spending in 2015 and that's continued to build in 2016, but organic revenue growth expectations have only come down. So if you could, just talk a little bit about the thought process you're employing in evaluating the level of spending, where it's being allocated and anything in terms of shifting or how you're going to work that going forward.

James Quincey
President & Chief Operating Officer, The Coca-Cola Co.

A

Sure, two thoughts. We set out on a program a few years ago to increase marketing by $800 million to $1 billion. We've reached about $700 million. We are being more cautious in the way we invest this year just to make sure it all pays back. But I would underline the idea of organic revenue growth. It is true absolutely that we guided at the end of the second quarter to a consolidated 3% for the full year. But within that, the core is still growing at 4% and the core is the bit which is the concentrate business, which is using the marketing funds. So I think it's important to just disaggregate. I realize that as we do all these structural adjustments and refranchising, the numbers get exponentially more impossible to understand.

But I would suggest that focusing on the core, that's where the marketing is going and that's where we see continued revenue growth. And the difference with the three is driven by the asymmetry of where we own bottling companies and where we don't own bottling companies. So I think the payback is there, the revenue growth is there on the core. We were pretty clear on what we thought the year would turn out like at the end of the last quarter. Of course, we'll manage the resources sensibly. We think the strategy is still paying. There's a gentleman in the middle.

Q

You mentioned the changing economics with FEMSA and some of the other bottlers. Could you review them and the rationale for it?

James Quincey
President & Chief Operating Officer, The Coca-Cola Co.

A

Sorry, something in the...

Q

Review the change – particularly the concentrate – the timing of the pricing of concentrate is extended, the reason for that and some of the other changes.

James Quincey
President & Chief Operating Officer, The Coca-Cola Co.

A

Sure, we did with the Mexican system about 10 years ago or it was nine years ago and it will be 10 years by the middle of next year. We put together a very strong investment plan. We took up the cost of the concentrate, but we had a reinvestment plan with both sides of the system, along with the acquisition of Jugos Del Valle I think triggered a very strong 10-year growth plan for the Mexican business.

So what you're seeing is the next iteration of our growth plan with our Mexican partners. We have a strategy. I won't go into all the components, but the essential idea is, yes, we're taking up the concentrate. Part of it will be reinvested. The bottling system or FEMSA will reinvest as well, and we will – we believe we can drive continued growth of revenue and profits in the Mexican business. So it's the next iteration of what was a very successful agreement last time around.

Q

[Inaudible] (30:40 – 30:46) Chinese business, that seems like a huge opportunity. I'm just curious what insights you've had as you've studied the China market because it seems like it has a huge amount of opportunity yet has stumbled this year.

James Quincey
President & Chief Operating Officer, The Coca-Cola Co.

A

Yes, China, absolutely we see the opportunity for China going forward. I was there a few weeks ago and the opportunity is there. There's still growth and there are still people spending money. The other thing that's clearly happened in China is, there's a big transition going on from investment and export-led to consumer, but some of those changes are very quick in the marketplace.

If you went back 12 months ago, to give you one example, you wouldn't have really – there's a thing for those of you who don't know China, there's a thing they call O-to-O in China, which is online-to-offline. If you went 12 months ago, it was virtually invisible. Now, you find plenty of the up and down the street noodle shops that are getting 30%, 40% of their revenue through the O-to-O. They're getting people from their houses just on the app, on the phone, dialing in the order, having a local man on a motor bike whisk it over. They've got abundant cheap labor and availability of transport, lots of noodle shops some people are bringing it in. And these things are happening quickly. So I think, adaptability – we were selling drinks in those stores. We needed perhaps to put different sized drinks in so they could fit in the delivery packs. The speed at which you have to act is really apparent in China. So there are things happening on the end of premiumization, extra service, online business that just need adaptation.

Now of course, there is the rural end of China, the blue collar, the third tier cities, where someone goes from the rural village to earn money in construction and sends money back, all of that is getting interrupted. And so affordability and to some extent what we talked about over the last couple of quarters, the reengineering of the wholesale supply chain to this adaptation of a change in demand has really required some getting into, but it's happening very quickly. One thing that's truly impressive on top of the opportunity in China is the speed at which things change and needs to be changed.

Q

[Inaudible] (33:07)

James Quincey
President & Chief Operating Officer, The Coca-Cola Co.

A

Sure, why not?

Q

Thank you.

James Quincey
President & Chief Operating Officer, The Coca-Cola Co.

A

One more.

Q

In that vein, actually I'm curious though about what you're seeing in terms of consumer appetite in China for CFDs. And so the pace with which things change could also suggest that the consumers interest in, the direction you think they're going and in terms of the beverages they want to drink could prove to be different. So what you're doing to monitor that, you might have done differently in another markets where the change came at a different pace and what are seeing currently?

James Quincey
President & Chief Operating Officer, The Coca-Cola Co.

A

Yes, absolutely. If consumers are going to be fickle, clearly they can go somewhere else. So, first thing is to note that it's true and to have the measurement systems in place so that you can see whatever the change is, you can try and find out quickly and get on it. But the task will always be to market our brands, whether it's other sparkling competitors or other categories, we need to stay relevant for the different segments of the consumers and they are the ones that are changing, so understanding how each of those consumer segments is changing and being able to stay relevant with the broad appeal brands like Coca-Cola or be targeted and focused with some of the other parts of the portfolio, so we can tap into the opportunities will always be true.

Some of the basics will injure like having cold drink equipment out there. Having great execution, having feet on the street, but in terms of consumer feel, we will have to adapt then we'll have to be quick at adapting. Great. Okay. Perfect. You don't get to ask a question, Tim.

Q

Tim says, I can ask one more.

James Quincey
President & Chief Operating Officer, The Coca-Cola Co.

A

Okay. As long as...

Q

But I'll keep it broad. So, one year in, right and one year since you presented here last. As you've met with tons of investors, what do you wish people are asking more about at this point and what are they asking too much about? Loaded question.

James Quincey
President & Chief Operating Officer, The Coca-Cola Co.

A

Look, in fact this is the first time I've been at an investor conference, when no one's actually asked me about M&A, so I applaud you all. But I didn't have to get my standard answer which is I don't comment on M&A, so that's a good thing. I'm not sure that it's about, what they should ask me more about. I mean I think, we are trying to do the best job we can to explain strategy and an implementation that has a lot of moving pieces with a lot of fog and mist around the numbers given all the structural adjustments.

And I think my engagement with you, with other people is really all about trying to see what is the shape of the company that's going to emerge from this process. And we will continue to be as transparent and open as we can about what our strategies are, why we think they're working, what we're doing if they're not working, so that you can see that there is a very positive story emerging through this process.

Q

[Inaudible] (36:03)

James Quincey
President & Chief Operating Officer, The Coca-Cola Co.

A

Sure.

Q

[Inaudible] (36:06 – 36:13) I remember a long time ago, seeing some stat about like there are 60 beverage consumption occasions every day, and with water I think that's are the bulk of those consumption patterns. I might be off on those numbers. But do you see an opportunity to grow the water category, and will that be in the best interest of the Coca-Cola Company over time?

James Quincey
President & Chief Operating Officer, The Coca-Cola Co.

A

Volumetrically, water depending on where you are in the world is either the biggest or the second biggest category depending on history and all sorts of other factors, including price. I think we've tried a number of things in water, some of which were not so good, and we didn't like, largely things to do with bulk water and low price water, it just didn't work the economic. But while we are absolutely seeing in many parts of the world is the premiumisation, the stratification of the water category whether that's in some parts of the world, with smartwater, so smartwater there is a runaway success in the U.S. We're rolling out in other parts of the world, or take China as example, we're upgrading out which – effectively replacing one water brand with new water brand. We used to sell a water, a lot of RMB 1 water. And we've basically brought in the brand of it at RMB 2, which has become a $1 billion brand. So, you can get up the ladder in terms of water and get out of the categories that don't drive a lot of value.

James Quincey
President & Chief Operating Officer, The Coca-Cola Co.

Okay, thank you very much.