

# Nestle marketing strategy essay sample

[Business](#), [Marketing](#)



A SUMMER INTERNSHIP REPORT ON „ EFFECTIVE IMPLEMENTATION OF  
SDS“ AND „ SEAMLESS OPERATIONS OF CHANNEL FINANCE“

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UNDER THE GUIDANCE OF

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Implementation of SDS and Seamless Operations of Channel Finance” at Nestle India Ltd. after trimester III in partial fulfilment of the requirement for the programme. This is his original work to the best of my knowledge.

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A Summer Training project is a synthesis of knowledge and experience of experts in their related fields. However, no project is possible without the guidelines and help that is extended by the experts to the student with the sole benevolent purpose of intellectual development.

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(Vidyut Perti)

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## EXECUTIVE SUMMARY

My Summer Internship at Nestlé, Delhi Branch Office included 2 main projects. The Project „ Effective implementation of SDS“ looks after the newly implemented Sales Automation project – SDS( SAR Distributor Solution). As SDS was implemented in November 2009, it is a relatively new system. The basis of the project being understanding the operations of the system at the Distributor level and finding out the various bottlenecks so as to convey them to management to help streamline the process. It included visiting various Distributors in different areas in Delhi and NCR. It also included preparing a manual to help Distributors operate SDS. A major part of the project included understanding the „ Claims Management System“ at Nestlé. Claims management is a process by which the distributors of Nestle claims the various discounts, promotions, schemes, commissions etc. provided to them by the company. The project included understanding the manual process undertaken so far for passing these claims and how effectively has SDS been in improving the process. The results of this study were mainly that SDS is a

New Automation System. Even though Nestle has achieved 100% implementation, there are a number of Distributors who are facing problems which have been listed and are in need for a manual which has been prepared. The second project is „ Seamless Operations of Channel Finance“. Channel Finance(CF) is an innovative mode of payment for distributors. More and more MNC"s are using asking there distributors to open Channel Finance accounts. Nestlé Delhi branch has an agreement with HDFC Bank to open up Channel Finance A/Cs for its distributors. It currently takes 1. 5 months to open a CF A/C. My project included understanding the entire process of Account opening and preparing a Manual for distributors to help speed up the process The results of this study were that, Channel Finance has been useful to small distributors who sometimes face a cash crunch. For the big Distributors, it does not make much of a difference as they have a strong Liquid position. However Distributors do face a problem for documentation, for which an employee of Nestle has to visit them each and every time. This wastes time and increases costs. With the manual, it helps the Distributors and if they face any problem, they can call the Branch and easily solve their problems. I had also gone for an Audit at one of the Chilled Distributors. The Audit report prepared can be seen in Annexure 8.

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## CHAPTER 1

### INTRODUCTION

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## ABOUT NESTLÉ

Nestle SA, Switzerland is amongst the world's largest food and beverages companies, founded and headquartered in Vevey, Switzerland. Nestlé originated in a 1905 merger of the Anglo-Swiss Milk Company, which was established in 1866 by brothers George Page and Charles Page, and the Farine Lactée Henri Nestlé Company, which was founded in 1866 by Henri Nestlé. The company is progressively evolved from a respected, trustworthy food and beverage company to a respected, trustworthy food, beverage, nutrition, health and wellness company. This objective is encapsulated in “ Good Food, Good Life”. The principle activities of the group encompass: beverages, milk products, nutrition and ice cream; prepared dishes and cooking aids; chocolate, confectionery and biscuits; water; and pet care. It has 511 factories in 86 countries and employs nearly 283, 000 individuals around the world

## NESTLÉ INDIA

Nestlé India comes under the Nestlé SAR region which includes India, Bangladesh and Sri Lanka. Nestle India Limited is the Indian arm of Nestle SA, which holds a 51% stake in the company. It is one of the leading branded processed food companies in the country with a large market share in products like instant coffee, weaning foods, instant foods, milk products, etc. It also has a significant share in the chocolates and other semi-processed foods market. Nestlé's leading brands include Cerelac, Nescafe, Maggie, Kitkat, Munch and Milkmaid.

Nestlé's relationship with India dates back to 1912, when it began trading as The Nestlé Anglo-Swiss Condensed Milk Company (Export) Limited, importing and selling finished products in the Indian market.

After India's independence in 1947, the economic policies of the Indian Government emphasized the need for local production. Nestlé responded to India's aspirations by forming a company in India and set up its first factory in 1961 at Moga, Punjab, where the Government wanted Nestlé to develop the milk economy. Nestlé India's first production facility, set up in 1961 at Moga (Punjab), was followed soon after by its second plant, set up at Choladi (Tamil Nadu), in 1967. Consequently, Nestlé India set up factories in Nanjangud (Karnataka), in 1989, and Samalkha (Haryana), in 1993. This was succeeded by the commissioning of two more factories – at Ponda and Bicholim, Goa, in 1995 and 1997 respectively. The seventh factory was set up at Pantnagar, Uttarakhand, in 2006. Nestlé has been a partner in India's growth for over nine decades now and has built a very special relationship of trust and commitment with the people of India. The Company's activities in India have facilitated direct and indirect employment and provides livelihood to about one million people including farmers, suppliers of packaging materials, services and other goods.

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The Company continuously focuses its efforts to better understand the changing lifestyles of India and anticipate consumer needs in order to provide Taste, Nutrition, Health and Wellness through its product offerings. The culture of innovation and renovation within the Company and access to

the Nestlé Group's proprietary technology/Brands expertise and the extensive centralized Research and Development facilities gives it a distinct advantage in these efforts. It helps the Company to create value that can be sustained over the long term by offering consumers a wide variety of high quality, safe food products at affordable prices. Nestlé India manufactures products of truly international quality under internationally famous brand names such as NESCAFÉ, MAGGI, MILKYBAR, MILO, KIT KAT, BAR-ONE, MILKMAID and NESTEA and in recent years the Company has also introduced products of daily consumption and use such as NESTLÉ Milk, NESTLÉ SLIM Milk, NESTLÉ Fresh ' n' Natural Dahi and NESTLÉ Jeera Raita.

The 4 branch offices in the country help facilitate the sales and marketing of its products. They are in Delhi, Mumbai, Chennai and Kolkata. The Nestlé India head office is located in Gurgaon, Haryana.

Nestle has divided its product offering into 4 major categories: 1. Beverages like coffee, tea and health drinks contribute to about 30% of Nestle s turnover

2. Infant food/ milk products – Milk based products such as EveryDay, Milkmaid & Fresh ' n' Natural Dahi and baby food such as Cerelac, Lactogen & NAN contributes to 43% of Nestle's turnover.

3. Chocolates & Confectionery – Nestle comes 2nd in this segment in India. This category contributes 14% to Nestle s turnover. It includes mostly the following brands – Kitkat, Milky Bar , Bar-One, Munch Polo etc

4. Prepared Dishes & Cooking Aids – Ready to cook food/ cooking aides are sold under the umbrella brand name Maggie. This category accounts for

about 14% of Nestle s turnover. Maggie is the market leader in the noodles (45% market share) and the ketchup (43% market share) categories.

The various products produced by Nestle under Different Heads can be seen in Annexure 1

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### NESTLÉ DELHI BRANCH

The Delhi Branch looks after the following regions – Delhi+NCR, Rajasthan, Haryana, U. P, Jammu & Kashmir, Uttaranchal, Himachal Pradesh, Punjab & also Nepal. It covers 31% of the total area and reaches 30% of the population. Nestle calculates its Growth by looking at its Net proceeds from Sales(NPS) and Real Internal Growth(RIG). NPS is calculated by reducing the claims received from the Gross Sales. The RIG is calculated by calculating present year sales on the basis of previous years prices, i. e they do not include into count external factors such as Inflation.

#### T 1. 1 – Area wise Sales Contribution to Delhi Sales

Region

Delhi+NCR

Western UP

Eastern UP

Chandigarh

Rajasthan

Source- Nestle



% Contribution

31%

14%

14%

25%

16%

G 1. 1 – NET PROCEEDS FROM SALES FOR DELHI BRANCH (INR Mio)

16000

14000

12000

10000

8000

6000

4000

2000

0

NPS(INR Mio)

05

06

07

08

09

The entire business of Nestle is conducted through Cash Distributors known as CD. The CD is the main party of contact between the company and the Retailer. There are around 450 CDs 11

under the Delhi Branch. Another important party is the Re-Distributor known as RD. A RD is a distributor in small rural areas where it is not viable to set up a separate CD. An RD looks after a smaller area mostly which are in the rural areas. A RD is set up under a CD. The role of a CD is:



Accomplish the Company Business Plan

Shares Leadership of the company

Provides support in Distribution

Maintain effective contact with the market

Co-ordinate with the Sales Officer

The Role a RD is:



Vital distribution link

Sell in areas which cannot be reached by a CD

Shouldn't be in the same town as a CD

The following is the distribution model of Nestle:

F 1. 1 – Distribution Model of Nestle

Factories

Distribution

Centres

Direct

Parties

CD

RD

Retailer

Consumer

Consumer

Retailer

Consumer

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In the above figure Direct Parties are huge Retailers to which the company supplies goods itself, for ex. Bharti Wal Mart, Reliance.

There are 3 main groups of CDs:

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- i.
- ii.
- iii.

Trade Parties- This CD handles all those products which come in retail packs and are meant for the end consumer to buy directly from the retailers Nestle Professional (NP) – This includes CD who looks after the Food Services (FS), Vending & Alternate Trade Channels (ATC). FS includes all the Nescafe and Maggi Stalls that we see in different Institutions. Vending products are those which are packed in bulk for the various Vending machines that we see for ex. The Nescafe Vending Machines. ATC includes packings meant for events, gatherings ex. Weddings. There are CDs specially established for the sale of these packs or a CD can look after both Trade Products and NP products

Chilled Dairy-This includes CDs who handle only the milk products of Nestle. There are only 6 exclusive Chilled dairy CDs and that only so far in Delhi as the other areas face problems of logistics

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### Types of Channels

Nestle has divided its market into 10 Channels as shown below: F 1. 2- Types

of Channels

Apart from the above, there are Parties which are categorised under Key Accounts. Key Account parties include the Huge retailers that have entered

the Market recently. They can be either Direct Parties or supplied through by the a CD. However the schemes and discounts provided to these parties are different than those given to normal retailers. Some the Key Account Parties are Aditya Birla Retail Limited, KB's Fair Price, Reliance Fresh Limited Each CD has a Sales Officer (SO) who is an employee of Nestle. A SO is the link between a CD and the company. A SO reports to an Area Sales manager (ASM) who looks after a particular area. This area may be a city and a few towns in the same district. The ASM in turns reports to the Regional Sales Manager. There are 6 RSMs. The Delhi Branch office has 5 Departments: Supply, HR, Accounts, Information System and Administration. The accounts and administration department are under the Finance & Control Division of the firm. In the Branch, a Branch Controller heads its activities. The basic duties of the Accounts Departments are:



Handling the various claims of CDs

Receiving payments for the orders of CDs

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Releasing orders after receiving payment

Handling the claims of the employees

15

## CHAPTER 2

### OBJECTIVES

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### OBJECTIVES

1. To understand the Claims Management Process
2. To understand the Operation Aspects of SDS, its advantages and shortcomings
3. To prepare a SDS manual for Distributors
4. To understand the workings of Channel Finance
5. To prepare a Manual for Opening of a Channel Finance Account for Distributor

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## CHAPTER 3

### METHODOLOGY

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### EFFECTIVE IMPLEMENTATION OF SDS

The following Methodology was used:

1. Understand about Claims Management, their various types, the manual processes from the employees of the Finance & Control Department. This was done by sitting next to the employees while they process claims and ask them question when things were not clear
2. Understanding what is SDS from Mr. Nirmesh Gupta and Mr. Raman Ghosain.
3. Had to visit the following Distributors for understanding the

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Operational Working of SDS from them:

- a. Advance Agencies, Gurgaon
  - b. CPL Trading Company Private Limited, Delhi
  - c. Siddharth Enterprises, Delhi
  - d. Suntime Traders, Delhi
4. Used SDS at the CD points. Also asked questions related to SDS usage
  5. Gave a Presentation to Mr. Pankaj Jaiswal, Mr Rohit Talwar and Mr. Raman Ghosain
  6. Prepared the manual
  7. Collected Raw Data which included the Claim Data sheet of February & March 2009 & 2010. Also collected the GPS and NPS figures from SAP
  8. Conducted an analysis to see the various claim spends made by the company Pre and Post implementation of SDS to see the impact

#### SEAMLESS OPERATIONS OF CHANNEL FINANCE

The following Methodology was used:

1. Understanding the meaning and use of Channel Finance from Mr. Rohit Talwar
2. Understanding the process of Order Release from Ms. Sandhya
3. Understanding the process of opening Channel Finance Accounts from Mr. Amit Parashar
4. Undertook to visit the following CDs to understand the importance of the Channel Finance Documentation
  - a. Kala Singh Kuljit Singh, Rithala
  - b. M. K Traders, Amritsar
  - c. Mukund lal ude chand, Bhatinda

d. K. R Agencies, Rewari

5. Prepared a Manual

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## CHAPTER 4

### CLAIMS MANAGEMENT

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An important part of the project „ Effective Implementation of SDS“ involves understanding the claims Management system. The entire SDS is based upon streamlining the claims procedure and making it simpler for the CD to ask for reimbursement of claims and for the company to provide the schemes and budgets for various products and activities. Therefore it is pertinent to understand in detail Claims Management

#### WHAT ARE CLAIMS?

Seeing the distribution structure of nestle, we observe that the products from factories go to the Distribution centre“s and from here they are picked up and sold to the CD“s. After the invoicing the title of goods is transferred from nestle to the customer. Now nestle reimburses its customers (CD and RD) for a lot of activities and expenses incurred by the CD“s in promotional and selling activities (i. e. making the product available to the end consumer for consumption). These expenses are claimed by the CD & RD through various types of claims. For ex. The following are types of claims





Buy 3 kg of Ice Tea and get a discount of 4%

Buy 12 pieces of Dahi and get 1 piece more

The Merchandise that is shown in the Shops, CD claims the amount of the Boards Providing incentives to the Salesman

Providing discounts to the RDs

Claims for Bad Goods returned by the Retailer





## GROUPING OF CLAIMS

All claims can be classified under the following different heads:

### 1. SECTION II CLAIMS

#### a. ZCR Claims

ZCR Claims require a detailed product wise (with product code) break up of expenses. The expenses claimed under this head include:

-  RD Commission
-  Staff Sales Discount
-  Dented Discount
-  Price Difference

 Branch Special Activity

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Dhamaka

Home Economics

Branch Media

## b. FB75 Claims

FB75 claims are claims that do not require a product dimension. They are booked to pre-specified account codes (G/L) and cost centres directly.

Ideally, these should be expenses that cannot be directly linked to any one product sold by the distributor. These would be expenses reimbursed to the distributor for carry out the business in general. These include the follow expenses:

 RD Freight Van Operation Expenses PS / DS Subsidy Merchandiser Subsidy Cycle Boy Incentive Training Expenses Visicooler Maintenance

The above heads under ZCR and FB75 were popularly known as “ Section II”

claims. Claims under each of the subheading require different types of supporting documents and authorization letters. The details are mentioned further in this document.

## 2. Lumpsum Claims

A Lumpsum claim format is used when the CD has to claim expenses incurred while running certain temporary product promotions (TPP) as when directed by the company. In addition to this the CD can use this format to claim reimbursement for expense incurred on account of payment to authorized retail outlets for providing dedicated display shelves (PPP) for Nestle products. Please refer the sales manual for further details. The format for the Lumpsum claim statement is attached as Annexure II. Ongoing / FS Claims

Ongoing / Food Services discount are claims made by the CD on account of expenses incurred by the CD for discount to Food Service outlets or product promotions which are more permanent in nature. Subsidies given to cycle boy (sting operations) are also claimed under Ongoing/ FS claims The format for Ongoing / FS / ATC claims is attached as per Annexure – III Now to understand in brief the meaning & procedure followed in each type of claims. The procedures given below is the basic manual procedures that were followed before the implementation of SDS. As the software is new, not all the claims can be claimed through SDS, therefore the manual process is needed to be understood, so as to understand the advantages brought about by SDS: 22

## BRIEF SUMMARY OF SECTION II CLAIMS

### 1. RD Commission & RD Freight –

This is commission allowed to the CD on account of goods sold by the CD to the RD for the company. The freight incurred by the CD on account of supplying goods to the RD can be claimed as per the approval from the office. This claim is usually reimbursed per case of finished product shipped to the RD. This claim should be in line with the claim for RD commission claimed by the CD.

The purpose for providing these discounts to RDs is so as to keep the RD interested in Supplying Nestle Products in rural areas. The format of all Section II claims is in Annexure 4

The following is the procedure for making and checking claims: 🎬



Approved RD list already available with the branch.

RD discount should be given after the scheme discount – be it TPP or Ongoing Discount

While the commission paid by the CD to the RD will be 4% (for all products where the CD commission is 5. 8% or higher), Nestle shall reimburse 1% to

the CD. For products where the CD commission is 4.8% or lower, the RD is allowed a commission of 3%. Here again the company will reimburse 1% to the CD. CD submit"s the signed and stamped copy of the Invoice raised on the RD as supporting for the claim and send it to Nestle

CD also submit"s a RD discount summary report which contains the Number of cases billed to various RDs. No. of cases multiplied by the pre-approved freight rate per case would be the RD freight claim.

CD to give consolidated amount basis claims cycle in the specified format. The Accounts department the check the Claim Top Sheet with the various supporting provided by the CD

2. Staff Sales Discount This is the discount given by the CD to Nestle Staff.

The procedure is as given below: 📄



The total amount needs to be mentioned on the ZCR/FB75 claim format (Section II). A pack wise summary of goods sold to Nestle staff needs to be attached. Supporting bills (carbon copies and not photocopies) duly signed by the sales officer also need to be attached with the claim and submitted to Nestle

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3. Dented Discount

This is the discount given by the CD to the retail outlets for purchase of

Dented Products. Sometimes while the goods are In transit from the Distribution Centre(DC) to the CD or at the CD godown they might get dented. However it can be sold only if the product inside the package has not been affected. For these products, the CD claims on account of dented discount, the following procedure is followed:

- SO looks at the product & approves of the discount
- After that an authorisation from the concerned Area Sales Manager (ASM) is required
- Supporting bills for the dented products are to be sent to the Branch along with the SO folio stating the discount amount

The following are the norms to be followed for providing the discounto  
Up to 10% to be passed basis Sales Officer"s authorizations  
o Up to 15% to be passed basis ASM"s authorizations

o Beyond this, a sanction from the Branch Controller is required  
4. Price Difference

These are claims on account of changes in price of a product. The claims should be supported by a SO Folio - certifying the holding of the CD at the time the change in price was made effective. This needs to be counter signed by the concerned ASM

5. Branch Spl Activity / Dhamaka / Home Eco. / Branch Media / Branding  
For all of the above claims, the claim amount should be supported by bills as well as an SO folio verifying the expense. The folio needs to be counter signed by ASM. These special activities are to be conducted only after an approval.

The SO has to ensure that the above activities should be within the sanctioned budget. Any expense in excess of the budget will not be passed by the Branch 6. Van Expenses

CD can claim their expenses for covering outstation markets through their expense statements under the head FB-75 duly authorized by Regional Sales Manager. This claim should be supported with a monitor sheet wherein the following details should be mentioned: 🎬



Freight Sanctioned

Name of the market

Distance in KMs

Date

24



Cash Memo numbers

Quantity in cases

Total Amount

If freight is to be reimbursed then the same should be approved by the branch controller in the specified format

This statement has to be duly signed by the sales officer before being sent to the office. Unsigned statements will not be processed.

#### 7. Pilot Salesman / Merchandiser Subsidy/Cycle Boy Coverage

A Pilot Salesman (PS) is Salesman who is employed by the RD. It is he who gets the orders from the various retailers.. A Merchandiser subsidy is related to all the Merchandise i. e Boards, Hoardings of Nestle at Retail Outlets.

Nestle appoints a 3rd party to prepare these Merchandise and they deal with the CD. The CD then claims a subsidy on the price of the Merchandise bought from the Company. A cycle boy is a normal salesman in smaller areas where even DS don't go. They are usually paid on a commission basis by the CD. A PS subsidy involves that apart from their commission, a part of their salary is paid by Nestle. In a Merchandiser Subsidy, the CD can claim 69% of the value of the merchandise from Nestle, the rest has to be borne by the CD.

Subsidy for appointment of PS/Merchandiser can be made along with the section II claim. While the total amount needs to be mentioned under the FB75 section of the claim format, it needs to be supported by the DMP Format (Distributor Market Participation) with complete details and duly signed by both the CD and SO.

#### 8. Training Expenses / Visi Cooler Maintenance

Training is needed to be provided to DS/PS/Cycle Boys. The usual training period is 1 week. Expenses such as Food, Transportation or sometimes



wrong orders taken involving certain loss to the CD can be claimed. Training Expenses for DS/PS/Cycle Boys can be claimed from the company provided they are pre-authorized by Branch Training Exec and are well supported by all relevant bills.

Visicoolers are small Fridges provided by Nestle to keep their products such as Chocolate & Dahi. Their maintenance expenses can be claimed on SO Folio and should be supported by relevant bills.

#### 9. D. S Incentives

A Direct Salesman (DS) is employed by the CD. He has the same role as a PS. DS have incentives based on the amount of sale they make per month. These Incentives can be claimed by the CD in accordance to the directives issued by the company from time to time. The same must be claimed in the D. S Incentive format.

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#### LUMPSUM CLAIMS

Lumpsum claims are the most important types of claims. They are also the most common claims to be claimed by the CD and passed by the company. They have a product dimension to them. All expenses under this head can be traced to a unique SKU / Brand. According all claims under this section should have product wise breakup.

Lumpsum claims are generally of 2 types viz Display Claims & TPP

#### Temporary Price Promotions (TPP)

TPP claims are on account of discount schemes run by the company from

time to time. The schemes are run for a short duration (< 1 month) and the expense can be claimed by the CD basis the sales for that month. This is the procedure that was used prior to the implementation of SDS. Now the claims for TPP are made entirely through SDS. A comparison would be made later showing the Key change impacts between the 2 methods. These claims require budgets to be prepared and the CD can claim only as much discount as whatever he has spent or the budget limit whichever is less.

Before that it important to understand the role of The Branch Channel Category & Sales Development (BCCSD):



Optimum Utilisation of VISA"s - VISA"s over here mean Budgets. It is this department which decides provides the Budget for the various promotions and schemes to the CDs

SWOT analysis for the Market - They undertake a SWOT analysis regularly at different areas for the purpose of understanding the market better which would help in sales

Channel Opportunities in Regions - They continuously strive to develop more Business Partners with Nestle for ex. Getting more CDs, RDs, wholesalers  
The following is the entire procedure from the preparation of budgets to submitting the claims by the CD:

1. BCCSD to receive category wise budget for the quarter from Head Office and give RSM wise in SAP for the quarter to Branch Control.
2. Branch Control to enter Plan Split into SAP.
3. BCCSD to create RSM wise trade activity in SAP to run schemes in market for the next month.
4. BCCSD to issue ASMs wise VISAs for the schemes to be run in the next month by 25th of the previous month.

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5. ASMs to split the VISA amount among distributors considering the sale requirements.
6. ASMs to prepare the input plan for each distributor. ASMs to ensure that the Input Plan conveyed is exactly in line with the BCCSD VISA. The number of BCCSD VISA should also be mentioned in the ASM Visa. Also, VISAs must be issued up to the overall budgetary cap.
7. ASMs to communicate the absolute amount, schemes to be run and input plans to the distributor in hard copy signed by him/her for the next month before the end of the previous month. It must be serially numbered.
8. ASMs to forward VISA amount for each distributor to respective DC locations for providing Off Invoice Discount (OID) up to the extent of 80% of the budget amount to the distributor.
9. Distributor must have the hard copy of input plan available and displayed at the CD point.
10. Distributors to run the scheme in the market as per the input plan given by the ASMs.
11. Sales officers to ensure that the scheme is operated as per the input plan and VISA given by the ASM.

12. In case of any change during the month, it must be communicated to the distributor following the same procedure and mention clearly that the latter VISA supersedes the initial VISA. ASMs must take written approval from BCCSD for additional budgets or any deviation in Input plans.

13. After completion of the month, distributors to generate SKU wise TPP statement checked by Sales Officer and send it to the branch control for claims by 10th of the next month.

14. Sales Officer should sample check TPP register against cash memos and countersign such records on a routine basis.

15. Branch Control to check the correctness of TPP register on sample basis and pass the credit note in SAP after adjusting the OID discounts from actual authorized spends. 16. Branch Control to make accrual for the scheme expenses in SAP before month end on the basis of estimated expenses from BCCSD.

17. In case of Nestle Professional (NP) party specific schemes or contracted rates, Nestle Professional Manager to provide listing of such schemes/contracted rates to Branch Control.

18. Branch Control to approve such schemes on the basis of written approval from Nestle Professional Manager.

Apart from the normal TPP, Trade schemes also include Food Service (FS), Vending, Ongoing, Alternate Trade Channels (ATC) and Key Accounts.

Ongoing discounts are discounts meant to be given to Wholesalers by the CD. The process of FS, Vending & ATC discounts are provided in the same

way as TPP schemes are

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#### OFF INVOICE DISCOUNT

In the above, in Point No. 8, Off Invoice Discount is mentioned. Off Invoice Discount (OID) is given by the branch administration department to a CD while Invoicing. OID is meant for advance funding to the CD. These may be given as one of the various discounts monitored by the branch office such as Temporary Price Promotion (TPP), Ongoing Wholesale Discount, Food Services Discount (FS) etc. The rationale behind advance funding or OID is to:



Avoid cash flow problems for distributors

Accrue tax related savings

A detailed procedure is outlined below:

1. A VISA is to be given by the Branch Marketing Operations giving ASM wise budget allocation. This is established in the month previous to the month in which the scheme will be run. VISA clearly states the scheme start and end dates of redistribution and invoicing cycle to CDs and the scheme details.
2. Accounts to intimate to the Order Management Centre (OMC) applicable rates and validate OID given as per the VISA.
3. ASM, after discussion with the SO, is to give a CD wise OID allocation in the prescribed format to the OMC at the beginning of the month.

4. The OMC is to ensure that the OID given to the CD does not exceed budget allocation.

5. The Scheme utilization reports which are to be generated monthly by the distributors are sent to the branch in the prescribed format. This needs to be verified and counter signed by the SO. The statement gives details of the scheme, the OID received and the actual utilization during the period. If the total balance (Utilization less OID) is due to the CD, the same will be given through a Credit Note. Similarly, if at the end of the month money is due from the CD, it will be recovered through a debit note. 6. A maximum OID that can be given is 80% of the Invoice, SKU wise 7. An OID will be given is only after VAT factorisation

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## DISPLAY CLAIMS

Display claims deals with expenses undertaken by the CD for undertaken promotional display activities showcasing the various products of Nestle at Retail Outlets. The retailers can be compensated for the display shelves provided for Nestle products. The CD is allowed to compensate the approved list of outlets to the extent sanctioned by the branch. This amount that was given to the retailers can be claimed by the CD as a Display claim. F 1. 3 – Different Types Programs under Display

The Display claims in Nestle mostly come under „ Nestle Corporate Visibility Program“ (NCVP) head. There are 3 main programs under NCVP described as below:

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## 1. STAR PROGRAM

The objective is to have dedicated space for Nestle Products within the shop, showcasing Nestle Products & New from Nestle to the Shopper with the purpose of increasing Sales. The priority channels targeted here are Large Grocers and Tier III Supermarkets. This program would operate in areas where there are currently CDs undertaken Merchandise. The Pay out for the retail outlets would be on a Quarterly basis. The Star program would be removed if for continuously 2 Quarters the sales of the Retail Outlet is below its slab. The Star Program is classified into Platinum, Gold, Diamond and Silver.

### T 1. 2 – Summary of the Star Program

#### STAR PROGRAM

Monthly Turnover in

Rs.

Brands &

Products

Maximum

Pay Out

in Rs.

Classification

Pay Out

(Quarterly)

Maximum

2. 50%

5000

7449

\*F&B(-C&CNUT-GHEE)

SILVER

2. 75%

7500

14999

F&B-C&CNUT-GHEE

GOLD

3. 00%

15000

79999

F&B-C&CNUT-GHEE



**DIAMOND**

3%

\*Food

Minimum

80000

F&amp;B-C&amp;CNUT-GHEE

9000

**PLATINUM**

& Beverages excluding Chocolate & Confectionary, Nutrition and Ghee

**2. MAGIC STICK PROGRAM**

The objective is to have a dedicated space for nestle product specific SKU"s within the shop on a hanger called Magic Stick for a clear visibility to the shopper with the sole purpose of inducing trials & increasing sales. The priority channels for this program are Small Groceries. The payout is fixed at Rs. 300 per quarter. The SO has to provide the Sales data for each outlet monthly. A SO also has to make visits at outlets to see if the Displays are put correctly and are clearly visible.

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**T 1. 3 – Summary of the Magic Stick Program****Minimum Turnover**

<https://assignbuster.com/nestle-marketing-strategy-essay-sample/>

## MAGIC STICK

Pay Out

Brands &

Products

(Rs.)

300/- per Quarter

\*Only F&B (Ghee-NUT.)

1500

\*Food & Beverages excluding Ghee and Nutrition

### 3. CHOCOLATE DOMINANCE PROGRAM

The objective is to have a dedicated space for only Nestle Chocolates within the shop, showcasing Nestle Chocolates & Confectionery to the Shopper with the purpose of increasing Sales through Visibility Program. The priority channels here are Bakeries & Large Grocers. The payout here would be made on a monthly basis. There are 2 classifications here are Gold and Silver.

#### T 1. 4 – Summary of the Chocolate Dominance Program

CHOCOLATE

DOMINANCE

PROGRAM

Monthly Turnover in Rs.

Pay Out

2000

4999

5%

5000

Maximum

Pay Out in

Rs.

Classification

Maximum

4%



Minimum

Brands

&

Products

\*C&C

C&C

SILVER

2500

GOLD

CHOCOLATE & CONFECTIONARY

PROCESS FOR PROVIDING VISAs & CLAIMS

The below procedure is the same for all the 3 Programs – Star, Magic Stick and Chocolate Dominance.

1. There is a periodic activity of the selection of outlets which adhere the to company specified norms/parameters prior to market level negotiations by the field force. 2. After the feedback from the field, a manual VISA is issued by the BCCSD team containing ASM wise split of Quarterly Budget

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3. Finalization of Dealer list is done by the field. Inclusions/Exclusions/ Modifications/ Exceptions, if any, need to be approved by the management.

4. After the Dealer list is finalized, a contractual agreement signed by the Retailer is carried, a copy of the same is given to the branch for control purposes 5. Branches then prepare Coupons to be given to the Retail Outlets

indicating the Pay Out amount. They are signed & Stamped by the Branch Controller 6. A centralized manual database is created indicating the Sales amount of Retailers and the amount of Payouts that they should get ensuring Budgetary control 7. Distributors on Quarterly basis make the payment to respective dealers in line with contract. For proof of payment, Counter foils

of Coupons which were issued against market level disbursement are signed by the retailer.

8. Post payout to Dealers, distributor Claims through assigned Document (Sec II) supported by reimbursement details duly acknowledged by the third parties/authorized Coupons.

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## KEY ACCOUNTS

With the increase in urbanization of 1125 million Indians, food spending per capita has surged from INR 299 in 2007 to INR 350 2009 with a significant potential for growth. To tap this opportunity created by sustained development witnessed by the Indian economy over the last few years, increase in the consumption and provide shoppers a more sophisticated shopping experience, leading player have set up retail chain across India. This includes sector pioneers such as Big Bazaar, resourceful Reliance and Aditya Birla and foreign giant like Walmart and Carrefour.

To address the specific needs of evolving Modern Trade channel and ensuring better service, Nestlé India set up a Key Accounts team to look after these Modern Retailers There are different types of customers which come under Key Accounts 🎬



International Accounts – accounts which have global presence like Wal-Mart, Tesco, and Carrefour etc. Their strength is technical expertise, international experience and global tie up.

National Accounts – accounts which have national presence like „ Big Bazaar“, „ More“ and „ Reliance Fresh“ etc. Their strength is deep understanding of Indian markets, project management and implementation skills and customized solutions for different kinds of shoppers.

Regional Accounts – Accounts which have regional presence like DMart, Sabka Bazaar etc. Their strength is catering to local needs and loyal customer base. Organised Wholesalers – accounts which sell to wholesalers and retailers on a B2B model like METRO, Wal-Mart, Cash & Carry. Their strength is low cost operations, dual customer base i. e. retailers and shoppers and manufacturers perceive them as enablers of distribution.

As mentioned before there are certain parties which are called Direct Parties which come under Key Accounts. Apart from Direct parties there are 2 more kinds of services being provided

🏭 Direct – supplies made directly from Nestlé's DC to Key Accounts DC. 🏭

Indirect – supplies made by Nestlé's CD to Key Accounts. 🏭 Hybrid – In case of some Key Accounts supplies are made direct to some locations or categories and indirect for other locations and categories.

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## T 1. 5 – Difference between Direct & Indirect parties

Basis

Direct

Indirect



Logistics &

Infrastructure

Responsibility of Nestlé.

Responsibility of CD.



Cost to Serve

Lower due to saving of CD  
commission.



Servicing

Better due to better focus.



Confidentiality

Ensures confidentiality.

High due to CD

commission.

Servicing through CD may

have some defaults.

Does not ensure

confidentiality.

### BAD GOODS

At certain times there are goods which are returned from the market to the CD. It may be due to certain reasons such as expiry or breakage. These goods which are returned are referred to as Bad Goods. The format of Bad goods is given in Annexure 5. Bad goods claims are made by the Distributor due to the following reasons:

- 1) Expired Stocks from Market
- 2) Damaged Stock from Market
- 3) Expired Stock at CD
- 4) Damages in Transit
- 5) Shortages in Transit
- 6) Technical Defect

For Expired / Damaged stocks from Market or CD (for 1, 2 & 3) Bad Goods returned to the company from the CD or the market must be accompanied by an “ Exchange of Goods Advice (EOGA)”. This advice is to be filled in



complete by the Direct Salesman (DS) while replacing the bad goods lying with the retailer. The retailer is required to sign and stamp the advice. Similarly for products expired at CD point EOGA needs to be prepared, signed and stamped by the CD as well.

The claim form for bad goods due to above reasons must be supported by a product sheet which is essentially a summary of EOGAs that are supporting the bad goods claim. For Damaged/shortages in transit (for 4 & 5)

Claims for Damages / Shortages in transit should be accompanied with transporters certificate, a copy of the Goods Received and SO Folio requesting credit (or supply) for goods received Damaged / Short by the CD.

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For Technical Defect (for 6)

Claims for technical defects either from market or CD has to be accompanied by SO folio and necessary approval received from the Head Office/Factory quality assurance. The quality assurance is needed from the Head Office as Nestle takes the aspect of quality of goods very seriously

For each of the above types of goods return (1 to 5), a separate Transfer Memo (Return Request Form – Bad Goods Related) must be raised. The Transfer

Memo must clearly mention on the reason code for which the goods are being returned.

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## CHAPTER 5

## SAR DISTRIBUTOR

## SOLUTION

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## INTRODUCTION TO SDS

Nestle believes that while its products must be available to as many people who may prefer to buy them, the freshness and quality of the stocks is important and the distribution system needs to continuously improve to ensure this despite a larger reach. The retail trade in India is predominantly fragmented General Trade where the distributors play a major role in the route to market. In order to use this network more efficiently and be able to better track the movement of stocks through this pipeline, Nestle has decided to connect the Distributors through a uniform, robust and integrated Distribution Management System and have started the process of Advanced Sales Automation. This will increase transparency, accuracy, speed, enable enhanced efficiencies in trade spends and ultimately, execution in the market. It will also help the frontline sales force from some of their administrative burden and enable them to focus more on their core function. It will improve productivity and internal controls

The SDS (South Asia region distributor solution) is a recent and contemporary Sales Automation project at Nestle India Limited. It is a standard operating procedure being implemented at nestle India limited on a continental level. SDS has been installed and implemented at both the distributor point and at the nestle offices. Also as SDS is directly connected

to nestle servers and thus Nestle has access to the operations being undertaken by the distributor. This means that there is a continuous updation of information. This hence leads to efficiency in terms of reduced time lag between formulation of plans and their final implementation.

SDS has been implemented with the objective to ensure timeliness, accuracy and transparency, efficiency in TPP (temporary product promotions) schemes and claims. It is an ERP solution, built on a centralized database and normally utilizes a common computing platform; it consolidates all business operations into a uniform and enterprise wide system environment. It is an integrated computer-based system used to manage internal and external resources including tangible assets, financial resources, materials, and human resources.

Nestle India Ltd. has a wide distribution channel comprising of around 1800 distributors through which it ensures that its products are fresh and easily available to its consumers. In its quest to make its products available throughout the territory, it has a well planned distribution structure as seen before comprising of Order Management Centers, Factories, and Distribution Centers, Redistributors, Customers, Retailers and Consumers. SDS caters to this issue by standardizing and simplifying the claims management process. Before SDS, there was a software named “ Nesprint” was used by Nestle India limited. It was a distributor management solution. It was a standalone system installed by the company at 37

distributor point for billing purposes and had to be operated manually and nestle people had no connectivity with the system installed at the distributor point. This led to a possibility or chance of manipulation in bills and claims as nestle had no control over the Nesprint system installed at distributor point apart from providing technical support. Claims generated from Nesprint were printed and send to nestle at the end of month and a lot of times a lot of adjustments and manipulations were made by the distributors. Thus, a solution to NESPRINT: SDS (South Asia region distributor solution) The following are the advantages of using SDS over the manual system that was previously used:

1. It is a Distributors ERP. It automates their entire business All the details of a distributor are entered into SDS at the beginning of the Automation Process. From then on all the transactions that take place via the Distribution Centre or Retailer is done through SDS. This gives a Distributor a clear picture of its transactions any time he wants to see them

2. Enables Corporate control over the Distributors Inventory With SDS, Nestle can check the distributors sales, inventory, various kinds of reports, whether the schemes are being cut or not etc.

3. Improves the Sales Force Efficiency

It improves sales force efficiency from both Nestle and the Distributors point of view. The SO can manage his operations more efficiently at the CD point. Manual reports need not be prepared by him anymore. Everything is automated, so he can get whatever information he wants at that moment only.

The Direct Salesman (DS) employed by the CD, his Sales Routes are now chalked out in SDS, so by looking into the system the CD and Nestle knows where all are the DS going. Apart from that earlier after getting the orders from Retailers, it used to take them a long time to feed in the orders into the system. Now it is done faster.

#### 4. Better informed Sales force

The SO can get information about the present stocks, the closing stocks as this is very important while writing a new order. He would know for which product would be needed and how many units of the product would be needed.

#### 5. Informed Decision making at all levels

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The schemes and discounts are automatically uploaded in SDS by Nestle. Therefore the CD can see for which products, channels, outlets, whether they are Trade, Food service or Vending schemes, are the schemes and discounts for. This way the CD can target its sales by inducing a retailer with the various schemes and discounts.

Nestle can keep a check on various CDs as they have the option of logging on the CD's SDS and looking at what all they are doing.

#### 6. Prevents Manipulation

Earlier there used to be a lot of manipulation going on in terms of whether the CD is providing proper schemes and discounts to Retailers or not, whether they were claiming false Bad Goods claims etc. Through Implementation of SDS these practices have tremendously reduced.

## 7. The entire system is online

The most important advantage that SDS has over its previous systems is that SDS is online. Through this, all the information that is uploaded by the company for, schemes, promotions etc. Flows into SDS. Also, all the information that is saved at the CD point flows into the Nestle system.

## LANDSCAPE OF SDS

F 1. 4 – Diagrammatic representation of SDS showing its working and connection with other

systems

The above diagram shows the 2 other systems involved so that SDS can work effectively 39

## CONSOLE

The console is an Interface for Nestle. Just as SDS is installed at the CD point, the Console is installed at the Branch Sales Automation office. It is through the console that all the information flows into SDS.

As shown in the diagram the following flows down through the Console into SDS: ■



Promotions- This includes all the Schemes, Discounts, Promotions on different Standard Key Units (SKU). An SKU is defined as each product has different packaging and different weights for ex a Bar One can be 55 pieces of 8 grams each, or it can be of 28 pieces of 32 grams each. 2-3 people at the Branch office enter these promotions every month. The CD can see the new schemes at the beginning of each month

Master Data – This includes new products introduced by Nestle or new SKU. Apart from that If a CD has to include a new Wholesaler, RD or a retailer he will pass the information to the sales Automation Office, after it is approved it is entered into their system and the CD can start billing them

Updates – As the system is newly implemented, constant updates are provided by the company. Currently there are many aspect of SDS that are not being used. Whenever a new application is started or if changes are brought about in the current application being used, the CD is informed about them

Invoices – This is a very important aspect. Earlier when the CD used to give an order to the company, they used to receive a physical invoice from the Distribution Centre (DC). They then had to physically enter the increase in stocks and the various schemes on them into the system. Now the invoice flows through the console from the Distribution Centre (DC). Therefore after they have checked the goods received, the CD saves and confirms the invoice, everything is automatically updated into SDS. Pricing & taxation – The CD does not have to keep a check on the prices of goods and does not have to enter them manually into the system. The prices of various SKUs

flow into the SDS. Apart from the various VAT rates, Sales Tax rates are also updated automatically

As shown in the diagram the following flows up from SDS into the Console: 🏢

Claims From Distributors – Ideally all the various types claims discussed in the Chapter „ Claims Management“ are to flow through into the Console and no more annual reports are to be sent to the Branch. All the CD has to do is to

Save & Confirm the various schemes and discounts cut for the Outlets.

However as of now only Claims Regarding Temporary Price Promotions (TPP) and Bad Goods claims flow into the Console.

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Sales Details – The Branch can check on the sales made by the CD. Various types of sales Report can be seen. For eg. Retailer wise, DS wise, Product Wise, Brand wise etc. These reports are generated automatically

Inventories – The Branch can also see how much stock does the CD holding currently

Promotions Monitor – The Branch can check whether the various promotions and schemes being given, are they being passed down to the other parties. Through this they can also check for any false claims being made.



## DESK TOP ANALYZER

The Desk top analyse is a local system installed at the CD point. It is connected with the SDS. It is basically a Report Generator. One can see reports in SDS, however the types of reports or already defined and cannot be changed. It is basically a Pivot Table List. Through the Desk top Analyser the CD can take reports of any mostly any type. It consists of 3 elements or cubes:

 Sales

 Stocks

 Schemes

The Pivot Table list consists of 39 Fields for ex. Batch code, Sales, Month, Product Code, Date etc. Therefore for instance the CD can take out under the Sales Cube the Sales of some of the following reports:















Brand/Channel

Salesman wise Sales by Value, Volume & Quantity

Brand wise sales by volume, value & quantity

Product wise sales by volume, value & quantity

Outlet wise sales

Brand/SKU/month wise sales

Promotion Utilisation sales etc.

#### KEY PROCESSES & FUNCTIONALITIES

As a part of the project „ Effective Implementation of SDS“ was to prepare a Manual for Distributors showing them the various steps In using the present options available in SDS. Explained below are the modules of SDS and the key function under them and why they are used. However before a CD starts using SDS, there is an important function called „ Sync“. When the CD opens SDS, there is a sync process that takes place. T