

Good case study about public company case analysis

[Business](#), [Company](#)



Introduction

The analysis of a company can be initiated and done from two different angles known as financial analysis and nonfinancial analysis. However, both of the types of analysis are essential for the investors as well as internal stakeholders of the company (Kamauff, 2010). Most of the times, the analysis would have been performed specifically by the investors to analyze the effectiveness of the financial markets and financial statements, and they are continuously delivering their best to maximize their earnings.

Maximization in the earnings is not the attractive behavior and effective sign for an investor, as there are some other dominating aspects as well which have to analyze by companies in terms of satisfy the appetite of their investors are concerned (Kamauff, 2010).

Company analysis usually include strategic analysis and financial analysis, however there are some other aspects as well through which the capability of an organization can be found. For strategic analysis, the most effective method used by the companies and analysts is SWOT analysis, while for financial well being; financial ratios would be accordingly using (Loch & Wu, 2007). It is needed to select a public floated company for this piece, and then analyze it from different slants; however the slants should be on the level of strategic and financial aspects. The assignment worth a lot, therefore it will be done with immense care and with a step by step approach. The companies which have been considered for the same analysis is Nestle, one of the biggest and strongest company of world

There are three broad perspectives from which this entire analysis would have been completed in a best possible manner.

Analysis & Findings

Part A. Company Analysis

Company Information: NESTLE

Nestle is a Swiss multinational food and beverage company which has its headquartering location in Vevey, Switzerland. As per the report of Forbes 2013, Nestle is the world's largest strongest company of the entire world, as it generated the highest amount of revenue as compared to any other company of the world. There are hundreds of products that currently owns by Nestle to be launched differently include Baby Food, Breakfast Cereals, Bottled Water, Dairy Products, Ice Creams and many more.

The plant operation of Nestle is very big, and the company currently has 447 factories located in 194 different countries of the world. It is one of the largest employers with total employees of 330, 000 in different parts of the world. Nestle is also the largest shareholder of L'Oreal, the largest cosmetic company of the world.

The company listed on the Swiss Stock Exchange (SSE), and the company is a powerful one and dominating on the market index herein Switzerland.

Apart from this primary listing in Switzerland, the company also has its secondary listings on the Euronext. The current market capitalization of Nestle is US\$ 233 billion, and it was ranked the most favorable and top notch company of the world in the eyar 2013 by Forbes (Nestle Financial Highlights, 2013).

Total net revenue that reported by Nestle in the fiscal year (FY) 2013 was CHF 92. 16 billion with net profit of CHF 10. 02 billion in the same year, which is extremely high, and the country is dreaming to have the same momentum in their future as well, and they have a great chance to accomplish the same as well.

Company History, Mission Goals and Values

Nestle was formed in the year 1905 after a big merger of the Anglo-Swiss Milk Company and Fairne Lactee Henri Nestle. Both of these companies were established in the year 1866, and then merged together in the year 1905 to form Nestle. Nestle had a history of seeing both of the world wars, and the company grew strongly at that time as well. Apart from that, the company made number of acquisitions with different powerful companies of the world including Crosse and Blackwell, Libby's, Gerber and many more to enhance their operations accordingly across the globe.

The core vision and mission of Nestle is to become a leading Food and Beverage Company of the Caribbean region by providing quality based products to their customers and increases the profitability. The goal of the company is very clear, and they are in the favor of increasing their effectiveness in the future with positive attitude. The most astounding affects of Nestle that makes its eminent than the other organizations are their customer orientation approach, devotion and large customer base to which they provide quality products always. There is no other company that can takeover Nestle because of their large customer base and effective signs

and checks towards providing quality and effective products to their consumers.

Driving Forces for the Company

- Large Customer base
- Product Portfolio is high
- Quality based products
- Affordability

Principle Corporate Strategy

Corporate Strategy behavior usually involves four dominating aspects which are known as pricing, promotion, place and product (Mahadevan, 2010). All of these strategies are in best possible effective for the entity, and the corporation is delivering some of the most effective outcome for them.

Pricing is the most important strategy from the viewpoint of a company, and Nestle have a great role in terms of controlling the core pricing of all of their escalating and launched products in the market. The company knows about the Purchasing Power Parity (PPP) issue of the products, and found that all of the addressed products of Nestle are highly affordable for the people around the globe. The company is having Competitive Pricing Strategy, though the financial motives and behavior is way higher than the competitors of the company.

Financial Information Analysis

There are some ratios that will be utilizing throughout this particular analysis to cover this particular section accordingly. The ratios will be of Profitability, Efficiency and Liquidity (Mahadevan, 2010).

Profitability

There are two financial ratios which will be used for the same analysis known as Gross Profit Margin (GPM) and Net Profit margin (NPM).

Net Profit Margin (NPM)

NPM is an important ratio that will be computed maintaining net income in the numerator and sales of the company in denominator. The NPM of Nestle for four years is as follows (Nestle Financial Highlights, 2013)

The aforementioned analysis is in the favor of the fact that the economic position of Nestle is strong. The NPM of Nestle was around 39% in the year 2010, which decreased heavily in the year 2011 by 27% due to a drastic decrease in the value of sales. However the NPM of the company still lies in a satisfactory range from 11% to 12%. The averages NPM of Nestle in these four years are 18. 13%, showing that the company is able to generate net profit of CHF 18. 13 from their net sales of CHF 100 (Nestle Financial Highlights, 2013).

Gross Profit Margin

Likewise NPM, GPM is also a significant aspect that uses to analyze the capability of a company. It analyzes the cost efficiency behavior of a company.

The momentum of GPM is almost identical to the NPM, as it was very high in the year 2010, and then decreased heavily due to the decreasing in the sales. The GPM in the year 2010 for Nestle was 49.19%, which decreased by 179 basis points in the year 2011 to reach on a level of 47.396. The average GPM of Nestle is 47.97%, which is showing a remarkable figure for the company, and the company should maintain it for a long span of time (Nestle Financial Highlights, 2013).

Efficiency Analysis

Efficiency would be analyzed through the valuation of Return on Assets (ROA)

The Return on Assets (ROA)

The ratio that analyzes how effective the asset of a company for their productivity and effectiveness is known as Return on Assets (ROA), and it is count as an important aspect for the ratio analysis purpose. The computation is mentioned in the table

The computed table and mentioned chart is manifesting the scenario of Nestle, and showing that Nestle is highly effective for the purpose of checking and evaluating their assets accordingly. The average ROA of Nestle is 13.85% which is extremely high for the manufacturing companies. It is showing the effectiveness of the company in terms of managing the things accordingly.

Liquidity Analysis

Current Ratio

Current Ratio analyzes the power of an entity just to check its validity in

terms of meeting all of its obligatory processes

This particular aspect of Nestle has conducted that the company always meets with all of the obligations that are lower than 1 years of time period, which is an effective sign for them. The average CR of Nestle is higher than 1.

Tangible Assets and Intangible Assets

Tangible assets are the one that can be touched physically, and usually it denotes with the Property Plant and Equipment for a company. The annual report of the company reported their PPE figure which was CHF 26, 895 million in the year 2013, which was CHF 26, 576 million a year before. On the contrary, intangible assets are the one that cannot be touched physically, and the foremost example of intangible asset is Goodwill. The Goodwill of the company was CHF 31, 039 in the end of the fiscal period of 2013, which was a little higher in the financial year 2012.

Organizational Capabilities and Issues

One of the major problems that exist in the company is not get any of its employees within the process of making decision that may sometime increases the level of un-satisfaction. Apple Inc which is comparatively a smaller company than Nestle, but has involved all of their employees in their decision making process. Nestle has the capability to overcome on this issue by analyzing and implementing the stance of Management Bi Objective (MBO) in which employees and management would make their journey together and take decisions on the basis of mutual understandings.

Strengths & Weaknesses

Strengths

- The products of Nestle are unmatched
- The capabilities of Research & Development is extremely high and powerful
- The distribution channels are highly competitive
- The company has a remarkable capability and competency in terms of initiating mergers
- Brand Reputation is very high of the company, along with the market capitalization
- Strong and high customer base of the company

Weaknesses

- Inability to provide consistency in terms of food products and its quality
- The implementation and adherence with the Corporate Social Responsibility (CSR) and Corporate Governance is not effective for the company

Part-2: Company's Operations

Operational department is famous due to its significance among other departments that stride under the effectiveness of an organization. This particular department has the ability and capability to examine the effectiveness of a company and managing its operations accordingly. It includes employees, marketing policies, suppliers and other aspects as well (Mahadevan, 2010)

The human resources capabilities and policies of Nestle is extremely perfect and worthwhile, and the company is providing congenial and a perfect

environment to its employees with giving market based remuneration. The entire structure of the employees of the company complies with the policies of the company, and their behavior with them.

The production system and distribution service of the company is extremely perfect and organized. The company associated with the International Standardized Operations (ISO), and complying with their rules and regulations accordingly, which is one of the major issue behind all of their current prosperity and future consequences. The operational department of Nestle is highly effective and powerful that has the ability to launch more and more quality based products for their consumers accordingly. The company has a great approach in terms of analyzing the demand and supply stance of their product to be competitive in the market.

All the marketing capabilities and strategies of Nestle are worthwhile and effective, and the marketing department is also trying to deliver the best services to their consumers in affordable rates. There are two important strategies on which Nestle had stressed very heavily which are pricing strategy and promotional strategy. The company currently has competitive pricing strategy; however they entered with penetration marketing strategy to some of the developed companies or most of the times under developed countries just to gain the market share with positive attitude. Apart from that the company has a great relationship with their suppliers, and it is usually effective for them in the future.

One of the best things associated with the entire operations of Nestle is there capability to adhere with the Corporate Social Responsibility (CSR) function and Corporate Governance (CG), which are continually creating

growth opportunities for the company, and such behavior should be taken further by the company in next stages to become economically active and prosper.

Part-3: Industry Overview

North American Industry Classification System (NAICS) is a regulating body that analyzes the power of competitors a company has. The industry in which Nestle is operating is Food and Beverage Industry, which a big industry of the world. Currently, the market size of the food and beverage industry is nearly US\$ 4 billion, which has a chance to enhance by \$ 2. 7 billion by the core end of the fiscal year 2020. Due to technological advancement, the market growth would be around \$ 6. 7 billion in the year future (Water Technologies, 2014). Nestle is currently dominating this particular industry, and the company has a great chance to retain its position in the next few years as well, because of their remarkable products and growth orientations. Though the market size and share of the competitors of Nestle is quiet low, however they are now spreading in different geographical representations and may create problems for Nestle. Some of the major competitors for Nestle are

- Kraft Foods
- Mars Incorporated
- Groupe DANONE

Though the financial competitiveness of all of these companies is perfect, but it is not near with Nestle Inc. The revenue and net income of the selected companies are as follows

Kraft = Revenue and Net Income = US\$ 18. 18 Billion and US\$ 2. 715 billion in the year 2013

Mars Incorporated = Revenue and Net Income = US\$ 33 Billion and US\$ 7 billion in the year 2014

DANONE = Revenue and Net Income = €21. 29 billion and €1. 55 billion in the year 2014 (Danone Financial Highlights, 2013)

All of these competitors are a major threat for Nestle in future, as DANONE, Kraft and MARS are controlling on some of the biggest markets of the world, like France and United States (US). They have quality products as well, and their products are highly appreciated in different markets of the world, which may create problems and threats for Nestle in the near future. However, Nestle has to aware with these aspects, and should come up with effective strategies to compete with these competitors accordingly.

Conclusion

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