

# Analysis of Marketing Strategy and Quality Policy of Nestlé

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## Abstract:

Nestlé has more than 2000 brands ranging from global icons to local favorites, and we are present in 196 countries around the world. Nestlé's purpose is enhancing the quality of life and contributing to a healthier future. The first product line of Nestlé was introduced in the market in the 1860s when the infant mortality rate in Switzerland was remarkably high. Spearheaded by pharmacist Henri Nestle, the company successfully established a well-respected name in global markets by creating a distinct product brand. Nestlé has also acquired a high level of financial stability by focusing on long-term growth and prioritizing shareholder value. In the food industry, Nestlé is the leading multinational company. It offers healthier and tastier choices throughout all stages of a consumer's life and at any time of the day. This paper explores the products, quality policy, and marketing strategy of Nestlé which made it's a most trusted name with high-quality products.

**Keywords —Consumers, marketing strategy, quality, policy and products.**

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## 1. INTRODUCTION

Today consumers are looking for products aligned with a healthy lifestyle while maintaining taste and pleasure. Nutraceutical food industry is growing as health awareness rises, especially on the dairy sector. Therefore, it is crucial for Nestlé to position itself in the fastest growing segment in the market, to be more aligned with its corporate mission and increase its market share(NUNES, 2009). Nestlé is the world's largest health, nutrition and wellness company (measured by revenues). Its Headquartered is in Vevey, Switzerland. In the food industry Nestlé is the most trusted name with high quality products. Nestlé produces a diversified portfolio of product categories ranging from baby foods, bottled water, chocolate, coffee, dairy to

healthcare and sports nutrition. From the start of Nestlé, nutrition has been at the core of its business (Mohajan, 2015).

Nestlé is more people, product and brand oriented than system oriented. Nestlé favors long-term successful business development and even to greater extent, customer life-time value. At the same time Nestlé does not lose sight of the necessity to improve in terms of quality, price and distribution. However, Nestlé remain conscious of satisfying the wants needs and demands of its consumers. Nestlé seeks to earn consumer's confidence, loyalty and preference and anticipate their demands through innovation and renovations. Therefore, Nestlé is driven by an acute sense of performance adhering to quality and customer satisfaction. Nestlé is

as decentralized as possible within its marketing strategic definitions requiring increasing flexibility. Nestlé is always committed to the concept of continuous improvement of its activities and customer satisfaction through market segmentation, positioning and target marketing (Jannat, 2015).

From the start, nutrition has been at the core of our business. However, today we place far greater emphasis on it – and on health and wellness and Corporate Wellness Unit and the individual business units are driving forces in bringing Good Food, Good Life to all our consumers. Nutrition is the area of greatest intersection between Nestlé's business and society, where we can help tackle the global public health issues of over- and undernutrition. It is important that consumers have tasty, convenient options containing the nutrients they need, so that they can maintain a healthy diet (Nestlé, 2017).

## **2. HISTORY**

The Nestlé Company's humble roots can be traced back to the first European condensed milk factory that was opened in Cham, Switzerland in 1866, Anglo-Swiss Condensed Milk Company. The very next year, Henri Nestlé launched his company and focused on creating an early form of infant formula. In 1905, the Anglo-Swiss Condensed Milk Company merged with Nestlé. By 1918, thanks to increased dairy demand from government, Nestlé had 40 factories worldwide. In the 1920s, despite economic downturn, Nestlé acquired Peter, Cailler, Kohler Swiss Chocolate Company, creating the chocolate and confectionary side of Nestlé's business.

In 1938, Nescafé coffee was launched and followed by Nestea in the 1940s. It was American soldiers that really helped make Nescafé coffee a beverage mainstay. The end of World War II ushered in many of Nestlé's new product lines, including Nesquik and the Maggi

products. In the late 1970s, due to a large infant formula scandal and international boycott, Nestlé began a consultation with the World Health Organization and UNICEF. The boycott ended in 1984. In 1984, Nestlé acquired the American food giant, Carnation. Through the remainder of the 1980s, Nestlé had increased profits and acquired many more of its now popular brands such as Nespresso and Buitoni. Nestlé continued its expansion and acquisitions in the 2000s with the purchase of Purina and creation of Nestlé Purina Pet Care Company (Stevens, Katz, & Harrison, 2012).

From 2005 forward, Nestlé began working to alter Nestlé's strategic purpose toward that of Creating Shared Value, an initiative that examines the societal value contributed through the firm's operations. Since 2009, Nestlé has hosted the annual Creating Shared Value Forum. In May 2010, Nestlé launched the Nestlé Cocoa Plan to aid in responsible farming, sourcing, consumption, and rejuvenating of the cocoa and coffee supply chains. In that same year, Nestlé created Nestlé Health Science and the Nestlé Institute of Health Sciences to help aid in the treatment of chronic medical conditions. Nestlé spent the majority of 2011 expanding its operations into China (Nestlé, 2017).

## **3. Nestlé's RECENT HISTORY**

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 "Nestlé 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 U.S. 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. In September 2018, Nestlé announced to sell Gerber Life Insurance for \$1.55 billion (<https://en.wikipedia.org/wiki/Nestlé>).

### 3.1 SOME KEY FACTS ABOUT Nestlé

- Nestlé S.A. operates in the industry of Food and Beverage, it provides safe and quality nutrition since 1866, when it was founded by Henri Nestlé. It is headquartered in Vevey, Switzerland (Nestlé, 2017).
- According to Forbes it is ranked 1<sup>st</sup> in the food industry, as measured by a mix score of revenue, profit, assets and market value (2017). Nestlé has 323,000 employees, 413 factories in 85 countries and sells more than 2,000 brands in 189 nations. In 2017, the firm reported sales of CHF 89.8 billion (Nestlé Annual Review, 2017).
- Nestlé's business is managed by geographies, Zone AMS (Americas), Zone AOA (Asia, Oceania and Sub-Saharan Africa) and Zone EMENA (Europe, Middle East and North Africa), except for the globally managed businesses, which include Nestlé Waters, Nestlé Nutrition, Nespresso, Nestlé Health Science and Nestlé Skin Health (Nestlé, n.d.).
- The structure can be defined as regional and functional, because it is divided in regions and departments (Markovic, n.d.).

- Nestlé sells 2000 different brands over 7 food and beverage categories. The company's main products are: powdered and liquid beverages; milk products, ice cream; confectionary and pet care products (Nestlé Annual Review, 2017).
- Main competitors are: ConAgra Foods, Unilever, Hansen Natural Corporation, Kraft Foods Group, Mondelēz International, Monster Beverage Corporation, National Beverage Corp., Snyder's-Lance, and many other beverage, food and snack companies.

## 4. Nestlé's MARKETING STRATEGY

### 4.1 Market Segmentation of Nestlé

The four basic market segmentation-strategies of Nestlé are based on following ways:

1. Geographic
2. Demographic
3. Behavioral
4. Psychographic

#### *Geographic*

Nestlé sales vary if we compare regions. The company actually knows that consumption patterns change during different seasons and regions, what forces the company to offer and distribute slightly different products according to the geographical place of the selling point. Thus, we can talk about geography as criteria for market segmentation.

**Nature:** For example, Nestlé Singapore segmented its market for Nescafé Ice depends on the geographic weather (warm hot and cold).

**Nescafé Ice:** A coffee which may be consumed with ice. During warm season consumers making

this coffee with normal, chilled or cold water mixing ice cube to bring freshness in their body.

### **Demographic**

The most important customer groups regarding age as a basis for market segmentation are: children and old people. In fact, Nestlé was initially targeted only at these two groups. For the former, it introduces Milo with additional nutritional contents such as vitamins and minerals. For older people, it is important to consider clinical nutrition. However, now they nearly cover all age ranges (Gómez & Castro, n.d.).

Nestlé segmented market area for its main products based on the generation. For the products Cerelac, Lactogen, Koko Krunch, Nido, Nestlé divided the market area segment for new born baby and children of different ages.

**Nido:** It is nutritious milk specially makes for children 2 years onwards. It includes 25 minerals and vitamin D which helps child's growth.

**Cerelac:** Nestle also provide cerelac for new aged baby. It contains milk and rice mixture for less than one year's baby. It fulfills baby's proper nutrition in foods.

**Nesquick, Koko Krunch:** Above are chocolate milk for babies. Nesquick and Koko krunch contain child's required growth. It's very sweet and delicious and also includes vitamin protein, mineral.

**Lactogen:** Nestle Singapore brings full cream milk powder in the country. It gives baby required nutrition. Lactogen one is for child whose age not more than 6 months and lactogen 3 is for babies whose age is below 1 year.

### **Behavioral**

Based on benefits Nestle segmented their market in an efficient way. So they make available Cerelac for those customers who want more profit from the product. Cerelac includes a high nutrition for baby's whose age is less than 1 year. Two very important things rice and milk remain added in cerelac. On the other part, cerelac includes vitamin, more mineral and all major useful nutritious elements for babies.

### **Psychographic**

Life style and personality: Nestle provides KITKAT these people who really want to enjoy chocolate. Nescafe 3 in 1 is for exclusively those customers who are really busy and do not have enough time. They can save their time by taking Nescafe 3 in 1. All the things sugar, milk, and coffee remain mixed.

## **5. Nestlé's 7p's of MARKETING**

A final consideration for Nestlé is an identification of the 7p's of marketing and in particular an understanding of what their product offers to the market. The 7p's of marketing is an important marketing tool outlining a focus on a clear understanding of each factor (Varma, n.d.):

**Product:** Baby formula, nutrients to enable a progression from breast milk to formula or formula for those mothers choosing not to breastfeed.

**Price:** Price relatively low to competitors. It is important to balance the need here between low cost and the influence this has on trust.

**Place:** Supermarkets, place of convincing.

**Promotion:** Relationship marketing principles used to engage the consumer. Nestlé will interact with consumers during a shopping mall road show to showcase their product offerings and the value of their products.

**People:** Employees within the firm used to support the growth strategy of particular products. Company objectives and marketing objective translates into performance goals for teams within the firm.

**Process:** Customer service is important and a key determinant of trust. As a result of this, emphasis should be placed on the role of employees in educating the consumer and therefore translating the core elements of the brand.

**Physical evidence:** Physical evidence in the form of packaging and promotional tools will be used to support the development of the growth strategy employed.

## **6. PRODUCT LINE**

Most people know Nestlé through its brands. Nestlé's portfolio covers almost every food and beverage category, providing consumers loads of products and services. These are enclosed in several brands that Nestlé uses to commercialize its products. Considering its product lines, Nestlé offers the following products by means of these brands(Gómez & Castro, n.d.; Nestlé, n.d.):

**Baby foods:**Nestlé believes that infant nutrition is more than just baby food and infant formula. It is about caring for your child through the development of milestones to have a healthy start for a healthy future.

**Bottled water:**Nestlé is committed to the healthy hydration of its consumers by providing a wide range of portable, convenient, and affordable hydration options, alternatives to sugary and calorie-heavy drinks and choices with nutritional benefits, such as calcium and/or magnesium naturally present in natural mineral waters.

**Cereals:**Nestlé breakfast cereals make it easier to have a nutritious start to the day. These cereals are made with whole grain., which are an important part of a balanced diet. Furthermore,

these breakfast cereals are low in fat and many are a source of fiber, what demonstrates Nestlé's commitment to population's wellbeing.

**Chocolate and confectionery:**Nestlé's chocolate is known for great taste and are also full of goodness, contributing to wellbeing. With a broad range to choose from, they can be enjoyed by almost everyone as a part of a well-balanced diet and active lifestyle.

**Coffee:**Nestlé offers carefully selected Arabica and Robusta coffee beans to deliver a good tasty coffee.

**Culinary, chilled and frozen food:** Nestlé believes in making food tastier, more balanced and easier to prepare, and thus be able to contribute to improved eating habits and an enjoyable, healthy lifestyle.

**Dairy:**Nestlé takes into account the fact that dairy products are considered to be a foundation of health for many cultures. It exploits the best of its science and product expertise to provide consumers both nutritionally and enriched milk products and delicious dairy treats.

**Drinks:** With a diverse portfolio of beverages, Nestlé offers many sources of nourishment and refreshment. Whether it's for the healthy development of children, sports, a special treat or everyday refreshment – Nestlé products deliver taste and health.

**Food service:** Since Nestlé is highly committed to leading Nutrition, Health & Wellness company, Nestlé Professional is a world leader in value-added Nutrition, Health & Wellness solutions for the food service industry. Nestlé Professional is the Nestlé 'business to business' out-of-home expert, offering a diverse set of customers (restaurants, fast-food establishments, cafés, hospitals, schools and vending machine operators) tailored food and beverage solutions with a focus on taste and health.



**Healthcare nutrition:** The Nestlé healthcare nutrition range of products offers complete nutritional solutions for people with specific illnesses, disease states or ageing-related nutritional needs. These nutrition solutions are designed with the benefit of strong scientific research, in-depth understanding of consumers and healthcare providers. The main purpose is to offer high quality and great tasting products that provide clinically proven benefits to those with special nutritional needs.

**Ice cream:** Nestlé offers a wide range of products in this area, which are featured by its uniqueness, as well as the delights and pleasures to enhance everyday occasions and especial moments.

**Petcare:** Nestlé ensures to guarantee that the quality and taste of Purina pet foods is the finest available. It attempts to start with ingredients that meet government standards, and monitors each step of these products until they are delivered.

**Sports nutrition:** Nestlé is aware of the fact that most athletes need optimal nutrition and hydration, but even those who do not practice regular sports can benefit from balanced nutrition.

**Weight management:** In a society where the rise of obesity and the resulting metabolic disorders, such as diabetes and cardiovascular disease, is a major public health concern, Nestlé offers personalized programs to help individuals take a sensible approach to weight loss and weight management.

## **7. SUPPLIERS of Nestlé**

Nestlé has the policy to give opportunities to local producers to become one of their suppliers. This is so because the company is widely spread around the world and basically uses fresh raw materials such as milk, coffee and cocoa. Nearly 40% of Nestlé's raw materials expenditure goes

towards the procurement of three key commodities. It sources materials from more than 5 million farms, many of them farmers in poorer rural regions of the world.

Nestlé builds close links with local farmers, and they can also advise them continuously on quality and farming practices in order to maintain and enhance standards. The company procures processed meat and fish products, but they do not buy animals reared by contract farmers or procured in the open market and they do not raise or process animals as part of their operations. In total, 3.9 million people around the world benefit economically as a result of Nestlé's commercial operations.

## **8. Nestlé's NUTRITION COUNCIL**

The Nestlé Nutrition Council was founded in 1978. It is composed of 10 internationally renowned nutritional scientists with a spread of nationalities and specialties. It reviews current and developing nutritional issues, and provide the Company with relevant information and continuous advice related to its business, policies and strategy. Nestlé's Research & Development (R&D) to apply nutritional science and expertise to create products that combine great taste with nutritional benefits.

Nestlé's believe that their research can make better food so that more and more people live a better life. Through continuous innovation of new products and renovation of existing products, Nestlé is creating and enhancing hundreds of Nestlé products, especially in terms of their nutritional benefits. The Nestlé Group invests around USD 1.2 billion in R&D every year (Nestlé, 2017).

Around 3,500 people from over 50 countries work in Nestlé's worldwide network of 17 research, development and product testing centers. The Nestlé Research Center in Switzerland is our major think-tank. It's a

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constant source of new ideas and scientific knowledge that feeds the pipeline for all Nestlé products. It covers over 100 different professional areas-including nutritional science, the life sciences, raw materials, ingredients and production processes(Nestlé, 2017).

R&D also plays an important role in creating products that have a proven taste advantage plus a specific nutritional advantage over competitors' products. A global system of rigorous product testing includes a scientific nutritional assessment. Each product has a measurable nutritional value to prove its superiority in delivering nutritional benefits(Nestlé, 2017).

## 9. Nestlé's QUALITY POLICY

Nestlé involved in and dedicated to achieving high Quality standards for our products and services through the application of the Nestlé Management System (NMS) for Quality & SHE (Safety, Health & Environment). Fully aligned to ISO standards, NMS for Quality & SHE is implemented across our organization and verified by independent third party certification bodies(Quality Nestlé Policy, 2017).

**Figure 1:** Nestle Quality Marks



**Source:**(Quality Nestlé Policy, 2017).

To sustainably create value and to effectively and efficiently build trust, Nestlé following these quality policies(Quality Nestlé Policy, 2017):

1. Guarantees product safety and full compliance by respecting our policies, principles and standards with full transparency,
2. Ensures and enhances preference and consistency to delight individuals and families by valuing what they value and by offering products and services that always meet or exceed their expectations,
3. Strives for zero defects and no waste by constantly looking for opportunities to apply our continuous improvement approach to deliver competitive advantage, and
4. Engages everybody's commitment across our complete value chain and at all levels of our organization to build the Nestlé Quality mind-set.

## 10. CONCLUSION

Nestlé determines to improve the quality of consumer's lives through nutrition, health, and wellness. Nestlé Nutrition council develops science-based nutrition products and services that increase the quality of life for people with specific nutritional needs. Nestlé produces foods with different cultures, different geographies, different needs, tastes, flavors and habits that all consumers eat and drink. In the 150-year life of Nestlé, its fundamental approach to business has been the creation of long-term sustainable value for our consumers, customers, employees, shareholders, and society as a whole. Nestlé, a global company that has many known brands, have good potentials to create an enduring market in the 196 countries. Nestlé has a wide variety of suppliers and customers that are based on trust and long-term relationships.

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