

nestle india – good food, good life essay sample

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The Indian Fast Moving Consumer Goods sector is the fourth largest and fastest developing sectors in the economy with a total market size in excess of US\$ 44. 9 billion in 2013 with a growth rate of about 16. 2% since 2006. Products which have a quick turnover, and relatively low cost are known as Fast Moving Consumer Goods (FMCG). FMCG products are those that get replaced within a year. The growth if the industry, however, depends on factors such as low rural penetration, dependence on monsoon, the price sensitivity of the consumers and increased level of competition could result in decreasing profit margins in the industry.

Food products are the largest FMCG segment contributing to about 47% of the revenue followed by personal care products which account to about 22%. (Fig 1)

Fig 1: FMCG Revenues - by segment India is the world's second largest producer of food next to China. The most promising sub-sectors includes - Soft-drink bottling, Confectionery manufacture, dairy products, Ready-to-eat breakfast cereals, Food additives, flavors etc. Healthy food and supplements is another rapidly rising segment of this industry which is gaining vast popularity amongst the health conscious.

Monopolistic Competition

The Indian FMCG Market is a perfect example of monopolistic competition. It is a highly crowded market with a large number of national and global players competing on margins

The main features of FMCG in light of monopolistic competition can be viewed as follows:

Large Number of Sellers

In a monopolistic competitive market, there is abundance of sellers producing differentiated products. The major players across the globe are:

ITC

Limited, Procter & Gamble and Hindustan Unilever Limited.

Freedom of Entry and Exit

There are low barriers to entry and exit of firms in monopolistic competition.

If the profits are attractive, the firms can enter the industry. Increase in disposable income in hands of both rural and urban consumers, gave an opportunity to the rural consumers to shift from unbranded unorganized products to branded FMCG products.

Selling Costs

Due to product differentiation in monopolistic competition, firms are required to incur some additional costs such as advertising, sale promotions, salaries of marketing staff etc. to promote the product. The main aim is to inform, persuade and remind the buyers of the availability through aggressive television commercials were shown targeting each other's brand.

NESTLE INDIA LIMITED - COMPANY PROFILE Nestlé is the world's leading Nutrition, Health and Wellness company. With the brand promise, " Good Food, Good Life" they provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories. Nestle India Ltd, a 59.8 per cent subsidiary of Nestle SA, Switzerland, is a leading manufacturer of food products in India and is one of the biggest players in FMCG segment. Nestle India's product line:

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1. Milk and Nutrition products

Nestle Everyday

Nestle Slim Milk

Nestle Dahi

Nestle milkmaid

2. Infant Products

Nestle Cerelac

3. Beverages

Nescafe classic

Nescafe Nestea

Nescafe Cappuccino, Latte and Choco Mocha

Nescafe Sunrise

4. Prepared Dishes and cooking

Nestle Maggi

Nestle Cuppa Mania

Nestle Healthy Soups

Nestle Maggi pasta and tomato ketchup

5. Chocolates and Confectionery

Nestle KitKat

Nestle Munch

Nestle Milkybar

Nestle Eclairs and Polo

Nestlé competes in a wide range of geographic areas in addition of broad range of product categories. ITC, HUL and Nestle are the leading players of India's FMCG sector followed by Dabur and Britannia. (Fig 2)

Fig 2: FMCG Market Share - by Company

NESTLE INDIA'S Q1 FY14 performance :

Low sales growth in 2013 was attributed to weak demand and the company's strategy to focus on profitable products. The two main points of pain were milk products and nutrition and chocolates and confectionery. In contrast, the beverages business did better and so did the prepared dishes segment and topped volume growth among categories with a 3.8% growth figure. In 2013, price hikes played a main role and so did higher advertising and sales promotion spending. But price hikes are also because of higher commodity prices.

There might be stress on that front in 2014 as well. Milk, coffee, wheat flour and palm oil at current rates are higher than what was seen in 2013. A strong rupee may, however, bring some relief in the forthcoming quarters. Nestlé's strategy may be right for the company's future but it is coinciding with tough times. Despite the company's established brands including Maggi, Nescafe, Kit Kat and Milkmaid, the competition has intensified, with rivals ITC and GSK Consumer ensuring the company's volume growth slides to single digits. For first quarter of CY2014, Nestle India reported a weak performance on the operating front, registering a meagre 2.9 per cent year-on-year growth.

References:

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