

# A nestle case study

Business



The Supply Chain Critical Review: Nestle© is a pioneer in purchasing coffee direct from growers. A growing percentage of the company's coffee is bought direct from the producer and it is now one of the Normal's largest direct purchasers.

In countries where this is not possible Nestle© operates in a way that takes it as close to the growers as possible. Nestle© began its direct buying policy in 1986 and the amounts involved have steadily increased. In 1998, around 15 per cent of its green coffee purchases were bought directly.

As an example, in the Philippines, farmers bring their produce to Nestle©'s buying centers situated in the coffee growing regions. Quality is analyzed while they wait and growers are paid on the spot. In 1998, direct purchases accounted for over 90 per cent of the green coffee destined for its two instant coffee factories in the country.

Today, a Jar of instant coffee can be found in 93 per cent of British homes and increasingly consumers are trying out different types of coffee, such as cappuccino, espresso, mocha and latte.

The expanding consumer demand for product choice, quality and value has led to an increase in the coffees being made available to a discerning public. 'Value' is the way in which the consumer views an organization's product in comparison with competitive offerings. So how does coffee get from growing on a tree perhaps 1, mom up a mountainside in Africa, Asia, Central or South America, to a cup of Ensnare in your home, and in millions of homes throughout the Enroll?

This case study explains why Nestle© needs a first class supply chain, with high laity linkages from where the coffee is grown in the field, to the way in which it reaches the consumer. A supply chain is only as strong as its links. Different relationships exist between organizations involved in the separate stages of the chain - whether it is in the structuring of product distribution, arrangements for payment and arrangements for handling, or in storing the product.

At the heart of these relationships is the way in which people treat each other.

Long-term business relationships need to be based on honesty and fairness - parties to a trading agreement need to feel that they are getting a fair deal. Creating wonderful cups of coffee is not only Nestle©'s business; it is the business of everyone involved in the supply chain. It is in everyone's interest - the farmers' and Nestle©'s - that farmers receive a fair income from their coffee. This ensures that they will continue to grow coffee, and to invest in increasing their yield and quality, and this in turn guarantees the supply of quality coffee which companies like Nestle© require.