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GROWTH PILLAR

WIN IN THE MARKETPLACE

KPIs

- FX-neutral revenue growth
- Volume growth
- FX-neutral revenue per case growth

Stakeholders

- Our customers
- Shareholders
- The Coca-Cola Company

Risks

- Channel mix
- Geopolitical and macroeconomic
- Quality

Highlights in 2019

- Continued improvement in customer satisfaction results and launch of new customer satisfaction pulse survey
- Improvements in customer coverage, including time spent with customers, with greater sales force specialisation to enable our 24/7 strategy
- Accelerated use of new technology, including connected coolers, sales force automation, image recognition and web-based ordering
- Holistic approach to building growth capabilities, including revenue growth management and key account management, by defining prioritised actions per capability

Priorities in 2020

- Leverage data and advanced analytics to improve segmented execution
- Step up in indirect partner management and data sharing
- Launch of new business developers' academy to drive our sales force's capability to deliver improved customer service, performance and execution and ensure successful onboarding for new business developers
- Strengthen our relationship with e-retailers and start deep partnering with new channels to achieve higher market share online
- Launch of internal validation and certification process to share best practices and accelerate the development of our prioritised growth capabilities

Route-to-market approach

Our route-to-market approach is about converting our strategy into excellent execution at every point of sale. In line with our improving portfolio, we are continuously strengthening our route to market and partnering with our customers to bring our 24/7 portfolio into the hands of our consumers faster and with greater efficiency.

Our targeted and segmented way of serving our customers, with an appropriate level of sales force specialisation and combined with the utilisation of new technologies, gives us a competitive advantage to win in the marketplace.

Capturing growth opportunities requires more than a strong product portfolio. It is equally necessary to have excellence in execution, successfully serving every customer through every outlet for every occasion, 24/7.

Our success is dependent on the success of our customers. When our customers are able to generate profits by selling our products, they demand more products from an expanded range. Joint value creation is therefore key to both category and market share expansion as well as profitable growth.

There are two pillars underpinning our joint value creation process: our next-generation customer approach and our industry-leading commercial capabilities.

Partnering with customers

Our next-generation customer partnership model allows us to generate powerful insights from customer data, which supports tailored execution plans implemented in collaboration with our partners. We start by commissioning an annual survey of more than 16,000 customers, comparing ourselves with other beverage suppliers. This survey allows us to understand the challenges and opportunities our customers are encountering, meaning we can identify how to become better partners and continue to exceed their expectations. This approach is helping us to develop stronger and more productive customer partnerships and provides a platform for us to continue building these relationships.

As a result of this model, in 2019 we were recognised as the top supplier for traditional outlets in three additional countries compared with 2018. We increased our share of satisfied customers by 2% to 68.6% in 2019, and we maintained our high share of satisfied key account customers at 81%.

We also launched customer pulse surveys during the year to listen and respond to our partners' needs even more frequently. Pulse surveys allow us to analyse satisfaction levels by region, channel and outlet segment for a more targeted response.

To optimise strategies undertaken together with our customers, we are developing more powerful analytic tools to assess commercial decisions and better understand the investment and returns required. Our customers are also developing their own offerings.

The HoReCa channel remains a key focus, as it is pivotal in driving premiumisation and building the right consumer experience around our brands. We leverage the expertise of our centres of excellence in Croatia and Greece to build a shared value proposition, provide a bespoke service to our customers and capitalise on available synergies.

Prioritising critical capabilities for growth

The second pillar underpinning our growth is our industry-leading commercial capabilities. This includes a game-changing approach to revenue growth management, which makes our business more sustainable and profitable, and excellent sales execution, which lets us offer the right range of products and services to our customers while remaining cost competitive.

Win in the marketplace continued

By improving revenue growth management, we aim to maximise value from every transaction. Our new revenue growth management framework, developed in partnership with The Coca-Cola Company, makes better use of big data and advanced analytics, giving us deep insight across different channels, customers and types of shoppers. This has led to fundamental changes in planning, and it empowers our markets to make the right strategic decisions.

In the last few years, we have continued to expand our portfolio and make it more consumer centric, along with an increased focus on consumer occasions. At the same time, we have striven to improve category and package mix, focusing on portfolio premiumisation, brand stratification and growing sales of single-serve packages. These are all crucial to our revenue growth approach.

As an example, in Russia we created a plan to address the challenges of low per-capita consumption and overall affordability of Coca-Cola products, combining consumer insights, pack-price architecture and promotions to create a compelling customer selling story. One specific initiative was the launch of a 900ml package size, which successfully contributed to sales growth.

In Italy, we have successfully used pack-price architecture to reverse declines in the sparkling category and dilution of customer margins. We launched several new packs including a 660ml PET bottle with a €1 price point as well as a new, smaller, 450ml pack for on-the-go occasions. In addition, we supported new multi-packs with value-based promotions. These moves helped us unlock opportunities for smart pricing which led to a return of sparkling category value growth in the market.

As our Revenue Growth Management approach is analytically intensive, it requires the right tools to be supported by our systems. To embed this model, we have equipped our business units with various analytical tools which are fully integrated with our digital environment. Our business developers can now use advanced pricing and assortment optimisation tools which are allowing us to make the right strategic decisions.

Leveraging technology for better execution

Our route-to-market approach converts our strategy into excellent execution at every point of sale. These efforts are increasingly segmented, with implementation plans for almost 300 initiatives across our markets. Increasingly, new technology frees up time needed by our sales force to focus on channel and product specialisation.

We have equipped our sales teams with a sales force automation tool, which helps our people provide the very best service quality. This platform uses a range of customer data, including from connected coolers, suggesting activities with the biggest impact for each customer visit, and recommending products and quantities to be ordered whilst reducing administrative tasks.

We have increased our investment in coolers over the past few years. Our cooler coverage reached 87% of our top customer outlets by the end of 2019, amounting to 1.43 million coolers, of which 28% are energy-efficient. This investment serves to drive immediate consumption and increases revenue per case. At the same time, we are building a network of connected coolers, which are now present in all of our 28 markets. This technology automatically keeps track of inventory and supports promotional messaging to consumers within close range.

In order to improve our in-store execution we have deployed image recognition technology. In Italy for example, our customers are incentivised through a loyalty scheme to perform image recognition in our coolers, ensuring the right presence for all our product categories.

In 2019, we launched Coca-Cola Hellenic's first service brand, Qwell by Valser, for delivery in Switzerland. The project includes a web-based ordering platform and app, and we have doubled the number of products available since 2017. This effort is supported by a cross-system team, in partnership with The Coca-Cola Company, and supports brand launches to fuel growth.

In 18 of our markets, we have improved online ordering and self-service functionality for customers with a solution that fully integrates SAP platforms with Coca-Cola HBC back-end systems. This streamlines both ordering and processes for cooler servicing, financial claims and order tracking. In 2019, we expanded this solution to a total of 12,000 customers. In 2020, our focus is on expanding the rollout of this solution to additional markets and further improving customers' online shopping experience with options for email marketing campaigns and product proposals.

UN Sustainable Development Goals

As we build our business by helping our customers to grow and thrive, we make substantial contributions to the achievement of the Sustainable Development Goals related to ending poverty, decent work, sustainable communities, responsible production, justice and strong institutions, and partnerships.

Sales force specialisation

By segmenting our customers and introducing dedicated sales teams specialising in specific channels, we are unlocking the potential of our 24/7 portfolio.

We start by understanding the total universe of outlets, defining different service levels and contact options and optimising customer visits by channel and segment. This process helps us determine the right level of specialisation so that we deploy the right number of business developers. In big cities, we have launched dedicated teams serving HoReCa key accounts and wholesalers, as well as ambassadors for coffee and premium spirits.

Meanwhile, our business developers in rural areas are responsible for a mix of customers and products.

In Italy, over half of the beverage revenue in the country comes from out-of-home consumption, but just over a third of our revenues in the market come from this channel. We have addressed this with a specialised sales force, supported by digital prospecting tools, adding 34,000 high potential outlets to our business developers' routes. Since we began this approach in 2017, we improved our coverage from 23% to 51% by the end of 2019.

Our tailored approach for the emerging e-commerce and at-work channels supports product cross-selling.

We are pleased with the results we have achieved, through customer segmentation and sales force specialisation. Our outlet coverage was up 6% to 68% in 2019 and time with customers up 3% in 2019 compared to the prior year.

Building customer-centric capabilities

To improve our efforts to partner with our customers to drive mutual revenue and profit growth, we have developed a new framework for end-to-end customer management. We are also training and developing the next generation of key account leaders as we continue to evolve into an even more customer-centric business.

To accomplish this, we have put in place a robust programme of training backed by a targeted development centre to address skill gaps and ensure our people have the right capabilities to take our customer partnerships forward. As an example, we are setting up dedicated negotiation rooms in each market for our teams to practise and build their negotiating skills, ready to meet our customers' expectations.

We are investing in improving leadership skills and intensifying the involvement of leaders in talent development. We have also launched a simplified people-powered process for performance and talent management which incorporates regular feedback from peers and customers. This is part of our effort to improve employee experiences, with increased focus on hiring, onboarding and career discussions.

Disciplined innovation

As we become the leading 24/7 beverage partner, we are unlocking growth potential in segments outside our core sparkling portfolio. New product launches accounted for 4.2pp of our volume growth in 2019, the result of our disciplined approach to innovation.

By offering a broader portfolio, with a wider choice of products, we grow our business and those of our customers. In established categories, new recipes, variants and packages are having a strong impact, while initiatives for new categories are the basis for long-term success.

With every initiative, we are focused on growing the value of our portfolio. For example, Coca-Cola Energy yields four times the net sales revenue per unit case compared to the non-alcoholic ready-to-drink average. For our customers, this represents increased revenue incremental to the overall energy category.

Additionally, we have launched an internal innovation platform with 6,600 employees currently engaged in the scheme. This is a hub for our employees to share their ideas, and so far, we have generated more than 4,700 ideas.

We also engage with external parties in our quest for innovation, partnering with leading universities and start-ups.

Big data and advanced analytics

As we seek to become more innovative and customer-centric, we are leveraging our data and investing in advanced analytic tools to identify and capture value creation and improve our service and operations.

In Nigeria, where trade is very fragmented, advanced analytics have given us the ability to segment our outlets to the same degree we had previously achieved in our other markets. This allows us to have different activations for different outlet segments, addressing different drinking occasions. In Lagos, for example, we were able to target the Easter occasion in outlets near major churches, with additional premium products in more affluent areas.

We aim to build and sustain this critical capability as a long-term competitive advantage.

Data and advanced analytics techniques are also supporting our segmented execution model, providing suggested activities to our sales force, including recommended orders with specific products and quantities to minimise out-of-stock incidents.

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BY SEGMENTING OUR CUSTOMERS AND INTRODUCING DEDICATED SALES TEAMS SPECIALISING IN SPECIFIC CHANNELS, WE ARE UNLOCKING THE POTENTIAL OF OUR 24/7 PORTFOLIO."