

Business Analysis and Marketing Report of Nestle

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Abstract

This article provides the information of Nestle and its current trends in the market. The purpose of this article is to determine internal and external analyses of this company. This research will help the readers to understand the key factors and their top existent as an organization.

Keywords: mission statement, vision statement, internal analysis, external analysis, PESTEL analysis.

1. Introduction

Nestlé is one of the most famous processing corporation which produces multinational food and drinks. It has been the largest global food company since 2014. On the Fortune Global 500 it took 64th place and 33rd un the 2016 edition of the Forbes Global 2000 list among largest companies. Nestlé has 400 factories across 189 countries and has nearly 350,000 workers.

History

The Nestlé company history begins in 1866, with the foundation of the Anglo- Swiss Condensed Milk Company, Henri Nestlé develops a breakthrough baby food in 1867 and in 1905 his company merges with Anglo-Swiss to form what we know as the Nestlé Group. (Nestle company history timeline, 2023)

2. Literature Review

Internal analysis. Who are they as an organization?

Nestle produces baby food, medical food, coffee, tea, bottled water, cereals, confectionery, dairy products, pet foods, ice cream and snacks. 29 subsidiary brands of the company such as KitKat, Nespresso, vittel, Maggi and smarties make more than \$1 billion US in a year. Nestle is a shareholder of the biggest cosmetic company L'Oreal. For a long time nestle had complicated, matrix structure, which gave independency and autonomy to its brands and companies. In October 2021, the company experienced an important restructure was was divided into 5 geographical zones in order to manage its global business which are:

Zone North America

Zone Latin America

Zone Europe

Zone Asia, Oceania, Africa

Zone Greater China.

(Nestlé's Organizational Structure, 2022)

Mission/vision.

The mission statement of Nestle:

"Nestlé is.....the world's leading nutrition, health and wellness of the company. Their mission of "Good Food, Good Life" is to provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories and eating occasions, from morning to night.

Their vision and values:

"To be a leading, competitive, Nutrition, Health and Wellness Company delivering improved shareholder value by being a preferred corporate citizen, preferred employer, preferred supplier selling preferred products." (Mission & vision, Nestle)

Top 3 existent financial goals:

1. Organic growth reached 7.5%, with real internal growth (RIG) of 5.5% and pricing of 2.0%. Growth was supported by continued momentum in retail sales, steady recovery of out-of-home channels, increased pricing and market share gains.
2. Total reported sales increased by 3.3% to CHF 87.1 billion (2020: CHF 84.3 billion). Foreign exchange reduced sales by 1.3%. Net divestitures had a negative impact of 2.9%.
3. Underlying trading operating profit (UTOP) margin was 17.4%, decreasing by 30 basis points. The trading operating profit (TOP) margin decreased by 290 basis points to 14.0% on a reported basis.

Top 3 existent non-financial goals:

1. They aimed to reduce to half greenhouse gas emissions until 2030 and achieve zero greenhouse gas emissions by 2050.
2. Decoration-free main supply chain for meat, palm oil, pulp and paper, soy and sugar by the end of 2022.
3. Cut virgin plastic by third by 2025. (2021 annual review, Nestle)

3. What products or services do they provide?

Nestle produces almost every different types of food and beverage. Their biggest brands are Nescafe, KitKat, Nespresso, Maggi, Milo and others. They have more than 2000 brands. They produce baby food, water, cereal, chocolate and confectionery, coffee, culinary, chilled and frozen food, dairy, drinks, food service, healthcare nutrition, ice cream and pet care.

What business are they in - in terms of consumer benefits?

They focus on producing products which are beneficial and can have positive impact on people, pets, the environment and their shareholders and stockholders. They take the following actions:

- a) They develop their expertise in nutrition, health and wellness more than 150 years to help people, pets and families live happier and healthier.
- b) Bring high qualified innovations to market by creative study and consumer insights.
- c) Satisfy the modern needs of consumers with convenient, healthy products.

- d) Offer more food and beverage options for consumers as they choose products based on their diets.
- e) Produce affordable, safe and products with high quality nutrition for people taking their income level into account.
- f) develop the delivery service in safe ways

What are their key factors to success?

Their success comes from branch out portfolio, in geographical and categorical terms. They have agility in changing atmosphere and their high quality, and their brands ensure long-term financial performance. (Pursuing our value-creation strategy, Nestle).

Nestlé's success is built on its Nutrition, Health and Wellness strategy. Henri Nestlé believed that key to a healthy life is good nutrition. Even today food and beverage are core of their strategy. (About us: Strategy at Nestlé, Nestle).

Why are they winning in the marketplace?

They compete with other companies in developing categories and keep their investments in balance in order to stay relevant and be successful in the market. Because of their well developed digital system they can easily find out about consumer needs and bring quickly their new innovation to the market. According to results, their success comes from supplying good products at affordable prices and their marketing strategies that they developed to win which lead to organizational success. (Nestle).

Core competency of a company can also be understood as “Competitive Advantages “

The following are some of the advantages that makes the Nestle company competitive in the food and beverage industry.

Bolstered Research & Development

The company pays more attention to an intensive research for various purposes. Those purposes can be what can of product to offer, how increase sales, or in order to solve problems that might appear in their business

Partnership with Big Companies

One of the interesting strategies that Nestle company applies is a partnership with renowned companies. In 2018 the company started its partnership with Starbucks Coffee. With the negotiation Nestle got the right to sell its coffee teas packaged with Starbucks brand. This partnership was primarily built with the purpose of surpassing its rivals, like JAB Holdings. Besides it helped them to introduce new varieties of coffee to the market.(Nespresso and Dolce Gusto).

Product Availability

Another competitive advantage of nestle is the variety that's it offers. It is not difficult to notice that in the markets one can find more of Nestle's products rather than its rivals.

Localization of products:

Localization means to transform some features of a product to make it adapt to a local market. All Nestle products in each market are uniquely featured, in other words they are localized. For

instance, traditionally tea-drinking country, Japan has very good sales of a coffee-flavored candies from Nestle company, which means that children are developing a taste for coffee.

Below are few examples of what lead the company to stand out from its key competitors.

One of the things that puts Nestle company apart from others is its supply chain management. For example, they have a milk district model, which means that milk is delivered directly to a factory. There goes a process of local collection, storage and chilling facilities, providing a reliable route to market and product quality assurance. Besides, they provide financial assistance for farmers to embitter their operations as well as special technical advice and training. All of which contribute to easy and enhance their production process.

Who are costumers of the nestle company?.

Basically, Nestle produces food and beverage products for people of all ages. However it propides information on how its costumers are divided into different segments.

The Pure Life mineral water product is for all the consumer groups. It does not even differentiate between income classes.

Basically, it has numerous products for any person no matter of geographic, demographic or psychographic factors.

4. As one of the most important things to consider when doing an analysis of a company are external influences. Following are how and which factors are influencing Nestle:

Political Factors:

As nestle operates in 190 countries it faces numerous challenges because of political factors. In each country will naturally occur changes in import, production, sales, taxation related policies. That is why companies has to devote some finances to still have meet customer demands. For example, in islamic countries any food product must have a “halal” certificate.

Economic Factors:

Another major influence can be economic. It is a big challenge to keep prices at the same rate while the cost of the production increases. This may occur when prices of raw materials rise due to various economic factors.

Social Factors:

Even a little change in overall costumer needs or wants have a great affect on company. Nestle always tries to make their food products healthy and nutritious. As social changes occur, it becomes even harder to meet costumer demands. For nestle an intensive research and development are two main solutions for such problems, even though it requires funds.

Technological factors:

“In the United States, Nestlé has joined the SmartLabel transparency initiative, and provides online information about nutrition, ingredients, and allergens for around 87% of its products” (Zigu, 2011). As there is a strong dependence to technologies in any sphere, developing new technologically mixed program becomes unavoidable job for businesses. However, it has a lot of benefits for the company’s reliability in terms of safety of products, nutritional information, etc

Environmental Factors:

As there is a high awareness of the term sustainability, especially environmental sustainability, developing a program to ensure zero environmental impact is unavoidable for businesses. Today, the companies are ranked by their attempts of moving to the way of sustainability. Needless to say, it does not come for free. Besides of the funds it has to devote towards sustainability, it may face a lot of setbacks if they fail to ensure their sustainability. “This fact was evident when Nestle was suspended by RSPO when it failed to submit palm oil sustainability reports” (Zigu, 2011).

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