

AB InBev Investor Seminar

September 2nd, 2015

Fabricio Zonzini, VP Disruptive Growth APAC

Good Afternoon, I'm Fabricio Zonzini, recently appointed VP of Disruptive growth, and I will be talking to you about Revenue Management this afternoon. Revenue management connects with the Sales Machine pillar of our strategy, a big part of our growth platform. I'm Fabricio, I joined the company 14 and a half years ago as a management trainee in Sao Paulo Brazil.

Since then, I've worked in revenue management roles in almost all of our ABI Zones. I was a pricing specialist/manager for Brazil Soft Drinks, HILA (Hispanic Latin Americas countries) and Canada, then Planning and Performance director, with revenue management included, in Canada. Then I had the opportunity to run the Revenue Management function globally, and when we created the Sales area in China, I was lucky enough to be invited to join as Planning and Performance director for China, also with revenue management included. Then Commercial Strategy was incorporated into the role and I became VP of Commercial Planning and Strategy and was recently appointed to be the Head of our Disruptive Growth agenda for Asia.

As excited I am about the new challenges, I'm very proud of the past ones, which is why I want to share in few minutes a bit of what we did during the last 5 years.

Revenue management has been an important area for maximizing top line growth in China. On the one hand, we were able to capture additional value through growing Net revenue /HL ahead of inflation. On the other hand, it helped support our ambitious goals of market share expansion. I will be talking about the main drivers of these results in a bit, but in a nutshell, trade up has helped drive the results shown on this slide.

There are many areas of revenue management, though for China, the team has been focusing on four main topics to optimize the revenue potential. Mix designed for trade up, which is our most important pillar. Having the right portfolio/price in the right channel, to make sure we are properly distributed and well positioned with our brands in the on trade. We also need to support market share expansion, which is key to deliver our dream and finally, centralization & process control.

Trading up in China has been an important agenda for many consumer goods companies, and very much so for AB InBev. Approximately 90% of our NR/HL increase has been sourced by mix improvement due to trade up. To facilitate this process, it is important that we have a comprehensive portfolio to address key price points in the market in order to support our consumers' ever-growing needs.

The trade up strategy is focused not only on trade up packages and segments, but also trading up within a segment or brand, building price ladders to facilitate the journey. Take Budweiser for example. In recent years, we have introduced Budweiser Supreme and Budweiser aluminum bottles to elevate the premiumness of the brand, supported by a premium pricing strategy.

Furthermore, we have showcased craftsmanship through Budweiser Brewmaster, with a price index of 500% over Budweiser regular. We are continuously lifting the premium ceiling through innovation. This is how we can continue to nurture Budweiser as a premium brand.

Similarly for Harbin, we built a rich portfolio of products at strategic price points where we believe share gains can be achieved. And to do so, price architecture facilitates consumer trade up from core-all the way to core+.

Is important to say that the Chinese beer market is very competitive and volume driven, which demands a lot of creativity from the revenue management area when it comes to sustainability of results. Trade up is one of the most long lasting mechanisms for top line growth, but it requires a lot of coordination with marketing, sales and distribution.

To protect the premium image of Budweiser, the team has been very careful in aligning all products with the appropriate channels. We are focused on connecting brands, packages and potential investments with premium brand building, all to support the trade-up strategy. Underpinning all of this are revenue management and investment standardization strategies.

To illustrate what this means, let's take the nightlife channel as an example. The most important package there is the aluminum bottle, and Budweiser is the brand that owns this channel. Promotional pricing is not recommended, unless it is part of a long term business plan with the partner retailer. All of these strategies are focused on driving the premiumness of the brand. These guidelines facilitate brand execution: we have various internal controls, with clear Do's and Don't's for the sales team, which are fully aligned with the trade up strategy.

Increasing Budweiser's national presence is also key, and in order to achieve our dream, investments are required. One of the mandates for the revenue management team is to make sure the resources are well managed and correctly allocated to allow for growth, while preserving brand equity. Different channels require different investment levels, though, and to maximize the efficiency of the trade support, a deep understanding of the systems, margins, execution, market and processes is extremely important.

Having said that, the team has implemented a strict set of internal controls that are appropriate for the brand and segment. For example: for a brand like Budweiser, where premiumness is key, we continue to improve investment guidelines to make sure that the integrity of the brand is well protected, so the majority of Budweiser investments are long term business plan based. By doing so, we should have stronger alignment with our partners to carry out effective channel executions.

At the end, the results speak for themselves: only 10% of our NR/HL growth comes from rate, closing the gap to inflation in a very competitive market.

As for Harbin, penetration and volume growth are very important. While we aim to attract consumers for higher penetration and consumption frequency, internally we define strict and clear price strategies to ensure profitability is well protected.

Certainly, all the revenue management initiatives mentioned earlier cannot be achieved if we do not have good visibility and control of our investments. In China, we use an internal platform called IManage. Through this platform, the revenue management team is able to have visibility on almost all key revenue levers. We are on a long journey in China. Five years ago, many of the price decisions were still being managed by paper copies at individual breweries. Today, the whole process is managed centrally.

Of course, tools or platforms can only get you this far. The process of thinking about revenue management has become the DNA not just of the revenue management team but also the whole sales organization. With visibility and control, we are able to support our decisions with facts and analytics. This has enabled China to continue to deliver strong revenue growth year over year.

As you have heard us say many times today, this is a journey. A journey that began 5 years ago, has delivered a lot of value to the growth of the company, and is far from being done. There are many improvements, learnings and best practices for us to adapt to our market in order to keep writing new growth chapters for the future. And we are fully equipped and prepared to do so. Let's grow!