

Customer satisfaction using a same marketing segmentation



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INTRODUCTION

Nestlé is a multinational company and is of the world's largest in food and beverages industry. Heinrich Nestlé, whom also known as Henri Nestlé, was the founder of Nestlé Company (Nestle. 2010, " Introduction", Nestlé [Online] available at www.nestle.com), which headquarter is in Vevey, Switzerland in the year of 1866. Nestlé Malaysia was established in the year of 1912 in Malaysia as Anglo-Swiss Condensed Milk Company. Nestlé Malaysia head office is now located in Mutiara Damansara, Petaling Jaya, Selangor, and has 6 sales offices with more than 5000 employees nationwide. Besides, Nestlé manufactures its own products in 7 factories and markets over 300 Halal products across the nation. (Nestlé. 2010, " Nestlé in Malaysia", Nestlé [Online] available at www.nestle.com.my) Nestlé specialized in foods and beverages industry, a few of the many well known brands Nestlé has in Malaysia includes Maggi, Nescafé, Milo, Kit Kat, Nesvita (formerly known as Nestum), as well as pet care products such as Purina and Friskies.

Nestlé's vision (Nestlé. 2010, " Corporate Philosophy", Nestlé [Online] available at www.nestle.com.my) is to be the leader in Nutrition, Health, and Wellness Company by delivering world-class products of the highest consistent quality, reliability, and convenience based on business excellence principles throughout the operation. Nestlé's mission (" The Nestlé Corporate Essence - Our roots and wings" 2007, p. 4) is to enhance the quality of life with good food and beverages, everywhere, so people could live a healthier life. In order to achieve their vision and mission, Nestlé Nutrition Research Centre (Nestlé. 2010, " Research & Development", Nestlé [Online] available at www.nestle.co.jp) pays great attention to understand the consumers' <https://assignbuster.com/customer-satisfaction-using-a-same-marketing-segmentation/>

nutritional and emotional needs and utilise today's world superior science and technology to produce high quality products to the world.

MARKET SEGMENTATION

Every consumer has different needs. Hence, it is not possible to satisfy every customer using a same marketing segmentation, which is also known as mass marketing by offering a single marketing mix to all consumers.

Moreover, as a global market has become extremely competitive, and consumers are increasingly demanding which is very difficult to satisfy.

Therefore, Nestlé uses target marketing for every product to their customers.

For example, in consumer product, Nestlé baby milk product such as Nestlé Neslac Excella Gold is segmented only to infants and toddlers. However, baby does not have the capacity or capability to buy the food they needed. Therefore, to market this baby milk product, Nestlé does not fully focusing on baby's basic need which is hunger, but also to the baby's parents in terms of how the nutrition provided will give their children the best possible advantages in the children's life and development.

Another example is Nestlé Milo, the milk beverage with chocolate and malt. Don Howart, the executive director of Nestlé and Singapore Coffee and Beverages claimed that Milo remains popular among the young and has a 90% (The Sun. 2010, " Milo with ProtoMalt to get through the day", Sun2Surf [Online] available at [www. sun2surf. com](http://www.sun2surf.com)) market share among chocolate malt drinks in Malaysia. Besides the youngsters, old people and active people are also part of the target markets of Nestlé Milo drinks.

However, at first, Nestlé's business was launched internationally and realised the fact that food products have to be taken into account to the local eating and social behaviour due to the particular country's practices, cultures, and traditions. Therefore, (1) Nestlé has always shown respect for diverse cultures and traditions and trying to integrate itself as much as possible into the cultures and traditions, adding also to the local environment its own set of values. Therefore, (2) Nestlé embraces cultural and social diversity and does not discriminate on the basis of origin, nationality, religion, race, gender or age. (" The Nestlé Management and Leadership Principles" 2006, p. 9)

STRENGTHS

Nestlé is a multinational company, not to mention Nestlé is also the largest industry in foods and beverages, hence Nestlé has every capability to attract more consumers compare to the local companies. On account of its high market share and high financial power, Nestlé also has greater financial capability in altering existing products in terms of packaging, the formula of the particular product and others or creating new products, as well as to adapt or upgrade latest information system technology in manufacturing, order processing and other related fields in order to sustain their competitive advantage by delivering lower cost of goods and services than their competitors in this dynamic environment.

Secondly, Nestlé has quite an effective strategic marketing capability. For example, Nestlé Maggi instant noodles has built a stable patent and is very well known in many countries especially in Australia and Malaysia. This is because Maggi instant noodles is easy to be differentiated from its
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competitors such as Cintan Instant Noodles. Moreover, Nestlé has also developed a very strong brand name for Maggi instant noodles because of strong advertising, which has indoctrinated most of the people to name the other brands of instant noodles as Maggi instant noodle instead of the brand's original name.

Furthermore, Nestlé also has a strong Research and Development operations that helps the company to achieve cross-border synergy such as packaging its global products to local preferences. Nestlé also emphasises on using today's information technology, which Nestlé believe it will present a long-term opportunity for them to smoothen the company's operation or to increase efficiency in packaging, among any other company's operations. Besides, Nestlé also has better technological capability, for instance, to renovate the existing products to be more innovative, higher quality, and much healthier product as Nestlé realised that consumer-centred innovation and renovation is the most important pillar of Nestlé's worldwide strategy, which would accelerate Nestlé to advance from "good" to "better". ("The Nestlé Corporate Essence - Our roots and wings" 2007, p. 34) And because of Nestlé's commitments, more people trust on the products delivered by Nestlé because of its proper health and safety measures.

Besides, Nestlé also has great leadership attributes. The leaders such as the top executives, branch managers, and others are responsible in building organisation capability. For example, the Chairman and Chief Executive Officer of Nestlé S. A., Peter Brabeck, (Castelarhost. 2005, "Nestlé LC1 - S. W. O. T Analysis", Castelar Articles [Online] available at [www. articles.castelarhost. com](http://www.articles.castelarhost.com)) emphasises internal growth worldwide, which means to

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achieve higher volumes of sales by adding value to the products, renovate existing products, and innovate new products, to keep pace in the industry because of rapidly changing of consumer expectations.

PROBLEMS AND SOLUTIONS

Nestlé produces hundreds of products, has a global network of suppliers, and multiple distributions and selling channels. Hence, to anticipate and respond in this rapidly changing in market demand condition is very difficult. When forecasting a market demand, Nestlé will need information to detect shifts in demand early so they could adjust for trends and send the right messages to the suppliers, shippers, and distribution centres before they are flood with unwanted or defective goods or shortages. (Manhattan Associates. 2010, “ Planning and forecasting: Anticipate and Respond to Changes in Demand”, Manhattan Associates [Online] at www.manh.com)

However, every company has its weakest links, so is Nestlé. The weakest links are issues they are unable to control. (Labs. 2010, “ Supply Chain Efficiency Starts at the Top”, Food Engineering [Online] available at www.foodengineeringmag.com) Firstly, the most common problem is the sources of supply of raw materials. This is due to a sudden and unexpected increased in demand, which will cause extreme supply shortages for commodities that will result in major price increases. For instance, bad weather and natural disasters have always been an issue affecting incoming raw materials.

Secondly, the inaccuracy of orders received in inventory. No company can ever achieve the requirement of zero defects especially in foods and beverages industry. For example, when the purchasing department of Nestlé

ordered 10, 000 of mixed berries yoghurt from its dealer, but what the <https://assignbuster.com/customer-satisfaction-using-a-same-marketing-segmentation/>

retailer received was only 8, 000 of mixed berries yoghurt, or on another occasion they might received defective inventories. Another example is, when Nestlé tells its dealer that they needed extra orders of a particular product to be shipped right away because of unexpected increased in demand, but in fact, the supplier may already has orders from other customers. This usually happen during special occasion such as Chinese New Year, the demand of Nestlé Cornflakes cereal will increase because many people will buy this product to make cookies. This will causes Nestlé to encounter a great loss because of inaccurate order of magnitude because they could not produce the actual output needed.

Therefore, in order to solve these problems, it is crucial for Nestlé to engage with multiple suppliers or dealers in that particular region, so they could acquire inventories from multiple dealers, which will definitely decrease the risk of shortage due to uncontrollable situation. Besides, Nestlé should also base on their demand and purchase planning on last couple of years of sales to forecast current year of demand and supply. Other than that, mutual trust and strong relationship with all the dealers are needed in order to increase the flexibility of material supply management, as well as to enhance the bargaining power of Nestlé. However, if there is a surplus, Nestlé may need to plan a promotion to clear their inventories, otherwise Nestlé will encounter a great loss such as paying high material handling cost, waste of warehouse's space, or inventories that are not sold became defective and may need to be disposed which no profit will earn. Therefore, when there is a big event organized such as Jom Heboh Carnival. Nestlé will set up a booth at the carnival to sell its products, which are close to the expiry date at lower

price such as Maggi products, Nescafé, Milo, yoghurt drinks, Nestlé ice creams and so on. People often buy the products in big quantity because of the lower price than the market price. As a result, Nestlé could clear their inventories rather fast and save some space in the warehouses. which is a win-win situation.

Thirdly, even though Nestlé has a logistics department but it doesn't deal with transportation logistics. Nestlé outsourced its supply chain transport to the third-party logistics (3PL) as Nestlé tries to cut their supply chain costs and to concentrate more on their in-plant operations. Although Nestlé doesn't have a transportation logistics department, but they do have a delivery team to cooperate with the third-party logistics in routing protocol. Nestlé is using a Dynamic Source Routing (DSR), which is a simple and efficient routing protocol designed specifically for use in multi-hop wireless ad hoc networks of mobile nodes. The protocol is composed of the two main mechanisms of "Route Discovery" and "Route Maintenance", which work together to allow nodes to discover and maintain routes on-demand to arbitrary destinations in the ad hoc network. (Maltz. 2003, "The Dynamic Source Routing Protocol" CMU [Online] available at www.cs.cmu.edu) Therefore, the delivery team is there to help Nestlé and the 3PL that DSR is working as per company direction as well as DSR performance.

Next, it is the poor partnership relationship between dealerships and consumers. Dealers need these capabilities because they, in close partnership with manufacturers – Nestlé, are a connecting hub of services for the consumers, and other stakeholders. However, Nestlé solved this problem by using the Dealer Management Systems (DMS) as well as their dealers. <https://assignbuster.com/customer-satisfaction-using-a-same-marketing-segmentation/>

DMS is a software solutions that provide tools for managing sales, services, parts and inventory management, business management, integration, and core architecture. DMS help manufacturers and dealers create integrated marketing campaigns to offer inventory to target markets. This will integrate innovations into traditional in-store sales and service processes and offer technologies for non-traditional merchandising, sales, and service strategies through alternative channels for consumer engagement via Web, by phone, or in-vehicle. (Microsoft Corporation. 2008, " Microsoft Offers the Dealer Management Solution" Microsoft [Online] available at [www. microsoft. com/automotive](http://www.microsoft.com/automotive))

RECOMMENDATIONS

After the reviews stated above, those were not the only solutions that are available. MDZ has come up with a few recommended suggestions that may work or solve the problems that were encountered by Nestlé. Instead of just finding or having multiple suppliers, Nestlé could acquire the inventories from the other outlets from the other region. Because some regions have different demographics, for instance, race. Some areas have higher percentage of Malays such as Kuantan, Pahang, and some may have higher percentage of Chinese such as Ipoh, Perak. The Chinese New Year (CNY) example stated above, in Kuantan area, there might be less demand during CNY, so to prevent shortage, Nestlé could just acquire the inventories from Kuantan. However, if there is a surplus, and unable to clear the inventories at a short time, Nestlé could consider donation for short-run purpose, this could help to clear the old stocks, as well as to help the donation receivers and build better goodwill and name of Nestlé.

Secondly, Nestlé is a multinational company; it definitely has the capability in owning a transportation logistics department. Because of the hundreds variety of Nestlé's products, 7 manufacturers in Malaysia, as well as thousands of customers such as retailers, wholesalers, distributors and so on, Nestlé could handle its own transportation service. Nestlé could gain the whole power in such as mode selections, routing, and others. They could do almost anything such as consolidating different type of products but to the same outlet. Besides, they could save every penny they use in transportation cost compare to third-party logistics (3PL) because 3PL charges according to the quantity, inventory storage space, value added processes such as special handling, and more. It may benefit in the short run, but definitely not in the long run, as Nestlé centred in the long-term business and strives to achieve effectiveness and efficiency.

Lastly, Nestlé could use both manual and automation system in managing sales, services, and others. This is because one cannot trust wholly to a machine, as it may not be documenting the steps in its own processor. Because some steps can't be automated and may required operator intervention to prevent the escapement processing steps, even though adapting advanced technologies could help saving cost as labour cost is reduced, but if there are still problems occur, it will affect the business such as loss of customers because of the mistake. Therefore, Nestlé must update the system software regularly and full utilisation of available technology as well as the manual operators, which will effectively increase the efficiency and dependability of the supply chain systems.

CONCLUSION

Nestlé exerts great efforts to achieve its visions to be the leader in Nutrition, Health, and Wellness Company by producing better quality of products to the consumers. Nestlé also study about the consumer's needs from time to time and satisfy the consumers as much as possible. Nestlé's strengths such as high financial capability, effective strategic marketing capability, strong research and development, as well as great leaderships have helped them through the obstacles. Above all, Nestlé focuses on its missions and ensures consistency by making the right decisions to manage and build its business to deliver the promise of Good Food, Good Life all over the world.