

**Nestle Case Study**

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**Executive Summary**

The brand management analysis of Nestle S.A includes evaluating its competitive position in the market through SWOT and Porters Five Forces analysis. The case study focuses on a brand issue that Nestle S.A Company is facing and accordingly appropriate brand management strategic options is proposed. The brand issues for the company identified are decreased product sales and low consumer awareness product benefits. The strategic brand management for the company includes product-based strategy, developing market expansion and technological advancement strategy that might improve the consumer awareness and store sales. Strategies developed for the brand, based on the brand mantra that can gain increased social media attention and increase consumer brand preference.

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**Introduction:**

Nestle company was established in the year 1867, who introduced the first milk-based formula to save the life of neighbor's baby. Now, after a century, nutrition is currently the vital key for future growth of company. Presently, Nestle is world's largest food and beverage corporation and believes that every food it offers has the ability to achieve balance diet. This states that Nestle manufactures and markets wide range of foods and beverage which helps in satisfying the needs of consumers.

The corporation continuous to employ scientific knowledge to create new products so that the consumers can maintain the health and well being by improving the degree of nutrition's in their current products. This extensive research procedure forms the foundation for organizational growth. As a result of this, Nestle business procedures are designed to help their consumers achieve their health and benefits throughout their life (nestle.com, 2016). Despite performing extensive global research, Nestle brings flexibility in operations by employing their decision making procedures in order to meet the needs of their customers and communities.

**Competitive Analysis:****Customer Value Proposition and POD of Nestle:****Value proposition:**

Nestle usually uses value proposition to gain competitive advantage along with some significant attributes which helps the organization to occupy a good position in the consumer market. The competitive advantages of Nestle are as follows;

- a. **Customer oriented:** The ultimate objectives of Nestle is consumer satisfaction. The organization offers products to customers only after verifying with the health and safety department under the legal body of international quality standards (Moura et al., 2015). Nestle also offers diversified products consisting of different flavors to customers which helps in gaining them competitive advantage over its rivals.
- b. **Nestle Logo and Family Brand:** Nestle perfectly crafts its product with essential nutrients which ultimately shows that family care is important for its consumers. Such caring efforts helps in attracting customers and this is the reason why the consumers give preference to Nestle milk products.
- c. **Communications:** Nestle lists a telephone number along with the local address on each of the product which enables the consumers with calling facilities. Their role is to deal with the customers' requests so that it can answer to queries and assists the consumers with their problems. Such consumer service strategy helps Nestle to create value for its consumers.

**POD in comparison to competitors:**

Nestle reaches its consumers by offering products, services, channel and brand image differentiation efficiently and effectively by comparing with their competitors under the intense food competitive environment

**Product differentiation:** It is to be noted that Nestle offers diversity of products to its customers. They provide 25 types of multi-nutrition's milk products to children's under the age group of 1 & 3 years. Such product differentiation helps Nestle achieve strong market position.

**Positioning strategy:** By developing product, service and brand image differentiation Nestle reaches to the ultimate customers efficiently and effectively in comparison to their competitors. This enables them to position their brands ahead of Wal-Mart, Dollar Store etc (Fleisher & Bensoussan, 2015).

**Channel differentiation:** Nestle reaches with their products to customers through the help of expert salesman and transportation. Nestle effective channel of distribution makes its products easily available to their respective customers.

**Image differentiation:** Nestle brand logo is entirely different from their rival firms. This makes the customers easily recognize products of Nestle which add significant advantage to Nestle brand image.

**SWOT analysis of Nestle:**

<u><b>Strength</b></u>	<u><b>Weakness</b></u>
<p>a. Nestle is a highly-diversified corporation under many different markets and sectors of food and beverage markets.</p> <p>b. The diversity of brands offers Nestle with the ability to serve several different segments of market (nestle.com, 2016).</p> <p>c. Nestle has strong research and</p>	<p>a. A large number of Nestle products puts the company under threat of sudden shift in consumer behavior</p> <p>b. Few of its products such as carnation milk are not up to the consumer's needs and expectation as they are looked down as old fashioned products</p> <p>c. Nestle incurs high cost for launching</p>

<p>development capabilities</p> <p>d. Strong relationships with retailers</p>	<p>its new brands to support its less-fashionable food products.</p>
<p><b><u>Opportunity</u></b></p> <p>a. Nestle could experience growth under the online retail sector which can lead in opening new distribution channels such as “Amazon Prime”.</p> <p>b. Increased disposable revenues in European countries can lead to increase in demand for luxury merchandise such as bottled water, pet foods and ice creams (Soni, 2015).</p> <p>c. Shift in lifestyle, such as long working hours will enable the female workforce to increase the demand of prepackaged foods.</p>	<p><b><u>Threat</u></b></p> <p>a. Nestle faces threats from large retailers like Wal-Mart which forces them to cut down its prices.</p> <p>b. Emergence of online retail channels such as Amazon and dollar store might threaten the traditional retail products.</p> <p>c. Nestle is currently facing threat from new corporations like Whole Foods Markets and online retailers.</p>

**Table 1: SWOT Analysis of Nestle**

(Source: Soni, 2015)

**Porter's Five Forces Analysis:**

This is considered to be an important tool to evaluate the industrial parameters and creating a business strategy. Below listed are the five different forces of Nestle;

**Threat of new entrant:** Force Medium

Nestle has build its brand name in food processing industries which is visible to its competitors. It is noted that a large number of companies has already entered into the market and have even managed to achieve brand identification but they have not managed to overtake nestle.

**Threat of substitute goods:** Force High

A large number of products offered by Nestle forms the part of daily human lives which makes Nestle exposed to the threats of substitute products. For example Nestle's "bottled water" can be substituted with the "lean pockets" offered from Wal-Mart and serves as a severe competition. According to Dobbs, (2014), Nestle must employ innovations in their products to stay in the marketplace and compete with the other rival firms to stay in competition.

**Bargaining power of suppliers:** Force Low

Studies have suggested that Nestle have strong relations with their suppliers globally because of high buying power. It is also to be noted that Nestle usually emphasizes on upholding the business relations to sustain the quality of products.

**Bargaining power of customers:** Force High



Customers bargaining performance is one of the vital factor in terms of Nestle market presentation. A lot of substitute products and competitors have influential choice on Nestle products and it has also maintained successful relations with its customers (Magretta, 2013). Nestle has always cared about the health and wellness of its customers through creation of new and innovative products as human community have progressed towards more health conscious approach.

### **Competitive rivalry within the industry:** Force High

Competition can be either negative or positive, if critically analyzed it determines the future of the company. Nestle faces strong competitors from other food processing industry such as “Kraft Foods” and “Groupe Danone”. These companies form the basis of competition for Nestle and they have spent large amount of their resources in effective marketing and advertisement activities to uphold their respective brand position.

## **Brand Analysis**

### **Brand Authenticity of Nestle:**

Nestle brand valuation is estimated to be around 15,000 million during the fiscal year of 2015. Nestle is considered as one of the largest producers of food and beverage goods around the world and it is listed globally at 23<sup>rd</sup> position among world’s listed top 100 brands. During the year 2015 Nestle earned revenues 60% of its revenues from those products which labeled under the brand name of Nestle (nestle.com, 2016). The central part of attraction for Nestle is its corporate logo. Of late, the organization has spent huge volume of resources in brand management to vigorously uphold the corporate integrity of the organization. It has also hired George Clooney as global brand ambassador by extending its relationships with

the brand throughout the North America. George Clooney will feature in “Nespresso” across television, print and digital media.

### **Brand Mantra of Nestle S.A Company**

Through nelytics methodology hypothesis was considered that Nestle S.A. differentiates its brand by maintaining customer relationship, expanding business globally, realizing effective communication and relocation strategies and developing brand image through the social media and media for the customers (Hollis, 2013).

**Story-** The brand mantra for Nestle S.A. Company is “Good Food, Good Life” that has helped the company in conveying its corporate message and ensures enduring consumer relationship and customer loyalty (Srivastava, 2015). Through such brand message, the brand has evolved to hold first position within the consumer products industry.

The consumers or the target market of the company to which the brand mantra majorly focuses is on children in Canada. The company promotes its brand that signifies healthy dietary choices and as a brand which provides nutrition support to the children in need.

The emotional modifier for such brand mantra of Nestle S.A Company is to bring people together through its food products and spread the message of affection, love and sharing (Urde et.al, 2013).

**Purpose-** The brand has successfully positioned itself to produce service, product and image that efficiently arrive at the consumer touch point. Brand mantra of Nestle S.A. has been successful enough to make their products easily accessible and in communicating the effective benefits of all its food products. The brand mantra depicted with its brand logo is distinct from

all its competitors signifying quality, through which its target consumers are easily capable to select them in the market (Iqbal & Khan, 2016).

**Authenticity-** “Good Food Good Life” brand mantra of the company has successfully helped Nestle S.A to differentiate itself by leading in wellness, nutrition and health (Hollis, 2013). The brand established worldwide with superior financial performance and became the most trusted brand among its shareholders.

### **Proposed Strategic Options and Decision Matrix**

Nestle is positioned among the largest food processing company and in order to offer products and services that results to efficient business growth and development the following strategic brand management options are proposed for the company (Gupta, 2014).

### **Product Based Strategy**

The product-based strategy of the company focuses on describing its food products to be nutritious and healthy for people groups of all ages (Khan et al, 2013). For increasing its competitive advantages, the brand intends to develop all its food products and beverages that remains integrated with nutritional value-added benefits. The new food products presented by the brand needs to be developed by exploring the function of nutritional therapies for maintaining health of its consumers. Food products and beverages of Nestle S.A are making commitments to decrease the amount of fat, sugar along with unsaturated fats at the same in ensuing consumer preference (Iqbal & Khan, 2016).

Moreover, in the packaging of the products the brand intends to enhance their labeling and printing of GDA (Guideline Daily Amount) on the food packets that will make easier for its consumers to read (Khan et al, 2013). Quality maintenance of the products is the major priority

for the brand for which hardly any complaint exists regarding its offerings. Moreover, to offer variety to its consumers the brand has decided to expand its product line for all its food products.

### **Developing Markets Strategy**

Nestle S.A Company is constantly developing strategies that fit into the emerging markets. The brand also anticipates growth with its expansion strategy in the emerging markets. In the Canadian market the brand is constantly attempting to position, expand its products by positioning them as a health conscious brand (Reinartz, 2015). Nestle S.A Company is repositioning its brand focusing on the dieting concerns of the Canadian market and emphasizes on offering new organic ingredients, increased protein and preservative-free foods (Roper, 2016). Such brand positioning can help the brand in expanding successfully in international market like India other than the Canadian market.

The brand plans to expand into developing countries like China as the country's economy has slowed and the prices of all the agricultural goods and food products have increased due to high demand. Observing the business market environment it is clear that the brand can offer new and developed products ranges at affordable prices that will help in easy market expansion in the developing markets like China (Gupta, 2014). Expansion of the existing product lines will facilitate Nestle S.A Company to tap into new consumer segment and attain this objective of better serving its consumers in these developing markets. Expansion in these markets and accelerated sales will be easier if the brand offers food products with increased nutritional benefits.

### **Technological Advancement Strategy**

Nestle S.A Company has always made huge investments in the research and development to gain competitive success. The company has created a Corporate Wellness Unit that is accountable for coordinating horizontal and cross-business projects which deals with the recent consumer concerns and estimates future customer trends (Hankinson, 2015). The research and development team of the company has developed a strategy to enhance technological advancement through improving its existing products and renovating them for essential product innovations. The technological advancement team of the company focuses on excellence in new aspects of food technology (Appiah-Adu & Amoako, 2016).

It has introduced several important stages in its new product development process that will ensure superior quality of its services and increased consumer satisfaction. For improving the quality of its food offerings Nestle S.A Company intends to introduce new technologies such as fermentation, pro-biotic, introducing healthier fats and foam booster technology and malt extraction technologies. The food offerings of the brand is supposed to be healthier containing less fat, more natural vegetable oils devoid of partially hydrogenated fats.

### **Recommendation**

Nestle S.A Company is striving to establish its brand globally. For this reason, considerable investment in research and development or technological advancement is likely to serve as the best brand management strategy. Developing the existing products with research and development strategies might help the company in gaining a competitive advantage and increased consumer preference. Nestle S.A needs to boost the research and development team in Canada through extending its Product Technology Centre in the country. Such extension will

facilitate enhancement of innovative technologies of the company for new product development and uh strategy should be followed in the company's international business operations.

### **Implementation Plan**

The research and development based recommendation suggest that the company requires covering implementation plan for two years period. Phase one of the implementation plan will efficiently enhance the quality of all its milk products (Reinartz, 2015). With advanced ERP systems, it will be easier for Nestle S.A Company to automate its increasingly multifaceted milk production process. Techlogix is the advanced technology that will ensure the customized milk production planning system.

Second phase focuses on the implementation of Individual Quick Freezing technology and Radio Frequency Scanning (RFS) for advanced new products or inventory management. RFS will help in tracking the inventory of ingredients arriving in the factory and finished food products leaving the company with an ID that will ensure quality control and will preserve the taste of the food by providing a coating on these food products (Reinartz, 2015).

Third phase will consider implementation of Electronic Data Interchange and product-line expansion technology. EDI will facilitate better management of inventory as it will update inventory all through the working day (Appiah-Adu & Amoako, 2016). The new product line expansion will focus on producing hot pocket sandwiches that are anticipated to have huge demand in Canadian market.

**Conclusion**

The paper intended to evaluate the brand management strategy of the Nestle S.A. Company. Competitive and brand analysis of the company was conducted where the brand mantra and its focus and impact on consumers was analyzed. Moreover, based on the identification of the brand issue certain brand management strategic options for the company proposed for ensuring long-term relationship with its consumers. With the increasing competition in the consumer food products market the company has developed a brand mantra that is being highly effective in building relationships with its consumers.

The case study provided an elaboration that the brand is striving to develop new technologies such as foam booster and fermentation technologies that will help in ensuring the quality aspects of all its food offerings. The product-based strategy of the company is efficient in gaining consumer preference as it intends to extend the product line and offering Variety to its consumers. To sustain its competitive position in the Canadian market, Nestle S.A has developed brand strategies focusing on the areas of technological advancement, product development and developing markets expansion. The brand intends to implement these brand management strategies to operate profitably in the constantly changing market where the consumer tastes and preferences always transforms.

**Appendices**

**Appendix 1: Decision Matrix**

<b>Criteria</b>	<b>Product Based Strategy</b>	<b>Developing Market Expansion</b>	<b>VR Experiences</b>
Advancement	4	2	3
Improve customer experience	4	3	1
Domestic actions with international importance	2	1	5
Improved brand loyalty and awareness	3	1	3
<b>Total</b>	<b>13</b>	<b>7</b>	<b>12</b>



**Appendix 2: Implementation Plan**

0-6 months	Development of ERP systems Implement techlogix for innovation in milk production planning
6-12 months	Implementation of Individual Quick Freezing (IQF) technology for freezing food products Warehousing of products using Radio Frequency Scanning (RFS)
1-2 years	Expansion of product line for producing hot pocket sandwiches. Electronic Data Interchange implementation for maintaining inventory.

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