**SOCIAL** **FACTORS**

The PESTEL / PEST Analysis of Nestle will cover all macro environment factors that impact Beverages (Non-alcoholic) - political factors, economic factors, social factors, technological factors, environmental factors and legal factors. Nestle (NSRGF) is listed on OTC Markets stock exchange.

ESTEL Analysis is a strategic management tool that Nestle leadership can use to make better decisions. PESTEL stands for – Political, Social, Economic, Technological, Environmental and Legal factors that impact the macro environment of the enterprise that it operates in.

Nestle operates in a dynamic environment where it is influenced by – government decisions, technological changes, consumer spending behavior, increasing regulatory framework for environmental factors, increasing environmental activism among consumers, collective social trends, regulatory framework, and ever evolving legal system.

**Political Factors that Impact Nestle**

**United States**

* Importance of local governments in United States – Unlike in most other countries, local governments play critical role in policy making and regulations in United States. Nestle has to closely follow the states and territories it has presence in rather than devising nation-wide policies in United States.
* Regulatory Practices – Nestle has to manage diverse regulations in the various markets it is present in. Over the last few years United States and other emerging economies have changed regulations regarding not only market entry but also how companies in Beverages (Non-alcoholic) can operate in the local market.
* Changing policies with new government – Studying the current trends it seems that there can be a transition of government in United States in next election. Nestle has to prepare for this eventuality as it will lead to change in governance priorities of Consumer/Non-Cyclical sector.
* Government resource allocation and time scale – The United States new government policies can improve the investment sentiment in the Consumer/Non-Cyclical sector. Given the wider acceptance of the suggested policies among population, it is safe to assume that the time scale of these policies will be longer the mandated term of the present United States government.
* Government of United States has come under increasing global pressures to adhere to World Trade Organization’s regulations on Beverages (Non-alcoholic) industry.
* Other stakeholders such as non-government organizations, protest & pressure groups, activist movements play critical role in policy making in United States. Nestle should closely collaborate with these organizations so that it can contribute better to the community goals as well as with corporate goals.

**China**

* Nationalistic rhetoric: Growing emphasis on "Made in China" can put pressure on foreign brands like Nestle.
* Regulatory landscape: Frequent policy changes & stricter food safety laws increase compliance costs & operational disruption.
* Intellectual property challenges: Protecting innovations and brands amidst potential IP infringement raises risks.
* Shifting trade alliances: Fluctuations in China's international relations impact import-export costs and market access.
* Data privacy concerns: Evolving regulations on data collection and usage create compliance hurdles for digital campaigns.

**Social Factors that Impact Nestle**

**United States**

* Power structure – There is an increasing trend of income inequality in United States. This has altered the power structure that has been persistent in the society for over last 6-7 decades.
* Attitude towards health and safety – With increasing liberalization the attitude towards health and safety are getting lax. Nestle needs to stay away from these attitudes as the cost of failure is too high in United States.
* Education level – The education level is high in United States especially in the Nestle sector. Nestle can leverage it to expand its presence in United States.
* Gender roles – The gender roles are evolving in United States. Nestle can test various concepts to cater to and support these evolving gender roles in United States society.
* Media outlets play a critical role in influencing the public opinion United States. Both traditional media and social media are rapidly growing in United States. Nestle can leverage this trend to better market and position its products.
* Leisure interests – the customers in the United States are giving higher preferences to experiential products rather than traditional value proposition in Consumer/Non-Cyclical sector. Nestle can leverage this trend to build products that provide enhanced customer experience.

**China**

* Shifting Consumer Preferences: Chinese consumers are increasingly health-conscious and demanding natural, organic, and locally-sourced products. Nestlé's traditional reliance on processed foods and sugary beverages faces challenges in this evolving market.
* Evolving Online Landscape: E-commerce and social media platforms like WeChat play a crucial role in influencing consumer choices. Nestlé needs to adapt its marketing strategies to resonate with online audiences and build brand loyalty through digital engagement.
* Nationalistic Sentiments: Growing national pride can sometimes lead to preference for domestic brands over foreign ones. Nestlé needs to emphasize its commitment to local communities and responsible sourcing to gain trust and acceptance.
* Food Safety Concerns: Food safety scandals have tainted consumer trust in certain product categories. Nestlé needs to prioritize transparency and rigorous quality control measures to ensure consumer confidence in its products.
* Aging Population: China's rapidly aging population presents both challenges and opportunities. Nestlé needs to cater to the specific needs of senior consumers, offering products and services that support their health and well-being.

**Technological Factors that Impact Nestle**

**United States**

* Lowering cost of production – The latest technology is fast lowering production and servicing cost in the Consumer/Non-Cyclical sector. Nestle has to restructure its supply chain to bring in more flexibility to meet both customer needs and cost structures.
* Maturity of technology – The technology in the Beverages (Non-alcoholic) sector is still not reached maturity and most players are vying for new innovations that can enable them to garner higher market share in United States.
* Developments and dissemination of mobile technology has transformed customer expectations in the Consumer/Non-Cyclical sector. Nestle has to not only meet and manage these expectations but also have to innovate to stay ahead of the competition.
* Intellectual property rights and patents protection – If United States have higher safeguards for IPR and other intellectual property rights then more and more players are likely to invest into research and development.
* Technological innovation is fast disrupting the supply chain as it is providing greater access to information to not only supply chain partners but also to wider players in the Consumer/Non-Cyclical industry.
* Technology transfer and licensing issues for Nestle – In the Consumer/Non-Cyclical sector there is no strong culture of technology transfer and companies often are reluctant to transfer or license technologies for the fear of creating competitors out of collaborators.

**China**

* E-commerce Boom: China boasts the world's largest online retail market, offering new distribution channels and requiring agile supply chain management to meet fast-paced demand and adapt to evolving online shopping habits.
* Food Tech Disruption: Innovative food tech start-ups are challenging traditional food giants like Nestlé with alternative proteins, personalized nutrition, and convenient meal delivery services. Nestlé needs to invest in R&D and embrace tech partnerships to stay relevant.
* Big Data & AI: Leveraging consumer data through AI analytics can help Nestlé personalize marketing, optimize product offerings, and understand evolving consumer preferences, leading to targeted product development and efficient resource allocation.
* Live Streaming & Influencer Marketing: Social media live streaming and influencer endorsements hold immense power in influencing Chinese consumer purchases. Nestlé needs to navigate this space effectively to reach targeted audiences and create viral campaigns.
* Counterfeit Concerns: Technological advancements can also facilitate food counterfeiting. Nestlé needs to invest in innovative anti-counterfeiting technologies like blockchain and track-and-trace systems to protect its brand and ensure product authenticity.

**Environmental Factors that Impact Nestle**

**United States**

* Regular scrutiny by environmental agencies is also adding to the cost of operations of the Nestle.
* Waste management especially for units close to the urban cities has taken increasing importance for players such as Nestle. United States government has come up with strict norms for waste management in the urban areas.
* Recycling is fast emerging as a norm rather than a good thing to do in United States economy. Nestle has to make plans to adhere to regulations and expectations in the Consumer/Non-Cyclical sector.
* Extreme weather is also adding to the cost of operations of the Nestle as it has to invest in making its supply chain more flexible.
* Renewable technology is also another interesting area for Nestle. It can leverage the trends in this sector. United States is providing subsidies to invest in the renewable sector.
* Paris Climate Agreement has put real targets for the national government of United States to adhere to. This can result in greater scrutiny of environmental standards for Nestle in United States.

**China**

* E-commerce Boom: The rapid growth of online grocery and food delivery platforms in China disrupts traditional distribution channels. Nestlé needs to invest in e-commerce partnerships and adapt its supply chain for efficient online fulfilment.
* Mobile Payments and Digital Marketing: The dominance of mobile payment platforms like Alipay and WeChat Pay demands targeted digital marketing strategies. Nestlé needs to leverage Big Data analytics and personalized advertising to reach and engage consumers on their mobile devices.
* Counterfeiting and Food Fraud Concerns: Advanced digital technologies can be used to verify product authenticity and track food provenance. Nestlé needs to embrace blockchain technology and other solutions to build trust and transparency in its supply chain.
* Food Tech and Innovation: Emerging technologies like plant-based meat alternatives and personalized nutrition apps threaten established food brands. Nestlé needs to invest in research and development to remain at the forefront of food tech and offer innovative products catering to evolving consumer preferences.
* Automation and Robotics: Automation in manufacturing and logistics can improve efficiency and cost-effectiveness. Nestlé needs to explore opportunities for automation to optimize its operations in China and remain competitive

**Legal Factors that Impact Nestle**

**United States**

* + Health and safety norms in the United States and what Nestle needs to do to meet those norms and what will be the cost of meeting those norms.
  + Environment Laws and guides – The level of environmental laws in the United States and what Nestle needs to do to meet those laws and regulations.
  + Time take for business cases in court – some countries even though follow international norms but the time for resolution often run in years. Nestle has to carefully consider average time of specific cases before entering an international market.
  + Data protection laws – Over the last decade data protection has emerged as critical part of not only privacy issues but also intellectual property rights. Nestle has to consider whether United States have a robust mechanism to protect against data breaches or not.
  + Employment law in the United States and how they are impacting the business model of the Beverages (Non-alcoholic). Can these conditions be replicated or bettered in international market?
  + Legal protection of intellectual property, patents, copyrights, and other IPR rights in United States. How Nestle will be impacted if there are not enough protection.

**China**

* Evolving Food Safety Regulations: China has implemented increasingly stringent food safety regulations, with frequent updates and stricter enforcement. Nestlé must ensure constant compliance with these regulations to avoid fines, product recalls, and reputational damage.
* Intellectual Property Protection: While China has improved IP protection, challenges remain in areas like trade secrets and online piracy. Nestlé needs a robust IP strategy to protect its trademarks, patents, and innovations within the Chinese market.
* Foreign Investment Restrictions: Certain sectors within China have limitations on foreign ownership. Nestlé needs to carefully navigate these restrictions and adapt its investment strategies accordingly to ensure access to desired market segments.
* Anti-Monopoly Laws: China's anti-monopoly laws are becoming increasingly enforced, impacting areas like pricing, distribution, and mergers. Nestlé needs to ensure its business practices comply with these regulations to avoid potential antitrust investigations.
* Data Privacy Laws: China's Personal Information Protection Law and other data privacy regulations impose strict requirements on how companies collect, store, and use consumer data. Nestlé needs to adapt its data practices and ensure user consent to comply with these regulations.