

# Nestle growth strategy



**ASSIGN  
BUSTER**

Nestle's product and brand portfolio ranges from global icons to local favourites. It is supported by an unmatched research and development capability, with clear priorities, focused on driving innovation and renovation that is relevant and attractive for consumers. Our Company has an unmatched geographic presence, due to the number of countries where we are present, but also due to the depth of our roots in those countries. We have operated in most of our locations for generations. This has created strong relationships between our brands and their consumers as well as an unrivalled understanding of consumers.

This enables us to anticipate their needs and improve the quality of their lives. Our people, culture, values and attitude are our greatest strength. The Nestle culture binds our people together all over the world with a shared set of behaviours and values into a single way of doing business. Our culture combines a long-term mindset with short-term action. It encompasses a passion for quality - in products, in relationships, in everything we do. It is focused on competitiveness, calculated risk-taking and an unswerving determination to deliver our goals, while creating value for society as a whole.

Four growth drivers A Nutrition, Health and Wellness mindset means offering tastier and healthier choices in all our categories to consumers throughout the day. But we are also addressing specific nutritional needs through Nestle Nutrition and are pioneering ways to use nutrition to address critical illness through Nestle Health Science. The trust that consumers place in Nestle is reflected in the hundreds of millions of purchase decisions that they make every day when they choose Nestle products. Many consumers with lower

incomes are consuming our Popularly Positioned Products (PPP), mainly in emerging markets.

We bring the same nutritional know-how to these consumers, the same brand promise and quality, and we strive to add the extra plus – such as fortification targeted to specific nutritional deficiencies. With premium products, consumers look to us to give them an affordable, indulgent moment of pleasure, an everyday reward. Our premiumisation strategy, incorporating systems and services, as well as premium products, is enhancing consumers' lives, whilst creating additional value per consumption moment: many consumers are not looking to eat and drink more; they are looking to eat and drink better.

The fourth of our growth drivers is out-of home consumption, a fast growing part of our industry. This covers leisure, from roadside kiosks in Asia to gourmet restaurants in the capitals of the world, and institutional catering, from schools to hospitals. Our focus is on added-value branded food and beverage solutions and services. Four operational pillars We want to be the leader in innovation and renovation, whether of products, systems or processes. Some products will be entirely new, some will have a new, refreshing aspect.

Regardless, we take an invigorating point of view to keep our consumers excited about our brands. But it is not enough just to be the most innovative company. We also need to have the most efficient supply chain – from farm to fork – to ensure that we have the best raw materials, the best processes and the freshest products on our customers' shelves. Nestle Continuous Excellence is our approach to operational efficiency, with its objectives of

eliminating waste, increasing efficiency and effectiveness, and improving quality in all operations.

It is not enough, however, just to make the most innovative products in the most efficient way; we also need to ensure that our products are available sustainably whenever, wherever and however consumers want to buy them. And, of course, we need to communicate with our consumers in a dynamic way - both to keep them abreast of all that is new and exciting, but also to learn from them, so that we can bring their experiences to bear on our upcoming innovation and renovation. Nestle Strategy

Nestle describes itself as a food, nutrition, health, and wellness company. Recently they created Nestle Nutrition, a global business organization designed to strengthen the focus on their core nutrition business. They believe strengthening their leadership in this market is the key element of their corporate strategy. This market is characterized as one in which the consumer's primary motivation for a purchase is the claims made by the product based on nutritional content.

In order to reinforce their competitive advantage in this area, Nestle created Nestle Nutrition as an autonomous global business unit within the organization, and charged it with the operational and profit and loss responsibility for the claim-based business of Infant Nutrition, HealthCare Nutrition, and Performance Nutrition. This unit aims to deliver superior business performance by offering consumers trusted, science based nutrition products and services. The Corporate Wellness Unit was designed to integrate nutritional value-added in their food and beverage businesses.

This unit will drive the nutrition, health and wellness organization across all their food and beverage businesses. It encompasses a major communication effort, both internally and externally, and strives to closely align Nestle's scientific and R&D expertise with consumer benefits. This unit is responsible for coordinating horizontal, cross-business projects that address current customer concerns as well as anticipating future consumer trends. International Strategy Nestle is a global organization.

Knowing this, it is not surprising that international strategy is at the heart of their competitive focus. Nestle's competitive strategies are associated mainly with foreign direct investment in dairy and other food businesses. Nestle aims to balance sales between low risk but low growth countries of the developed world and high risk and potentially high growth markets of Africa and Latin America. Nestle recognizes the profitability possibilities in these high-risk countries, but pledges not to take unnecessary risks for the sake of growth.

This process of hedging keeps growth steady and shareholders happy. When operating in a developed market, Nestle strives to grow and gain economies of scale through foreign direct investment in big companies. Recently, Nestle licensed the LC1 brand to Muller (a large German dairy producer) in Germany and Austria. In the developing markets, Nestle grows by manipulating ingredients or processing technology for local conditions, and employ the appropriate brand.

For example, in many European countries most chilled dairy products contain sometimes two to three times the fat content of American Nestle products and are released under the Sveltesse brand name. Another strategy that has

been successful for Nestle involves striking strategic partnerships with other large companies. In the early 1990s, Nestle entered into an alliance with Coca Cola in ready-to-drink teas and coffees in order to benefit from Coca Cola's worldwide bottling system and expertise in prepared beverages.

European and American food markets are seen by Nestle to be flat and fiercely competitive. Therefore, Nestle is setting its sights on new markets and new business for growth. In Asia, Nestle's strategy has been to acquire local companies in order to form a group of autonomous regional managers who know more about the culture of the local markets than Americans or Europeans. Nestle's strong cash flow and comfortable debt-equity ratio leave it with ample muscle for takeovers. Recently, Nestle acquired Indofood, Indonesia's largest noodle producer.

Their focus will be primarily on expanding sales in the Indonesian market, and in time will look to export Indonesian food products to other countries. Nestle has employed a wide-area strategy for Asia that involves producing different products in each country to supply the region with a given product from one country. For example, Nestle produces soy milk in Indonesia, coffee creamers in Thailand, soybean flour in Singapore, candy in Malaysia, and cereal in the Philippines, all for regional distribution.