Coronavirus Collaboratory #6: Lessons from US Companies in China and India
## Collaboratory Objectives

<table>
<thead>
<tr>
<th>Outline</th>
<th>Describe</th>
<th>Develop</th>
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<tbody>
<tr>
<td>Outline overall impact of the Coronavirus on global supply chains in China and India and what we can expect to see next</td>
<td>Describe actions being taken in the supply chain, provide specific examples that relate to any company with Asian presence</td>
<td>Develop recommendations that help your supply chain win with customers and with your shareholders</td>
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Collaboratory Agenda

9:00 AM
DSCI: Introductions and Observations
- George Bailey, Executive Director & CRO

9:10 AM
Coca-Cola: Perspective and Recommendations
Curf Ferguson, President, Greater China, Korea and Mongolia

9:20 AM
Ciena: Perspective and Recommendations
Rajesh Nambiar, Chairman and President, Ciena India

9:30 AM
Q & A

9:55 AM
Closing Remarks

10:00 AM
End Collaboratory
Companies are struggling to find right model in order to survive and thrive

• Demand has collapsed for many companies and increased for some...
  • The future is more unpredictable than ever!
• Asia continues to be a supply chain center, even as China has become less attractive for some global companies
  • China and India will remain supply chain critical
  • There are around 22 million businesses — or 90% of all active businesses in China — within the regions impacted by COVID-19. This in turn, would impact at least 56,000 companies around the world with suppliers either directly or in the first and second tiers, said the commercial data and analytics consultancy.
• Countries are coming out of lockdown (e.g. USA) or getting back to lockdown (China)
  • We MUST do a better job preparing ourselves for Wave 2!!!
• Never waste a good crisis: Companies are preparing supply chains for the future as they adjust to the present
Next Steps

• Develop full on plan for Wave 2
• Reduce costs, preserve suppliers, gain market share
• Identify (and quantify) risks and opportunities
• Develop new supply chain strategy that exploits the power of digital and services the New Customer
Coca-Cola: Perspective and Recommendations

Curt Ferguson
President
Greater China, Korea and Mongolia
CGE Webinar
Jun 18th, 2020
COVID-19 impact on the Coca-Cola business in China

- Chinese New Year is one of the most important selling periods for Coca-Cola China as people gather with families and friends to celebrate.
- Majority of Coca-Cola loading/sales into the trade and distributors occurred in the first week of Jan, three weeks prior to the Chinese New Year.
- As the outbreak became more serious, cities/provinces implemented strict lockdowns.
- Although our CNY sales were positive, overall Q1 sales were negatively impacted by the virus outbreak.

Business Challenges

Domestically:
- Raw material supply shortage - Large suppliers in provinces with severe situations could not start production (e.g. Citric acid & Ethanol)
- Bottler production facilities remain closed post CNY, as of Feb 10, ~50% (ZJ, JS, HB ~100% closed) production resumed work, full production started on Mar 23rd.
- Distribution challenges due to government imposed restrictions and inspections on inter-province transportation.

Internationally:
- Difficulties getting imported materials/ingredients due to reduced flights.
- Higher procurement costs due to increased transportation costs and fewer supply options.
Immediate Supply Chain Actions in response to COVID-19

1. **Create Transparency on multi-tier Supply chain**
   - Engage 31 members from all BGs and CPS to build a coordination group
   - Sharing status, updates, timely
   - Identify possible risks and build up consensus action plan

2. **Drive Clarity on inventory**
   **Minimize the “Panic”**
   - Daily Inventory sharing amongst 46 plants (CPS-1, SCMC-5, SCCL-20, CBL-19, ZH-1)
   - OUs operation resume plan sharing
   - Identify the risk of single source of BB
   - Align on actions and focus

3. **CPS resumed production**
   - CPS/PAC work together with local authorities to get approval
   - Resume production on 29th
   - Sharing daily output
   - Build new process to handle logistic, protect employee’s safety

4. **Maximize capacity**
   - Align with front line, focus on CORE
   - Produce standard pack to maximize output
   - Maximize delivery to DC so that dilute the risk of supply

5. **Resume full supply**
   - System Stock stabilized and secured
   - Cope with B/C SKUs and differentiated package
   - Work with Innovation
   - WH SCCL resumed on 19th March
   - WH SCMC resumed on 23rd March

**In summary:**
- Drive clarity to reduce panic
- Create process to safeguard employees’ safety
- Ruthless on discipline to achieve system optimization
Recovery is faster in channels serving at-home channels

Targeting the micro occasion with right packs through To Home O2O & proximity channels.

Mainland China Volume Trend by Channel

Strong O2O (both platform or KA-self run) led the growth in MT

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<tbody>
<tr>
<td>Offline</td>
<td>+20%</td>
<td>-39%</td>
<td>-6%</td>
</tr>
<tr>
<td>O2O-TTL</td>
<td>+360%</td>
<td>+194%</td>
<td>+193%</td>
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Source: E&D Dine-In/Delivery - Tiancai POS

E&D is also recovering, with food delivery at a much faster pace

* Active Outlets vs. PY for CBL & SCCL combined

Source: CCMG DW & Customer O2O Data
Experience from China shows a “consumption shift” short term to buy more groceries online that appears to be lasting, online tactics required to compensate a decreased in brand loyalty

Mobile survey to understand Chinese consumer behavior during COVID-19

<table>
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<tr>
<th>Consumption shift during the peak of the crisis</th>
<th>Confidence and emerging shifts after...</th>
<th>...that appear lasting</th>
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<tbody>
<tr>
<td>50-70% Reduction in consumption for discretionary products</td>
<td>+20-30% Lingering effects in food as foodservice still not fully open</td>
<td>-15% Decrease in intent of dining in restaurants</td>
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<tr>
<td>&gt;50% Male shoppers at offline stores during crisis, majority of which are 30-40 years old</td>
<td>&gt;80% Of Chinese consumers are optimistic about buying same or more after recovery</td>
<td>&gt;55% Of Chinese consumers are likely to permanently buy more groceries online</td>
</tr>
<tr>
<td>30-40% Of consumers have not purchased discretionary and impulse products</td>
<td>&gt;6m Time to full recovery not unlikely looking at MERS and SARS esp. in apparel &amp; luxury</td>
<td>&gt;25% Of shoppers have shifted away from primary store; ~50% not intending to shift back</td>
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<tr>
<td>+15-20% Increase in online penetration</td>
<td>+3-6 p.p. Expected stickiness of online penetration after the crisis</td>
<td>~33% have switched brands based on convenience and promo/display, of which 20% intends to stick</td>
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## NEW NORM – CONSUMER DYNAMICS + CHANNEL LANDSCAPE SHIFT

### Nesting @ Home
Staying in is the new going out. driven by remaining safety concerns, and a newfound pleasure in nesting.

### Boring routines
Too long home stay, too many free time. Need more upliftment & social

### Social Connection
Social connection need become more strong after long separation

### Well-being
“Healthy eating” and Hygiene will remain to be key priority. More attention on exercise and fitness

### Value for money
Seek for value for money, especially among Return-to-home migrant workers

### Connected Consumers & Commerce

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<th>Cloud</th>
<th>MT enabled by strong O2O</th>
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<td>O2O (both KA self-run &amp; platform) as the key growth driver</td>
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<td>MT stores getting closer to communities both ‘physically’ and ‘digitally’</td>
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<tr>
<th>CVS digitalization</th>
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<td>New digital capability</td>
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<tr>
<td>Operation efficiency driven</td>
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**HORECA badly impacted**
- Theaters, cinemas, game halls in close

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<th>E&amp;D consolidation &amp; evolution</th>
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<tr>
<td>Low E&amp;D shrinking (13% outlet closed by Apr)</td>
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<tr>
<td>Chain customer accelerated to gain share</td>
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<tr>
<td>Meals O2O recovering faster</td>
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<th>Flourishing emerging channels</th>
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<tr>
<td>Fresh food B2C +168%</td>
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<tr>
<td>Community Commerce +83%</td>
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<th>GT evolving to modern formats</th>
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<tr>
<td>Acceleration of GT’s evolution to Minimarket/CVS-like format</td>
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<tr>
<td>O2O as a ‘Must’ for GT store owner</td>
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eLife of a Consumer has changed significantly, requiring immediate tactics from brands, part 1

**Spending more time @ home and with family**

**Work from Home – all the time**

**In & out trips – to minimize contact**

**Renewed focus on Health**

**Lack of eLearning capabilities and discipline**

**Potential decrease in productivity, cyberfraud**

**Potential OOS or not finding the favorite brand**

**Exercising at home without equipment**

**Shift in online adv place and time to elearning and entertainment.**

**Monitor people engagement and feedback, increase IT security.**

**Communicate convenience of stock ordering beverages online.**

**Partner with health online corp, Keep, Garmin, Influencers.**
eLife of a Consumer has changed significantly, requiring immediate tactics from brands, part 2

**Tactics & examples**

### All Meals @ Home
- More cook, concerns+lack of availability for Food delivery
- CokenMeals online, focus ads with meals content.

### TV & Online
- OTV, OTT, Video Tutorials, Gaming, Live Streaming
- Invest in social commerce, live streaming of music artists.

### More Online Shopping
- Potential delays on delivery speed, no availability and website 404.
- Optimize digital shelves, Stock promos aligned w/delivery dates

### More cautious spending – cutting out nonessentials
- Higher income household with less price sensitivity than lower income, both less loyal.
- Secure availability in KA, Leverage databank to retarget.
CHINA Digital Commerce – Projection online sales could exceed brick and mortar in 2025 (+25% of NSR through ecommerce).

Ecommerce size FMCG + KO

- In 2019, e-commerce contributed less than 7% of the global fast-moving consumer goods (FMCG) market.
- **South Korea and China**, demonstrate the highest uptake of online FMCG, where e-commerce has already reached **18% and 16% market share** of their respective FMCG markets.
- If the current global growth rates for online and offline FMCG remain constant, online sales will exceed those from bricks and mortar stores by **2037 2025**.

Ceina:
Perspective and Recommendations

Rejesh Nambiar
Chairman and President
Ciena India
Resilient Supply Chain Practices during COVID Times

Rajesh Nambiar

June 18, 2020
COVID-19 has been a global disruption and India is no exception - grappling with concerns about balancing “life” and “livelihood”

So far, India has been doing fairly well on healthcare side

After 70+ days strict lockdown, now we are in Unlock stage

*As on 18th June
https://www.worldometers.info/coronavirus/
Health of Our Business

• Our industry is well positioned, We’ve built a resilient business that will help us weather this.
• Temporarily closed our offices worldwide and instructed employees to work from home till next decision.
• Adapted to remote working and all business functions are operational
• Limited number of critical resources onsite at major R&D centers to enable programs

Supporting our People

Global Pandemic Leave
Work From Home Expense Reimbursement
Employee Assistance & Wellbeing Resources (24/7, anonymous; includes family)

Supporting our Communities

• Targeted Ciena Cares giving for Red Cross
• Increased our charitable donation match and our volunteering matching multiple times
• Increase ‘virtual’ volunteering opportunities
We continued to drive supplies during lockdown resulting in improved customer experience.
Supply Chain Resiliency Practices

- **Safety Stock**
  - Finished goods and component level
  - Maintained at various locations

- **Buffer Stock & Die Banking**
  - A supply held at suppliers as a reserve to safeguard against unforeseen shortages or demands

- **Second Sourcing**
  - Primary focus at component level
  - Ensures continuity of supply

- **Component Distribution**
  - Used for critical components with no flexibility

- **Geographical Manufacturing Capabilities**
  - Manufacturing expertise at multiple locations

- **Supplier Performance Monitor & Control**
  - Active engagement & discussion with supplier on mitigation strategies

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**Strong supply chain by design**
Covid Learnings from a resilient team!

**People**
- Systems, tools and IT infrastructure are critical to our ability to collaborate and dynamically plan.
- Assisting our partners with legal and government support to maintain critical industry supply.
- Proactive threat monitoring and scenario planning.

**Infrastructure**
- Building the multi-vendor ecosystem critical to supply assurance.
- Supplier monitoring and performance critical across the board including deeper view into their supply chains.
- Agility approach.

**Outcome**
1. **Designing for the Future**: We have outgrown our traditional model - Leveraging global partners, experts in their respective disciplines, is our strategy for global scale and regional presence.
2. **Continuous Transformation**: Enables the supply chain to scale while keeping tab on cost trajectory.
3. **Taking a Global View**: Protecting us from geopolitical turmoil while understanding our diverse customers’ needs.
4. **Customer Satisfaction**: Supply chain excellence is the cornerstone of the customer experience.
Thank You
Closing Remarks
Thank You

7th DSCI COVID-19 Collaboratory: Insights from South America and Japan
July 9 at 9-10 AM EDT