Operator

Good morning and thank you for holding. At this time, I would like to welcome everyone to The Coca-Cola Company's Third Quarter 2014 Earnings Results Conference Call. Today's call is being recorded. If you have any objections, please disconnect at this time. All participants will be on a listen-only mode until the formal question-and-answer portion of the call. (Operator Instructions)

Due to the interest in this call, we request a limit of one question per person. I would like to remind everyone that the purpose of this conference is to talk with investors and therefore questions from the media will not be addressed. Media participants should contact Coca-Cola's Media Relations Department, if they have any questions.

I would now like to introduce Tim Leveridge, Vice President and Investor Relations Officer. Mr. Leveridge, you may begin.

Timothy K. Leveridge

Good morning and thank you for being with us today. I'm joined by Muhtar Kent, our Chairman and Chief Executive Officer and Kathy Waller, our Chief Financial Officer.

Before we begin, I would like to inform you that you can find supplemental materials on our website that support the prepared remarks by Muhtar and Kathy this morning. This conference call may contain forward-looking statements including statements concerning long term earnings objectives and should be considered in conjunction with cautionary statements contained in our earnings release and in the company's most recent periodic SEC report.

I would also like to note that we have posted schedules under the Financial Reports and Information tab in the Investors section of our company website at www.coca-colacompany.com.

These schedules reconcile certain non-GAAP financial measures, which may be referred to by our senior executives during this morning's discussion to our results as reported under Generally Accepted Accounting Principles. Please look on our website for this information.

Following prepared remarks by Muhtar and Kathy this morning, we will turn the call over for your questions. Ahmet Bozer, Executive Vice President and President of Coca-Cola International; Sandy Douglas, Senior Vice President, Global Chief Customer Officer and President of Coca-Cola North America;

and Irial Finan, Executive Vice President and President of Bottling Investments will also be available for our Q&A discussion

Now, I'll turn the call over to Muhtar.

Muhtar Kent

Thank you, Tim and good morning, everyone. Today I am going to start with an overview of our quarterly performance and then spend the rest of the time addressing the strategic initiatives we announced earlier this morning in our set of release.

So let's look at our performance for the third quarter. Our overall topline results for the third quarter were below our expectations. Comparable currency neutral net revenues grew 1% in the quarter and after adjusting for structural items due to factors both within and outside of our control. We continue to face a challenging macro environment; more challenging than was expected when we started the year.

In many of our key emerging markets we see deteriorating economic environments coupled with continued softness in consumer spending in the U.S. and particularly in Japan and Europe. This is placing strong pressure on the short term performance of our business. These factors have driven a deceleration in personal consumption expenditures and as a result the non-alcoholic beverage industry is growing one to two points slower than our initial forecast at the beginning of the year.

With that said, there is no question that we need to improve our execution in many markets especially our consumer marketing and commercial strategies. Although we could point to various markets, this was most prominent in Europe where we saw continued challenging macroeconomic environment and also aggressive competitive pricing. We achieved a 3% price mix in Europe which was partially offset by a volume decline of 5%. While we are not comfortable with our year-to-date share performance in Europe, we along with our bottling partners know we must light better consumer and commercial strategies and execution that can benefit from incremental investment in the market place and we're taking actions to address this situation.

That said, we are not discouraged nor are we any less enthusiastic about the opportunities in front of us. In markets where we executed our strategies well we saw solid progress in North America our disciplined approach to pricing supported by incremental media investments, high quality marketing programs such as Share a Coke and disciplined price pack strategies as well as improved execution is paying dividends with increased incidence particularly among teams and revenue growth in our Sparkling portfolio.

In key emerging markets including India, Sub-Sahara Africa as well as the Middle East are incremental media investments drove recruitment with solid net revenue and volume growth. This gives us confidence that when we invest in our brands, align on our system plan and focus on execution we do see positive results. But to be clear, we recognize that our incremental media investments which already started in earnest around the FIFA World Cup will take time to pay off.

Stepping back from our quarterly performance, we've taken a hard look at our progress to date. Our strategies and our actions and realize that while the five strategic priorities we laid out at the beginning of the year are on the right track we recognize that we must do more. Above all, the scope and pace of our actions must change to improve our ability to capture non-alcoholic beverage industry growth.

And that change starts with me. I've asked my leadership team to take this journey with me and to facilitate this change throughout our company. It's a journey we are ready to embark upon. In some ways, we've already enhanced our business with strategic investments in Keurig Green Mountain and intend to further do so with our pending investment in master beverages which underscore not only our ability to adapt the changing consumer trends but also our commitment to further innovation. But these partnerships alone are not enough that is why we are laying out today a series of actions we firmly believe will drive the necessary changes to continue to deliver long term shareholder value. First, we are streamlining and simplifying our operating model in order to speed decision making and enhance our local markets focus to drive growth.

This work is moving forward aggressively and we expect to focus the role for our corporate center and further scale our back office to support processes and policies globally. This will also enable our local operations to focus intently on demand creation in their individual markets.

And as previously announced, we are revising our long term incentive metrics to provide a clear line of sight between our employees around the globe and the metrics they can best influence. Second, we will drive efficiency through aggressively expanding our productivity program. We plan to expand the program from 1 billion in savings by 2016 to 2 billion in annualized savings by 2017 and 3 billion by 2019. This productivity program will build on previous successful programs encompassing our entire spend base and will supplant our existing plan announced earlier this year.

A number of actions are already taking place. We are restructuring our global supply chain including optimizing our manufacturing footprint in North America and investing in technology to streamline – to further streamline our operations. We are implementing zero based budgeting across our organization and are dreadfully prioritizing and redesigning our normal activities to further reduce costs. As I have previously mentioned we are streamlining and simplifying our operating model which will enhance our speed and agility and result in lower operating expenses overtime.

Finally we are working to drive even more disciplined and efficiency in our direct marketing investments. As a result of these initiatives we plan to fund the marketing programs and innovation required to reinvigorate and deliver sustainable net revenue growth. At the same time, we expect these actions will drive margin expansion and increase return on investment capital overtime.

Our third action is to refocus on our core business model of building the world's greatest beverage brands and leading an unmatched global system of strong local bottling partners. In North America, we have a clear and definitive plan to refranchise the majority of our company owned bottling territories by the end of 2017, so at that time we will retain approximately one third of the total bottling distributed volume in North America. With respect to the remaining territories our intent is to ensure the bulk of these are refranchised at the latest by 2020.

Finally outside of North America we will continue to pursue opportunities to refranchise other company owned bottlers where it makes sense, where the business is ready and where we have able and willing partners. Fourth, we will drive disciplined brand and growth investments with a long term view across both Sparkling and Still categories. We will take a balanced approach to ensure we can build our business while consistently delivering bottom line results.

In Sparkling as outlined earlier this year, we will continue to work to improve the quality of our marketing and scale our global investments through a network marketing model to improve topline growth across trademark Coca Cola, Fanta and Sprite.

During the second quarter of this year we began to step up our media investments. Our investments target markets and categories where our current media is underfunded relative to the market opportunity we see as well as where we have the right price package architecture and finally off course execution alignment with our partners. In Still beverages we will continue to invest in our core growth priorities where we are a leader and notably juice and juice drinks and enhance the hydration.

We will expand our investments in selected profitable categories where we believe we can capture value such as value-added dairy. And we will continue to leverage our partnership model with companies such as Keurig Green Mountain, Monster and FairLife as well as targeted M&A to enhance our growth in key categories. We expect these efforts to build on our global leadership in Still beverages and accelerate growth overtime.

This we will drive revenue and profit growth across our markets with a further focus on geographic segmentation recognizing that each market has an important role to play within our portfolio. We've targeted our markets with clear role is to drive topline growth with some markets focused on price, others on volume and the remainder on the balance of the two. Beginning 2015, our incentive metrics will be expanded to include revenue growth and will be tied to these clear portfolio roles.

We are confident that the action we are announcing today will ensure that the Coca Cola Company is best positioned to capture growth in non-alcoholic beverages and continues to deliver long term value to our shareholders. Since its inception our 2020 vision has served to focus our system on the opportunity and to align on our common set of strategies.

We have begun the process of evolving our 2020 vision with our bottlers earlier this year, a process that will continue over the coming months. Together, we remain confident in the growth potential for non-alcoholic beverages. While growth rates will be challenging in the short term given the macroeconomic volatility, we believe that overtime consumer trends will support mid-single digit revenue growth.

Importantly, the core Sparkling category remains resilient and has growth retail value globally for the first nine months of the year 3% outpacing the non-alcoholic ready to drink industries total value growth of 2%. And we also see effective profitable growth opportunities in still beverages, ones that we are well positioned to take advantage of but ones that requires faster action and greater and focused investments.

While we have more work to do here, it is clear that our 2020 vision will remain focused on delivering value growth for our – ahead of the industry. Importantly, the goal of doubling system revenues one our system can always aspire towards it, but it is not a goal to be pursued at any cost over a fixed time frame and we are realigning our expectations based on where we are today and the outlook for our industry.

Let me be clear, we see no change to our long term target of high single digit comparable currency neutral EPS growth. We are updating our net revenue target to mid-single digit growth in order to perfect current reality including the increased contribution from our new partnership model which will impact equity income rather than slowing through net revenues and operating income. And we are evolving our primary profit metric from operating income through profit before tax.

Going forward, the profit before tax this will be 6% to 8% on the comparable currency neutral basis consistent with the previous operating income target of 6% to 8%. With that said, we must also be realistic. While we are very confident in our actions we are cautious in our outlook. The actions announced to date and the additional work we had to do will take time to implement and deliver improvement in our results. As such, we expect to be below our long term EPS growth target for 2014 on a full year basis.

We will come back to you with more contexts in December; however we see 2015 as a critical year, a year in transition as we flawlessly implement our new operating model amidst the continued challenging macroeconomic environment. I am confident however that we have the brands, the greatest and most wide reaching consumer product distribution system in the world, the critical partnerships and most importantly the people to return us to a more robust growth trajectory.

I'll now hand the call over to our Chief Financial Officer, Kathy Waller, who will provide you with a more detailed look at our financial performance as well as an outlook on our business for the balance of the year.

Following Kathy's prepared remarks, Irial Finan, Sandy Douglas, Ahmet Bozer, Kathy and I will participate in our question and answer session to address any questions that you may have today. Kathy?

Kathy Waller

Thank you Muhtar, and good morning everyone. In recognition of our time, I plan to cover key highlights from the quarter and outlook, and then we can move to your questions. Let's start by reviewing the few key drivers of our financial performance.

After adjusting for unit cases without concentrated sales equivalent, concentrated sales were in line with unit case sales for both the quarter and year-to-date. Comparable currency neutral net revenue growth was 1% in the quarter and 2% year-to-date after excluding the impact of structural items.

Our topline growth slowed from the first half of the year due primarily to a volume deceleration principally in Europe and China. Price mix was positive across each of our geographies with the exception of Asia Pacific due to geographic mix, however due to the composition of growth we saw a negative geographic mix at the consolidated level resulting in 1% global price mix for both the quarter and year-to-date.

Comparable currency neutral growth profit was up 4% in both the quarter and year-to-date after excluding the impact of structural items. Our gross margin expanded in the quarter due to pricing, favorable geographic and product mix and a slight tailwind from commodity cost. We generated one point of operating leverage in the quarter as continued investments behind our brand to accelerate growth including a mid-single digit increase in DME, were offset by tight control over operating expenses and the reversal of certain expenses related to our long term incentive plan.

Comparable currency neutral operating income was up 5% in both the quarter and year-to-date after excluding the impact of structural items. The impact of currency was a three point headwind on this quarters comparable operating income results.

Comparable ECS was even in the third quarter including a currency headwind of six points. Although the currency headwind and operating income was in line with the outlook we provided last quarter, foreign currency unfavorably impacted EPS by six points due to additional currency headwinds related to the measurement gains and losses recorded in the line item other income.

We generated $8 billion in cash from operations year-to-date and returned $1.9 billion to share on us through net share repurchases. As we look ahead to the fourth quarter of 2014, let me take a minute to update you on a few outlook items as we model our business.

We do not expect the current trajectory for unit case volume growth to improve materially for the remainder of the year. We expect structural items to be a one to two-point drag on net revenue growth, and approximate two-point drag on operating income growth in the fourth quarter of 2014.

After considering our hedge positions, current spot rates, and cycling of our prior-year rates, we now expect a seven-point currency headwind on operating income during the fourth quarter of 2014, with a six-point impact on operating income for the full year 2014 We expect net interest income to be approximately $100 million for the full year 2014.

We now expect approximately $2.5 billion in net share repurchases for the year. And we now expect our full year comparable currency neutral EPS growth to be below our long term target.

As we look ahead to 2015, we anticipate continued challenging macroeconomic conditions in most developed markets as well as some key emerging markets. The best way to think about 2015 is as a year of transition.

We will start implementing changes to create our new operating model in the beginning of 2015, but incremental marketing investments and margin enhancements will pay time to fully materialize.

Therefore based on what we see today with our continuing need to invest in our business and recognizing that we are early in our planning process. We do not expect our comparable currency neutral, financial performance in 2015 to differ significantly from this year.

As we move through our planning process we look forward to providing more detail and a methodology to benchmark our progress through 2015 and beyond. As such we plan to host the modeling call in December to discuss our 2015 outlook, including further details of the impacts from our refranchising efforts in North America.

However, given the amount of questions around currency for next year, we did want to provide an initial estimate of the impact at the PBT line to better help you model into next year. We currently expect a mid single-digit currency headwind on profit before tax in 2015. We will come back with more contexts on the December call.

As Muhtar said, we are committed to taking the right actions to reinvigorate our top-line growth over time. We have a strong plan in place and we are aligned as a team to deliver against our objectives.

Operator, we are now ready for questions.

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) Our first question today is from Bryan Spillane from Bank of America Merrill Lynch.

Bryan Spillane - Bank of America Merrill Lynch

Hi. Good morning.

Muhtar Kent

Good morning.

Bryan Spillane - Bank of America Merrill Lynch

There’s lot of questions that could be asked. But I guess one that I just wanted to focus in on is the change in target from focusing on operating profit growth to pretax income. And I guess, it's sort of suggest that there is contribution that will come from growth and equity income.

Can you just give us some sort of gauge in terms, how much of the growth you actually expect to come from equity income? How much comes from operating profit? Just trying to get an idea of the proportions and whether or not there's actually a suggestion that operating profit would grow slower than that in that goal?

Muhtar Kent

Bryan, good morning again, this is Muhtar. I think the most important is that our EPS target remains high single digits and our target for profit before tax is still 6% to 8%. And beginning in 2015 revenue growth will be added as a metric in the Company's incentive plan as well.

So, we're obviously looking at a metric that really where the target remains 6% to 8%. And moving the target to PBT really brings net interest and equity income into consideration. And if you look back at the last three years they really has not been leverage between OI and BPT meaningfully. So it would not have really made a difference.

Having said that, it does go back to what we said about broadening our long-term net revenue target to mid single-digit. And we think that there is opportunity to grow equity income as we advance our existing partnerships as well as explore similar models in the future. And using PBT instead of OI should make operations in the way agnostic in terms of evaluating alternatives to extract value in a certain given category, for example, what you mentioned also which is partnership model versus concentrate model. So I think it's a better broadening – broaden way of ensuring that we can deliver long-term sustainable value to our shareholders. And I'll pass it on to Kathy if she wants to add anything.

Kathy Waller

Yes. I'll just also say, Bryan remember we anticipate and we've been saying that with increases in interest rates we will have interest expense versus interest income as we've been generating. So, we don't anticipate interest providing leverage below the line going forward. So, the bottom line we can't make the 6 to 8 BPT without a significant amount coming from operating income.

Bryan Spillane - Bank of America Merrill Lynch

Okay. So, no suggestions, that there is a material change in operating income growth that you just trying to collect the other pieces below that?

Kathy Waller

No, not at all.

Muhtar Kent

No suggestions in any respect.

Bryan Spillane - Bank of America Merrill Lynch

Okay. Thank you.

Operator

Thank you. And our next question is from Ian Shackleton from Nomura.

Ian Shackleton - Nomura.

Yes. Good morning. And previously you'd indicated on the $1 billion product to the savings that will be all reinvested in media. Perhaps you can give us some idea of how much of the $3 billion will be reinvested and also a savings of that will be through to 2019, it strikes me that U.S. production change, is that's going to be quite backend loaded in that timeframe?

Muhtar Kent

Hi, and this is Muhtar. Good morning. Firstly, let me just give you some context around the base. If you take -- firstly that's why we put two numbers out $2 billion by 2017 and $3 billion by 2019 in order to show that everyone sees that this is not backend loaded, its just a number that really will be generated and the run rate will be flowing through into our system and then we will invest some and use some for margin enhancement. We did say that it will take some time to achieve, 2015 is the critical year where we really is the most important year for us to make the changes that I mentioned to you in terms of a leaner, better operating model and therefore I think it's – that year should be seen as a year in transition.

The base really when you look at our company, you see about $5.5 billion in total in marketing about $4 billion OpEx, and really of the $3 billion about $1.5 billion will come out that base of around $9.5 billion to $10 billion and then other $1.5 billion will be of the $3 billion will come out at about $25 billion COGS base.

And it's important to understand for everyone that we will not be taking down the second number $1.5 billion when we refranchise with our aggressive refranchising program particularly for the United States between now and 2017. So, that number will stay that way and then the bottlers will get additional opportunities for COGS synergy as the territories get refranchised on top of the $3 billon. So, I hope that gives you some flavor and explanation into and answers to some your questions. And Kathy, go ahead.

Kathy Waller

So Ian, if I could just add that on the initial $1 billion program, $400 million was in 2014 and we are on track. So that continues into 2015 with the rest of the productivity giving us the flexibility to achieve our target over the long-term.

Ian Shackleton - Nomura.

And just come on 2015 guide, it obviously look quite bearish versus where the street is you seem to be highlighting there's been quite a lot extra costs there without savings. Is it also a comment that you're quite cautious around revenue growth i.e. you seem to be applying it will be more in line with 2014, which is more like 2% not a 3% plus? Is that right?

Muhtar Kent

Yes. I think given the sort of macroeconomic volatility out there and given the fact that marketing investments are taking some time to flow back in terms of benefit. I just say, that's the best we see right now and we will come back with a more robust and more detail discussion on 2015 in our December call.

Ian Shackleton - Nomura.

Okay. Thanks very much

Operator

Thank you. Our next question is from Ali Dibadj from Bernstein.

Ali Dibadj - Bernstein

Hi, guys. So I think we're generally pleased that there's more urgency around price mix and in North American franchise mix and the cost cutting. But I do want to understand a little bit better how much of the cost cutting you think you're going to need to reinvest? And really why you think you have to reinvest?

And I say that because look you're going to reinvest and I want to hear what, but you're going to get back to your previous growth rates. But this whole time a lot of discussion is about blaming mostly short term macro issues. So is there something that's underlying [indiscernible] [EG] perhaps consumer transferred health and wellness or something.

And in fact is it a good ROI to invest in the business in marketing versus taking some to the bottom-line and to shareholders who have been rather disappointed recently? So any help there would be great?

Muhtar Kent

Yes. I think we're talking about is a balance approach bring us back to our long-term growth trajectory in terms of our financial performance. That is a combination of both growth more realistic and better sustainable growth on the top-line as well as margin enhancements. So as we said before, this additional program of productivity will yield, will generate two things, we believe clearly better growth as well as better margin enhancement.

And the important thing here is that we will have a much better segmented geographic segmented analysis of countries where if you take the developed countries, we will be driving profitable growth through innovation and productivity, for example, with top countries like Spain, Korea, Great Britain, Japan, U.S., France and so forth.

And then, in terms of the developing countries they will have a different, slightly different role maximizing value through segmentation and ensuring that continue to build consumer loyalty markets like Latin America, Turkey, Poland, Nigeria and an emerging markets like China, India, Indonesia, Thailand and so forth will be maximizing more skewed on the volume side and investing for accelerated growth.

That is why we need -- we believe we need to continue to invest. And the world is a very big place. It's not just the countries that we live in and we know. It's a very wide place out there and there is significant opportunities to continue to generate growth, while at the same time, and we believe that there is a very good line of sight of how we invest and how we get return from that investment, very disciplined and very important transparent line of sight.

And that's the way we look at the segmentation approach and therefore revenue which is the target of what we've indicated to you will be a composition of volume and price and so we've not throwing volume out of the door. We're not – it's a balanced, very balanced approach towards how we will generate revenue, how that revenue will flow into bottom-line both through the additional revenue growth achieved as well as through enhancements in terms of the margin.

Ali Dibadj - Bernstein

So that's very helpful. And in terms of the clear line of sight can you give us a sense this $3 billion is it half reinvested, half to the bottom-line, is it 60/40. Can you give us a better sense of the split of reinvestment versus bringing it back to the bottom-line?

Muhtar Kent

Yes. I think we're not ready to share that detail with your right now. However I think as we go along we'll give you more insights. But certainly it will not all be invested and it will not all flow into the bottom line, but I think we see a clear balance there as we go forward. And I think there's different role for the -- obviously there's a different role for the – of how you should think about $1.5 billion that is coming out of the base of total marketing and OpEx and also the $1.5 billion that is coming out of the COGS. And I think both of them had slightly different roles in how they will be played out.

Ali Dibadj - Bernstein

Okay. Thanks very much.

Operator

Thank you. Our next question is from Dara Mohsenian from Morgan Stanley.

Dara Mohsenian - Morgan Stanley

Good morning. Muhtar I want to delve a bit more into the changes in price mix versus volume focus and the incentive plans. I'm assuming the enhance pricing focus is more of a developed market phenomenon, but maybe you can review for us how much of the change in focus going forward is in developed market versus emerging market versus how you managed previously?

And then in North America has this enhanced pricing focus already played out to some extent, given you've already had compensation changes there or should we expect North America to be part of that change in focus going forward also?

Muhtar Kent

I think the whole company, you should think of entire company as evolving and changing, but as I said, I think the important thing is roles and responsibilities on a geographic basis with complete clarity of roles. So if you take markets like the more developed markets of Korea and Spain and Great Britain and so forth, Japan and United States, Canada, more focus on the balance of revenue, what will drive the revenue, slightly skewed in favor of price versus volume.

What will happen in the developing markets more like Latin America and some Eastern European markets and so forth, Turkey, much more straight line right in the middle balance of how that revenue number is going to be generated, that revenue growth target is going to be generated. And then you take the lower per capita more emerging markets that I mentioned, the Indonesia's and India's and China's of this world and Southeast Asia skewed more towards volume. But that doesn't mean there's not a pricing metric and that doesn't mean there's no incentives based on revenue, it just how they are skewed.

Dara Mohsenian - Morgan Stanley

Okay. That's helpful. And then while we're on the subject of pricing, can you characterize the pricing environment right now in North America obviously the 3% sparkling number in the quarter was more favorable than you've seen recently. So I wanted to get an update there and how sustainable that performance could be going forward?

Muhtar Kent

Yes. I'll ask Sandy to comment on that North America number. Sandy and Irial are here and I'll ask Sandy to first comment on that.

Sandy Douglas

Yes, Dara, our view of the pricing strategy in the U.S. has been very consistent with what we said at the beginning of the year. Very focused on making sure that we get our price that we balanced that with the package strategy that's focused on our premium packs and our smaller pack which consumer's want and continue to grow double-digit. And we're pleased that you can see in the Nielsen data and the marketplace that consumer is responding with accelerating sales growth, actually volume was slightly better than we expected and clearly the volume on the premium packs that are the focus of our brand building agenda and supported by our advertising are driving the train. So, we're just at the beginning though.

I think North America's ability to play a primary revenue growth role in the company with this discipline balance strategy is in their early stages and we see a rational environment and we see a good competitive environment in which the category sales performance is accelerating and we're optimistic about the future.

Muhtar Kent

Irial, do you want to add to that.

Irial Finan

Yes. I just remind all of us in the first quarter we said we'll going to have a very disciplined approach to pricing in North America and the last three quarters we've demonstrated that and intension is to keep doing this. And we feel good about it. We feel we're going in the right direction and feel very confident as we actually heading to the future on pricing in North America.

Muhtar Kent

And maybe I'll ask Ahmet to also comment on some of the – on the same subject as it pertains to Europe and as it pertains to Latin America and some other markets, Ahmet?

Ahmet Bozer

Thanks, Muhtar. As we talked about the revenue focus we are also focusing on balanced revenue growth in Coke International, maybe couple of examples I could share is in Mexico for example, where you see 2% growth in volumes for the quarter and more or less flat volumes.

We're actually seeing fairly healthy price mix of about low to mid single-digits and our revenue growth reflects that as well. Likewise in Brazil, we're also seeing mid single-digit revenue growth even though our volumes are up only 1%. So, we are quite cognizant of balancing our revenue growth with approximate pricing realization and volume at the same time.

Muhtar Kent

And you want to say anything about Europe.

Ahmet Bozer

And Europe, obviously we are not pleased with our volume performance of negative 5%, but the challenging macros are bringing with it a fairly aggressive pricing environment in the marketplace and we are always trying to balance our pricing with volume, and in this quarter I would say that we were a lot more in favor of pricing where we have realized three points of price mix in Europe, which resulted in a revenue decline of 2%, while our volumes were five.

Having said that, this is a journey in an ongoing balancing act, we would be focusing on balancing that a little better, so that our share performance continues to be strong, which it has been for the last four years and we are on that journey in Europe.

Dara Mohsenian - Morgan Stanley

Great. Thanks.

Operator

Thank you. Our next question is from Bill Schmidt from Deutsche Bank.

Bill Schmidt - Deutsche Bank

Hi, good morning.

Muhtar Kent

Good morning.

Bill Schmidt - Deutsche Bank

Can you just comment on how much you know relative to the environment what's secular and cyclical? And then, how your strategy change if it's more secular and cyclical in terms of some of the consumption trends. And then maybe obviously Muhtar you've considerable experience here, is there been a period where you've seen things as difficult as they are now and kind of what it took to pull yourselves out of it?

Muhtar Kent

Yes. I think, Bill, firstly it's fair to say that we are in a challenged disposable income growth environment, that's no question. The consumer is challenged everywhere around the world. Its not related to Western developed markets of Europe and Japan, United States and Canada, but it's also related to emerging markets. There's a lot of volatility in the world when you look at in the currencies, when you look at interest rates, when you look at the growth rates and when you actually factor in all the different geopolitical issues around the world. There just is a lot of apprehension.

Less people traveling from because of disease, because of scares, because of other thing, mobility is down, and traffic is down and that all impacts particularly our immediate consumption business. And so, we've got to find a newer better ways to ensure that we can meet our products, our brands, our 3,000 products, 550 brands can meet up with consumers on different occasions, on better occasions, on newer occasion and on more innovative ways to get our products in front of our consumers.

And certainly we recognize that is a challenging environment and we operate in that environment, but we have a still one of the most dynamic consumer goods businesses in the world, and we believe it can still over time grow at the rate that we have just outlined to you in terms of revenue growth.

Is that going to happen overnight? No. Can we get there? Absolutely yes. Then we have other elements to deal with in terms of trends. And so we recognize that we have to do more works of diets and lights for example, we continue to innovate. We continue to launch new products which had different sweeteners and different sweetener basis. That would continue at an expanded – in an expanded mode, more innovation, more packaging, newer ways for consumers to connect.

Next year is the 100 year of the contour and we certainly, we'll expanding our I see focus in the – immediate consumption focus in the market which is really important way to build habit and build trends and build team incidents and then improve our marketing and improve our commercial strategies with our bottlers which we keep working at.

And so, that's where we are. It is a very challenging environment anywhere you go around the world. It's not different. Everyone is apprehensive, whether its governments, whether it's NGO, whether its businesses, local businesses and international businesses. So, and I don't see that improving overnight, but I think it's a new normal in that new normal we need to generate better growth.

Bill Schmidt - Deutsche Bank

Great, thanks. And Kathy just one quick one, the share repurchase went from sort of range of $2.5 billion to $3 billion is a lower end of the range. Is there any read through on that why you guys took it down, I know it's not hugely substantial?

Kathy Waller

No, specific read through, I would just say that given where we are right now, this is the guidance we thought we should provide at this time.

Bill Schmidt - Deutsche Bank

Okay. But is cash flow come in softer? I'm just trying to figure out why it would come down if there's no change to the cash flow algorithm?

Kathy Waller

We did give different outlook on currency which does impact cash.

Bill Schmidt - Deutsche Bank

Okay. Great. Thank you.

Operator

Thank you. Our next question is Michael Steib from Credit Suisse.

Michael Steib - Credit Suisse

Good morning. I was hoping you could provide us with some more detail regarding the restructuring of your North American manufacturing footprints as one of the areas of the productivity program you talked about earlier. What's the scope of that program? What are the milestones that we should be looking for and how does that tie in with your commitment to refranchise the bulk of your territories by 2017?

Irial Finan

Yes. It's Irial. On the supply chain North America, I mean basically this is a continuation of what's started a few years ago, and it's made up a many different aspects that we will share in due course. As Kathy has already said and Muhtar, but the key is that we're looking at becoming a more effective and more efficient. We have a very substantial supply chain footprint and we believe and have the plans to make sure we'll become truly efficient and that means by streamlining in many different ways and simple illustrations or things like bottle [light-weighting] which is pretty well carried out across the world today, whether it mechanizing at different parts of our supply chain, whether its our footprint as supply chain and so forth. So, many different aspect, but very clear plans behind this and high degree of confidence that we will achieve the synergies that we've set out.

Muhtar Kent

And on that once again, I wanted to reiterate the point that I made earlier. This is Muhtar. That you know of the $2 billion by 2017 and the $3 billion by 2019 incremental synergy program, that is not going down as we substantially refranchise our business in North America. Okay, any further questions.

Operator

Our next question is from Judy Hong from Goldman Sachs.

Judy Hong - Goldman Sachs

Thank you. Good morning. I guess first question is just relating to really the new operating model that you're planning to implement, then I'm just hoping to get a little bit more clarity around exactly what you're doing to change the operating model both more at the business unit and maybe even at the country level? And is it something that gets rolled out globally or does this have phasing of kind of how it gets rolled out?

And I know that you've really have been emphasizing patients and taking time to implement these changes, but just wanted to get a little bit better sense of what takes longer – what can be implemented more quickly and where we can see the benefits to some of the changes more quickly?

Muhtar Kent

Yes, Judy, this is Muhtar. Good morning. Yes. We are streamlining and simplifying our operating model for better speed, better decision making, and enhanced also local market focus that will help driving better growth, help us to drive better growth. And so, this work is moving forward aggressively, it's global, involve the center and involves the entire company.

And we expect to refocus the role for our corporate center and further scale our back office to support our processes and also policies on a global basis to get more synergies there and better service to our business unit that operate around the world that basically makeup the Coca Cola company and this will enable those operations to fully focus intently on demand creation in their market.

So, this is really important. It's a de-layered organization. It is a simplified organization. It's less touch points, its faster decision making and that will take place starting with the beginning of the year and more will – you'll hear more about that in the coming weeks. So, that's important. And I think it's important to -- if I take just a back a minute and just to say again, this is a certainly a difficult operating environment and that is clear, no question about that.

But today, we're announcing I believe definitive actions as a team to address that environment and improve our execution. The $3 billion in synergy enhancements are an added layer of segmented analysis on top of the $3 billion and metrics on a market-by-market basis is clear evidence I think of us taking action to control in a way what we can control.

And this is – I'm so pleased we have a team that has basically worked together for a long time and we know what it takes to win. Today, we are taking essentially additional steps to get us back on track over the longer term and we will do whatever we have to do to get there, to get us across to that bridge. We know it can be done and we know we will do it. And I think the synergy program will help, the new operating model will help, the enhanced execution will help, the better marketing will help and the improved commercial strategy will help along those lines. Is the operating environment tough? It is tough. But we are fortunate to be in the business that is one of the most dynamic businesses in the world, the non-alcoholic ready-to-drink business. And so that what I would leave you with.

Judy Hong - Goldman Sachs

Okay. And then, if I could just follow-up maybe Ahmet just the two markets were obviously the volume was very challenged, where Europe and China which presumably had both the weather impact as well as the macro impact. So if you can give us a little bit of color just in terms of how much you think the weather did play a role? And then it sound like in the fourth quarter you really are not anticipating much improvement globally from a volume perspective, or is the weakness that expected in these two markets primarily or are other markets that you think could potentially be weaker or volatile as you get into the fourth quarter?

Ahmet Bozer

Thanks, Judy. And you know we don’t like to talk about weather too much in this. But I would say there was probably not so favorable weather. You mentioned the macros, let me start with China. You could see from the numbers in China that total food and beverage industry, NARTD industry is actually under pressure and the growth rates are coming down.

But I’m very pleased with our performance in China, because now we can see a lot of traction on sparkling beverages which actually grew in the quarter, trademark Coke was up 4% in China, which shows that the strategy that we have shared with you all beginning of the middle of last year, of segmented focus of our beverage in China is actually working. We’re very pleased with our new launches of the isotonic that’s doing very well.

Very pleased with our innovations in sparkling with things like Schweppes plus. So, for China, I’m very pleased with the results and we’re gaining share and our initiatives are working for us. When it comes to Europe, I have shared with you all the little earlier, it is more a matter of balancing our price realization and volume a little bit more in the favor of volume and share still realizing good price mix, I would say other than that Europe performance was mostly to do with the macros and you mentioned whether I will not.

Unidentified Analyst

Got it. Okay.

Muhtar Kent

Thank you.

Operator

Thank you. Our next question is from John Faucher from JPMorgan.

John Faucher - JPMorgan

Thank you. I guess a couple of questions here. One on sort of the change to the long term algorithm and you talked about NARTD growth being more mid-single digits I guess going forward, is that going back to Bill Schmidt's question, is that going down permanently from the 6% number that you guys had put out there before you structurally calling for lower category growth. And then the second question I had related to the restructuring program I guess two questions on this, first, is it the macros is it the lower structural growth of the category that's causing you to up this just eight months after your last program. And then a clarification on the numbers which is part of the savings program announced in February related to not necessarily productivity but more efficient spending? Is there any of that's built into this new $2 billion? Thanks.

Muhtar Kent

Hey John, this is Muhtar. I think when you look at the current revenue figure that we've put out there, if you take the middle – midpoint of that it's only you know 50 basis points difference than what was out there before earlier. So I don't see that as a major difference in terms of the category, in terms of the cyclical long term macro economic. I think we see tremendous opportunity in this segment, in this consumer, very dynamic consumer goods industry. So I see that, that's not any major shift. We've been pleased with productivity in terms of what we've done to date.

Macros have not improved and so we have to do what we need to do in order to ensure that we can cross the bridge and get to a better both topline growth as well as bottom line delivery of performance. And that's what you see us doing right now. This is – in the past you know you would have cycles and macro you would have two to three year, a year or two years of down and then coming back up. Now its constant volatility and constant actually more increased volatility everyday around the world, and increased apprehension by the consumer. So we had to do more. We have to ensure that we have a creative mix ability to deliver our results and that's what you see us doing.

John Faucher – JPMorgan

Got it. And I guess, can I just follow – and again I – just a clarification on the sort of reallocation versus sort of where we review with incremental cross saves any color on that?

Muhtar Kent

Kathy you want to add anything to in terms of the investments, in terms of the efficiency what John talked about?

Kathy Waller

Sure, Muhtar. So in the – first of all going back to the first question around the net revenue. The two things that are primarily driving the change would be the value growth that we see coming from Emerging market as well as the guess mobiles and nature of the emerging markets and then a recognition that our partnership models would drive value for the business that will impact that with the income, so I just wanted to add that particular point. And then on the productivity, I – don't remember the productivity question….

John Faucher – JPMorgan

What I was asking is if I remember correctly that the February productivity program, excluded some through productivity and then some sort of reallocation of spending to more efficient methods. What I'm asking is there of that also built into the incremental $2 billion from to that?

Muhtar Kent

Yes, there actually is John. In terms of the way, what we have done in the past is we've said that productivity – the origin of billion is made up of both OpEx as well as reallocation of marketing to ensure that marketing is more effective and more efficient in terms of its delivery of results. And so that is an ongoing program that we have in terms of how we will continue to reallocate marketing to drive better value and better return. That is there.

That is ongoing, however, of course the scale of what we are doing in terms of OpEx flexibility is going to be much much bigger here and – but the vast majority of the additional savings programs is hard savings in productivity. The vast majority is hard savings as opposed to reallocation. We will ensure that amount of money that's invested has a return, that's a different answer but we will make it is actually I would say the majority; vast majority in fact is higher savings.

John Faucher – JPMorgan

Okay. Thank you very much.

Operator

Thank you. Our next question is from Mark Swartzberg from Stifel Nicolaus.

Mark Swartzberg - Stifel Nicolaus

Thanks, good morning. Also on the subject of media and marketing spend, when all is said and done Kathy or Muhtar for calendar '14 you mentioned a double digit increase in media in the quarter, but when we look at the total marketing spend, how much do you think that will be up one all said and done for '14. And then when we think about the comparatively lackluster '15 you are talking about how much of that is attributable to the rate of increase in marketing spend you are intending next year?

Muhtar Kent

I think when all said and done, I'd say probably Mark, it will be about mid-single digits in 2014 and I think we'll give you again in December we'll come back and give you more flavor about how we are thinking of that in 2015 and beyond.

Mark Swartzberg - Stifel Nicolaus

Is there anything – is it reasonable to assume it goes up at a faster rate in '15 given the topline challenges?

Muhtar Kent

I wouldn't assume that.

Mark Swartzberg - Stifel Nicolaus

Okay. And just one point of clarification back on John's question about the 3 billion, you mentioned Muhtar vast majority being OpEx are you talking 80%, 70%, 90% can you give us some sense of that number?

Muhtar Kent

Look I said the vast majority is hard savings in productivity programs. And that is composed as I mentioned earlier in answering another question that is composed of a base of about 9.5, 10 billion comprises of marketing and OpEx and then another base which is about – driving about 1.5 billion by 2019 and other 1.5 billion by 2019 is driven by COGS savings, but these are hard savings, not in terms of just soft or reallocations.

Mark Swartzberg - Stifel Nicolaus

Got it. Okay. Great, thanks Muhtar.

Operator

Thank you. Our next question is from Steve Powers from UBS.

Steve Powers - UBS

Great. Thanks, two questions if I could. I guess first, despite I guess some disappointments in some quarters, from a strategic standpoint this does seem like a fairly substantial change from where you were in July strategically. Can you talk about the process that you went through internally to get here, do you view these changes more reactive or proactive, and to the extent that much of the work has really been accelerated since mid-summer how confident are you that this is the right program, why is 2 billion for example the right number and not three or some other figure? That's like kind of the first question. And secondly, as you seem closer to a defined timeline for refranchisement in North America.

Can you help us dimension the financial terms and the economics of that activity, just in broad brush strokes acknowledging you'll probably cover more this December, but do you anticipate refranchising to result in an economic loss or gain versus your 2010 investments and how much dilution should we expect as we go forward to the program again just in broad brush strokes? Thanks.

Muhtar Kent

Yes, this is Muhtar. First, I think the base on the collective judgment of myself and my team we – as I said to you this is an acknowledgment of continuing difficult operating environment and controlling and taking action to control what we can control. That will mean two things, create a flexibility to the synergies and also ensure that we can enhance our margins and build a credible and sustainable revenue growth on the topline, that is the key here which this industry lends us to believe and clearly the history has shown that this industry is the most dynamic and it continues to be and therefore we believe that when we segment our markets in the way we have segmented them continues to ensure that we have the right metrics in place and the right incentives in place that we will perform better.

And we're almost finished with this year and we are going to be embarking upon implementing this now so that we can start the year running and we will give you a very clear dashboard in December where you can, with three or four things to follow you can judge our progress, judge our progress as to how we're implementing and generating the results out of this program. That to me, I think is going to be key following our progress and we will follow it and you will be able to follow it. We'll give you that dashboard so that you can ensure that every quarter we can have a discussion on the key four or five elements of success on how we implement, how we implement the operating model, how we implement better marketing, how we implement better commercial strategies and how that's impacting the topline and what impact that's having on margins.

As far as you know the North American franchising, I'll ask Sandy to comment on that, but again, it's a clear timeline, first by 2017 and then what we will have left is about one third and then what we do with the rest is latest by 2020 again finding the right home, Sandy.

Sandy Douglas

Yes, sure Steve on North America refranchising, I go back to the objectives of the effort which is to restructure a system that has been placed for over a 100 years to get it in better position for growth, with better focused customer management and more efficient product supply and back services and to refranchise to the best Coca Cola bottlers in the United States under a new franchise agreement that is fit for purpose for growth.

And we are very optimistic about our ability to deliver that kind of growth profile and to do that in a way that makes our business more economic and makes our system more economic going forward. So as we point to the December discussion that Kathy is going to lead will have a number of the details that will help you model this going forward, but our strategic mission has not changed and our optimism for success in doing this with our bottlers is as high as ever.

Muhtar Kent

So thank you, Kathy, Ahmet, Sandy, Irial and Tim despite gaining global value share our year-to-date performance is not where it needs to be. The scope and pace of our actions have to increase and we're moving very quickly to streamline our operations and further align our incentives to drive revenue growth while simultaneously driving costs out of our business through an aggressive plan. While the short term macroeconomic environment remains challenging, we are confident in our ability to return sustainable growth as the long term dynamics of our industry remain promising. Our brands and our global system are unparallel and we are all fully dedicated to strengthening our position as the world's leading beverage company.

As always, we thank you for your interest, your investment in our company and for joining us this morning.