

Introduction to mnc and the company nestle marketing essay



**ASSIGN
BUSTER**

Foreign Direct Investment (FDI) is any forms that investor earns interest in corporation which functions outside of the domestic territory of investor.

Besides that, foreign direct investment needs a relationship between a parent company and it foreign subsidiary. It is also gives rise for multinational corporate based on their report Economy Watch (2010).

Recent research on globalization (Global Education, 2009) has shown there are many different definitions of globalization, but most acknowledge the greater movement of people, goods, capital and ideas due to increased economic integration which in turn is propelled by increased trade and investment. It is like moving towards living in a borderless world. There has always been a sharing of goods, services, knowledge and cultures between people and countries, but in recent years improved technologies and a reduction of barriers means the speed of exchange is much faster.

Globalization provides opportunities and challenges (Global Education, 2009).

Nestle is a multinational corporate since it headquarter was located in Switzerland but it operate its business in the other countries over the world such as Europe, United State, China, Malaysia, Hong Kong etc. As we known, Nestle is an infant's product. Besides produced infants, Nestle have yet produces some others products such as chocolate, yogurt drink, cornflakes, ice-cream etc that we can easily founded in supermarkets over the world.

Introduction to Nestle

In 1860s, a pharmacist named Henri Nestle had success developed a food for babies which are unable to breastfeed. And his first success was a premature

infant who could not tolerate his mother's milk or any of the usual substitutes. (Nestle, 2010)

In 1867, he adopted his own coat of arms as a trademark in 1867. In German Nestle means little nest. And the now-famous symbol is universally understood to represent nurturing and caring, security, nourishment and family bonding. These attributes are still the guiding legacy for the company Henri Nestlé founded as it fulfills its commitment to ' Good Food, Good Life.

The Nestlé Coat-of-Arms

Sources: Nestle Sdn Bhd 2010

In 1905 Nestlé merged with the Anglo-Swiss Condensed Milk Company. The year after Nestlé added chocolate to its line of foods. The newly formed Nestlé and Anglo-Swiss Milk Company had factories in the United States, Britain, Spain and Germany. Soon the company was full-scale manufacturing in Australia with warehouses in Singapore, Hong Kong and Bombay. Most production still took place in Europe. (English Tea Store, 2004-2009)

While the original business was based on milk and dietetic foods for children, the new Nestlé grew and diversified its range of products, through acquisitions and mergers with the better known brands of the time. For example: The manufacturing of LACTOGEN began in 1921, and in the same year, a beverage containing wheat flour was marketed under the brand name MILO. In 1938, NESCAFÉ, the world's first instant coffee was introduced. Then, in 1947, the MAGGI Company merged with Nestlé.

Today, Nestle company still adhere their principles that is provides the best products throughout the world. Beside that as the leading Food, Nutrition, Health and Wellness Company, Nestlé is the provider of the best food for whatever time of day and for whatever time of your life. Nestlé has grown to become the world's largest food company offering more than 8, 500 brands and 10, 000 products. With its headquarters in Vevey, Switzerland, Nestlé has more than 456 factories spread over 80 countries, and employs more than 283, 000 people. (Nestle Products Sdn Bhd , 2010)

Actual impact of globalization on Nestle

PESTLE analysis which contains of political, economic, social, technology, legal and environment analysis which consist of external environmental. It is a useful analysis to understanding the situation of a company in an industry.

Political analysis

The stability of political in a country will be under the consideration by NESTLE to build a plant that can operates NESTLE's factories that considering the country's political stability, good tax incentives as well as its skilled workforce, NESTLE chose Malaysia to be the site of another regional manufacturing centre for NESCAFE (Mr. José Lopez, Executive Vice President, Nestle S. A. responsible for global operations and GLOBE (Nestlé's Global Business Excellence Programmer)).

Economic Analysis

The important of economic factors will leads to the strength of consumer spending. For example, in recession economy, people might cut of their budget to consume household stuff rather than unnecessary stuff such as

chocolate. Americans like luxury chocolates, a new premium line of cacao which is called Nestle Treasures God had launched in order to cash in on the recession.

Social Analysis

Even though Nestle as a multinational corporate which operates their business in the other country, but do respect to people's culture and traditional which is a corporate that think global, act local by working hard to integrate itself into the cultures and traditions of the country. For example, Kit-Kat's formula is almost different everywhere. A Russian Kit-Kat is smaller than a Bulgarian, but less sweet than Germany's Kit-Kat. While in Japan, the strawberry Kit-Kat is all the rage.

Technology Analysis

As the technology of recently changed rapidly in global, Nestle have attracted people to purchasing their products by using advertising. For example, Kit-Kat have been advertised by attracting youngster or child because it is a sweeten tid-bits. Infants food's advertisement is to attract housewife to purchase it to give their child a healthy life.

Recent research on technology analysis (Nestle Policy and Environmental sustainable) (2008) reports shown that during the manufacturing process, Nestle had using efficient technologies to ensure that there is no wasted energy while producing products. In addition, to control the eliminate emission including the greenhouse gases.

Legal Analysis

In 1996, Nestle was the first multinational corporate that voluntary for Halal certification for its own food products. Those food products that exported to the other countries were certified as Halal products. As a global food company like Nestle, hygiene is a must. Since Nestle has the Halal certification and hygiene was the procedure which contain in that certificate.

Besides that, health and safety were the principle that keeps by Nestle.

While provided employees to minimize risks in their personal lives, Nestle had always emphasize each of their employees about to change the employee's attitudes towards personal safety.

Environmental Analysis

Nestle always committed to people to produce the best quality to their consumers. Besides that, Nestle also prevented the wasted food by reduced the material's weight and volume, yet supported initiatives of recycle from used packaging. Nestle have also use recycled materials to produce its products.

But, Nestle had done a fact that will cause of the lost of the home for orangutan. According to Heidi Marshall (2010), Nestle's product-Kit Kat is a product of environmental destruction. This is because of the material that used in the candy bars and for the other Nestle products as well was comes from a palm oil that get from by destroying Indonesia rainforests.

SWOT Analysis of Nestle

As Dr. Jill Novak, (2009) commented that:

Strength

Nestle is a global food producer since it located in over 100 countries. It is consistently one of the world's largest producers which with global sales in 2008 topped \$101 billion. In addition, Nestle was named one of " America's Most Admired Food Companies" in Fortune magazine. Furthermore, Nestle provides quality brands and products and line extensions that are well-known, top-selling brands including: Maggi, Haagen Dazs, Kit Kat, Nescafe, CoffeeMate, prepared baby foods, yogurt, foods for infants and many more.

Weakness

Most of the products have their own weaknesses. For Nestle, it was not as successful as the other country in France. Nestle could not compete against a strong and established brand which is Dannon that entered into France earlier than Nestle which is top selling of health yogurt. Besides that, since 2004, Nestle has been forced to reduce the amount of sugar in their products that may cause of diabetes among American children. In addition, Nestle has been removed the packaging and advertising that false claims of " heart healthy" and " lower cholesterol" which is an order from FDA(Food and Drug Administration) and American Medical Association which is the under fire of the breakfast cereal industry.

Opportunities

In today, everyone hope and needs to have a healthy life, as a producer like Nestle, it has an opportunities to raise their selling profits with producing health-based products. Since Nestle was a well-known branded, for sure, it will be easy to attract people to purchase their products. Further, they

launched a new premium line of cacao called Nestle Treasures Gold, in order to cash in on the “ recession economy” in which consumers cut back on luxury goods, but regularly indulge in candy and chocolate. Americans want luxury chocolates, and high-end chocolate is immune to the recession (so far), because it is an inexpensive indulgence.

Threats

Even though Nestle was a big producer in the world, but it still has its competitor, such as Hershey’s, Cadbury-Schweppes (owned by Pepsi), Kellogg’s, Starbucks, , Quaker, Kraft Foods, Danone, , Heinz, Unilevel and many more. In addition, any contamination foods supply especially e. coli which causes the recalled of their brand-Toll House cookie dough. Outbreaks were linked to 28 states and the product had to be recalled globally. Nestlé has yet to find out how this happened, and is still investigating (Dr. Jill Novak, (2009).

Potential impacts of globalization on Nestle

Nestle corporate have its own potential in globalization since it is a big foods producer in global.

Technology

In the world of today, technology will be changing rapidly in global. And this will leads a good improvement in all type of products that will be produce around the world. A research and development department will be a part of Nestle from today towards future achievement by gaining profits without wasting the raw material in manufacturing process. Besides that, by using a developed technology may reduce the effects that will occurs greenhouse

effect. For example, use of plastics packaging in every single of Nestle products improve to recycled paper packaging, used of plastic bottle in filling the Nestle beverage into tin that can recycle use.

On the others side, a case that occurs in India, which is Nestle chocolate, will be melted before its eyes. This is because there are lacks of distribution and the heat temperature in India will make the chocolate melted. By using the technology that can solve this problem that is using the technology to change its chocolate ingredients so that can afford India heat temperature.

Environmental

As the info below, Nestle's Kit Kats was made from a palm oil that came from by destroying the rainforest in Indonesia. This is cause of the pollution in Indonesia. To solve this problem, Nestle corporate should consider using the palm oil from the other countries by not destroying the rainforest of the country. On the other side, there is another solution too. That is, refining the vegetables oil that can out inside the ingredient of making chocolate.

Social

As a food producer in global, Nestle may do some different in their products. Such as, a new flavor of the chocolate could be launch. This is because different country has a different taste towards foods. For Malaysia, a durian can be a part of the ingredient in the making of Kit-Kat. For Korea, a Kim chi flavor Kit-Kat can also create. This is a try for Nestle to attract people by producing different flavor but same products around the world.

Strategies

Nestle may consider by using product-market strategies that determine where the organization competes and the direction of growth (Stuart Wall; SonalMinocha and Bronwen Rees, 2010). Products- market strategies are including market penetration strategy, market development strategy, product development strategy, and diversification.

Market penetration strategy is which to refer to increase market share of the current products. A firm using this method by raises their sale revenue without any changing of their existing products. Nestle may try to use the promotion which is buy 1 free 1 for its products. For example, buy 2 packs of 1kg Milo free a 10 pack of instant Nescafe.

A market penetration will also involve the 4ps which is products, price, promotion and place. According to (Stuart Wall; SonalMinocha and Bronwen Rees, 2010), the product in international marketing is the extent to which a standard and differentiated product should be provided. For example, Nestle is using the differentiated products since it produce its products Kit-Kat in different flavor. A Russian Kit-Kat is smaller than a Bulgarian, but less sweet than Germany's Kit-Kat. While in Japan, the strawberry Kit-Kat is all the rage.

The international price is related to the account market different between countries, exchange rates, difficulties of voicing and collecting payment across borders, the effects of tariffs and purchase taxes on competitiveness, governmental regulations of the host country and the long term strategic plan of the company in the different markets in which it operates.

For market development strategy, it is mean by taking present products enter into new markets and thus focusing activities on market opportunities and competitor situations.