

*An Organization Study Report of*  
**NESTLE INDIA**

*Submitted by*  
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*Submitted to*  
**VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI**



*In partial fulfillment of the requirement for the award of the degree of*  
**MASTER OF BUSINESS ADMINISTRATION**

*Under Guidance of*

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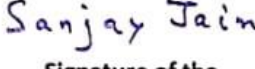
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### CERTIFICATE BY THE INSTITUTION

This is to certify that **Mr. ABHISHEK A** bearing **USN 1CR19MBA02** is a bonafide student of Master of Business Administration of our Institution during 2019-21 batch. The organization study report on **NESTLE INDIA** is prepared by him under the guidance of **Mrs. Sabeha Mufti**, Assistant Professor, in partial fulfillment of the requirements for the award of the degree of Master of Business Administration, affiliated to Visvesvaraya Technological University, Belagavi Karnataka.

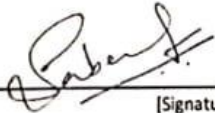
  
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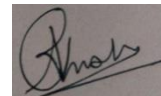
# DECLARATION

I, **Mr. ABHISHEK A.** bearing **USN 1CR19MBA02** hereby declare that the organization study conducted at **NESTLE INDIA** is record of independent work carried out by me under the guidance of **Mrs. Sabeha Mufti** faculty of M.B.A Department of CMR Institute of Technology, Bengaluru. I also declare that this report is prepared in partial fulfillment of the university Regulations for the award of degree of Master of Business Administration by Visvesvaraya Technological University, Belagavi. I have undergone an organization study for a period of four weeks. I further declare that this report is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University /Institution.

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**Place: Bangalore**  
**Date: 16/9/2020**



**Signature of the Student**  
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**Mr. Abhishek A**  
**USN: 1CR19MBA02**

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## **Executive summary**

Nestle company is health, nutrition and wellness firm that supplies, manufactures and produces ready dishes and cooking aids, pharmaceuticals and ophthalmic goods, milk based products cereals and baby foods. The company operates across six zones that include zone America, zone Oceania, zone Africa and Asia. Nestle was formed in 1866 by Henry Nestle and its main head quarter is in Switzerland. With employment of different business strategies and introduction of new products line, Nestle boasts of employing approximately 339,000 personnel with operations in all regions all over the globe. The company aims to be the leader in the food industry more specifically health, wellness and nutrition. Despite its success in the market, Nestle still faces internal and external challenges that they need to overcome in order to reach their goals. With the dynamism in the market Nestle tends to embrace change and comes up with products suitable for its customers while still improving on the quality of its original products line. Improvements on the technology, organizational structure, marketing mix, operations as well as human resource management led to more profit margins of the company.

# CHAPTER-1

## Introduction to organization



# Nestlé

## Good Food, Good Life

<b>Type</b>	Public
<b>Traded as</b>	SIX: NESN
<b>ISIN</b>	CH0038863350
<b>Industry</b>	Food processing
<b>Founded</b>	1866; 154 years ago (as Anglo-Swiss Condensed Milk Company) 1867; 153 years ago (as Farine Lactée Henri Nestlé) 1905; 115 years ago (as Nestlé and Anglo-Swiss Condensed Milk Company)
<b>Founder</b>	Henri Nestlé
<b>Headquarters</b>	Vevey, Vaud, Switzerland
<b>Area served</b>	Worldwide



<b>Key people</b>	Paul Bulcke <sup>[1]</sup> (Chairman) Ulf Mark Schneider <sup>[1]</sup> (CEO)
<b>Products</b>	Baby food, coffee, dairy products, breakfast cereals, confectionery, bottled water, ice cream, pet foods (list...)
<b>Revenue</b>	▲ CHF91.43 billion (2018) <sup>[2]</sup>
<b>Operating income</b>	▲ CHF13.75 billion (2018) <sup>[2]</sup>
<b>Net income</b>	▲ CHF10.46 billion (2018) <sup>[2]</sup>
<b>Total assets</b>	▲ CHF137.01 billion (2018) <sup>[2]</sup>
<b>Total equity</b>	▼ CHF58.40 billion (2018) <sup>[2]</sup>
<b>Number of employees</b>	▲ 352,000 (2019)

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 emphasised 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. Progress in Moga required the introduction of NESTLÉ's Agricultural Services to educate, advise and help the farmer in a variety of aspects. From increasing the milk yield of their cows through improved dairy farming methods, to irrigation, scientific crop management practices and helping with the procurement of bank loans.

NESTLÉ set up milk collection centres that would not only ensure prompt collection and pay fair prices, but also instil amongst the community, a confidence in the dairy business.

Progress involved the creation of prosperity on an on-going and sustainable basis that has resulted in not just the transformation of Moga into a prosperous and vibrant milk district today, but a thriving hub of industrial activity, as well.

NESTLÉ has been a partner in India's growth for over a century 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.

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, 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 Dahi and NESTLÉ Jeera Raita.

NESTLÉ India is a responsible organisation and facilitates initiatives that help to improve the quality of life in the communities where it operates.

## **CHAPTER-2**

### **Organization Profile**

#### **Background**

#### **1866–1900: Founding and early years**

##### **Founding and early years**



Henri Nestlé, a German-born Swiss confectioner, was the founder of Nestlé and one of the main creators of condensed milk.

Nestlé's origins date back to the 1860s, when two separate Swiss enterprises were founded that would later form Nestlé. In the following decades, the two competing enterprises expanded their businesses throughout Europe and the United States.

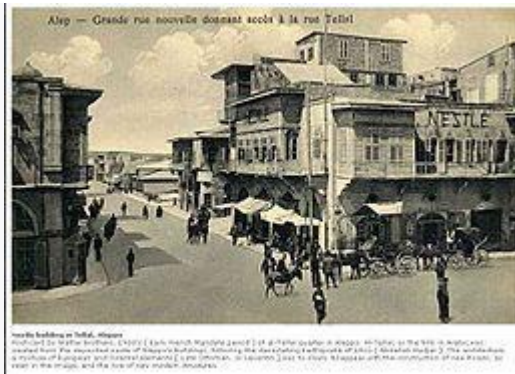
In 1866, Charles Page (US consul to Switzerland) and George Page, brothers from Lee County, Illinois, USA, established the Anglo-Swiss Condensed Milk Company in Cham, Switzerland. The company's first British operation was opened at Chippenham, Wiltshire, in 1873.

In 1867 in Vevey, Switzerland, Henri Nestlé developed milk-based baby food and soon began marketing it. The following year, Daniel Peter began seven years of work perfecting the milk chocolate manufacturing process. Nestlé was the solution Peter needed to fix his problem of removing all the water from the milk added to his chocolate, thus preventing the product from developing mildew. Henri Nestlé retired in 1875 but the company, under new ownership, retained his name as Société Farine Lactée Henri Nestlé.

In 1877, Anglo-Swiss added milk-based baby foods to its products; in the following year, the Nestlé Company added condensed milk to its portfolio, which made the firms direct rivals.

In 1879, Nestlé merged with milk chocolate inventor Daniel Peter.

### 1901–1989: Mergers



Aleppo Nestle building Tilal street 1920s.



Certificate for 100 shares of the Nestlé and Anglo-Swiss Condensed Milk Co., issued 1. November 1918

In 1904, François-Louis Cailler, Charles Amédée Kohler, Daniel Peter, and Henri Nestlé participated in the creation and development of Swiss chocolate, marketing the first chocolate – milk Nestlé.

In 1905, the companies merged to become the Nestlé and Anglo-Swiss Condensed Milk Company, retaining that name until 1947 when the name 'Nestlé Alimentana SA' was taken as a result of the acquisition of Fabrique de Produits Maggi SA (founded 1884) and its holding company, Alimentana SA, of Kempttal, Switzerland. The company's current name was adopted in 1977. By the early 1900s, the company was operating factories in the United States, the United Kingdom, Germany, and Spain. The First World War created demand for dairy products in the form of government contracts, and, by the end of the war, Nestlé's production had more than doubled.

**Look Out For That First Little Tooth —**

**W**HEN the baby begins to drool—when the saliva flows always from his little mouth—when the teeth are about to come, and then, above all—must you be careful of your baby's food. Give him the right food—and wash the little red gums and the sore, tiny teeth with boracic acid solution—and there will be no teething troubles for the baby or for you.

Feed your baby if you can; but if you cannot, remember that in the last forty years, millions of babies have come to their teeth easily and naturally with the help of

**Nestlé's Food**

Nestlé's Food brings health and strength because it is so nearly like mother's milk. Especially in the teething time—look out for cow's milk—cow's milk means fat calves with four stomachs—cow's milk that, for all you know, comes from sick cows and unsanitary dairies—cow's milk that may bring sickness and even intoxication to your child.

Nestlé's Food is made from cow's milk with all disease-fighting bacteria killed. Nestlé's Food is made from milk of cows that are carefully inspected. The milk is kept covered every instant, is purified just to make sure; all the heavy parts are modified and your baby's special needs are satisfied. It is condensed and packed in an air-tight can. No germ can possibly touch it. You add only fresh water. But the best guarantee that has grown up so far—Nestlé's can be fed better than we can.

Send coupon for a tin of Nestlé's Food—ready for twelve feedings. Free, and a feed about babies by specialists.

**Nestlé's Food Company**  
1st Boulevard, New York.  
Please send me, FREE, your Book and Trial Package.  
Name \_\_\_\_\_  
Address \_\_\_\_\_

A 1915 advertisement for "Nestlé's Food", an early infant formula

In January 1919, Nestlé bought two condensed milk plants in Oregon from the company Geibisch and Joplin for \$250,000. One was in Bandon, while the other was in Milwaukie. They expanded them considerably, processing 250,000 pounds of condensed milk daily in the Bandon plant.

After the war, government contracts dried up, and consumers switched back to fresh milk. However, Nestlé's management responded quickly, streamlining operations and reducing debt. The 1920s saw Nestlé's first expansion into new products, with chocolate-manufacture becoming the company's second most important activity. Louis Dapples was CEO till 1937 when succeeded by Édouard Muller till his death in 1948.



The logo that Nestlé used from 1938 to 1966

Nestlé felt the effects of the Second World War immediately. Profits dropped from US\$20 million in 1938 to US\$6 million in 1939. Factories were established in developing countries, particularly in South America. Ironically, the war helped with the introduction of the company's newest product, Nescafé ("Nestlé's Coffee"), which became a staple drink of the US military. Nestlé's production and sales rose in the wartime economy.

The end of World War II was the beginning of a dynamic phase for Nestlé. Growth accelerated and numerous companies were acquired. In 1947 Nestlé merged with Maggi, a manufacturer of seasonings and soups. Crosse & Blackwell followed in 1950, as did Findus (1963), Libby's (1971), and Stouffer's (1973). Diversification came under Chairman & CEO Pierre Liotard-Vogt with a shareholding in L'Oreal in 1974 and the acquisition of Alcon Laboratories Inc. in 1977 for 280 million dollars.

In the 1980s, Nestlé's improved bottom line allowed the company to launch further acquisitions. Carnation was acquired for US\$3 billion in 1984 and brought the evaporated milk brand, as well as Coffee-Mate and Friskies to Nestlé. In 1986, the company founded Nestlé Nespresso S.A.. The candy company Rowntree Mackintosh was acquired in 1988 for \$4.5 billion, which brought brands such as Kit Kat, Smarties, and Aero.

### **1990–2011: Growth internationally**

The first half of the 1990s proved to be favourable for Nestlé. Trade barriers crumbled, and world markets developed into more or less integrated trading areas. Since 1996, there have been various acquisitions, including San Pellegrino (1997), D'Onofrio (1997), Spillers Petfoods (1998), and Ralston Purina (2002). There were two major acquisitions in North America, both in 2002 – in June, Nestlé merged its US ice cream business into Dreyer's, and in August, a US\$2.6 billion acquisition was announced of Chef America, the creator of Hot Pockets. In the same time-frame, Nestlé entered in a joint bid with Cadbury and came close to purchasing the American company Hershey's, one of its fiercest confectionery competitors, but the deal eventually fell through.

In December 2005, Nestlé bought the Greek company Delta Ice Cream for €240 million. In January 2006, it took full ownership of Dreyer's, thus becoming the world's largest ice cream maker, with a 17.5% market share. In July 2007, completing a deal announced the year before, Nestlé acquired the Medical Nutrition division of Novartis Pharmaceutical for US\$2.5 billion, also acquiring, the milk-flavoring product known as Ovaltine, the "Boost" and "Resource" lines of nutritional supplements, and Optifast dieting products.



The Brazilian president, Lula da Silva, inaugurates a factory in Feira de Santana (Bahia), in February 2007

In April 2007, returning to its roots, Nestlé bought US baby-food manufacturer Gerber for US\$5.5 billion. In December 2007, Nestlé entered into a strategic partnership with a Belgian chocolate maker, Pierre Marcolini.

Nestlé agreed to sell its controlling stake in Alcon to Novartis on 4 January 2010. The sale was to form part of a broader US\$39.3 billion offer, by Novartis, for full acquisition of the world's largest eye-care company. On 1 March 2010, Nestlé concluded the purchase of Kraft Foods's North American frozen pizza business for US\$3.7 billion.

Since 2010, Nestle has been working to transform itself into a nutrition, health and wellness company in an effort to combat declining confectionery sales and the threat of expanding government regulation of such foods. This effort is being led through the Nestlé Institute of Health Sciences under the direction of Ed Baetge. The institute aims to develop "a new industry between food and pharmaceuticals" by creating foodstuffs with preventive and corrective health properties that would replace pharmaceutical drugs from pill bottles. The Health Science branch has already produced several products, such as drinks and protein shakes meant to combat malnutrition, diabetes, digestive health, obesity, and other diseases.

In July 2011, Nestlé SA agreed to buy 60 percent of Hsu Fu Chi International Ltd. for about US\$1.7 billion. On 23 April 2012, Nestlé agreed to acquire Pfizer Inc.'s infant-

nutrition, formerly Wyeth Nutrition, unit for US\$11.9 billion, topping a joint bid from Danone and Mead Johnson.

### **2012–present: Recent developments**

In recent years, Nestlé Health Science has made several acquisitions. It acquired Vitaflo, which makes clinical nutritional products for people with genetic disorders; CM&D Pharma Ltd., a company that specialises in the development of products for patients with chronic conditions like kidney disease; and Prometheus Laboratories, a firm specialising in treatments for gastrointestinal diseases and cancer. It also holds a minority stake in Vital Foods, a New Zealand-based company that develops kiwifruit-based solutions for gastrointestinal conditions as of 2012.

Another recent purchase included the Jenny Craig weight-loss program, for US\$600 million. Nestlé sold the Jenny Craig business unit to North Castle Partners in 2013. In February 2013, Nestlé Health Science bought PamLab, which makes medical foods based on L-methylfolate targeting depression, diabetes, and memory loss. In February 2014, Nestlé sold its PowerBar sports nutrition business to Post Holdings, Inc. Later, in November 2014, Nestlé announced that it was exploring strategic options for its frozen food subsidiary, Davigel.

In December 2014, Nestlé announced that it was opening 10 skin care research centres worldwide, deepening its investment in a faster-growing market for healthcare products. That year, Nestlé spent about \$350 million on dermatology research and development. The first of the research hubs, Nestlé Skin Health Investigation, Education and Longevity Development (SHIELD) centres, will open mid 2015 in New York, followed by Hong Kong and São Paulo, and later others in North America, Asia, and Europe. The initiative is being launched in partnership with the Global Coalition on Aging (GCOA), a consortium that includes companies such as Intel and Bank of America.

Nestlé announced in January 2017 that it was relocating its US headquarters from Glendale, California, to Rosslyn, Virginia outside of Washington, DC.

In March 2017, Nestlé announced that they will lower the sugar content in Kit Kat, Yorkie and Aero chocolate bars by 10% by 2018. In July followed a similar announcement concerning the reduction of sugar content in its breakfast cereals in the UK.

The company announced a \$20.8 billion share buyback in June 2017, following the publication of a letter written by Third Point Management founder Daniel S. Loeb, Nestlé's



fourth-largest stakeholder with a \$3.5 billion stake, explaining how the firm should change its business structure. Consequently, the firm will reportedly focus investment on sectors such as coffee and pet care and will seek acquisitions in the consumer health-care industry.

In September 2017, Nestlé S.A. acquired a majority stake of Blue Bottle. While the deal's financial details were not disclosed, the Financial Times reported "Nestle is understood to be paying up to \$500m for the 68 per cent stake in Blue Bottle". Blue Bottle expects to increase sales by 70% this year.

In September 2017, Nestlé USA agreed to acquire Sweet Earth, a California-based producer of plant-based foods, for an undisclosed sum.

In January 2018, Nestlé USA announced it is selling its US confectionary business to Ferrero, an Italian chocolate and candy maker. The company was sold for a total of an estimated \$2.8 billion.

In May 2018, it was announced that Nestlé and Starbucks struck a \$7.15 billion distribution deal, which allows Nestlé to market, sell and distribute Starbucks coffee globally and to incorporate the brand's coffee varieties into Nestlé's proprietary single-serve system, expanding the overseas markets for both companies.

Nestle set a new profit target in September 2017 and agreed to offload over 20 of its US candy brands in January 2018. However, sales grew only 2.4% in 2017, and as of July 2018, the share price declined more than 8%. While some suggestions were adopted, Loeb said in a July 2018 letter that the shifts are too small and too slow. In a statement, Nestle wrote that it was "delivering results" and listed actions it had taken, including investing in key brands and its global coffee partnership with Starbucks. However, activist investors disagreed, leading Third Point Management to launch NestleNOW, a website to push its case with recommendations calling for change, accusing Nestle of not being as fast, aggressive, or strategic as it needs to be. Activist investors called for Nestle to divide into three units with distinct CEOs, regional structures, and marketing heads - beverage, nutrition, and grocery; spin off more businesses that do not fit its model such as ice cream, frozen foods, and confectionery; and add an outsider with expertise in the food and beverage industry to the board.

In October 2018, Nestlé announced the launch of the Nestlé Alumni Network, through a strategic partnership with SAP & EnterpriseAlumni, to engage with their over 1 million Alumni globally.

In September 2018, Nestlé announced to sell Gerber Life Insurance for \$1.55 billion.

In 2020, Nestlé wants to invest in plant-based food, starting with a "tuna salad" and meat free products to engage and reach a vegan and younger target.

### **Nature of business**

Nestle India Ltd, one the biggest players in FMCG segment, has a existence in milk & nutrition, beverages, prepared dishes & cooking aids & chocolate & confectionery segments. The company is unavailable in the food business. The food business incorporate product groups, such as milk products and nutrition, beverages, prepared dishes and cooking aids, chocolates and confectionery. Nestle India manufactures products under brand names, such as Nescafe, Maggi, Milky bar, Milo, Kit Kat, Bar-One, Milkmaid and Nestea.

The company has also introduced products of daily utilization and use, such as Nestle Milk, Nestle Slim Milk, Nestle Fresh 'n' Natural Dahl and Nestle Jeera Raita. The company's brands include milk products and nutrition, prepared dishes and cooking aids, beverages, and chocolates and confectionery. Their milk products and nutrition includes Nestle Everyday Dairy Whitener, Nestle Everyday Ghee, Nestle Milk, Nestle Slim Milk and Nestle Dahl. Beverages Include Nescafe Classic, Nescafe Sunrise Premium, Nescafe Sunrise Special and Nescafe Cappuccino.

Nestle India is a secondary of Nestle S.A. The company has attendance across India with 7 manufacturing facilities and four branch offices extend across the region. The four branch offices in the country help facilitate the sales and marketing of its products. They are in Delhi, Mumbai, Chennai and Kolkata.

The company's four factories were awarded the internationally predictable external certification ISO 14001 for adherence to environmental processes and OSHAS 18001 for Health and Safety. In the year 2008, the company launched Nestle Nesvita Pro-Heart Milk with Omega-3 in Mumbai. Nestle Nesvita Pro-Heart is part of daily diet and has Omega-3 heart friendly nutrients scientifically known to help manage cholestrol. As part of their ongoing dedication to offering best in class nutrition products to Indian consumers, the company launched NESTLE NAN 3, a follow-up formula for older infants. During the year, MAGGI PICHKOO Tomato Ketchup was launched in a unique easy to handle day pack to drive affordability, taste and convenience for a larger number of consumers.

They are built on key beliefs that include: Nestlé's business objective is to manufacture and market its products in a way that creates value that can be sustained over the long term for shareholders, employees, consumers, business partners and the national economies in which Nestlé operates.

## **Mission Statement**

**Mission: “Nestle is dedicated to providing the best foods to people throughout their day, throughout their lives, throughout the world. With our unique experience of anticipating consumers’ needs and creating solutions, Nestle contributes to your well-being and enhances your quality of life.”**

Nestle is not only Switzerland's largest industrial company, but it is also the World's Largest Food Company. The mission statement emphasizes on the fact that Nestle products are available in nearly every country around the world. Wherever one may live, only Nestle can provide the best and most reliable food and beverage products to meet his/her needs throughout the day, throughout the life. Especially, people on the move want to be able to find good food wherever they are, whatever the time of day. They are often reassured that they will find well-known brands out of home. This statement also reflects the image of high-quality products that Nestle offers. Nestle has the advantage that it offers caterers, fast food chains, and other restaurants a complete range of high-quality ingredients, base products, and meal components, as well as leading consumer brands such as Nescafe. Quality is the cornerstone of the success of the Nestle Company. Every day, millions of people all over the world show their trust in the company by choosing Nestle products. This trust comes from a quality image that has been built up for over a century. Therefore, the quality of the products ultimately enhances the quality of the consumer's life. In addition, the mission statement declares that Nestle has the ability to anticipate "...consumer's needs and create solutions...." Nestle has proven this ability a number of times by introducing new products that were required by consumers.

## **Vision Statement**

**Vision statement: “Nestlé aim is to meet the various needs of the consumer every day by marketing and selling food of a consistently high quality. The confidences that consumers have in our brands is a result of our company’s many years of knowledge in marketing, research, and development, as well as continuity – consumers relate to this and feel they can trust our products”.**

In particular, they envision to;

- Lead a dynamic, motivated and professional workforce – proud of our heritage and positive about the future.
- Meet the nutrition needs of consumers of all ages – from infancy to old age, from nutrition to pleasure, through an innovative portfolio of branded food and beverage products of the highest quality.
- Deliver shareholder value through profitable long term growth, while continuing to play a significant and responsible role in the social, economic, and environmental sectors of Pakistan.

## **Nestlé Quality Policy**

Our actions to ensure quality and food safety are guided by the company’s which describes our commitment to

- Build trust by offering products and services that match consumer expectation and preference
- Comply with all internal and external food safety, regulatory and quality requirements
- Gain a zero-defect, no-waste attitude by everyone in our company
- Make quality a group-wide objective

## **Nestlé Quality Management System**

Our Quality Management System is the platform that we use globally to guarantee **food safety**, compliance with **quality standards** and to create value for consumers. Our internal Quality Management System is audited and verified by independent certification bodies to prove conformity to internal standards, ISO norms, laws and regulatory requirements.

## **From farm to fork**

Our Quality Management System starts on farms. We have a long history of working together with farmers in rural communities to help them improve the quality of their produce and adopt environmentally sustainable farming practices.

The Quality Management System not only ensures our ongoing access to high quality raw materials. It also enables farmers to protect or even increase their income. Often the standard of living of entire rural communities is raised as a result. The system helps address key global environmental and social issues.

## **Quality by design**

Quality is built in during product development according to the requirements of the consumers and following all food safety and regulatory requirements. Nestlé's R&D network applies in this "Quality by design" to all of our products.

## **Good Manufacturing Practices**

We apply internationally recognized Good Manufacturing Practices (GMP) to ensure quality and food safety. GMP covers all aspects of manufacturing, including standard operating procedures, people management and training, equipment maintenance, and handling of materials.



## **Hazard Analysis and Critical Control Points**

We apply the internationally recognized HACCP (Hazard Analysis and Critical Control Point) system to ensure food safety. This preventive and science based system identifies, evaluates, and controls hazards that are significant for food safety. It covers the entire food production process from raw materials to distribution and consumption. Our HACCP plans and systems are verified by external certification bodies against the international ISO 22'000:2005/ISO 22002-1 standards.

## **Workflow Model**

Nestle India is among the few FMCG companies that has bucked the consumption slowdown and reported a healthy growth over the last few quarters. In the second quarter of FY20, Nestle's revenues grew by 10.5 per cent and profits by 33.5 per cent, as opposed to the tepid growth stories of most of its peers. The company has strengthened its distribution and has launched over 60 new products over the last couple of years. Suresh Narayanan, MD & Chairman, Nestle India, attributes the recent change in its operating model as a major game-changer.

It has divided the country into 15 consumer clusters and the idea is to offer more focussed solutions to consumers. How has this made a difference? The company earlier had a single strategy for the entire country. There was a national Maggi, Nescafe or KitKat plan, and this was the cause of consumer disconnect. For, the tastes and preferences of a Maggi or Nescafe consumer in Mumbai are quite different from that of a person living in Salem in Tamil Nadu. "Earlier, it was geography that was defining the customer and then it was defining the brand and category and then finally it would touch upon the consumer. It was painting the country with one single plan. The effort now is to look at the country from the lens of consumer first, rather than geography first," explains Narayanan.

It's not that the tastes and preferences of Indian consumers have suddenly become diverse. Narayanan says that the power of data analytics and consumer insights has enabled them to cluster and sharply target consumers. "We are able to access the kind of consumers that are interested in our kind of categories in brands, it has helped us to amplify better, we are able to get to the target consumers and also use the right media mixes in order to amplify the presence that we have for our existing brands and also increase accountability." The company now has a more individualised plan for Tamil Nadu, Andhra Pradesh or Uttar Pradesh. For a product like coffee, analytics has helped them to target consumers based on their

consumption frequency, the equity for different kinds of coffee, consumption occasion and so on. Coffee consumption down South is a daily ritual while in the North or in the East, coffee consumption usually happens outside of home. Therefore, these markets need to have different route to marketing and distribution strategies. Painting the entire country with a singular plan was just not viable.

The Nestle head honcho further explains by citing the example of the coffee consumption habits of Tamil Nadu, Andhra and Karnataka. Their instant coffee strategy in these markets was largely Tamil Nadu centric since it was their biggest market. "We were operating on a TN centric plan and applying it in Andhra and Karnataka with the hope that the Andhra and Karnataka consumer will see value in our brand. That wasn't happening and we were giving the field open to our competitors to walk through the door. Using the bar of clusters, what we have done is to get relevant with a product that is common."

This concept of creating consumer clusters is not entirely new. Hindustan Unilever has a strategy called Winning In Many Indias (WIMI), which also stems from the philosophy of many 'Indias' within India. HUL too has divided its business into clusters and has gone a step ahead by creating local brand variants. It has Bru Kannadigara, meant for its consumers in Karnataka and the idea for this also came from the insight that the coffee consumption habits in Karnataka was vastly different from that of Tamil Nadu. Like Nestle, HUL's instant coffee strategy in South was Tamil Nadu centric. Narayanan, however, is clear that he won't tamper with the product. "We don't split the product. We are using differentiated advertising, differentiated route to market, differentiated sampling and distribution."

The strategy of offering localised solutions also encompasses use of local media. Nestle, which largely used national media vehicles to reach out to its consumers, has now started including regional media in its media plan. "We always assumed that TV would take care of whatever media exposure we wanted to raise, but the minute you look from a cluster point of view, you realise that there is a Dinamani which is important in Tamil Nadu, there is a Hindustan which is important in North, and there is also a Dainik Bhaskar. There are different relevant newspapers and we need to use those as a company," explains Narayanan.

## Product/Service Profile

Nestle India Limited is an India-based company engaged in food business. The Company operates in the Food segment. The Company's food business incorporates product groups, which include milk products and nutrition, beverages, prepared dishes and cooking aids, and chocolate and confectionery. Its milk products and nutrition include NESTLE BABY & me, and NESTLE NESLAC. Its beverages include coffee products, such as NESCAFE, NESCAFE CLASSIC, NESCAFE Sunrise, NESCAFE Cappuccino and NESCAFE GOLD. Its prepared dishes and cooking aids products include MAGGI, MAGGI Oat Noodles, MAGGI Bhuna Masala, MAGGI Vegetable Atta Noodles, MAGGI Nutri-licious PAZZTA and MAGGI Sauces. The Company's chocolate and confectionery products include Nestle KitKat, Nestle BarOne, Nestle Alpino, Nestle Munch, Nestle CLASSIC, Eclairs and POLO.

## Categorywise Contribution

Product Groups	Products	Contribution (%)	H1'18 Growth%	
			Reported	Comparable
Milk Products & Nutrition		48.1	6.3	10.8
Prepared Dishes & Cooking Aids		28.0	8.9	15.0
Confectionery		12.7	4.6	15.3
Powdered & Liquid Beverages		11.2	9.2	23.6
<b>Domestic Growth</b>			<b>7.1</b>	<b>13.8</b>

**Domestic Sales: INR 50.7 Billion**

Comparable Growth is on estimated basis



## **Ownership Pattern 1.1**

### **Shareholding Pattern - Nestle India Ltd. (1.0)**

<b>Holder's Name</b>	<b>No of Shares</b>	<b>% Share Holding</b>
<b>No Of Shares</b>	<b>96415716</b>	<b>100%</b>
<b>Promoters</b>	<b>0</b>	<b>0%</b>
<b>Foreign Institutions</b>	<b>11670731</b>	<b>12.1%</b>
<b>N Banks Mutual Funds</b>	<b>4369836</b>	<b>4.53%</b>
<b>Central Govt</b>	<b>63000</b>	<b>0.07%</b>
<b>Others</b>	<b>3148073</b>	<b>3.27%</b>
<b>General Public</b>	<b>12626966</b>	<b>13.1%</b>
<b>Financial Institutions</b>	<b>4022031</b>	<b>4.17%</b>
<b>Foreign Promoter</b>	<b>60515079</b>	<b>62.76%</b>

### **Achievements / Awards**

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2016 Recognized as 'The Most Valuable Food Brand' in India.

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2016 KITKAT India won the first edition of the Twitter Aviator Awards in 2016

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2014 MAGGI amongst the Top 5 in Brand Equity's 'Most Trusted Brands'

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2014 Nanjangud factory receives Karnataka State Export Excellence Award for the FY 2013-14

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2014 NESTLÉ KITKAT and NESTLÉ EVERYDAY win Gold and Bronze at Goa Fest 2014

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2013 Maggi ranked amongst Top 10 Most Trusted Brands and No. 1 Food Brand at ET Brand Equity Survey

## **Future Growth Prospects**

### Our strategy: The choices we make

We aim to offer a portfolio of products that evolve with consumer needs, offer good nutrition and delight the senses, contributing to healthier, balanced lives and a healthier planet. This guides the choices we make today and shapes our portfolio for tomorrow – whether through product evolution, innovation, acquisition or partnerships.

We believe that *Good food, Good life* is best delivered by:

- **Applying our nutrition expertise** to enhance the health and wellness of people and pets.
- **Meeting the needs of the modern consumer** with healthy, delicious, convenient products for conscious, time-constrained lifestyles.
- **Bringing premium food innovations to market** fueled by consumer insights, pioneering nutrition science, and culinary excellence.
- **Offering a wide array of plant-based foods**, to be consumers' preferred choice as they diversify their diets.
- **Using our scale and expertise** to increase access to nutrition for everyone, everywhere.

We play to win in all our categories while pursuing higher growth in coffee, pet care, infant nutrition, water and nutritional health.

### Our value creation model

Our long-term value creation model is based on the balanced pursuit of resource efficient top- and bottom-line growth as well as improved capital efficiency. We create value by:

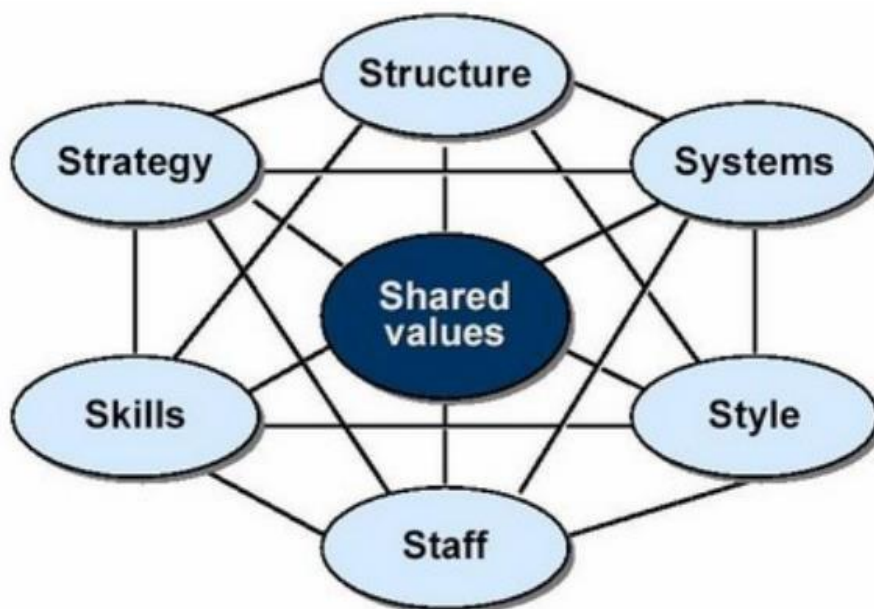
- **Increasing growth** through innovation, differentiation and by offering relevant products and solutions to our consumers. We are committed to reach a sustainable mid single-digit level of organic growth.
- **Improving operational efficiency** with the goal to increase our underlying trading operating profit margin to between 17.5% and 18.5% in 2020 (from 16.0% in 2016).
- **Allocating our resources and capital with discipline and clear priorities**, including through acquisitions and divestitures.

## Chapter 3

### McKinsey's 7-S Framework

**Introduction:** McKinsey's 7S Model that was created by the consulting company McKinsey and Company in the early 1980s. Since then it has been widely used by practitioners and academics alike in analyzing hundreds of organizations. It also includes practical guidance and advice for the students to analyze organizations using this model.

**McKinsey's 7-S Framework 2.1:** The McKinsey 7S model was named after a consulting company, McKinsey and Company, which has conducted applied research in business and industry (Pascale & Athos, 1981; Peters & Waterman, 1982). All of the authors worked as consultants at McKinsey and Company; in the 1980s, they used the model to analyze over 70 large organizations. The McKinsey 7S Framework was created as a recognizable and easily remembered model in business. The seven variables, which the authors term "levers", all begin with the letter "S".



These seven variables include structure, strategy, systems, skills, style, staff and shared values.

**Structure:** Structure is defined as the skeleton of the organization or the organizational chart.

**Strategy:** Various authors describe strategy as the plan or course of action in allocating resources to achieve identified goals over time.

**Systems:** The systems are the routine processes and procedures followed within the organization.

**Staff:** Staff are described in terms of personnel categories within the organization (e.g. engineers).

**Skills:** The skills variable refers to the capabilities of the staff within the organization as a whole.

**Style:** The way in which key managers behave in achieving organizational goals is considered to be the style variable; this variable is thought to encompass the cultural style of the organization.

**Shared values:** The shared values variable, originally termed super ordinate goals, refers to the significant meanings or guiding concepts that organizational members share (Peters and Waterman, 1982).

## **Mckinsey's 7-S Framework of Nestle**

### **1. Shared values of Nestle:**

Nestlé is committed to the following Business Principles in all countries, taking into account local legislation, cultural and religious practices:

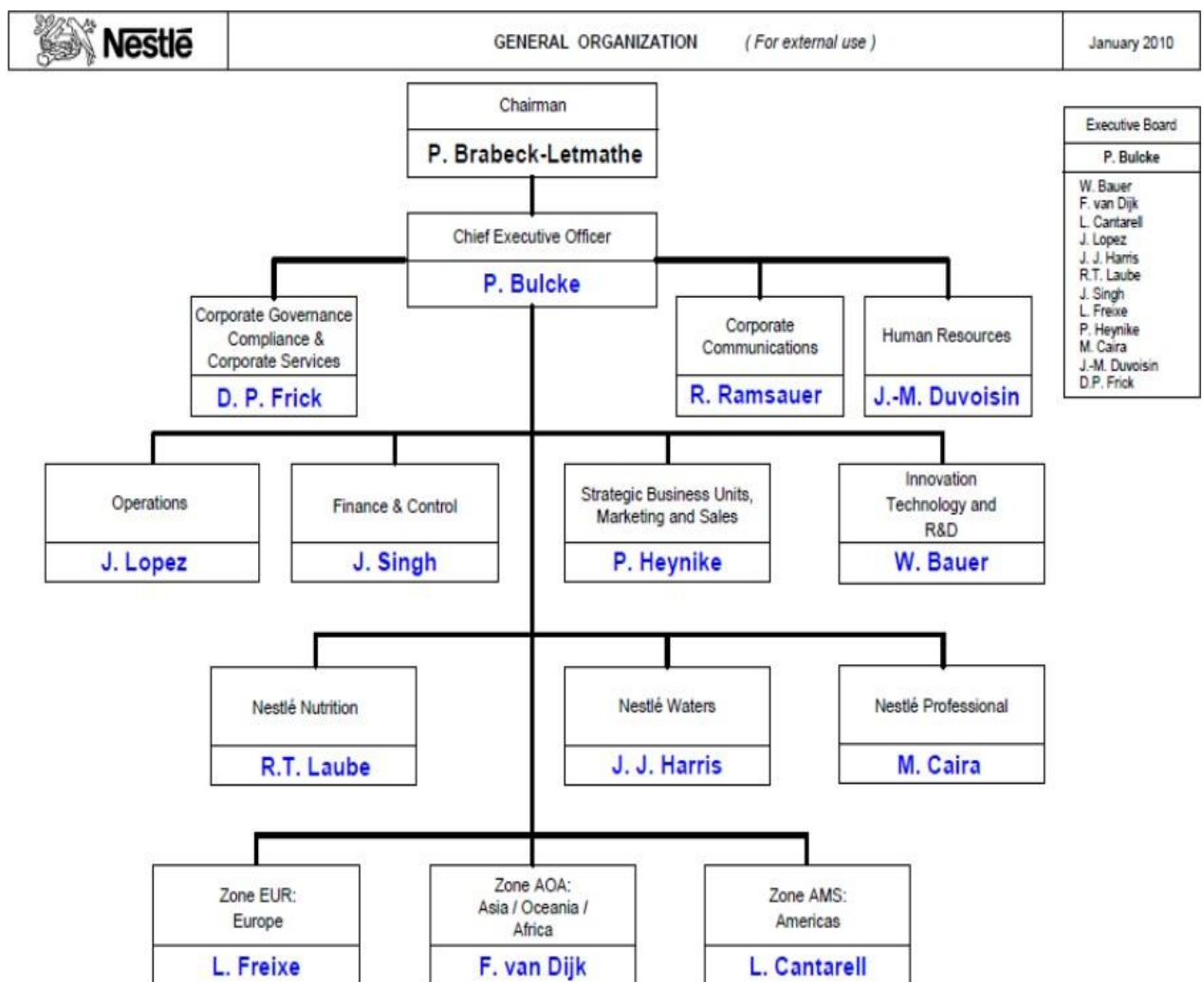
- Nestlé's business objective is to manufacture and market the Company's products in such a way as to create value that can be sustained over the long term for shareholders, employees, consumers, and business partners.
- Nestlé does not favour short-term profit at the expense of successful long-term business development.
- Nestlé recognizes that its consumers have a sincere and legitimate interest in the behaviour, beliefs and actions of the Company behind brands in which they place their trust, and that without its consumers the Company would not exist.
- Nestlé believes that, as a general rule, legislation is the most effective safeguard of responsible conduct, although in certain areas, additional guidance to staff in the form of

voluntary business principles is beneficial in order to ensure that the highest standards are met

throughout the organization.

- Nestlé is conscious of the fact that the success of a corporation is a reflection of the professionalism, conduct and the responsible attitude of its management and employees. Therefore recruitment of the right people and ongoing training and development are crucial.
- Nestlé continues to maintain its commitment to follow and respect all applicable local laws in each of its markets.

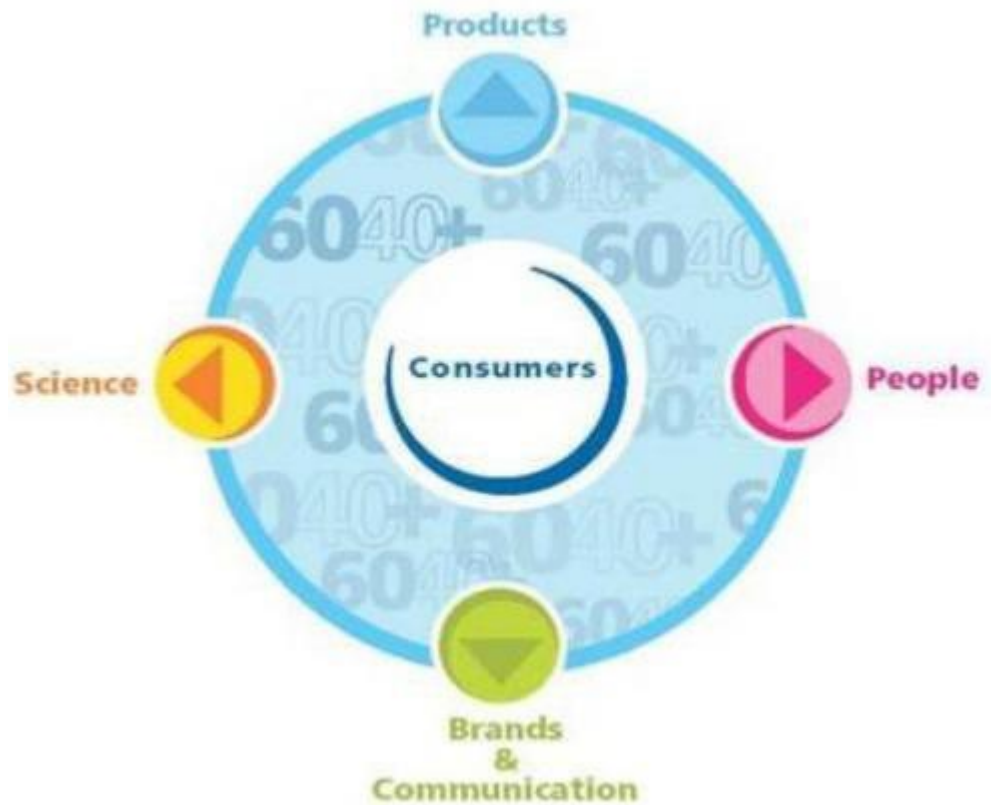
**2. Structure of Nestlé 2.2:** Nestlé has a decentralized and functional form of organizational structure. It has its operations divided worldwide on the basis of 3 zones of continents. All the zones have their respective heads. Following is the organization structure of Nestlé worldwide:



Executive Board
P. Bulcke
W. Bauer
F. van Dijk
L. Cantarell
J. Lopez
J. J. Harris
R.T. Laube
J. Singh
L. Freixe
P. Heynike
M. Caira
J.-M. Duvoisin
D.P. Frick

**3. Strategy of Nestle:** Nestle has following components of it's business strategy:

The Company managed to deliver sustainable returns above the weighted average cost of capital through its 'four pillar' strategy:



- o Operational efficiency
- o Innovation and renovation
- o Whenever, wherever, however
- o Consumer communication

To enhance its strength the company focused on limited number of brands and on brand innovation. The company may consider new products to add to its stable. Nestle launched Nescafe classic with Aroma. It also wants to shift its focus from a low-growth premium product portfolio to a higher volume-based growth portfolio.

**4. Skills/key competency areas in Nestle:** Nestle's key competency area lies in it's technology part.

- All production plants and Laboratories are equipped with the latest equipment. There is continuous improvement in technology and work processes to meet International Standards.
- A series of sophisticated lab test / analysis are conducted in the Quality Assurance Department at various stages of production to ensure the Quality Products of International Standards.

**5. Staff in Nestle:** Nestlé is now the No. 1 Food Company. It is present on all five continents has an annual turnover of nearly 89.2 Billion Swiss Francs is present on all five continents. At present there are around 508 factories spread over 80 countries with around 260 operating companies One basic research centre and 17 technological development groups and has in excess of 2,30,000 employees.

Most of the employees are basically engineers or food specialists.

**6. Style/Management style:** Nestle follows an Autocratic form of Management style. All the major decisions are made by top management but as it is a decentralized form of organization so sometimes it becomes democratic also.

**7. Systems in Nestle:** Nestle has, like other organizations follow various systems like recruitment, selection, performance appraisal and others. Recruitments are mostly done by head offices of the respective countries. Campus recruitments are , say, common in India. Also the standardized criteria for selection of students are followed by the respective plants.

All these above explained parts clearly explain and analyses about various components and processes of Nestle as an organization. Hence it fulfills the objective of clear and complete analysis of an organization.

## **Porter's Five Force Model**

### **Porter's Five Forces Analysis**

A model was put forward by Michael. E. Porter in an article in the Harvard Business Review in 1979. This model, known as Porter's Five Forces Model is a strategic management tool that helps determine the competitive landscape of an industry. Each of the five forces mentioned in the model and their strengths help strategic planners understand the inherent profit



potential within an industry. The strengths of these forces vary across the industry to industry, which means that every industry is different regarding the profitability and attractiveness. The structure of an industry, even though it is stable, can change over time. These Porter's five forces are as follows:

- Threat of New Entrants
- Bargaining Power of Suppliers
- Bargaining Power of Buyers
- Threat of Substitute Products or Services
- Rivalry Among Existing Firms

The Porter's Five Forces model can be used to analyse the industry in which Nestle operates, in terms of attractiveness through inherent profit potential. The information analysed using the model can be used by strategic planners for Nestle to make strategic decisions.



## **Nestle Porter's Five Forces Analysis**

This section analyses Nestle using each of the five forces of Porter's model.

### **1. Threat of New Entrants**

- The economies of scale is fairly difficult to achieve in the industry in which Nestle operates. This makes it easier for those producing large capacities to have a cost

advantage. It also makes production costlier for new entrants. This makes the threats of new entrants a weaker force.

- The product differentiation is strong within the industry, where firms in the industry sell differentiated products rather than a standardised product. Customers also look for differentiated products. There is a strong emphasis on advertising and customer services as well. All of these factors make the threat of new entrants a weak force within this industry.
- The capital requirements within the industry are high, therefore, making it difficult for new entrants to set up businesses as high expenditures need to be incurred. Capital expenditure is also high because of high Research and Development costs. All of these factors make the threat of new entrants a weaker force within this industry.
- The access to distribution networks is easy for new entrants, which can easily set up their distribution channels and come into the business. With only a few retail outlets selling the product type, it is easy for any new entrant to get its product on the shelves. All of these factors make the threat of new entrants a strong force within this industry.
- The government policies within the industry require strict licensing and legal requirements to be fulfilled before a company can start selling. This makes it difficult for new entrants to join the industry, therefore, making the threat of new entrants a weak force.

### **How Nestle can tackle the Threat of New Entrants?**

- Nestle can take advantage of the economies of scale it has within the industry, fighting off new entrants through its cost advantage.
- Nestle can focus on innovation to differentiate its products from that of new entrants. It can spend on marketing to build strong brand identification. This will help it retain its customers rather than losing them to new entrants.

### **2. Bargaining Power of Suppliers**

- The number of suppliers in the industry in which Nestle operates is a lot compared to the buyers. This means that the suppliers have less control over prices and this makes the bargaining power of suppliers a weak force.
- The product that these suppliers provide are fairly standardised, less differentiated and have low switching costs. This makes it easier for buyers like Nestle to switch suppliers. This makes the bargaining power of suppliers a weaker force.

- The suppliers do not contend with other products within this industry. This means that there are no other substitutes for the product other than the ones that the suppliers provide. This makes the bargaining power of suppliers a stronger force within the industry.
- The suppliers do not provide a credible threat for forward integration into the industry in which Nestle operates. This makes the bargaining power of suppliers a weaker force within the industry.
- The industry in which Nestle operates is an important customer for its suppliers. This means that the industry's profits are closely tied to that of the suppliers. These suppliers, therefore, have to provide reasonable pricing. This makes the bargaining power of suppliers a weaker force within the industry.

### **How Nestle can tackle the Bargaining Power of Suppliers?**

- Nestle can purchase raw materials from its suppliers at a low cost. If the costs or products are not suitable for Nestle, it can then switch its suppliers because switching costs are low.
- It can have multiple suppliers within its supply chain. For example, Nestle can have different suppliers for its different geographic locations. This way it can ensure efficiency within its supply chain.
- As the industry is an important customer for its suppliers, Nestle can benefit from developing close relationships with its suppliers where both of them benefit.

### **3. Bargaining Power of Buyers**

- The number of suppliers in the industry in which Nestle operates is a lot more than the number of firms producing the products. This means that the buyers have a few firms to choose from, and therefore, do not have much control over prices. This makes the bargaining power of buyers a weaker force within the industry.
- The product differentiation within the industry is high, which means that the buyers are not able to find alternative firms producing a particular product. This difficulty in switching makes the bargaining power of buyers a weaker force within the industry.
- The income of the buyers within the industry is low. This means that there is pressure to purchase at low prices, making the buyers more price sensitive. This makes the buying power of buyers a weaker force within the industry.

- The quality of the products is important to the buyers, and these buyers make frequent purchases. This means that the buyers in the industry are less price sensitive. This makes the bargaining power of buyers a weaker force within the industry.
- There is no significant threat to the buyers to integrate backwards. This makes the bargaining threat of buyers a weaker force within the industry.

#### **How Nestle can tackle the Bargaining Power of Buyers?**

- Nestle can focus on innovation and differentiation to attract more buyers. Product differentiation and quality of products are important to buyers within the industry, and Nestle can attract a large number of customers by focusing on these.
- Nestle needs to build a large customer base, as the bargaining power of buyers is weak. It can do this through marketing efforts aimed at building brand loyalty.
- Nestle can take advantage of its economies of scale to develop a cost advantage and sell at low prices to the low-income buyers of the industry. This way it will be able to attract a large number of buyers.

#### **4. Threat of Substitute Products or Services**

- There are very few substitutes available for the products that are produced in the industry in which Nestle operates. The very few substitutes that are available are also produced by low profit earning industries. This means that there is no ceiling on the maximum profit that firms can earn in the industry in which Nestle operates. All of these factors make the threat of substitute products a weaker force within the industry.
- The very few substitutes available are of high quality but are way more expensive. Comparatively, firms producing within the industry in which Nestle operates sell at a lower price than substitutes, with adequate quality. This means that buyers are less likely to switch to substitute products. This means that the threat of substitute products is weak within the industry.

#### **How Nestle can tackle the Threat of Substitute Products?**

- Nestle can focus on providing greater quality in its products. As a result, buyers would choose its products, which provide greater quality at a lower price as compared to substitute products that provide greater quality but at a higher price.

- Nestle can focus on differentiating its products. This will ensure that buyers see its products as unique and do not shift easily to substitute products that do not provide these unique benefits. It can provide such unique benefits to its customers by better understanding their needs through market research, and providing what the customer wants.

## **5. Rivalry Among Existing Firms**

- The number of competitors in the industry in which Nestle operates are very few. Most of these are also large in size. This means that firms in the industry will not make moves without being unnoticed. This makes the rivalry among existing firms a weaker force within the industry.
- The very few competitors have a large market share. This means that these will engage in competitive actions to gain position and become market leaders. This makes the rivalry among existing firms a stronger force within the industry.
- The industry in which Nestle is growing every year and is expected to continue to do this for a few years ahead. A positive Industry growth means that competitors are less likely to engage in competitive actions because they do not need to capture market share from each other. This makes the rivalry among existing firms a weaker force within the industry.
- The fixed costs are high within the industry in which Nestle operates. This makes the companies within the industry to push to full capacity. This also means these companies to reduce their prices when demand slackens. This makes the rivalry among existing firms a stronger force within the industry.
- The products produced within the industry in which Nestle operates are highly differentiated. As a result, it is difficult for competing firms to win the customers of each other because of each of their products in unique. This makes the rivalry among existing firms a weaker force within the industry.
- The production of products within the industry requires an increase in capacity by large increments. This makes the industry prone to disruptions in the supply-demand balance, often leading to overproduction. Overproduction means that companies have to cut down prices to ensure that its products sell. This makes the rivalry among existing firms a stronger force within the industry.
- The exit barriers within the industry are particularly high due to high investment required in capital and assets to operate. The exit barriers are also high due to government

regulations and restrictions. This makes firms within the industry reluctant to leave the business, and these continue to produce even at low profits. This makes the rivalry among existing firms a stronger force within the industry.

- The strategies of the firms within the industry are diverse, which means they are unique to each other in terms of strategy. This results in them running head-on into each other regarding strategy. This makes the rivalry among existing firms a strong force within the industry.

### **How Nestle can tackle the Rivalry Among Existing Firms?**

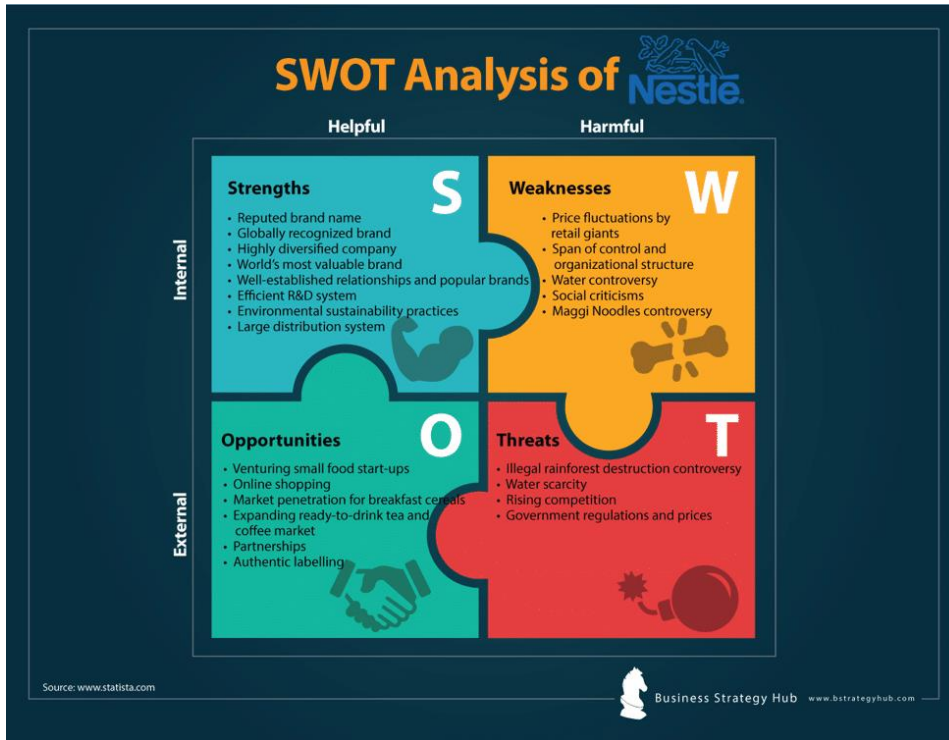
- Nestle needs to focus on differentiating its products so that the actions of competitors will have less effect on its customers that seek its unique products.
- As the industry is growing, Nestle can focus on new customers rather than winning the ones from existing companies.
- Nestle can conduct market research to understand the supply-demand situation within the industry and prevent overproduction.

### **Implications of Porter Five Forces on Nestle**

By using the information in Nestle five forces analysis, strategic planners will be able to understand how different factors under each of the five forces affect the profitability of the industry. A stronger force means lower profitability, and a weaker force means greater profitability. Based on this a judgement of the industry's profitability can be made and used in strategic planning.

# CHAPTER-4

## SWOT analysis



### Nestlé's Strengths

1. **Reputed brand name** – Nestle is the most renowned brand in the world. It has developed a respected reputation in the food and beverages sector offering high-quality products for everyday use across the globe.
2. **Globally recognized brand** – Through its effective advertising and branding strategies, it has created significant awareness and developed a successful brand image around the world. According to the Fortune Global 500, Nestle is among the world's largest corporations and is ranked at **69<sup>th</sup> position** in 2018 list.
3. **Highly diversified company** – Nestle sells its products in 189 countries. Instead of relying on a few markets, it has captured the sizeable market in a lot of developed and developing countries to earn most of its revenue. Its leading markets include the US, China, France, and Brazil. In 2017, It generated CHF 26.7 billion from the US market alone.

4. **World's most valuable brand** – According to 2018 Forbes Global, Nestle is among the top as the world's most valuable company in regards to highest revenue, profits, assets, and market value.
5. **Extensive product portfolio** – Nestle owns more than **2000 brands** globally and renovated over 8000 products for nutrition and health considerations, according to its Annual Review 2017. It is one of the worlds' biggest companies with the broadest product portfolio.
6. **Well-established relationships and popular brands**– Nestle has some of the world's most recognized brands under its name such as Nescafe, Kit Kat, Gerber, Milo, and Maggi. Besides, it has well-established relationships with other trusted and powerful brands like Colgate Palmolive, Coca Cola, General Mills, and L'Oréal.
7. **Efficient R&D system** – Nestle has the world's largest food and nutrition research organization with 21 R&D centers Its research and development capability is one of its key competitive advantages. There are more than **5000 employees** involved in R&D operations. It spent nearly 1.72 billion Swiss Franc on R&D in 2017.
8. **Environmental sustainability practices** – Nestle puts substantial efforts in environmental sustainability practices and take innovative initiatives in improving its quality of products. It optimizes advanced solutions to reduce waste, water usage, non-renewable energy use, and packaging material usage. In 2017, 253 of Nestle factories reached zero waste production. To communicate sustainability benefits with its customers and keeping the environment clean, Nestle launched a free mobile app that helps people to recycle waste packaging material correctly.
9. **Large distribution system** – Nestle owns an extensive and diversified distribution system that is not only penetrated in urban areas but also rural regions. It has adapted local distribution methods and decentralized approach to run the business efficiently in respective countries. Nestle has strong relationships with suppliers, retailers, vendors, and distributors.

#### **Nestle's Weaknesses**

1. **Price fluctuations by retail giants** – Nestlé's grocery sales are achieved majorly through huge retail giants like Walmart, Tesco, and Kroger. Any reduction or increase in prices by these retailers can affect Nestlé's sales.
2. **Span of control and organizational structure** –Nestlé is organized in a matrix structure. That means a large number of brands are under the same umbrella group which makes it



somewhat challenging to manage the large Administrating such a large number of individual brands can often result in discord and conflict of interest.

3. **Water controversy** – Recently, Nestle was accused of illegally pumping millions of liters of water in 6 nations where residents are deprived of drinking water.
4. **Social criticisms** –Nestle has become a target of media attention many times. The claim to privatize water, misleading labeling, and a lawsuit for chocolate making using child and slave labor are some of the examples that have to weaken its market reputation.
5. **Maggi Noodles controversy** – In 2017, Nestle failed to clear a laboratory test in India. This created a publicity hype as people boycotted Nestle, leading to the loss of **80%** of market share in the country. Nestle claimed ‘No added MSG’ in the Noodles packets. However, 1000 times more lead was found in the product after testing.

### **Nestle’s Opportunities**

1. **Venturing small food start-ups** – Nestle has a fantastic opportunity to grow the number of small food start-ups under its popular brand name. Nestle can also collaborate with the new start-ups to promote its brand name.
2. **Online shopping** – Nestle has a remarkable opportunity to boost its e-commerce sites and online shopping platform. A very few CPGs are offering online services to make the shopping experience more comfortable and pleasant. Although Nestle has its online stores in a few countries, expanding its online services to more areas will prove a rewarding decision for the company.
3. **Market penetration for breakfast cereals** – Nestlé’s cereals and oats market have shown fast growth in recent years. Thus, penetrating this market more would be highly lucrative for the company.
4. **Expanding ready-to-drink tea and coffee market** – The demand for tea and coffee is continuously on the rise, rendering a profitable opportunity for Nestle to groom this market more.
5. **Partnerships** – Strategic alliances with other food and beverage giants are also a great opportunity for the company to increase its revenues and profits.
6. **Authentic labeling** – Nestle has already been criticized for giving misleading nutritional information on its labels. So, there’s an opportunity to improve its practices by giving trustworthy information and accurately labeling its products.

## **Nestle's Threats**

1. **Illegal rainforest destruction controversy** – In 2017, Nestle was alleged of involvement in the destruction of Sumatra's last tract of rainforest. It faced severe criticisms from NGOs and environmentalists in this regard.
2. **Water scarcity** –Nestlé's production is highly dependent on water usage. Accessing the clean water through less costly sources has become difficult for the company due to many reasons. These include increasing population, climate change, growing demand for food and water, increasing pollution, water wastage, and overexploitation of resources.
3. **Rising competition** – Many CPG companies like Mondelez and Unilever offer similar food and beverage products. It is hard for Nestle to compete in such a situation where the **substitute products** are easily accessible.
4. **Government regulations and prices** – Government regulations can affect the business operations of Nestle. Additionally, the increasing prices of commodities force the company to increase the prices of its products. It will lead to sales reduction as consumers can switch to other brands which are available at low costs.

## **CHAPTER-5**

### **Analysis of financial statement**

#### **Balance Sheet - Nestle India Ltd. 1.2**

**Rs (in Crores)**

<b>Particulars</b>	<b>Dec'19</b>	<b>Dec'18</b>	<b>Dec'17</b>	<b>Dec'16</b>	<b>Dec'15</b>
	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>
<b>Liabilities</b>	<b>Months</b>	<b>Months</b>	<b>Months</b>	<b>Months</b>	<b>Months</b>
<b>Share Capital</b>	<b>96.42</b>	<b>96.42</b>	<b>96.42</b>	<b>96.42</b>	<b>96.42</b>
<b>Reserves &amp; Surplus</b>	<b>1835.84</b>	<b>3577.32</b>	<b>3324.17</b>	<b>2917.28</b>	<b>2721.42</b>
<b>Net Worth</b>	<b>1932.26</b>	<b>3673.74</b>	<b>3420.59</b>	<b>3013.70</b>	<b>2817.84</b>
<b>Secured Loan</b>	<b>53.14</b>	<b>35.14</b>	<b>35.14</b>	<b>.00</b>	<b>.90</b>
<b>Unsecured Loan</b>	<b>.00</b>	<b>.00</b>	<b>.00</b>	<b>33.15</b>	<b>16.83</b>
<b>TOTAL LIABILITIES</b>	<b>1985.40</b>	<b>3708.88</b>	<b>3455.73</b>	<b>3046.85</b>	<b>2835.57</b>
<b>Assets</b>					
<b>Gross Block</b>	<b>3609.19</b>	<b>3485.42</b>	<b>3358.43</b>	<b>5201.10</b>	<b>5058.48</b>
<b>(-) Acc. Depreciation</b>	<b>1382.48</b>	<b>1084.80</b>	<b>742.25</b>	<b>2471.64</b>	<b>2160.63</b>
<b>Net Block</b>	<b>2226.71</b>	<b>2400.62</b>	<b>2616.18</b>	<b>2729.46</b>	<b>2897.85</b>
<b>Capital Work in Progress</b>	<b>143.30</b>	<b>105.20</b>	<b>94.16</b>	<b>188.17</b>	<b>230.79</b>

<b>Investments</b>	<b>1751.05</b>	<b>2658.49</b>	<b>1978.87</b>	<b>1749.35</b>	<b>1324.92</b>
<b>Inventories</b>	<b>1283.07</b>	<b>965.55</b>	<b>902.47</b>	<b>943.18</b>	<b>820.81</b>
<b>Sundry Debtors</b>	<b>124.33</b>	<b>124.59</b>	<b>88.97</b>	<b>97.93</b>	<b>78.42</b>
<b>Cash and Bank</b>	<b>1308.05</b>	<b>1610.06</b>	<b>1457.42</b>	<b>880.00</b>	<b>499.55</b>
<b>Loans and Advances</b>	<b>221.69</b>	<b>223.57</b>	<b>224.52</b>	<b>217.88</b>	<b>228.12</b>
<b>Total Current Assets</b>	<b>2937.14</b>	<b>2923.77</b>	<b>2673.38</b>	<b>2138.99</b>	<b>1626.90</b>
<b>Current Liabilities</b>	<b>2080.43</b>	<b>1757.02</b>	<b>1527.81</b>	<b>1466.21</b>	<b>1382.40</b>
<b>Provisions</b>	<b>2992.37</b>	<b>2622.18</b>	<b>2379.05</b>	<b>2292.91</b>	<b>1862.49</b>
<b>Total Current Liabilities</b>	<b>5072.80</b>	<b>4379.20</b>	<b>3906.86</b>	<b>3759.12</b>	<b>3244.89</b>
<b>NET CURRENT ASSETS</b>	<b>-2135.66</b>	<b>-1455.43</b>	<b>-1233.48</b>	<b>-1620.13</b>	<b>-1617.99</b>
<b>Misc. Expenses</b>	<b>.00</b>	<b>.00</b>	<b>.00</b>	<b>.00</b>	<b>.00</b>
<b>TOTAL ASSETS(A+B+C+D+E)</b>	<b>1985.40</b>	<b>3708.88</b>	<b>3455.73</b>	<b>3046.85</b>	<b>2835.57</b>

**Rs (in Crores)**

### Profit and loss statement of Nestle India 1.3

Parameters	DEC'18 (₹ Cr.)	DEC'17 (₹ Cr.)	DEC'16 (₹ Cr.)	DEC'15 (₹ Cr.)	DEC'14 (₹ Cr.)
Gross Sales	11,292.27	10,192.18	9,474.57	8,482.48	10,178.07
Less :Inter divisional transfers	0.00	0.00	0.00	0.00	0.00
Less: Sales Returns	0.00	0.00	0.00	0.00	0.00
Less: Excise	0.00	182.58	333.23	307.17	323.23
Net Sales	11,292.27	10,009.60	9,141.34	8,175.31	9,854.84
<b>EXPENDITURE:</b>					
Increase/Decrease in Stock	-6.01	-79.56	-7.66	11.97	-67.43
Raw Materials Consumed	3,829.22	3,696.99	3,227.26	2,908.60	3,833.24
Power & Fuel Cost	344.18	288.44	232.79	221.99	384.33
Employee Cost	1,124.15	1,017.45	901.57	912.75	837.05
Other Manufacturing Expenses	971.28	919.87	871.99	754.95	990.74
General and Administration Expenses	854.82	807.33	782.60	683.30	744.77
Selling and Distribution Expenses	1,285.22	1,010.74	963.23	912.20	924.92

<b>Miscellaneous Expenses</b>	<b>272.79</b>	<b>251.81</b>	<b>319.72</b>	<b>186.40</b>	<b>167.31</b>
<b>Expenses Capitalised</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Expenditure</b>	<b>8,675.65</b>	<b>7,913.07</b>	<b>7,291.50</b>	<b>6,592.16</b>	<b>7,814.93</b>
<b>PBIDT (Excl OI)</b>	<b>2,616.62</b>	<b>2,096.53</b>	<b>1,849.84</b>	<b>1,583.15</b>	<b>2,039.91</b>
<b>Other Income</b>	<b>259.95</b>	<b>176.92</b>	<b>150.90</b>	<b>110.09</b>	<b>87.32</b>
<b>Operating Profit</b>	<b>2,876.57</b>	<b>2,273.45</b>	<b>2,000.74</b>	<b>1,693.24</b>	<b>2,127.23</b>
<b>Interest</b>	<b>111.95</b>	<b>91.90</b>	<b>90.91</b>	<b>3.29</b>	<b>14.23</b>
<b>PBDT</b>	<b>2,764.62</b>	<b>2,181.55</b>	<b>1,909.83</b>	<b>1,689.95</b>	<b>2,113.00</b>
<b>Depreciation</b>	<b>335.67</b>	<b>342.25</b>	<b>353.67</b>	<b>375.48</b>	<b>345.65</b>
<b>Profit Before Taxation &amp; Exceptional Items</b>	<b>2,428.95</b>	<b>1,839.30</b>	<b>1,556.16</b>	<b>1,314.47</b>	<b>1,767.35</b>
<b>Exceptional Income / Expenses</b>	<b>0.00</b>	<b>0.00</b>	<b>-10.78</b>	<b>-500.84</b>	<b>7.00</b>
<b>Profit Before Tax</b>	<b>2,428.95</b>	<b>1,839.30</b>	<b>1,545.38</b>	<b>813.63</b>	<b>1,774.35</b>
<b>Provision for Tax</b>	<b>822.02</b>	<b>614.11</b>	<b>544.02</b>	<b>250.36</b>	<b>589.66</b>
<b>PAT</b>	<b>1,606.93</b>	<b>1,225.19</b>	<b>1,001.36</b>	<b>563.27</b>	<b>1,184.69</b>
<b>Extraordinary Items</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Adj to Profit After Tax</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

<b>Profit Balance B/F</b>	<b>2,505.45</b>	<b>2,368.93</b>	<b>2,101.60</b>	<b>1,882.52</b>	<b>1,532.88</b>
<b>Appropriations</b>	<b>4,112.38</b>	<b>3,594.12</b>	<b>3,102.96</b>	<b>2,445.79</b>	<b>2,717.57</b>
<b>Equity Dividend (%)</b>	<b>1,150.00</b>	<b>860.00</b>	<b>630.00</b>	<b>485.00</b>	<b>630.00</b>
<b>Earnings Per Share (in ₹)</b>	<b>166.66</b>	<b>127.07</b>	<b>103.85</b>	<b>58.42</b>	<b>122.87</b>
<b>Book Value (in ₹)</b>	<b>381.01</b>	<b>354.76</b>	<b>340.42</b>	<b>292.25</b>	<b>294.26</b>

#### **Cash flow statement of Nestle India 1.4**

<b>Parameters</b>	<b>DEC'18 (₹ Cr.)</b>	<b>DEC'17 (₹ Cr.)</b>	<b>DEC'16 (₹ Cr.)</b>	<b>DEC'15 (₹ Cr.)</b>	<b>DEC'14 (₹ Cr.)</b>
<b>Net Profit Before Taxes</b>	<b>2,428.95</b>	<b>1,839.30</b>	<b>1,545.38</b>	<b>813.63</b>	<b>1,774.35</b>
<b>Adjustments for Expenses &amp; Provisions</b>	<b>92.01</b>	<b>207.61</b>	<b>219.39</b>	<b>295.01</b>	<b>276.98</b>
<b>Adjustments for Liabilities &amp; Assets</b>	<b>412.80</b>	<b>374.95</b>	<b>204.04</b>	<b>331.64</b>	<b>152.89</b>
<b>Cash Flow from operating activities</b>	<b>2,052.45</b>	<b>1,817.79</b>	<b>1,465.91</b>	<b>1,098.10</b>	<b>1,644.02</b>
<b>Cash Flow from investing activities</b>	<b>-52.41</b>	<b>-130.56</b>	<b>-125.90</b>	<b>-70.48</b>	<b>-431.70</b>
<b>Cash Flow from financing activities</b>	<b>-1,317.42</b>	<b>-996.62</b>	<b>-665.61</b>	<b>-498.32</b>	<b>-1,635.28</b>
<b>Effect of exchange fluctuation on translation reserve</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>682.62</b>	<b>690.61</b>	<b>674.40</b>	<b>529.30</b>	<b>-422.96</b>
<b>Opening Cash &amp; Cash Equivalents</b>	<b>2,841.28</b>	<b>2,150.67</b>	<b>1,476.27</b>	<b>943.11</b>	<b>1,366.07</b>
<b>Cash &amp; Cash Equivalent on Amalgamation / Take over / Merger</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Cash &amp; Cash Equivalent of Subsidiaries under liquidations</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Translation adjustment on reserves / op cash balalces frgn subsidiaries</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Effect of Foreign Exchange Fluctuations</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Closing Cash &amp; Cash Equivalent</b>	<b>3,523.90</b>	<b>2,841.28</b>	<b>2,150.67</b>	<b>1,472.41</b>	<b>943.11</b>



## **CHAPTER-6**

### **Learning experience**

In this report I take a brief look at some of the changes that have occurred at Nestle over the years and the current change due to GLOBE system and the need for it. The structures of the organizational changes that occur at Nestle are discussed in detail.

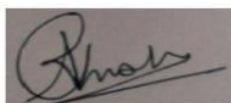
- Learned about their strength and weakness in the industry.
- Their marketing strategies in promoting their products.
- Company's involvement in other fields.
- Learned about their organizational structure.
- Learned about their innovation in the food products.
- Learned about the origin of the company.
- Got to know about their future growth in the food industry.
- Learned about their quality assurance.

## **Bibliography**

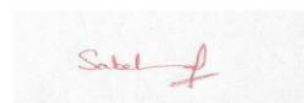
- **economicstimes.indiatimes.com**
- **Nestle – Wikipedia**
- **[www.moneycontrol.com](http://www.moneycontrol.com)**
- **www.capitalmarket.com**

## WEEKLY PROGRESS REPORT

Student Name	ABHISHEK A
USN	1CR19MBA02
Title of the Study	An organization study on NESTLE INDIA
Organization	NESTLE INDIA
<b>WEEK-1</b>	
<b>WEEK-1</b>	<b>6.8.2020 - 12.8.2020</b>
Chapter s covered	Chapter 1 and Chapter 2
Descriptions of activities performed during the week	Introduction to organization, Industry profile and company profile
<b>WEEK-2</b>	
Duration (start date - End date)	<b>13.8.2020 - 18.8.2020</b>
Chapter s covered	Chapter 3
Descriptions of activities performed during the week	McKensy's 7S framework, Porter's Five Force Model.
<b>WEEK-3</b>	
Duration (start date - End date)	<b>19.8.2020 - 26.8.2020</b>
Chapter s covered	Chapter 4 and Chapter 5
Descriptions of activities performed during the week	SWOT Analysis and analysis of financial statements
<b>WEEK-4</b>	
Duration (start date - End date)	<b>27.8.2020 - 30.8.2020</b>
Chapter s covered	Chapter 6
Descriptions of activities performed during the week	Learning experience and Bibliography



**Signature of the Student**



**Signature of the Guide**

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