

Nestle history essay



**ASSIGN
BUSTER**

Background Nestle Company had started off from a single man's idea, and developed into a giant corporation. In 1866 Henri Nestle, a pharmacist, developed a milk food formula for infants who were unable to tolerate their mother milk (Nestle.

com). His product became a success, and it created a demand throughout Europe. As Nestle's popularity grew more businesses wanted to merge and become partners with Henri Nestle's business. From 1866 to 1947 the Nestle Company had gone through several name changes. In 1905, Anglo-Swiss Condensed Milk Co.

and Farine Lactee Henri Nestle merged, and the company's name became Nestle & Anglo-Swiss Condensed Milk Co. Then in 1929, Peter-Cailler-Kohler Chocolats Suisses S. A. merged with the company. The name was then changed to Nestle & Anglo-Swiss Holding Co.

Ltd, on November 27, 1936. In December 1947, Co. acquired all the shares capital of the Alimentana S. A.

company in exchange for fifteen Nestle shares and fifteen Unilac shares for each of Alimentana S. A. here, so this point the name was at Nestle Alimentana S. A. And then finally, the last name change that the company would endure was in 1977, where it adopted the name Nestle SA (Mergent Online). Along the way Nestle's company remain successful, which allowed them expand to new region and territories throughout the world, making them the world's biggest food and beverage company.

Nestle's headquarters are located in Vevey, Switzerland, but the Nestle Company has factories or operation in almost every country in the world. Since the Nestle case was published in 1998, it stated that Nestle had employed 230,000 people worldwide, with \$71.7 billion in sales (Rodgers, 2000). Now moving forward to 2003, Nestle has increased the amount of employees to 253,000 people, with \$88 billion in sales (Nestle.

com). Nestle is increasing the size of their company year by year. In addition, to the increase in the size of the Nestle Company; Nestle also has increased the variety in the different products they offer. In Nestle's business strategy they encourage product growth through innovation and renovation (Nestle.com).

This strategy has allowed Nestle to develop many different products in the various fields: baby foods, dairy products, breakfast cereals, ice creams, chocolates and confectionery, prepared foods, beverages, food services, bottled water, and pet care. This brings us to the main focus of our case analysis, the dairy division, and the yogurt product LC1 that lies within that division. Dairy Division / LC1The dairy products at Nestle are a big driving force for the growth of the company's sales. With the health kick of the many individuals around the world, it pushes the innovator and renovators of Nestle to reach new heights in finding better and healthier products for their consumers. In 1998, the dairy business had accounted for 5% of the company's sales revenue (Rodgers, 2000).

More recent, in the first half of 2004, Nestle milk-based products, nutrition, and ice cream accounted for 60% of Nestle revenue growth

(Nutraingredients. com). The amount of 60% is a big portion of the company's earnings, so it would be best for Nestle to focus a big portion of their core competences and resources on the fast growing dairy division. Which leads us into the most recent yogurt produced by Nestle's, which is the LC1. Nestle strives on being innovator and renovators. So their research team in Switzerland discovered a culture called Lactobacillus acidophilus, or La-1.

This particular product was chosen because it contains a probiotic agent, which is living microbial feeding supplements that allow the lower intestine to function better (Rodgers, 2000). La-1 helps the small intestine function by improving the body's immune system, and in turn helping the body in preventing diseases. Nestle has now found a solution for their health conscious consumers, but now they need to find away to implement it into one of their products. That when the researchers at Nestle discovered that if they replace one of the mixes in their yogurt with the La-1 the same texture would be maintained.

Now with the combination of Nestle yogurt mix and the La-1; Nestle has given their yogurt the name of LC1. Nestle LC1Nestle's Competitive 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 ompetitive 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 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. 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. Within the industry of yogurt, there are many players in the market. The most dominant brand name players inside the United States are Dannon, Stonyfield Farm, and Yoplait. Yoplait, of General Mills, is the number one yogurt in the United States. They own 37% of the market share through their different brands, including the Colombo brand. Stonyfield Farm owns 6% of the market share, and Dannon is right behind Yoplait taking 31% of the market share.

Yoplait is the most prominent player within the market today. General Mills, Inc. has the leading yogurt company in the United States. Competing in a \$2.9 billion industry, they contain the highest market share amongst their competitors.

General Mills, Inc. has become one of the world's most trusted brands since their birth in 1860. General Mills simply began as a milling company, which began in the Mississippi River. They started with two flourmills and grew to become one of the largest, most trusted brands in the world. General Mills has become a prosperous and diverse company that has strived to provide innovative products to their customers continually throughout the years. General Mills has six different strategic business units within their company.

It consists of the Big G, Meals, Pillsbury, Baking Products, Snacks, and Yogurt. The Big G is the cereal division of General Mills; they hold big name brands such as Cheerios, Chex, and Total. The Meals division has products like Hamburger Helper, Progresso Soups, and Green Giant. The Pillsbury

division was acquired by General mills and is the leading company within the refrigerated dough market. The Baking Products division is the home of Betty Crocker, Bisque, and Gold Medal products. The Snacks division, who holds the top market positions, has several brands from Fruit Roll-Ups to Nature Valley.

Lastly, the yogurt division runs Yoplait, the number one yogurt within the industry and Colombo. General Mills operates internationally mainly through joint ventures, but also through acquisitions. Throughout the years General Mills has acquired Pillsbury, which is still in the works, and Green Giant. General Mills also has several joint ventures throughout the world.

General Mills has a 50 -50 joint venture with Nestle in the cereal division where their products are available in more than 130 countries throughout the world. General Mills also works with PepsiCo in a joint venture in the snack division. The successful joint ventures have allowed the companies to share their resources and capabilities to gain a lucrative competitive advantage. General Mills functions horizontally using the acquisitions, mergers, and alliance technique. This allows the company as a whole to gain more market power and coverage throughout the world. General Mills is a related-linked company.

Out of their six separate divisions, none of them produce more than 70% of the profits. Every division runs within the food industry, where the products are sold internationally and to foodservice operators, retailers and wholesalers. General Mill's profit has decreased, but Yoplait has carried the company through some rough times within the last year. Being one of the

only divisions pulling through with a profit and over exceeding the company's expectations Yoplait has really made a name of itself. Yoplait has become the star brand for General Mills, becoming the new core business for the company.

In 2004, Yoplait's unit volume grew 10%, which is five times more than the Big G division, who used to be General Mills core division. Over the past decade yogurt sales have increased on average 9% per year. But studies have shown that household penetration is very low, so there is a lot more room for growth. Yoplait is a first-mover in the yogurt industry.

They have offered many new innovative products to their consumers from Go-GURT to their Nouriche Smoothies. Within the last year of introducing Nouriche, the product's sales have increased by 35%. Yoplait just recently began offering yogurt that contained sterols, which is a cholesterol-lowering plant. Yoplait Healthy Heart was introduced in February of 2005 during women's heart health month.

Yoplait joined with Cergill, Inc. whom manufactures the plant sterols in a horizontal alliance. Yoplait healthy heart is the latest addition to their line of yogurts. The full line of products that Yoplait offers today is wide and diverse. They offer a yogurt line that consists of the original yogurt, grande, whipped, light, and ultra light.

Yumpsters is a line for younger children, which includes a spoon attached to their yogurt. Go-GURT has become the yogurt for those that are on the go and always in a rush, which is also available in smoothie form as well. Yoplait

created the first ever yogurt placed in a tube. Lastly, they offer Nouriche Smoothies, which are rich in calcium, protein, and fiber.

Their products come in many different flavors and sizes to satisfy their customers. Yoplait offers their customers a way to live a healthier lifestyle through their products. Yoplait is the leading brand, which has the largest amount of Vitamin D offerings in their yogurt compared to any other yogurt brand. They also offer ways to lose weight, the lower your cholesterol, and how to keep your heart healthy.

Yoplait has been successful by using the focus business-level strategy. This has allowed the division to take specific action to attack the specific segments of the market. They have found niches for each line of yogurt product they offer. Yoplait has mainly aimed their products specifically at women, children, and dieters. Yoplait, for the most part, focuses on health to appeal to their consumers, and has been successful at it. Recently, Yoplait stated that yogurt may help burn fat, to aim at the diet customers.

Yoplait has effectively positioned their products as being portable and convenient, having a number of different health benefits, and the flexibility to eat yogurt any time of the day. From their healthy heart products to their ultra light yogurt to Go-GURT, Yoplait has focused each product to separate niches of the market to become the leading yogurt brand in the United States. Nestle's LC1 division has many strengths. Their first is that they have a great CEO, Peter Brabeck. Brabeck emphasizes internal growth, meaning he wants to achieve higher volumes by renovating existing products, and innovating new products.

His explanation of renovation is that “ to just keep pace in the industry, you need to change at least as fast as consumer expectations. ”(Hitt, 2005) And his explanation of innovation is “ to maintain a leadership position, you also need to leapfrog, to move faster and go beyond what consumers will tell you. ” Brabeck has led Nestle into a position to better achieve the internal growth targets with his. Another strength that Nestle has is that they are low cost operators.

This allows them to not only beat the competition by producing low cost products, but by also edging ahead with low operating costs. The main weakness of the LC-1 division of Nestle is that they were not as successful as they thought they would be in France. The launch in France was in 1994, but since the late 1980s, Danone had already entered the market with a health-based yogurt. The second weakness is that LC-1 was positioned as too scientific, and consumers didn't quite understand that LC-1 was a food and not a drug. Nestle also has multiple critical resources. They have a great research and development team.

James Gallagher and Andrea Pfeifer were the masterminds behind the research on the La-1 cultures in the LC-1 yogurt. They were also the two that decided on selling LC-1 as a functional food. This enabled Nestle to position the product in a way that differentiated it among the other products in the market. They also have four pillars that Brabeck, Nestle's CEO has identified he believes will help their internal growth worldwide.

These are operating excellence, innovation and renovation, product availability, and communication. One opportunity that Nestle has is that

health-based products are becoming more popular in the world, including in the United States. Consumers are becoming more health conscious, and realize that living longer isn't only by luck and genetics. LC1 has not been introduced in the United States yet.

Nestle also has an opportunity of being even a larger market leader in Germany with LC-1. Within two years of launching the product in Germany, they had captured 60% of the market. This was due to the fact that they differentiated the product, and Germans simply preferred the taste. Another opportunity of LC1 is that, because they are a market leader, they can introduce more health-based products in Germany. A threat to Nestle is the fact that some markets they are entering are already mature. Danone had an established leadership position in the yogurt market in France.

Since Danone was the first to arrive in the market, they have always been the market leader there. Also consumers in France liked the taste of LC-1, but researchers believe they did not repurchase the yogurt because they preferred the taste of Danone products better. Another threat to Nestle is that there is intense competition in the United States yogurt market. General Mills' Yoplait division is the leader in the yogurt market in the United States. Yoplait has been the leader for years and is constantly innovating new health products.

General Mills has been a strong competitor of Nestle and they are not short of experience and strength. One strength that they have is their brand recognition. One of their main goals has been to deliver brands that consumers trust and value and they have succeeded. Another strength they

have is their distribution. Yoplait is distributed to more stores in the United States than any other brand of yogurt. This is one of the reasons why they have been the market leader in yogurt for so long.

Another strength that General Mills has is the fact that consumers simply know Yoplait is healthy. Yoplait is the only leading brand of yogurt to offer vitamin D and this vitamin is especially important for adult women. (Yoplait.com) It is not just a coincidence that Yoplait has vitamin D, but they have purposely added this vitamin to target female consumers. General Mills also has some weaknesses.

The fact that they are the market leader in the United States may be hindering them from innovation. They have been producing Yoplait yogurt for many years, and have offered a series of new products in the past few years in the nutrition department. Most of these products however, are very common, and are widely offered in the United States. The health food industry in the United States has been booming and General Mills does not offer enough products in the smaller niche markets. They have not entered into many unknown areas because of their success in the yogurt market. An opportunity General Mills has is that its Yoplait division is so successful.

Yoplait is the only division of General Mills that is currently earning a profit. They have a large market share over their main competitors in the yogurt market. Another opportunity that they share with Nestle is that the health-based and nutritional food market is booming. They are continually releasing and marketing new products in these markets and they will continue to do so while the market continues to yield profits. The main threat that challenges

General Mills is that there is intense competition amongst the top players in the yogurt and related markets.

Nutrition and health is becoming more and more important to consumers in the United States, and worldwide. Along with this comes increased competition to gain market share. Simple supply and demand theories are prevalent in these markets. Another threat General Mills has is that smaller companies are producing similar products with the same or added nutritional benefits. Nestle is one of the largest and most successful food companies in the world.

It has successfully introduced many new products into many different segments of the food and beverage industry. Nestle possess a product, LC1, which is innovative, fairly new in the North American perspective, provides healthy benefits for the consumer, while offering a new avenue for profits for Nestle. Nestle, with its probiotic cultures found in its LC1 product, has an innovation that is ripe to be introduced into the North American market. Currently LC1 is primarily offered in Japan and Germany in the form of yogurts, with great degrees of success.

Unfortunately LC1 yogurts were unsuccessful in a number of European markets, including France and The United Kingdom. A LC1 powder was introduced into the American market around 2000. The powder was designed to be mixed into beverages and foods. It was sold at GNC stores, primarily focusing on consumers who were already health conscious about their eating habits.

Nestle used print ads, a direct mailing campaign, a smaller scale campaign targeted at health practitioners, and heavy Internet advertising ([www. herbs. org/current/nestlesup. html](http://www.herbs.org/current/nestlesup.html)). Overall Nestle's LC1 powder went largely unnoticed by the US consumer, and achieved only minimal results.

In designing a strategy that would effectively place Nestle at the head of the probiotic industry in North America market would require several key components. First would be to decide what areas of the Food and Beverage industry in which we would like to introduce Nestle LC1 products. Second would be to educate the North American consumers as to the benefits that the probiotics possessed in LC1 brings. A strong marketing and advertising campaign would accompany this. Third would be to quickly conduct all moves and enter into each market as quickly as possible to gain maximum market share.

Fourth would be to reinvest all profits, over a predetermined amount of time, back into operations, research and design, marketing and advertising to solidify consumer trust, market power and market position. In achieving these components of success we will be employing the six principals described in the book Sun Tzu and the Art of Business by Mark McNeily. The first principal brought forth in the book is to "Win All Without Fighting" or to prioritize markets and determine competitor focus. Nestle would need to figure out what areas of the food and beverage industry they are already operating strongly in and pinpoint some key products to introduce LC1 into. Nestle is one of the largest food companies in the world and offers a wide range of products across many different areas of the food and beverage

industry. Nestle should choose to incorporate LC1 into one strong performing product in each one of its SBU's.

For instance they could introduce it into yogurts through their Dairy SBU, cereals in their Cereal SBU, into chocolate bars in their Confectionary SBU, power bars through their Nutrition SBU, baby formulas through their Baby Food SBU, pet foods through their Pet care SBU, into ice cream through their Ice Cream SBU and into their drinks through their Beverages SBU. Nestle should choose one product in each of these SBU's to introduce to the market. This way there is wide area of products with in different areas of the food and beverage industry in which the LC1 product to bring a profit. So if the LC1 does well in certain areas of the industry, but not another, Nestle can shift its focus from the weak product to the strong product. Introducing it to many different products in many different areas of the food and beverage industry gives LC1 a better chance of achieving success.

Nestle, already begin a diversified food and beverage company, has the benefit being able to explore an option such as this. Nestle's primary competition in introducing these products would be General Mills. General Mills would offer competition in some areas of the industry but perhaps could be an ally in others. Nestle already has joint venture with General Mills in the cereal industry.

These may prove to be beneficial to the introduction of LC1 into a wide variety of popular cereals that the two companies create and distribute. But, it may prove to be a hindrance if General Mills wishes not help due to competition strains that result from other areas of the food and beverage

industry. The second principal is to “ Avoid Strength/ Attack Weakness” or to develop attacks against competitor’s weakness. A beneficial strength of Nestle’s attacks is that the probiotic market in North America is very small.

In 1999 probiotics total sales in North America were \$67. 2 million (www.nutraceuticalsworld.com/Sept012.htm).

Nestle would have the benefit of being a first mover or second mover in the industry. A primary weapon to Nestle’s introduction of LC1 products, with their probiotic benefits, would be high levels of education through advertising and marketing. Nestle had introduced LC1 in 2000 but to little success. According to Steve Allen, vice president, business development, Nestle USA, “ Nestle LC1 was too early for the U. S.

; the benefits were too general and the price/value relationship wasn’t there” (www.nutraceuticalsworld.com/Sept012.htm). Education and consumer understanding as to what probiotics are and the benefits they bring is the main roadblock in LC1’s success. According to Steve Allen: “ What is holding us back in the U.

S. is that the consumer does not really have an explanation for probiotics because there is no vehicle or preexisting knowledge on which to build” (www.utraceuticalsworld.com/Sept012.htm).

Because probiotic are a form of bacteria or a culture, trying to get the North American consumer market to agree that LC1, a form of bacteria, can help them might prove to be difficult. Nestle might first want to focus on athletes, mothers of small children, senior citizens and any other health

conscious area of the food and beverage market in which to market their LC1 products. Nestle should highlight to them the benefits of using their LC1 products, such as having an improved immune system or improved digestive system.

An area that limited LC1 success in other European markets was that some people viewed LC1 products as a way to get better from a sickness, or as a form of medicine. LC1 products are designed to be a sort of body maintenance or even enhancement device and taken regularly. Nestle should stress the importance of LC1 products being similar to other health oriented foods like nonfat milk or diet soda, which can and should be consumed daily. In response to competitor attacks, Nestle can rely on their reputation in European and Asian markets where probiotics have been prevalent for a number of years. LC1 has been widely popular in countries such as Germany, Italy and Japan.

Nestle, being a first mover in most of these markets, can highlight the fact they were hugely responsible for the development and creation of probiotic products and probiotic markets in the world. They were the ones to create an example which all other in the industry to follow. Nestle can counter attacks on LC1 products in the North American markets with advertising campaigns that highlight their success in foreign markets, using real person testimonials to bolster their positions. Nestle might also want to employ the help of professional athletes or movie stars to be spokesmen for their products, in hopes of gaining consumer support.

The third principal is “ Deception and Foreknowledge” or war gaming and planning for surprise. For this I feel Nestle should use the implication wheel as a form of war gaming. Because no other major food brand, including General Mills, has probiotic products, the weakness that Nestle would be attacking would be the lack of products that their competitors have to offer in the probiotic market. Nestle’s first attack should be to educate consumers to benefits of using probiotic products. This educational campaign should be backed with scientific support and with examples of success from the European market. It should be done through advertisements on television, at prime time and during popular sports events preferably, through the newspaper coupled with money saving coupons, and on the internet through links with health food websites.

Nestle should highlight the fact that while such things as obesity and fast food are slowly decreasing the healthy and eating habits of North Americans, LC1 provides products that are healthy, good tasting, which also help improve the body’s functions. It would be beneficial to LC1 success if popular athletes or movie stars were hired to endorse the products. Nestle’s competitors may respond to these advertisements with their advertisements that may down play or even deny the benefits of using LC1 products. They may play off the consumer’s misconception that all bacteria are harmful to one’s health in an attempt to stir LC1 success.

Competitors may respond with advertisements that highlight LC1 lack of success in markets like France or in the United States in 2000. They may wage an anti LC1 advertisement campaign in hopes of slowing down any market share LC1 may gain from its advertisement campaign or to support

their own probiotic products. In response, Nestle should once again shift the consumers focus to their successes in European markets, along with their history in the market and the breakthroughs in research they have found to highlight the benefits of probiotic products in the course of their operations. Nestle could use Sun Tzu's fourth principal, " Shape Your Competition" or integrate best attacks to unbalance the competition, to throw competitors off. Because Nestle is going to introduce LC1 products in several different areas of the food and beverage industry, they could only advertise products in one or two markets. Then as competitors design their defense in those particular markets, Nestle would unleash their overall product launch across all the predetermined areas of the food and beverage industry.

This should catch competitors off guard, leaving them unprepared to defend against the scope of Nestles attack. Nestle may choose not to focus a large amount of resources into the introduction of products into markets in which they tricked their competitors into defend in. Nestle should then focus their resource in to markets where they had not previously hinted they wished to enter into. These markets should be markets where Nestle already has strong performing products like their ice cream or chocolate bar products. This introduction of products should be done with Sun Tzu's fifth principal in mind which is " Speed and Preparation" or ready your attacks and release them. All actions should be done quickly and following a schedule.

Nestle's initial hints of wanting to enter into the probiotic market should be made know to the industry about one year before actual product launch. Nestle, through word of mouth and small advertisement campaigns could hint at the markets and products it was going to launch with their LC1

probiotic benefits. This would be time would competitors would take notice and begin mounting defensive strategies. About six months before product launch, Nestle should increase the size and scope of their advertisements, including a specific date as to the launch of LC1 enriched products.

Here is when Nestle could start employing the help of Professional athletes or movie stars. Nestle should emphasize, in their advertisements, the universal benefits that their LC1 products will bring to all people, along with the fact that these products taste the same as similar products in the same category. About one month to two weeks before product launch, Nestle should release advertisement revealing the full scope of the products in which they are planning to launch. Between two weeks and product launch Nestle should hold a party of sorts where they would invite consumers, retailers, distributors, and manufactures from the food and beverage industry to sample Nestle's new LC1 enriched products. This would be done to create a positive word of mouth and generate interest within the industry.

Nestle then should release all their LC1 enriched products simultaneously across every food and beverage sector. For at least a year Nestle should closely monitor all of its LC1 products, noting which products are performing better than others and in what market sector. Nestle should then reallocate resources from poor performers or dogs in the market, possibly abandoning certain products or markets all together, to support products that are performing well as stars in their markets. This would follow Sun Tzu's final principal which deals with leadership, reinforcing success and starving failure. Smart leaders know when to put further assets into products and

markets that are performing well and when it would be better to retreat from them.

Nestle has a well-established management structure that is supported by a strong reputation in the industry. This, along with the fact that Nestle is introducing many products into many markets gives them the edge and flexibility to fine-tune their management, production and sale of their LC1 enriched products. Website: http://articles.castelarhost.com/nestle_background.htm

Nestle's Growth Strategy and Business Development Uploaded by Jan Luehrs on Aug 1, 2006

Nestle's Growth Strategy and Business Development 1.

) Does it make sense for Nestle to focus its growth on emerging markets? As it can be derived from the text, Nestle generates operates worldwide with a focus on European markets, which make up 70 percent of its sales. These markets are in the mature state of life cycle of that industry and additionally demographic changes such as the stagnation of population growth rates make it very hard companies like Nestle to generate higher profits through higher sales. As a matter of fact the western economies are actually facing a downturn in output and growth, thus influencing the consumption patterns of customers, especially in the retail business. Consumer are becoming more price aware and tend to spend less while demanding at the same time for customisation, product differentiation and specialization. Another trend is the shift away from branded food and beverages towards cheap non-branded foods and beverages.

Nevertheless, the introduction of non-brand own labelled products such as Food Lion offers only makes sense in a large scale in order to achieve economies of scale. As a result of increasing non-brand cheap products offered by rivals, Nestle find itself in an even more embattled market and needs to develop a new strategy either away from branding or towards a higher degree of international market penetration. Since Nestle stands for high quality and has distinctive competencies in producing higher quality food, it would not make sense to change the strategic group, because it would most likely get stuck in the middle. The right strategy is to expand into new markets such as Asia, Eastern Europe and South America. Logically, in these markets the consumer behaviour, macroeconomic environment and cultural habits are different in contrast to western economies. Most of these markets are yet in a growth cycle and this clearly generates an opportunity because they are emerging markets and “untouched”.

As mentioned in the text book China for instances will inhabit 700 million people by 2010 who will have nearly the same income levels as Spain has today. While income levels in these emerging markets will increase, people will gain a higher purchasing power with unsatisfied demands. Serving this demands is the right opportunity for Nestle to penetrate new markets, build up market share while at the same time using its profits to defend its old markets in the western economies through low prices. Concluding, I am strongly convinced that expanding into new markets is necessary for Nestle if it wants to stay a global player in the 21st century.

.) What is the company’s strategy with regard to business development in emerging markets? Does it make sense? Nestle follows the first mover

advantage strategy which means that the company enters in an early stage the emerging markets, in order to establish a network there before competitors such as Unilever do so. The first step they make is to establish a substantial position by selling basic products such as infant formula and condensed milk to the customer with the goal to build up commanding positions in each niche. In order to save the costly process of establishing a brand name, Nestle simply purchases local brand names which the consumer is accustomed to. This helps the company to overcome cultural barriers and customer resentments to foreign brands.

After these niches of basic food supply are filled Nestle moves on into the more upscale segments such as chocolate, soft drinks and the like. Their strategy is to establish a basis and then expand into more niches as demand rises. Connected to the rising demand is the rising income level as the population can afford to spend more money on food products. As mentioned in the book, Nestle provides about 8500 brand names, but only 750 of them are registered in more than one country and only 80 are registered in more than ten countries. This is due to the fact that Nestle's strategy is based on a broad range of local brand names which are not entitled as "Nestle".

The company uses that approach in order to the convenient fact that the consumer is easier to reach because he is accustomed to this brand name and they think they know what they are buying. Consequently, marketing is easier and less costly because a reputation, a distribution channel and customer loyalty already exist for that product with that brand name. As a result Nestle can focus its distinctive competencies on product improvement

and technological aspects such as process innovation. Concluding, the key to their success is customisation rather than exaggerated globalisation.

This strategy makes sense as the business success of the company proves. An example is Nestle's success in the Chinese milk powder market. There was hardly any infrastructure nor transportation systems in 1987 when the company entered the market. Nevertheless, Nestle increased the output of powdered milk from 300 tons in 1990 to 10,000 tons in 1994. This refers to an increase in output of 790% per year.

These figures show the success of their strategy, as well as their flexibility, the steady learning processes and the monitoring of the environment. In combination all these factors make up a successful and sense full strategy.

3.) From an organizational perspective, what is required for this strategy to work effectively? As a matter of fact a good strategy is not the only necessary prerequisite for operating successfully in foreign markets. In markets of transitory nations or even less developed nations there could be a risk in terms of political instability harming the political economy such as the security of property rights, macroeconomic and cultural uncertainties are as well an issue.

To a certain extent environmental changes occur with the notion of endangering the basic strategy. In order to avoid these influences and to counter react on these a company needs the ability of gaining steady learning process which needs ultimately to be implemented with a cross-functional attitude among all functional levels. Flexibility is another distinctive competencies a company must be able to achieve to react as

quickly as possible to changing environments. As a consequence, the company must implement mechanisms allowing it to respond to changes in local demand, cultural barriers and political fluctuation. Ethnocentric behaviour must be avoided in any circumstances in order to approach the market in the appropriated way. A company must as well learn to consider decisions under the long-run perspective, because markets can be conquered within in short period, but the successful implementation of a strategy needs more time than that.

Entering a new market requires some pre-math. The company must estimate the perspectives it has in that new market with regards to threats and opportunities formulating the profile of that country. Basing on this profile the company is able to figure out the strategical approach. One important part of the strategy must be the cultural awareness, which means a company should employ locals in order lower cultural barriers and resentments established by the foreigner.

Hence, this results in a better insight and handling of local demand conditions and knowledge about the customer. In order to guarantee flexibility the functional level units must have their own responsibility and must have freedom in decision making, which allows a quick response towards market fluctuations. To relate these statements to this case Nestle's business process in Nigeria gives a good example. An entirely new marketing approach, distribution channel and network had to be set up due to changing demands, lacking infrastructure and a lack of security.

Nestle managed these threats successfully by understanding the culture and the being aware of the lack of essentials. .) How would you describe Nestle's strategic posture at the corporate level? The ability to react and act on environmental changes is a crucial part of Nestle's strategy. Consequently, all subsidiaries have their freedom in decision making regarding strategy issues. This allows them act independently from the headquarter.

Hence, it responds quicker to the local environment, conditions and demands with the result of a more efficient approach to local distribution, employees, advertising, products and marketing. To support this approach Nestle's established its " expatriate army" which is a group of about 700 managers who have a lot of experience in doing management activities in foreign countries. These managers are highly educated and trained in order to enable them a worldwide field of operations. Employee training is not the only distinctive competency Nestle was able to establish. As mentioned earlier, Nestle has a sophisticated R department. A steady stream of new inventions and product improvements allows Nestle to keep up its competitive edge.

Supporting this globally aware approach the company is organized into seven worldwide strategic business units which are called " SBUs". These units formulate the high level strategic decisions on a worldwide basis, while each of these SBUs focuses on a specific segment: chocolate, infant food, cereals, coffee etc. . Engaging in the overall strategy development such as acquisition and market entry strategy these SBUs form an important part of the company's decision making and operating process. Acquisition contributes about 2/3 to Nestle's growth rate, hence this emphasizes the

importance of this functional part of the company. Additionally Nestle established a structure of regional organization which divides the world into 5 major geographical zones: North America, South America, Asia, Europe and Asia.

These organizations are assisting the SBUs and have the responsibility for developing strategies within their region. 5.) Does this overall strategic posture make sense given the markets and countries that Nestle participates in? Why? This overall strategic posture makes sense which is proved by Nestle's successful worldwide expansion, the steady growth rate and the continuously generated profits. Nestle's approach of expanding into emerging markets clearly is highly functional throughout the organizational structure (support of R, SBU, regional zones) and the corporate level strategy. One of the main reasons for this successful expanding into new markets is due to flexible responds to environmental changes and the ability to obtaining a steady learning process.

These two factors make up a large contribution to Nestle's operating performance, which is as well manifested in the credo of having "customisation rather than globalisation". Through his attitude the company was able to create a functional and operational synergy among the corporate level strategy, the organizational structure and the general strategy set up. Despite of recessional tendencies and high market fluctuations in the western economies, Nestle was able to grow continuously into new market segment through skilful market penetration. Clearly, this extraordinary performance was only enabled through its strategy of avoiding an ethnocentric approach, building up customer ties through local employees

and managing the distribution channel by an entirely unique approach. The company will continue to generate profits and increase market share when it keeps up its strategy but has to be aware that macroeconomic, social or cultural aspects have to be taken into account while pursuing the strategy.

Especially in the new emerging markets this strategy awareness makes a lot of sense, because western economies are pretty much standardized in regards to cultural or social economic aspects while Asian or South American markets are characterized by different means. Nestle was already able to emerge into markets such as Africa and the Middle East where long lasting formal and informal trade barriers were established by local government. Lesser developed countries tend to raise trade barriers justifying it with the infant industry protection argument. Nevertheless, food is needed all over the world and with the product range and the distinctive competencies the company possesses a decent platform is given to keep up that strategy.

Finally, the approach makes sense from that point of view, that these transitory and less developed economies have a high growth potential over the next two decades. China, Southeast Asia, South America and Mexico will be the future markets on this planet with a growing population and growing income level. If Nestle would not take the opportunity of moving into these markets with these incredible potentials, the company will lose its competitive edge and will lose its position as a global player. Hence, I strongly recommend to pursue this strategy because it makes sense of the highest degree. Website: <http://www.>

echeat.com/essay.php?t=30979 Cette strategie est conduite par un reseau d'experts en nutrition, anime par l'Unite Nutrition, Sante, Bien-etre. Ce reseau comprend :

- Un responsable de la demarche dans chaque entite, avec pour objectif de pousser la reflexion nutritionnelle au sein de chaque categorie de produits.
- Un responsable de la demarche dans chaque pays, qui relaie les recommandations internationales, initie les strategies et insuffle la culture nutrition a l'echelon local.
- Un nutritionniste dans chaque centre de recherche et developpement, pour integrer les criteres de qualite nutritionnelle dans tous les developpements de nouveaux produits.