

## ANALYSIS OF THE "NESTLE" COMPANY

Dinesh S<sup>1</sup>, P. Sridhara Acharya<sup>2</sup>

<sup>1</sup>Research Scholar, Institute of Computer Science and Information Science, Srinivas University,  
Mangaluru-575001, India.

<sup>2</sup>Associate Professor, Institute of Computer Science and Information Science, Srinivas University,  
Mangaluru-575001, India.

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### ABSTRACT

This research paper's goal was to comprehend and evaluate Nestlé as a business and how a business operates. The paper incorporates data directly from the fundamental details on the company's manufacturing processes and marketing plans.

The well-known multinational corporation Nestlé has established itself in the markets across the country. The business has evolved and altered significantly in response to the shifting inclinations, needs, and tastes of the customer. The organization considers customer demands and preferences in addition to its goals. Information regarding the creation and founding of this company was included in this paper.

It started out as a Swiss firm and has since grown into a massive industry producing a wide range of goods while consistently upholding its moral standards.

**Key Words:** NESTLE, SWOT analysis, management

## 1. INTRODUCTION

### A. An outline of the company

A multinational corporation based in Switzerland, NESTLÉ is involved in the food and beverage processing industry. The Anglo-Swiss Milk Company merged to become the Nestlé Company in the year 1905. Henri Nestlé started it, and George and Charles Page, as well as Farine Lactee Nestlé, established it in 1899.

The headquarters in the Vevey, Vaud, Switzerland. It is the biggest food company in the world, ranked at number 64 on the Fortune Global 500 in 2017 and number 33 on the Fortune Global 2000 list of public firms in 2016. There are about 339,000 workers at the company's 447 factories, which are spread over 189 nations.

The combined yearly sales of 29 Nestlé products exceed US\$1.1 billion (CHF 1 billion, according to Swiss currency), which encompasses numerous popular brands as Maggie, Nespresso, Kit Kat, and Starbucks. In addition, the business holds a significant stake in L'Oreal, the biggest cosmetics company in the world.

### B. Products

The NESTLÉ Company manufactures a wide range of goods, such as:

1. Baby food,
2. Medical food,
3. Breakfast cereals,
4. Coffee and tea,
5. Items of confectionary,
6. Dairy products,
7. Frozen foods.



Fig. 1

## 2. STRATEGY FOR VALUE CREATION

### A. How do nestle create long term value?

Nestlé boasts a compelling range of products in expanding segments where it holds dominant market shares. Their products are valuable and powerful, earning the faith of customers. Every day, their products are consumed by over a billion people worldwide. Their strategy for health, nutrition, and wellness as well as their innovation ambitions are supported by their industry-leading resource and development capabilities.

The business generates value in the following ways:

- 1) Increasing Growth
- 2) Increasing the effectiveness of operations
- 3) Setting clear priorities and exercising discipline when allocating cash and resources

#### 1) Increasing Growth

- i. Based on the survey, the five food and beverage categories with high development that have interesting development rates, including those for water, coffee, espresso, and pet care. Together, the items account for 61% of the basic exchange working benefit and 57% of sales. Natural development accounted for 9(benefit) +4.0% in 2018.
- ii. From the perspective of capital distribution, they are given particular weight, with strong interests in resource and development, advertising, capital usage, and external development whenever it makes sense. These organizations are monitored for growth and value. They expanded by +4.9% in 2018, more than ten times faster than the creation of new markets, and with a greater working net revenue from hidden exchanges. Nestlé has been around for a while in the majority of these developing regions, and the brands they have partnered with have a high degree of confidence.
- iii. The organization has made major efforts to turn around underperforming businesses by implementing innovations, improving customer comprehension, and changing management as required. The corporation places a greater emphasis on quick inventions and getting its goods onto the market.
- iv. They develop new brands and commercial tasks while modernizing their existing ones through information and innovation. Approximately 10% of all interactions with customers are tailored. Furthermore, compared to the group average, the growth rate of online business deals in 2018 was multiple times faster, accounting for up to 7.4% of all deals made by Nestlé. Overall, the organization manages its portfolio effectively. The company made an effort to strengthen its position in the espresso market by obtaining Starbucks' perpetual global license. Their goal is to upend and exaggerate the current business's evaluation, and they accomplish this with remarkable restraint.

## 2) Increasing the effectiveness of operations

The business maintained a program to standardize and streamline procedures, which assisted in lowering administrative expenses. They are on track to attain 50% by 2020, having increased the access of their mutual administration focuses from 17% to 35%. They have also gone on to discuss advertising and R&D efficiency. The primary goal of these initiatives is to free up resources to support ongoing development. They have consistently made changes to the association to make it easier to use and faster. They are promoting development by interacting with our market and local communities.

## 3) Setting clear priorities and exercising discipline when allocating cash and resources

To support top-line development, they invest in their company through capital expenditure, brand support, and research and development. They employ a methodical and perceptive approach. They are allocating greater resources to the groups who have the best chance of generating profits. They have also continued to focus on lowering working capital.

Their highly developed regions and classes are given priority. They also regularly review their financial structure to ensure that it is appropriate for current economic conditions and our primary needs.

## B. Connecting their brands

At present, the corporation boasts more than 2000 brands that offer a diverse array of items in numerous areas. They fall into groups including Powdered and liquid beverages, pet care, nutrition and health science, prepared foods and culinary tools, powdered and liquid beverages, and confections.

**1) Powdered and liquid drinks:** This includes sections for tea, coffee, chocolate, and malt drinks. Some of the brands it includes are Nescafé, the most popular coffee brand in the world, Milo, the most popular chocolate malt drink in the world, and Nespresso, which is marketed as its premium coffee experience.

**2) Nutrition and health science:** Baby food and infant formula are part of the company's nutrition and health business. Nestlé Health Science provides the company with an extra growth platform and is ideally positioned to take the lead in consumer care, medical nutrition, and vitamins, minerals, and supplements. Among the brands it includes are Pronourish, Nestlé NAN, Nestlé Cerelac, Nestlé BEBA, and many more.

## 3) Milk and ice cream products:

- The company's primary dairy product line under the Nido brand is milk, which is also regarded as a major component of its nutrition, health, and wellness strategy. The company's goal is to supply dairy products to people and families so that they can maintain healthy diets throughout all life phases, from early childhood to old age. This is accomplished by their knowledge of science and nutrition. Coffee Mate is the company's best-known brand in the market and the brand benefits from ongoing innovation. Among them are Nestlé Carnation, Nestlé NIDO, and Nestlé Nesvita.
- ii. The company offers a wide array of mouthwatering and decadent ice cream items, ranging from premium options to those at reasonable pricing points.

Among them are Dreyer's, Nestlé Drumstick, Ice Cream Nestle, Häagen Dazs, and so on.

**4) Pet care:** Purina is one of Nestlé's top brands. Pro Plan, Purina ONE, Gourmet, and Merrick are among them.

The following are some methods the business uses to keep making its products better:

- In addition to addressing customer demands for natural pet food,
- they also improve their e-commerce skills and
- suggest fresh, customized direct-to-consumer experiences.

The corporation keeps making investments in its global manufacturing network to meet the demand for its brands in both developed and growing markets. Their goal is to extend and improve the lives of pets.

**5) Cooking tools and prepared foods:** This area includes a variety of everyday essentials, including soups, bouillons, ambient and refrigerated culinary items, frozen food, and pizzas.

They cater to regional and local tastes with several classic brands, such as

- Maggie,
- Stouffer's, and Buitoni,
- Herta, the Original Wagner,
- Chef,





### 3. SWOT ANALYSIS

- 1) Reputable brand name: The most well-known brand in the world is Nestle. Settle has established a well-deserved reputation in the food and beverage industry and provides excellent products for everyday usage all around the world.
- 2) The brand's perception around the world - Nestle has created a positive brand image for itself by using effective marketing and branding strategies. Nestle is one of the largest corporations in the world, according to the Fortune Global 500, and it is now ranked 69th in the 2018 list.
- 3) A vastly expanding company: Nestle is present in 189 countries and offers its products. It has captured a sizable market in several developing countries, generating the majority of its revenue. Brazil, France, China, and the US are its main markets. It made CHF 26.7 billion from US advertising alone in 2017. Doland Spring Telephone.
- 4) World's most important brand: Nestle is ranked among the top companies in the world in terms of income, perks, resources, and market value, according to Forbes Global 2018.
- 5) Wide range of products: Nestle has more than 2000 brands worldwide and redesigns more than 8000 products for health and nutrition. According to its 2017 Annual Review, it is among the biggest companies in the world with the widest range of products.
- 6) Solid relationships and well-known brands: Nescafe, Kit Kat, Gerber, Milo, and Maggie are just a few of the globally recognizable brands that are owned by Nestle. Additionally, it has established connections with other reliable and outstanding brands such as L'Oreal, Colgate Palmolive, Coca-Cola, and General Mills.
- 7) Effective R&D framework: With 21 R&D focuses, Nestle is home to the largest food and nutrition research association in the world. One of its main advantages is its capacity for innovative work. More than 5,000 employees are working on R&D projects. About 1.72 billion Swiss francs were invested in R&D by it in 2017.
- 8) Environmental sustainability practices - Nestle makes significant energy investments in ecological sustainability practices and employs creative thinking to enhance the quality of its products. It develops proactive solutions to reduce waste, water use, use of non-renewable energy sources, and use of packaging materials. To promote manageability among its customers and contribute to environmental sustainability, Nestle launched a free, multifunctional app that encourages users to properly recycle waste wrapping material.
- 9) Huge distribution network: Nestle asserts that it has an extensive and improved distribution network that is not only ingrained in metropolitan areas but also provincial districts. It has modified neighbourhood dispersion tactics and adopted a decentralized approach to effectively manage the business in distinct countries.
- 10) Settle maintains strong relationships with suppliers, merchants, retailers, and distributors.

#### **Nestlé's Weaknesses:**

- 1) Price adjustments by retail behemoths — Nestlé largely achieves its basic food item agreements with the help of massive retailers like Walmart, Tesco, and Kroger. Any decrease or increase in these merchants' expenses may have an impact on the company's sales.
- 2) Organisational structure and span of control: Nestlé is arranged according to a framework structure that suggests placing an excessive number of brands under a proportionate group. This puts some strain on the organization to manage both the large organization and individual brands, which frequently end up in a conflicting and irreconcilable situation.
- 3) The water controversy: The organization was recently accused of illegally withdrawing a significant volume of water from six countries where the residents are denied access to clean drinking water.
- 4) Reactions from society - The organization had been the subject of repeated media attention. A case for privatizing water, a case for using child labour, and slave labour in the production of chocolate are only a few of the models that are required to weaken its market reputation.
- 5) Maggie Noodles conversation: The company failed an Indian research facility exam in 2017. This resulted in exposure and attention as people boycotted Nestle, which led to the company losing 80% of its market share in the country. There is "no additional MSG" in the Noodle packages, according to Settle.

However, after testing, far more lead was discovered within the product.

#### **Nestlé's Opportunities:**

- 1) Starting new small food businesses - Nestle has a great opportunity to grow the number of small food companies under its well-known brand. Settle might also collaborate with the new businesses to improve its reputation.

2) Online shopping: Nestle has a huge opportunity to support both its online business locations and online purchasing platforms. Few CPGs provide online services that enhance the pleasantness and beauty of the buying experience. Even though Nestle operates online storefronts in a few different countries

However, during testing, even more lead was discovered inside the product.

3) Breakfast cereal market penetration –Nestlé's oats and oats showcase has seen rapid growth recently. Therefore, increasing the company's penetration of this market would be quite beneficial.

4) Expanding the prepared-to-drink tea and espresso market — The demand for tea and espresso is steadily increasing, which presents Nestle with an advantageous opportunity to better prepare this market.

5) Organisations: Forming strategic alliances with other beverage and food giants is another fantastic way for an organization to increase revenue and benefits.

6) Genuine labeling: Nestle has come under fire for providing false nutritional information on their labels. Thus, it has an opportunity to enhance its procedures by providing accurate item names and trustworthy data.

#### **Nestlé's Threats:**

1) Illegal destruction of rainforests: In 2017, it was alleged that Nestle was involved in the destruction of the final remaining rainforest in Sumatra. In this way, it faced severe responses from hippies and NGOs.

2) Water scarcity: Nestlé's creation is particularly vulnerable to water use. For the organization, it has become more difficult to obtain pure water from less expensive sources for many reasons.

These include an increasing population, changing environmental conditions, a growing need for food and water, rising pollution, water waste, and overuse of resources.

3) Growing competition - Numerous consumer packaged goods companies, such as Mondelez and Unilever, provide comparable food and drink products. Nestle finds it challenging to compete in a situation when the alternatives are essentially available.

4) Government regulations and expenses: Nestle's commercial operations may be impacted by government regulations.

Additionally, the company can raise the price of its products due to the rising expenses of goods. Deals will decline as a result of buyers switching to less expensive alternatives from other companies.

## **4. THE BCG MATRIX IN NESTLÉ'S MARKETING STRATEGY**

### **A. Distribution**

Nestle can make its products available to the final consumer through its extensive distribution network thanks to its broadened and extended item selection. For a company like Nestle, opening up new nations has been the biggest gateway because market entry presents both opportunities and challenges. Nestle uses a multi-channel process to claim its products.

### **B. Equity in Brand**

As a Fortune 500 company, Nestle uses distinctive branding to assist increase brand recognition and visibility. When several nations banned Maggie Noodles due to the product's proximity to lead content, negative marking also proved effective for the company. Eventually, the issue was resolved, and the restriction was lifted.

### **C. Analysis of Competition**

There are many local and international players in the very serious health, nutrition, and wellness market. Similarly, Nestle faces competition from pharmaceutical companies.

### **D. Analysis of Marketing**

The item propelling the company's development forward in the face of a plethora of competitors in a similar market is entry into the unexplored sector. Nestlé faces fierce competition from its rivals and has very few product categories that are not reasonably well-known.

### **E. Analysis of Customers**

Nestle caters to a wide range of budget sizes with its extensive selection of products across multiple categories. Being a global organization, it correctly and seriously considers the shifting demands of the population residing in a particular nation.

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## **5. CONCLUSIONS**

My understanding and benefits have greatly increased as a result of my studies on Nestlé. Nestle is the biggest food manufacturing firm in the world. It leads the market in coffee and mineral water and manufactures a wide range of other goods, such as prepared foods, cooking tools, cereals, baby food, and pet care items.

Nestlé works hard to realize its goal of becoming the industry leader in nutrition, health, and wellness by producing high-quality goods for customers.

The business occasionally ascertains the demands of its clients and makes every effort to meet those needs. Nestlé offers unique attributes, including superior financial capabilities, a winning marketing plan, robust R&D, and consistently creative work.

They have overcome the challenges thanks to the excellent leadership and governments they have had.

Additionally, Nestlé is focused on its goal and ensures consistency by making the right choices to manage and produce the goods and its business to spread the promise of GOOD FOOD, and GOOD LIFE everywhere in the globe.

## **6. REFERENCES**

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