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MANAGEMENT DISCUSSION SECTION

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Good morning and good afternoon, everybody. I'm Steve Powers, Deutsche Bank's Lead US Consumer Packaged Goods Analyst. And today, I'm thrilled to welcome The Coca-Cola Company back to the conference. Joining us today from Coke is CFO, John Murphy, who is part of the management team at Coke, alongside CEO, James Quincey, who has been doing a lot of interesting and exciting things these past few years. Many of them an extension and evolution of change that began over a decade ago, but undeniably James, John and team have put their own stamp on those initiatives and accelerated change throughout the Coke system on many fronts whether respect to product assortment, bottler and systems incentives, revenue growth management or simply the corporate dress code.

So, John, we're excited to have you here with us today. Thank you for your time. We're going to run today's session entirely as Q&A. So, if you're listening to the session via the conference portal, feel free to submit questions on your own at the bottom left of your screen. I'll do my best to work them in as we go.

QUESTION AND ANSWER SECTION

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

So, John, maybe just to kick it off, we'll start broad. I guess, how would you describe what you're seeing across your key markets today in terms of consumption patterns and any additional considerations that you layer on top of that as you think about shipment timing relative to that consumption, price mix dynamics or anything else you think is particularly important?

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

A

Sure. Steve, thank you, first of all, nice to be with you and hello, everybody, on the call. Let me start with maybe dividing the calendar up into the component parts that we are basing our decision making on. We've got the world in varying stages of the different phases, either still in lockdown, reopening at varying degrees, and the phase I don't think anybody has reached yet and that is sort of a new normal post the constraints that we will no doubt have for some time been lived at. So, maybe let me start with a quick run around the world and then I can talk about some of the additional considerations that I think are important to highlight.

I'll start with China, given that's where we first experienced COVID. It's really ahead of the pack, certainly, from our business standpoint. It's well on the road to recovery. I think we had highlighted in some earlier calls, flattish growth in April, and we see those trends continue to improve in May and the prognosis for June and even into the second half continues to improve. I would say our on-premise is the one piece of the business still not coming back at the same rate, but even there we would expect before the end of the year to have it back very much close to what it was before COVID hit.

In Europe, we have countries in different phases of recovery. We're seeing some trends improving as that recovery takes hold, but still – we're still negative year-on-year. And importantly for our business, much of the on-premise is still either not operational or is operating at a very low level. Our business in Costa in the UK, I think is worth highlighting, has been really shut for a good chunk of the second quarter on the retail side and the Express machines, while doing well, but they are still operating – have had some limited uptick due to the shelter-in-place restrictions there. So, we expect that business to be challenged.

In the US, we're seeing a gradual reopening, and as you know from your own observations in many states, improving trends through the quarter, but still negative year-on-year. Restaurants are beginning to open, not yet at the kind of capacity that you would consider normal, particularly in dining experience. A lot of really good work being done by many of our customers to adapt, but some channels still heavily impacted in the hotels, sports, entertainment, et cetera.

Latin American and Africa is very kind of in consistent approach to both entering and managing the crisis, still in phase one in many of these markets and we see that's been a headwind in the short-term, and particularly in the market like Brazil, where the crisis seems to be short of reaching the peak yet. With regard to other considerations, I think it's important to emphasize the impact in the immediate short-term of the away-from-home channel being affected. And given the margin composition in that channel, we do expect price mix to be negative in the second quarter. We also had some shipments timing that running ahead in Q1 that will likely see some reversal in Q2, and even at the customer level, some reduction in inventory levels, just given the whole impact of the crisis. So, I'll stop there and see if you've any follow-ups.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

No. I think that's helpful. I mean as we – there's a lot to dive into, but as we just think about broader perspective, when you – just the state of the system entering this moments, because clearly there has been a lot of change, there is still a lot of uncertainty that you're working through. But can you reflect on just the state of your strategy, the state of the system's strategy and cohesiveness from a strategic standpoint, as you reflect back on the past few years, maybe a little bit color on how those strategies you feel have help prepare you and help prepare the bottling network for what you're currently reacting to?

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.
A

Sure. I think it's important to maybe start by saying that just like economies, I think the health of any business and any system going in is a critical aspect of how well you can and how quickly you can recover. And so, I think a lot of the work that's been done over the last couple of years is and will serve us well in that regard. So, I think we have made progress on becoming more nimble and faster to adapt, faster to pivot at same level of collaboration and sharing of good practices around the world in the last 12 weeks, that's been second to none in my 30-plus years in the Coke system and it's been tremendous to see. I think the leadership in these moments is always important, and when you look around and see the quality of leadership we have in our top bottlers, I think it serves us really well in times like this.

More importantly, on the strategy front, I think we've got a very clear understanding as to what's required as we go through the different phases and I think our challenge will be to keep that alignment in place as we respectively work through our objectives. I think there's broad alignment and an objective to emerge stronger from the crisis with an even stronger leadership position, staying close to our consumer base, making sure that system financials stay healthy, and the proof will be in the pudding over the coming weeks and months as to the degree to which we can maintain that cohesiveness. But as we go into a crisis like this, I don't think we could have been better prepared with respect to that overall quality of leadership relationship and the clarity on the strategic initiatives required to navigate through it.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

And I've heard that same perspective from a number of your bottling partners over the last several weeks and even last few days. What's your perspective on how much of that is – that increased collaboration, increased cohesiveness is just a reaction to this moment versus something that is likely to, at least in part, carry forward and just structurally have you operating close together as a go-forward consideration?

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.
A

Yeah. I think it's a reflection, Steve, of the progress that we've made with system leadership over the last couple of years. I think that we've established I think a means to tackle the tough issues. There's a level of trust I think that allows us to have those – to be able to do that work effectively. And so, as we go forward, my expectation is that we can capitalize on it even further. I'll give you an example, right now, around the world, there is a keen focus on making sure that we have the right portfolio in our markets and the works underway in a collaborative sense with our bottling partners to streamline SKUs to prioritize what is important for customers is happening I think in a much more effective manner than perhaps I've seen it. And I would expect us to continue to work with each other even bigger initiatives as we go forward to sort of continue to strengthen the health of the system.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Okay, great. I mean there are a number of, I do want to – we'll loop back to some of the specific markets and some of the near-term considerations that you mentioned at the outset. But there is a number of elements to the strategy looking on that that I'd just like to talk through, and at CAGNY, you shared a flywheel, so to speak, of how you're thinking about accelerating the top line from brand building to innovation [indiscernible] (00:11:33) revenue growth management and then, obviously, execution of all that. Maybe if you can just talk a little bit about those components and talk about their effectiveness, and maybe we start with brand building, just what you were doing heading into this – into the current crisis and how the crisis has impacted, if it has, how you think about brand building as you go forward?

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

A

Yeah. I think the flywheel is helpful to us at the moment and that it keeps us very focused on what's really important I think to navigate through not only in the short-term, but be there at the end of next year into 2022, 2023 and be stronger. And obviously, as we go through moments like this, there are things that will remain constant, some things will be accelerated and I think there's some new thinking coming as we learn more about how consumers are adapting. So, on the what's not changing front, I think it's so important to remain consumer-centric, to remain close to the consumer, understand how the consumer is adapting and behaving through the crisis, and what behaviors are short-term versus those that may stick.

Number two, I think it's really important to keep very close to our local markets here, winning locally is something that should not change I think through this type of period. And in this last 12 weeks, I think that it's been the intersection of what you do for your local communities, particularly through our bottling partners and how that's perceived by consumers has never been more important and it's something that we're I think extremely proud of how we have stepped up in that regard.

With regard to things that are changing, the plan for the year has changed and there has been, I think, a tremendous effort to rethink how to operate during the different phases. So, the lockdown period as we discussed on the Q1 call is one where we have paused and suspend a lot of investment because we, first of all, don't think it would generate a great return. And then secondly, I don't think it's necessary for us to make the kind of progress that we need to during this phase. But that's not to say that that's not a longer-term perspective as we go into the second half of the year and 2021. We're keenly focused now on the pivots needed to both establish the right levels of investment, the investment mix and the prioritization across markets. And so, that's something that we'll talk further about as we go through the year.

And then, with respect to what's accelerating, I think as we reflected back on the last couple of years, we've seen a tremendous expansion to the portfolio and a lot of which has been good, a lot of experimentation, a lot of learning, but the pipeline has become rather busy and clogged. And so, at the start of the year, we had embarked on a program to streamline our brand portfolio and to rethink the prioritization of initiatives within our innovation pipeline and that's work that's accelerating as we speak, so that we will I think have an opportunity to prune back on some of the portfolio in the number of markets. And then, with respect to the innovation pipeline, as we get a better balance between initiatives that can scale across multiple markets, because they're ultimately the ones that can create the most value, but at the same time stay entrepreneurial, stay local and empower people to continue to build and nurture initiatives that ultimately can scale. And so, that work is accelerating as we speak.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Q

You referred – or the system has referred to a lot of that simplification work as sort of killing the zombies in the portfolio. So, is this – are viewing this as an opportunity to sort of accelerate the cleanup work of some of those lingering zombies, so that you can start fresh on the back side of it?

John Murphy

Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

A

For sure. Yeah. I think when you drill down and look at the economics of any portfolio, there's – I think over time, there's that long tail. And so, the first phase is work we have been doing and that's to kind of eliminate the no-brainers. But I think beyond that, there's a bigger opportunity to make sure that we are bringing to markets a portfolio of brands under these packages that can deliver the maximum economic return for the system. And I think it's fair to say that the last two or three years has been – the objective has been to nurture more empowerment and nurture more entrepreneurial spirit. But at some point in time, I think that needs to be balanced with good discipline and a good understanding of the economics of the portfolio management. So, it's in that phase we're accelerating through and I would expect that to deliver a lot of benefit for us and our bottlers actually in the coming months and into next year.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Q

Great. The other side of that is that sort of the next step on that flywheel is innovation and in fact adding back some complexity. So, how are you thinking about innovation today? Is it at all different than how you were thinking about it even in January? And what role – maybe long-term, it doesn't change, but in the near- to medium-term, what role do – challenger and explorer brands which you have talked about as a lever of growth that you could further exploit more than you had in the past, what role do those aspects of the portfolio play in a moment where it's – where the world seems to be favoring simplicity and core, core offerings?

John Murphy

Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

A

Yeah. It's a big topic. First of all, what I don't think is going to change is that innovation will continue to be a source of future growth. I think that as we look to our longer-term equation, we should be looking for innovation and brands and packages and how we go to market has been a significant percentage of growth, north of 20%, I would say, we're still targeting. Secondly, I don't think you should stop the experimentation that is being embedded into how we're operating, but I do think it is the right time to do that in a much more disciplined fashion, so more scalable initiatives that can be launched across multiple markets at a faster rate is one area that I think will feature more of.

And then secondly, I don't think the concept of explorers or challengers is going to go away, but I do think it's important to learn from what we have done over the last couple of years. And the reality is it's a lot harder to bring an explorer through to being a leader that I think many times we like to acknowledge. And so, it's also a lot harder to [indiscernible] (00:20:21) explorer out, particularly when it's somebody's personal pet project. And so, I think we need to be and we are becoming a lot more disciplined and being making the tougher decisions to prune back while we allow the ones that have the opportunity to grow to get the attention that they deserve.

I also think that this is a moment to stay, let's say, everybody needs to stay very close to the consumer and to detect, at the earliest possible, signals relative to new trends that may sprout as a result of COVID. So, the area of hygiene, for example, is one that I think is going to be very much on the consumers' minds going forward.

Building touchless solutions therefore in the away-from-home channel is I think a big opportunity that we need to tap into. I think there will be some new motivations in the functional arena that we need to bring into our portfolio faster than perhaps we have been thinking. So, yeah, a lot to think about in that area and really important to stay very attuned to how the consumer is adapting and evolving.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Is there any – I mean entering this year, we were – at CAGNY, we were talking about we're sampling AHA as a new launch this year which unfortunately was timed against COVID, Coke Energy rolling out as a reformulated offering and a lot of sizable regional offerings like the expansion of Costa into Hellenic markets. Yet some of those things I'm assuming have been either paused or some of the investment has been pulled back as focus goes to the core. Have you – are those initiatives paused or at least just think about them as reaccelerating as we get into the back half or even repeating as a launch in the following year or are any of those things now being just pulled back and are off the table?

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

A

I think the short answer is sort of all of the above, but let me drill in on the AHA. AHA is doing very well in the US, given the context, it's the top 15 growing trademark in retail dollars in the month of April and it continues to demonstrate a lot of momentum as we go into the rest of the quarter. It's actually an example, Steve, of something that, going back to my earlier comments on focusing on some more scalable initiatives, and in hindsight, I would love to have that being rolled out in a number of markets in a faster period of time, because I think it is a proposition that resonates across the world. So, it's an example in that.

With respect to some other markets, I think in general terms, we have [ph] scaled back a lot (00:23:41) on sort of the new introductions, particularly explorer-type introductions. Customers are very focused in times like this on what moves. So, the bigger brands, the bigger SKUs get a lot of preference, and we've tailored our approach accordingly. Second half of the year is ahead of us, and you mentioned Coke Energy, there's work underway to going to re-phase that into the second half of the year. And around the world, particularly in the big markets, I think there's an approach on the innovation pipeline being taken very consistent. In other words, what are the initiatives that still make sense in a recovery scenario where there would still be I think a large focus on – by customers on big items that move quickly through their supply chain. So, I think overall this year we'll see less than we had anticipated in CAGNY, and we'll stay vigilant though on what that means for 2021.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Another important driver in your strategy of an accelerating top line is revenue growth management. You had been talking a lot about that exiting last year into this year. And I got to think it takes on even more importance as we go through a situation like we're in now. So, maybe just a little bit of a reminder/refresher on how you're thinking about revenue growth management and the key levers for you as you optimize that initiative. And then, specifically we've heard a lot of talk about affordability in the current environment.

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

A

Yeah.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

And just I'd love a little bit of further discussion around that aspect of revenue growth management, so I think it's a little bit misunderstood, so I'll just throw it back to you on that.

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

A

Okay. So, maybe let me just divide it into two. Let me talk a little bit about revenue growth management in general and then let's touch on affordability. On the first part, revenue growth management was actually born in the recessionary environments in Latin America at the turn of the century, and was designed around really five elements: one is getting the right pack and price to consumers; two, providing the right margins and incentives to our customers; number three is making sure that the system is fully engaged in making sure one and two happens; and then, within the system, is getting the sales force to become proficient at optimizing revenue per outlet; and then, last but not least is to have a shopper lens and stay close to what shoppers are looking for, and what are the triggers for them to purchase. So, those are the five elements, and they pretty much stay, don't change that much.

I think what does change over time is the level of understanding and the insights you can generate in all of this, the access to data, the ability to synthesize different data sources I think allows you to create even more compelling solutions. And so, with that in mind, as we look at this period and as we look at the rest of the year into 2021, I think we're going to see continued progress on optimizing our promotional spend, getting the right SKUs, not only in each channel, but even within channels on a by store basis so that segmentation becomes an even bigger advantage.

Investing in our packaging portfolio to make sure that we have the ability to meet the needs of consumers at different price points; I'll come onto that in a moment, and then linked to that is to be in a position to deliver an affordability strategy that is – that works for the system. So on affordability, I think the key to me on affordability is not just the notion of being able to offer a beverage solution from our portfolio as an absolute price point, but it's to be able to do so while optimizing the revenue that we can expect to get on a per outlet basis.

Latin America, I think is a great example, although there're other markets around the world who have – the Philippines is doing a terrific job in this space at the moment; South Africa is investing in packaging expansion to do likewise, is making sure that we have absolute affordable price points for consumers who are stretched, and to not lose share to B brands or to local competitors, who in times gone by, typically have been able to come in and take share in that area, but at the same time making sure that we continue to drive value through our other packaging offerings, whether it's cans or PEC so that ultimately, your ability to deliver revenue per outlet is a lot stronger than what you would have had prior to putting into place an [indiscernible] (00:29:50) strategy.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

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And is that more affordable growth, is it – I mean clearly, if it's revenue accretive, it's dollar profit accretive in the ideal sense. Is it – does it have an impact on margins, positive/negative? I think [indiscernible] (00:30:08) negative, but I'm not sure that's the case.

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

A

I think it's a portfolio play. I think we've proven time and time again that having both the affordable option plus an option that delivers value is more accretive than if you have only or the other. So, I think it's critically important that when one thinks about this, it's in the context of are you offering at the point of sale a portfolio of package solutions that allow you to deliver net-net a higher margin than prior when you did not have that same set of solutions because – and what we've learned in times gone by is that there is a tendency to reduce your SKU offerings. And if you're not invested in packages that can deliver against the different absolute price points then you – not only do you lose your consumer base, but overall I think you come out of it worse financially.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

Great. The last stop on that flywheel is execution. And you alluded to some aspects of that earlier when you talked about customers' transactions and the like. But how are you adapting – well, how have you adapted route to market as you go through the crisis? And then on the back side, are there other aspects of – that are changing in how you and your bottling partners, the system overall is thinking about optimized execution? And the part of that that strikes me as an obvious one is just your digital strategy and e-commerce. So, maybe you can touch upon how your thoughts are revolving on that front?

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.
A

Sure. I think first and foremost, one of the great advantages of our distribution system around the world is that we actually play in just about every channel. And so, what remains pretty constant is staying very, very attuned to the fundamentals required to – up to – to maximize performance through availability to making sure we have the right SOVI, our share of visible inventory. And then in-store, we are doing what we need to do to keep the attention of the shopper. I think in a period like we're going through, particularly lockdown, obviously, the execution aspect of that gets adapted so that we make sure that there's minimal out of stocks, particularly of the key SKUs. We align our supply chain so that the leader brands get more attention, and therefore we are supporting our customers with what they need. And then in-store, you've got to adapt depending on market conditions. So, all of that is I would say part and parcel of what has been a core strength of our bottling system for a long period of time. And I think going back to the second question you asked, I think our own confidence that that level of adaptation and pivot required to execute better than anybody else during these periods remains pretty high.

With regard to what's new and what's shifting for sure the marriage of the digital world and the physical world is something that I think is being highlighted and is accelerating through this period. And I think it's one that is going to have an even more outsized role to play in the month and in the maybe years to come. So, there's a fair bit underway in that regards to stay relevant and to be able to compete in that world. Our bottlers, many of them have invested and are investing in B2B capabilities that allow them to interface better with their customers through a range of online solutions. In Latin America, we have – we are rolling out and scaling up our B2C solution that we think is very promising where consumers can connect in with their local and the traditional channel with their local store, and that in turn results in a home delivery solution being available. And here in North America, we've done a lot of really interesting work, and some of this is actually – was underway in advance of COVID with delivery companies such as the Uber Eats, the DoorDashes of the world. We are investing in improving our digital shelf capability in most of our, if not all of our large markets around the world bringing to the digital shelf the same discipline and quality as we have learned to do in the physical shelf, et cetera. So, there's a lot underway in this regard, and I see that accelerating and forming an even bigger part of our plans going into the next couple of years.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Yeah. And we were talking about system cooperation is that – on that front of execution that's where I heard the most bottler feedback of cross bottler feedback or bottler Coca-Cola Company dialogue around getting execution right to meet the moment. So, it's encouraging to see. I guess it leads to a discussion around sort of efficiency, the opposite of that top line flywheel that you presented at CAGNY, you presented a separate flywheel focused on maximizing returns, right, starting with optimized resource allocation, a focus obviously on productivity and margin expansion, ensuring well-calibrated asset utilization, and ultimately maximizing cash flow. How are you managing that side of the ledger? We talk a lot about the top line. But how are you managing the cost and cash side of the ledger in a crisis like this? And as you I think have – you and your partners have been thus far, I think the risk of going too far is successful and getting through the worst of it, does it challenge you to rethink what may be possible in the future in terms of more ambitious longer-term objectives as you think about profitability and your ability to manage the cash?

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

A

Yeah. The short answer, Steve, is yes. And what's been interesting in the last 12 to 14 weeks is I think is the degree of provocation that a crisis like COVID presents to companies ours to our system to step it up even further in all of these areas. So, when it comes to cost management, I think more than ever before it's not that we were sitting on our tail-end doing nothing in the run-up to it, but I think a moment like this is a provocation to step it up even further. So, bringing a very sharp focus into the cost equation, how can I do more with less is I think really – a really important question to have answers to, it's not just a hypothetical question, I think is one to have answers to. So, we've got a lot of work underway in that regard. And it's not just looking at our own individual pieces of the equation. I think there's areas where, again going back to the earlier comment on collaboration with our bottling partners, I think there's opportunities ahead where we can do even more of that.

Like today, we have a very – it's not – we don't – I don't think [ph] that's well-published (00:39:05) but we have a very successful collaboration with our bottling partners in the procurement space, we call it Cross Enterprise Procurement Group. And I think there's an opportunity to leverage some of the kind of the principles on which that is built and based to other aspects of our cost base. Secondly, I think when it comes to the way that we allocate resources, I think, there's going to be demands for more resources in new areas, and yet there's not going to be enough to meet everybody's needs. So, I think becoming a little bit more ruthless on why somebody deserves that dollar is very much top of mind at the moment. And then, I think on the – as we think about how we work and how we operate, the whole virtual working experience over the last three or four months is throwing off lots of both challenges I think and opportunities, asking questions of companies as to what does this mean for a longer-term way of working. And we would be I think remiss not to take that on board as the potential opportunity to rethink some of the ways we're doing business. And last but not least, I think as we – we've talked in the past about our approach to being very open to evolving our balance sheet. If ever there's a moment to step that kind of work up, it's now too. And so, asset optimization and for the company to be clear on what assets does it make sense to have versus what may not be as important in the future, I think that's an area that we have some work to do, and some opportunity to glean from.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

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Okay. Great. So, we talked a lot about longer-term strategic initiatives, and I do think that's the most important, but I want to [indiscernible] (00:41:25) back to some of the considerations that you started with when you described kind of the current state of play. And there're two topics that I keep hearing come up, and I would love your perspective on maybe to shed some light and clarify. The first one is just what is Coke's outlook sort of near-term prognosis on Latin America and Brazil specifically. It feels as though things are holding in better than a lot of folks might have feared, maybe even better than you had feared, but at the same time it's still early in the process, and I just would love to have you just frame the risk that you see around Latin America and really around Brazil. And the second one is price mix. Clearly price mix will be negative in the quarter for a slew of reasons. And it's hard to project exactly when that price mix will flip. But maybe you could just call out for us and for investors the top one, two or three things that you need to see happen before that price mix line of revenue can flip back positive.

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

A

Sure. On Latin America and Brazil, as I kind of mentioned at the – in the first question, I think they're earlier on in the journey through COVID, and so the one thing that we have learned is not to try and predict what the next 12 weeks is going to look like. So, I think it's early, Steve. What we've seen is, more recently I think Brazil is as I said going through the sort of the worst period as we speak, and I think we'll see performance being impacted accordingly. But I've got great confidence in the strength of the Latin America system. They've been at the vanguard of working through crises over the last 25 to 30 years, and I think our bottling partners there are very attuned to the kind of pivots that are necessary to come out of it ultimately successfully. But I do think it's a little early to kind of prognosticate on what the impact is going to be in the short term. Brazil as I say is in the midst of the toughest part. It's hard to say what Mexico State is at, at the moment, where it has not been as impacted. But again, I was just reading reports this morning, it seems as if the pandemic itself is not close to its peak in Mexico. So, still early days, but a very strong system I think that will – if anybody gets us out as fast as possible, I think it'll be our Latin America bottlers.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Great. And then...

[indiscernible] (00:44:35)

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Yeah. Price mix.

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

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Second point on – yeah, on price mix. A couple of – I think there's a couple of factors that are important to get a little bit more runway on, and that is in the big markets, so North America, Western Europe, Japan. And there's a couple more of the bigger markets in Latin America. I think the degree to which the on-premise comes back in the next let's say three to six months as part of this recovery period is one key factor. I don't have a prediction on that at the moment. As I said, all we can say right now is we're seeing things open up. The speed at which they do is I think going to be still ahead of us.

Secondly, I think that in the short term, as I've outlined, I think the affordability strategy that we will need to invest more in is will take different shapes and forms around the world. So, I think that's going to require a level of investment on the part of the system to make sure that we stay close to our consumer base. So, that's – the degree to which that is required I think is still somewhat in dialogue at the moment.

And then I think the last point that's important is, as I look around the world, I think we're going to see – we're not going to see one letter of the alphabet describing the rate of recovery or the speed of recovery; we're going to see it being done in a segmented way like you're going to have a couple of markets, a few markets I think will be more on the V-shaped, whereas there'll be I think a number of markets that will be either U or a form of L that – and I think again it's too early to be able to profess what that – what those varying shapes look like. But I would suspect that over the next three to four months, we'll get a much better handle on that to have more to say to you on, particularly with how 2021 will play out. But I do think in that context with so many variables, our focus remains very much the same as it has been in previous crises, and that is to make sure that our North Star is to emerge stronger with a stronger position in the markets, a consumer base that's as big and with system financial health sufficiently strong, so that we can then be in a position mid to longer term to continue to deliver against our respective growth algorithms ourselves and our bottling partners.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Well, great. John, I could – we could talk for a lot longer. But you gave us a lot to think about. I really, really appreciate your time. I appreciate the Coca-Cola Company's participation, the whole system's participation, and thanks again for joining us. And thanks, everyone, for listening in.

John Murphy

Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

Thank you, Steve. Talk soon. Thanks.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Talk soon. Cheers.

John Murphy

Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

Bye-bye.