

Nestle waters

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



Introduction

In 1905, The Nestlé Food Company was born as a result of a merger between the Farine Lactée Henri Nestlé Company and the Anglo-Swiss Milk Company. The Farine Lactée Henri Nestlé Company was founded in 1867 by Henri Nestlé, and was considered the largest purveyor of infant food product. On the other hand, The Anglo-Swiss Milk Company was founded in 1866 by the Page Brothers in the Swiss state of Cham in order to proliferate a plethora of milk products. After the merger, the Nestlé Company was relocated in Vevey, Switzerland. Today, the Nestlé Company is the largest purveyor of dairy products in the world. The company is the undisputed market leader in almost all product categories. Each of their brands is the leader in their respective product categories, which includes products such as milk, coffee, ice cream, chocolates, pet food, food seasoning, and bottled water.

Henri Nestlé, the company founder, was a pharmacist who came up for baby foods that further contributed to an infant's nutrition in order to augment its development. One of Nestlé's first breakthroughs was the production of infant foods in order to be an appropriate alternative to an infant's intolerance to its mother's milk. This was considered a milestone in Nestlé's career when it was soon recognized that it can improve a child's growth, development, and nutrition. The milk was known as Farine Lactée Henri Nestlé, the product has been proliferated in all of Europe.

As any company who envisions to have expanded, the company has amalgamated itself with Anglo-Swiss Condensed Milk Company in order to augment its operations in the entirety of Europe. The company initiated operations in United Kingdom, Spain, Germany, and the United States in the <https://assignbuster.com/nestle-waters/>

early 1900's. At the height of the First World War, a hefty demand for dairy products came into fruition through government pacts and contracts; resulting to the doubled production of the dairy company. However, this situation wouldn't last, abruptly after the war concluded; most consumers revert into using fresh milk again, which made government contracts with the dairy company futile. The company's management was aware of such repercussions brought about by the sudden reduction in product purchasing; causing the firm to reduce its bevy of debts and operations being streamlined.

Furthermore, Nestlé was adamant about the notion of expansion; the Company launched its chocolate products in 1920, and was eventually became the Company's second successful product since the proliferation of its milk products. In the late 1930's, Nestlé had to endure another letdown in its profit margins due to the economic ramifications brought about by World War II; the Company's profits plummeted from \$20 million to a measly \$6 million by the culmination of the the 1930's. Nestlé was about to turn the tables on the letdown caused by the war; the Company launched its first coffee product called Nescafé that became a favorite among American soldiers during the war. Nestlé wasn't overwhelmed by the liabilities brought by the war, and even made its sales catapult to meteoric levels as significant revenues were generated.

A number of acquisitions soon followed in order to augment the Company's vision for global expansion. The culmination of the World War II saw Nestlé acquiring companies that will bolster its profit margins. It acquired Maggi seasoning in 1947. Crosse ; Blackwell, Findus, Libby's, and Stouffer's were all

acquired in the succeeding decades. Eventually, the Company would expand on a global scale establishing factories in emerging countries. It seems that there is no stopping Nestle from acquiring almost every brand associated with dairy products. In the early '80's, the Company acquired the Carnation firm, the Willy Wonka Brand was brought to Nestle as well by acquiring British confectionery company Rowntree Mackintosh. As it entered the 1990's, Nestlé would benefit from abolished trade barriers, as world markets gradually became integrated trading areas. After the turn of the century, it made two dramatic acquisitions as it merged with the Dreyer's company in order to proliferate its brand along with Dreyer's ice cream. It brought in Hot Pockets as it acquired Chef America as well. As more consumers were placing a premium on their health, the Company acquired the Jenny Craig fitness firm for \$600 million. Nestle allied itself with pharmaceutical firm Novartis as well when it purchased the medical nutrition division of the firm. Hints of what products the Company would soon produce such as energy drinks and bottled water.

Product Analysis

Nestlé Waters pulled the linchpin on its water business in the late '60's as it collaborated with the Société Générale des Eaux Minérales de Vittel. The late '80's saw the Company naming its bottled water as: Nestlé Pure Life. Nestle Pure Life water is treated and remineralized through the utilization of standardized industrial procedures in order to ensure product quality. Eventually, a second bottled water product was launched by Nestle called the Nestlé Aquarel, which was released on May 2000 in a number of European companies. The Nestle Aquarel is premium bottled water, which is

natural spring water from nine different springs from Europe. In order to meet new consumer expectations and demands, the Nestle Aquarel applies the multi-source concept in the product itself.

Nestle Waters has sold over 72 brands of bottled water on a global scale, which made CHF 9.6 bn in sales. S. Pellegrino, Perrier, Acqua Panna, Vittel and Contrex comprise the international stable of brands of Nestle Waters. By the late '90's, the Nestle Waters Group of Companies overwhelmed each continent in the world upon acquiring the S. Pellegrino brand that gave them the upper hand in the Italian market. In order to augment its bottled water products, Nestle was licensed by Mecosta County, Michigan in order to establish a bottling plant for \$100 annual fee in Stanwood. One of the most crucial operating requirements for the plant was the pumping of 500,000 gallons of water daily. Nestle has been at odds with the Michigan Citizens for Water Conservation, which eventually led to a campaign to suspend all plant operations in the area until the legality of use of the water by Nestle was proven. Nestlé's series of litigations with lobbyist groups in each area they operated doesn't end there. It seems that it is one of the deterrents that hinder the "healthy" image that Nestle projects to consumers.

Recently, the Company has initiated negotiations among local officials in McCloud, CA in order to push through with the plan of building one of the country's biggest bottled water factories (Conlin, 2008). The proposed plan was to extract water from the pristine springs of Mt. Shasta in order to fuel the plant's operations. However, lobbyists are there already even before an apparent contract to build the plant. Groups like www.californiatrout.org and www.protectourwaters.org are among the lobbyists that deter the

proposed building of the plant in the area. Reports say that the Company has ignored the notion of a feasibility study concerning the effects of the plant on the area's ground water, lobbyists are clamoring for a feasible study before the Company proceeds to the building of the bottled water plant.

Analysis of the Problem

Recently, Nestle Waters has provided drinking water for the tornado victims in Waterloo, Iowa. The Company donated 35, 000 half-liters of Nestle Pure Life bottled water to a plethora of level five type tornado that left thousands clamouring for food and drinking water. The millions of bottled water were distributed by the American Red Cross and the Salvation Army. The tornado has left Waterloo residents with dilapidated homes and business establishments. The relief efforts of Nestle doesn't stop in supplying Waterloo residents with clean drinking water, the Company has collaborated with Americare and the Northeast Iowa Food Bank in order to deliver rations of meals and other necessities useful for daily living. The relief operation spearheaded by Nestle was preceded by the relief operations during unfortunate natural catastrophes such as hurricane Katrina and the rampant 2007 Southern California wildfires (PR Newswire, 2008). However, amidst the valiant efforts of Nestle Waters to project a wholesome image towards consumers, it seems it is hampered by the clamour of lobbyists that want every Nestle Waters plant relocated in a number of areas. Recently, the State of California has demanded a feasible study for a bottled water plant that the Company plans to build in Siskiyou County. The Siskiyou project will materialize if the McCloud contract will not be renewed, halting all pumping operations in the McCloud River. California State Attorney General Edmund

G. Brown Jr. exclaimed that: It takes massive quantities of oil to produce plastic water bottles and to ship them in diesel trucks across the United States. Nestle will face swift legal challenge if it does not fully evaluate the environmental impact of diverting millions of gallons of spring water from the McCloud River into billions of plastic water bottles.”

In order to prevent any abrupt litigation on their part, Nestle has issued a press release declaring its stand on making a feasible study and evaluation of the proposed bottle water plant project. Nestle has sought help from the North State Resources in order to augment the study, while scientists from University of California and UC Davis will be the purveyor of data, which will be used in the plans holistic assessment. It should be noted that these areas have spring waters like those in California and Michigan, which are used for the overall processing of Nestle Water products. With this in mind, a plethora of lobbyists and environmentalists always clamor for the omission of any Nestle factory in their area. These environmentalists claim that Nestle bottling factories are major deterrents of nature in the area. Nestle Waters are obliged to make every plan to make a bottling factory an area have a supporting feasibility study in order ensure that the factory is not a deterrent to nature

Analysis of Comparative Advantage

The Product: Nestle Waters

Nestle Waters is the largest purveyor of bottled drinking water. It owns 10% of the global market share of the bottled water industry. It has overwhelmed both markets in North America and Western Europe. The Company has sold

over 72 brands of bottled water on a global scale, which made CHF 9.6 bn in sales. S. Pellegrino, Perrier, Acqua Panna, Vittel and Contrex comprise the international stable of brands of Nestle Waters. By the late '90's, the Nestle Waters Group of Companies overwhelmed each continent in the world upon acquiring the S. Pellegrino brand that gave them the upper hand in the Italian market.

Competitor 1: Groupe Danone

Groupe Danone is French Company that is considered the Nestlé's fiercest market rival. The Company claims "worldleadership" in terms of dairy products and bottled water as well. Danone is the manufacturer of the world's best-selling premium bottled water Evian, and Britain's best-selling probiotic drink Actimel. The Company sold the cereals and biscuits division to Kraft Foods (Altria Group of Companies), which resulted to a demotion in global rankings in the biscuit market. Its current net sales composition consists of 56% of dairy sales, 28% of beverage sales, and 16% from cereals and biscuits. Danone owns a plethora of water brands worldwide as well. It owns a 51% stake on Wahaha Joint Venture Company in China. In Indonesia, it has acquired Yili, Aqua, and Robust for 92% of its holdings. With such acquisitions, Danone owns the 20% of market share in Asia (Danone, 2008).

Competitor 2: PepsiCo

PepsiCo is comprised by three major divisions namely PepsiCo America Beverages, PepsiCo Americas Foods, and PepsiCo International. PepsiCo America Beverages includes beverage business in North America and Latin America. PepsiCo brands are made available in more than 200 countries,

generating sales at the retail level of more than \$100 billion. Its beverage product line includes Tropicana, Gatorade, and its own bottled water product Aquafina. Aquafina is distributed across United States, Canada, and a handful of Asian countries. PepsiCo's Aquafina reached a milestone as it became the United States best-selling bottled water product in terms of measured retail channels. Aquafina utilizes PepsiCo's trademark seven-step purification system called HydRO-7. HydRO-7 is a water purification procedure that undergoes ozonation, reverse osmosis, and charcoal filtration. Unlike some bottled water products, Aquafina boasts of its wide array of flavored water variants such as Aquafina Sparkling, Aquafina FlavorSplash, Aquafina Alive, and Aquafina Plus. The product is available in 12-fluid ounce, 500-milliliter (16.9 fl oz), 20-ounce, 24-ounce, 1-liter, and 1.5-liter bottles, making it a versatile product in order to meet consumer diversity and preferences (PepsiCo, 2008).

SWOT Analysis

Nestle Waters

Strengths

Nestle Waters is the largest purveyor of bottled drinking water in North America and Europe. The product is established in 130 countries proliferating a wide array of beverage products. The Company boasts of a wide array of bottled water brands such as Nestle Pure Life, Nestle Vera, and the premium bottled water Nestle Aquarel. Nestle is the undisputed bottled water leader, and accounts for 10% of total sales of the Nestle Company. Although it only utilizes 0.0009% of water in the planet, this doesn't become a hindrance for

Nestle Waters to become the market leader in its industry. The Company uses an apt business model in order to sustain the quality and purity of its products. Nestle Water products are treated and remineralized in order to offer consumers fresh and safe drinking water.

As the largest purveyor of bottled water in the world, Nestle Waters have purchased a number of bottled water brands in order to proliferate its product. Its international stable of bottled water brands include S. Pellegrino, Perrier, Acqua Panna, Vittel and Contrex all of which contribute to the production of substantial revenues and increase profit margins of Nestle Waters. The S. Pellegrino acquisition is considered a significant one, due to the fact that it was the linchpin in overwhelming the European market.

Nestle Waters incorporates the Nestle brand per se. As we know, the Nestle brand suggests quality, and ensures freshness in every product. The Nestle brand does not only complement Nestle Water products, but it gives bottled water a “ name”, which is synonymous with healthy and clean living.

Weaknesses

One of Nestle Waters perennial weaknesses is its locations in which they intend to build their bottled water plants. It should be noted that these areas have spring waters like those in California and Michigan, which are used for the overall processing of Nestle Water products. With this in mind, a plethora of lobbyists and environmentalists always clamor for the omission of any Nestle factory in their area. These environmentalists claim that Nestle bottling factories are major deterrents of nature in the area. Nestle Waters are obliged to make every plan to make a bottling factory an area have a supporting feasibility study in order ensure that the factory is not a deterrent

to nature.

Although Nestle is considered the world's largest food company, the firm recently declared a reduction in profit margins in a period of four years. Such decreased profit growth is an apparent result of higher cocoa and coffee prices, as well as a weak dollar rate cut into earnings. Nestle declared that Net income in the six months through June rose to 5.21 billion Swiss francs (\$US4.92 billion) from 4.92 billion francs a year earlier. The Company hints that it intends to reduce operation costs due to the offset of raw material costs. Nestle executives have reiterated that it will make use of cheaper raw materials in a number of food categories.

Medical experts suggest that regular consumption of bottled mineral water is harmful to a person's health. Studies have shown that drinking bottled water on a regular basis leads to bone deformities and other complications. Nestle Pure Life bottled water was among the brands that are considered "dull" water, which means that it lacks the essential and natural minerals of water. The Pakistan Council of Research in Water Resources claims that bottled mineral water lacks the apt mineral content that natural water has, which contains more than 150 different minerals (Dawn, 2003).

Opportunities

Since Nestle Waters are experiencing a revenue letdown, The Company should consider studying emerging markets such as Asia. It should be noted that most Asian countries have vast water resources for Nestle to utilize for its bottling operations. Nestle Waters could employ a plethora of jobless people in each country they plan to operate. This doesn't only help Nestle increase their revenues, but it gives The Company a charitable and

wholesome image through the employment of people in the country they wish to pursue their operations. In the Philippines, the Company has already established a competitive distribution network in order to gain market share and increase profit margins in the Asian sector.

Nestle Waters can benefit from fruitful partnerships with local distributors in order to bolster the proliferations its product and brand. Its current partnership with Universal Robina Corporation has paid off, in 2006 Nestle Waters declared a 9.4% increase in its global sales (Merrel, 2006). Nestle owes such success to its healthy relationship with its distributors, which help them gain significant market share and bolster substantial revenues. Such international partnerships have resulted to a significant 19.1% share in the global bottled water market.

Fresh drinking water is Nestle Waters primary products, so why not promote it as sports drink as well? As market rivals PepsiCo and Groupe Danone reinforce its stable of water products with energy drinks for professional athletes to endorse, it seems that Nestle Waters should come up with its own brand of sports drink. Nestlé's sports drink will create opportunities for sponsorships, which will be helpful in enhancing its advertising prowess.

Threats

The Nestle Waters Company faces a dire threat of nature deterrents. Acid rain for one is a major pollutant for a bevy of pristine water springs. Intense global warming has dried up bodies of water which includes the supply of water springs. Nestle Waters' bottling plants will experience a scarcity in water supply due to the drying up of water springs, and eventually can result to an apparent ceasing of bottling operations. Obviously, this

would result to a reduction of substantial revenues, and its repercussions will affect operational costs and profit margins.

Prime locations for bottling operations are major concerns that the Company should attend to. It is a known fact that each location for building bottling plants is a perennial threat for Nestle Waters. Every location that Nestle Waters chooses always entails controversy and criticisms. Lobbyists and environmentalists are always against in every plan of building bottling operations. Nestle Waters are obliged to come up with feasibility tests in order to proceed with building bottling plants. However, this only hampers the situation due to the fact that lobbyists are always at the forefront of hindering the building of bottling plants.

Nestle Waters' revenues only depend on its Nestle Pure Life and Aquarel products alone. Industry rivals such as PepsiCo and Groupe Danone have sports drinks that help promote their brands to other market segments in order to bolster their profit margins and gain market share as well. With this in mind, Nestle could lose significant market share as consumers look forward to sports drinks that augment their health and fitness endeavors.

Recommendation

Nestle Water products are always distributed with a guaranteed seal of freshness and quality. Its water-filtration procedures are ensured to be apt and safe in order to provide end consumers with quality drinking water. Nestle owes its market share in the bottled water industry to its charismatic packaging and apt product positioning. Its brand management makes it one of the best beverage products in the world today. However, Nestle Waters cannot afford to be complacent on their apparent market success. It should

be noted that the threat of water pollution has a deliberate effect on water resources such as spring waters, which is considered the repository of Nestle Waters bottling plans worldwide. With this in mind the Company should invest in its Research and Development Division in order to produce innovative filtration and remineralization processes, which will be more than helpful in providing consumers with quality and safe drinking water. Furthermore, Nestle Waters should come up with its own brand of sports drink in order to meet the demands of active people. This will augment Nestle Waters profit margins and gain a significant percent of market share. The Nestle brand suggests quality, which is why every product that Nestle launches in the market is successful on its own. There lies the primary role of positioning that any Nestle product such as the Nestle Pure Life and Nestle Aquarel, with its brand alone Nestlé's brand management and positioning is enhanced and augmented in order to capture the attention of consumers. Brands create diversity among consumers, yet Nestle has placed a premium in brand management and positioning. Nestle has studied consumer behaviour in order to augment its positioning. The Company considered positioning requisites such as consumer information, functionality, changing lifestyles, consumer trends, market trends, and product identification in order to come up with apt positioning strategies.

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