

IT STRATEGY 2018

Nestlé

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EXECUTIVE SUMMARY

As we move into 2019, newer technologies are being leveraged across the globe. At a pace faster than ever, we are moving towards a future where lines between human and technology is imprecise. The Nestle Company recognizes this shift in momentum, and plans to ride this shift to success by doing its part. The company is determined to leverage these new technologies into the Nestle family & various brands in its umbrella, to increase overall resource efficiency and look like a company of modern times. The company plans to follow this IT Strategy for the coming years to help make Nestle synonymous to “Good Food, Good Life”.

The Strategy has four central goals that it wishes to achieve:

- Revitalize Nestlé’s Online Presence
- Customize and Personalize Nestle Experience for Consumers
- Reinforce a Socially Responsible Brand Persona of Nestle
- Contrive Robust and Dependable IT Department

Fulfilling these strategies will help Nestle to increase its revenue, maintain its hold on various sectors and last but not the least, increase consumer satisfaction.

These strategies should be reviewed after 2 years, their impact on the business should be measured and changes must be made in the document, according to new scenarios.

With successful implementation, Nestle hopes to reach pinnacles of success.

INTRODUCTION

Nestlé S.A. is a Swiss transnational food and beverage organization headquartered in Vevey, Switzerland. By revenue estimates, it is the leading nutrition, health and wellness company in the world and positioned #72 on the Fortune Global 500 in 2014. Nestlé's products include baby food, medical food, bottled water, breakfast cereals, coffee and tea, confectionery, dairy products, ice cream, frozen food, pet foods, and snacks. Annual sales of over US \$1.1 billion is brought in by twenty-nine of Nestlé's brands including Nespresso, Nescafé, Kit Kat, Smarties, Nesquik, Stouffer's, Vittel, and Maggi.

Nestlé operations in the U.S. are comprised of eight operating companies: Nestlé USA, Nestlé Waters North America, Nestlé Purina, Gerber, Nestlé Health Science, Nestlé Professional, Nestlé Skin Health, and Nespresso.

Nestlé is home to more than 300 U.S. locations in 36 states, including 79 manufacturing facilities. They employ 48,000 people in the United States.

PRODUCT PORTFOLIO



BUSINESS MISSION

“Nestlé is the world's leading nutrition, health and wellness company. Their mission of "Good Food, Good Life" is to provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories and eating occasions, from morning to night.”

BUSINESS VISION

“To be a leading, competitive, Nutrition, Health and Wellness Company delivering improved shareholder value by being a preferred corporate citizen, a preferred employer, a preferred supplier selling preferred products.”

BUSINESS STRATEGY

Nestlé aims to deliver sustainable, industry-leading financial performance and earn trust through enhancing quality of life, contributing to a healthier future.

Nestlé has built a prosperous business, dominating the food industry since almost 150 years, through understanding and anticipating consumer needs, and adapting to succeed in an ever-changing marketplace.

Taking advantage of their compelling strategy, Nestlé intends to deliver consistent value over the short and the long haul. At Nestlé, persistent innovation is part of anticipating trends and understanding consumers’ needs. This approach is at the core of their strategy.

Nestlé has the most advanced science and innovation network in the food and beverages industry. This empowers them to translate their knowledge into highly-relevant products and services for their consumers.



IT ASSESSMENT

Nestlé's current IT position includes a comprehensive approach to business process reengineering as well as digital branding. We shall look at the current IT status in detail.

GLOBE

The Global Business Excellence (GLOBE) initiative is the centrepiece of Technology implementation at Nestlé, having designed a SAP template that provides standard functionality covering all parts of the Nestlé business – Finance, Supply Chain, Factories, HR & Payroll, and Sales & Marketing.

They also have BPM networks using TIBCO Nimbus Control, for Basics of Manufacturing, Basics of Quality and Specifications, Materials Handling, Asset & Maintenance Management, and Business Excellence Reporting to track market progress for more than 860 project implementations. Using SAP ERP, Nestlé creates a platform for 'Best Practice Library' of relevant process steps, standards, and documentation readily available and accessible. This platform called "MyLine" helps with process stabilization, quicker deployment, increases transparency and generates collaboration between people at different geographies.

IS/IT Team

The Information System and Information Technology Team aims to deploy fit for purpose, secure and compliant technology, processes, data and systems, enabling new business models and consumer facing digital and analytical platforms collaborating with vendors like SAP, Microsoft, and partners like Facebook and Google.

Nestlé DAT

The DAT or Digital Acceleration Team is a small 12-member team, leveraging technology to build great brands, engaging and delighting customers. The team experiments with digital trends to stay relevant, vetting through potential advertising technology and training employees on digital side of the business. The team monitors current real-time data trends across Nestlé digital, from mobile apps to brand website, and measure metrics like trending posts, conversations and sentiment level.

Social Networking

Nestlé has huge presence across channels like Twitter, Facebook, Instagram and everything in between. Many of the company's brands have their own pages, where the company posts 1500 times a day. The company collaborates with social media giants like Facebook and Google to know what is trending, latest social technology, online advertising, etc. Additionally, Nestlé has a Private social network within the company for employee engagement where 200,000 employees can collaborate and share ideas and strategies, and are ranked to establish innovative and helpful ideas.

As strong as Nestlé's internal system is, their external digital presence is very forked and disoriented. There are multiple apps on the Google Play Store and Apple App Store with overlapping functions and many redundancies. Meanwhile, most of the competitors are catching up; some are doing even better at digital implementation, especially on social media.

Moreover, the company has to up the ante when it comes to advertising and conscientiously improving its corporate social responsibility initiative, some of which are as follows:



With that said, successful implementation of Information Technology could expedite improvements in brand persona.

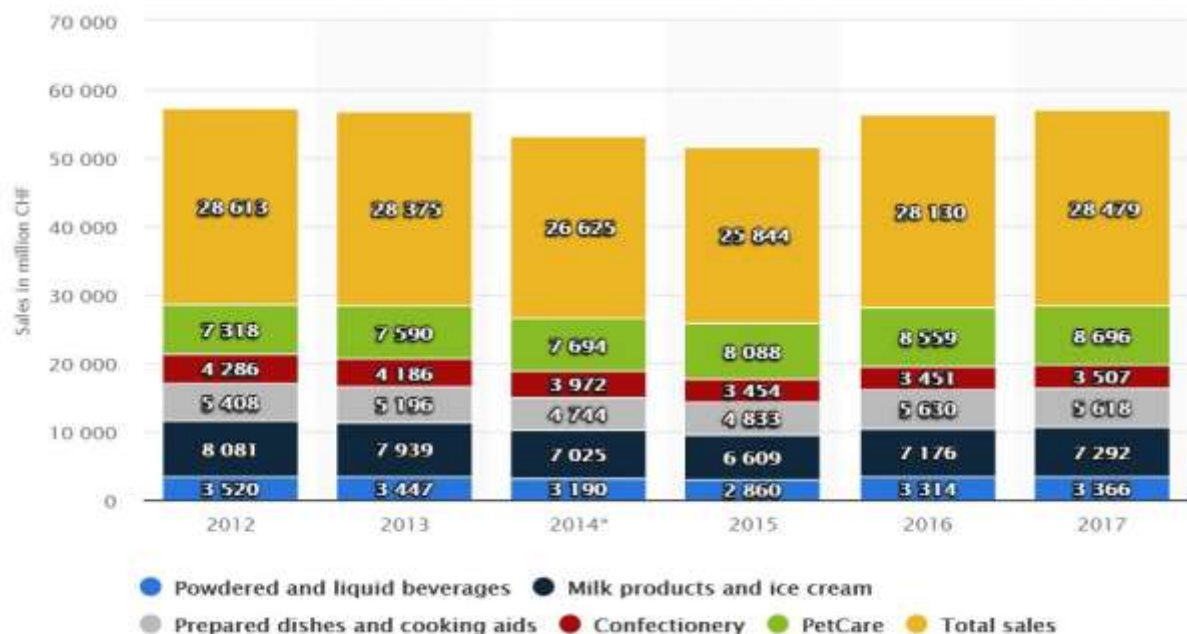
BUSINESS MODEL

Nestlé possesses a brand portfolio that touches every area of a consumer's day-to-day needs. Strong market positions worldwide give Nestlé's business a "high floor", and make Nestlé a safe long-term investment. Nestlé has traditionally focused on Inorganic growth. Due to its size and market reach, Nestlé is struggling to grow. Organic growth is hovering in the low single digits.

Nestlé is doing some brand reshuffling to get growth back up and emerging markets remain an opportunity for Nestlé. Nestlé is arguably a top 5 company in the world for a company with a durable business model that will still be around in 50+ years from now.

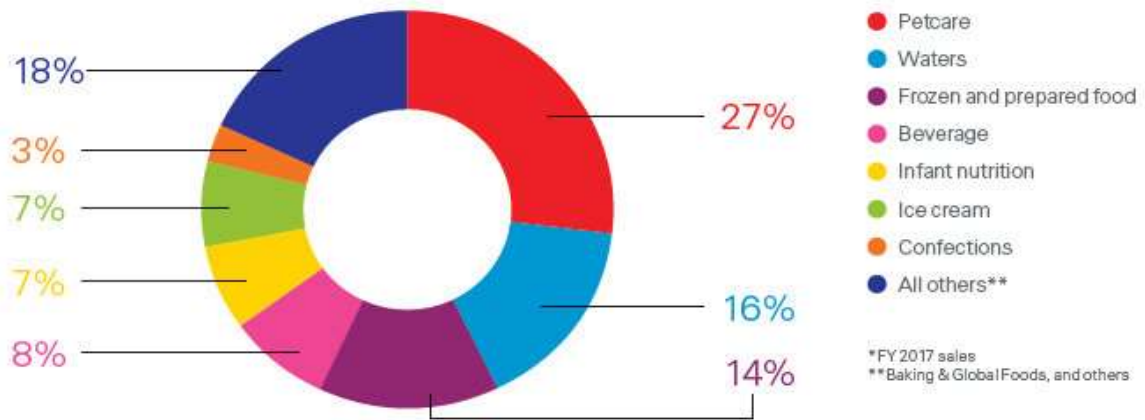
With their vast product portfolio ranging from beverages such as powdered and liquid beverages or water (Nestlé Waters), to baby and health foods (Nestlé Nutrition) and sweets and snacks (Nestlé confectionery sector), Nestlé S.A. was rated as the world's largest fast moving consumer goods company, in terms of revenue amounting to a staggering 90.8 billion U.S. dollars in 2017.

Below are some figures from their business in the AMS zone:

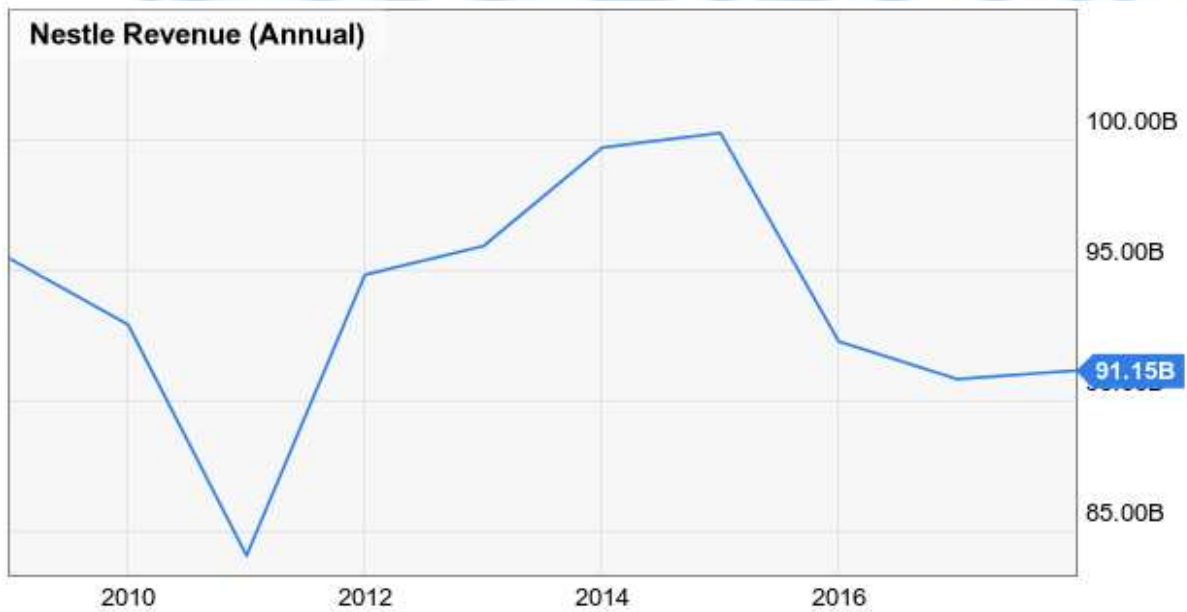


-Sales figures in Zone Americas from 2012 to 2017, by product categories (in million CHF)

\$ Nestle U.S. Sales by Product Category*



-Products sold as a percentage of total sales in each category for year 2017



-Nestle Annual Revenue (in Billion USD)

SWOT ANALYSIS

Strengths

- Large workforce
 - Nestle have engaged 340000 odd global workforce who are continuously working to make its products available in every nook & corner of the world.
- Readiness to invest in new IT Technologies
- Robust IT infrastructure
- Diversified Business
 - Nestle is a highly diversified company operating in many different markets and sectors of those markets.
- Unmatched research and development capability
- Ownership and/or well-established relationships with other recognizable and powerful brands in the world
- Constant innovation
 - The company has been continuously introducing new products on frequent basis, thus expanding its product offerings.
- Low cost
 - Low cost operator allow them to not only beat competition but also edge ahead in operating excellence, innovation, renovation, product availability and communication as major strengths.

Weakness

- Current digital presence is very distributed and stagnated
 - There are multiple mobile apps, with convoluted and overlapping functions. Many of these apps are redundant and important apps and websites are not maintained well.
- No self-owned digital content distribution method
 - Nestle relies on retailers or 3rd party distributors for reaching their customers. These include distribution houses and modern internet streaming platforms.
- Poor feedback response system
 - Less consumer research and issue handling system.
- Dependency on a few well-recognized brands.
 - This makes the company vulnerable to any sudden changes in consumer behaviour.
- Dependency on advertising.
 - The company is heavily dependent upon advertising to shape consumer opinion and drive traditional sales. This can lead to high marketing costs with a questionable return on investment.
- Controversies
 - Harmful food products affected the brand name of Nestle. Less effort to clear the name, which resulted in negative word of mouth.
- Brand structure

- It has many brands under the same umbrella group so managing such large number of individual brands can create conflict of interest.
- Mature markets:
 - Entering into markets that are already mature and can give a tough competition to new entrants.

Opportunities

- Clear and accurate labelling indicating of any harmful products
- Storage and usage of massive consumer data
 - New types of insights can be gained by various tools and technology to analyze this data
- Growth in online retail
 - It can open up new distribution channels that can bypass traditional retailers.
- Increased interest in health and nutrition
 - It can increase demand for Nestle products and also for personalization.
- Focusing more getting more information to handle ethical issues:
 - Issues will create hindrances in the future growth of the company. Better handling can help the company in many ways.
- Expansion for Global Hub

Threats

- The organization is huge, reduces pace.
 - It is very difficult something to bring organization wide changes.
- No information about water quality and its availability.
- Increased competition
 - With increasing competition, it is becoming very hard for the companies to differentiate themselves from others. There is also threat from counterfeit products destroying its brand image in the market.
- Rise of cost for raw materials
 - Increasing price of raw materials will result in further increase in the price of commodities. Further increase in price will result in decrease in sales, margins & brand switching.
- Pressure from large retailers
 - Cost cutting is a huge pressure from large retailers.
- Growing ineffectiveness of traditional advertising
 - New technologies such as streaming video supplant traditional broadcast and print media.
- A growing suspicion of pre-packaged foods
 - Pre-packaged foods are being termed as unnatural and unhealthy.
- Increased Government regulations

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Large workforce • Readiness to invest in new IT Technologies • Robust IT infrastructure • Diversified Business • Unmatched research and development capability • Ownership and/or well-established relationships with other recognizable and powerful brands in the world • Constant innovation • Low cost 	<ul style="list-style-type: none"> • Current digital presence is very distributed and stagnated • No self-owned digital content distribution method • Poor feedback response system • Dependency on a few well-recognized brands. • Dependency on advertising. • Controversies • Brand structure • Mature markets
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Clear and accurate labelling indicating of any harmful products • Storage and usage of massive consumer data • Growth in online retail • Increased interest in health and nutrition • Focusing more getting more information to handle ethical issues • Expansion for Global Hub 	<ul style="list-style-type: none"> • The organization is huge, reduces pace. • No information about water quality and its availability. • Increased competition • Rise of cost for raw materials • Pressure from large retailers • Growing ineffectiveness of traditional advertising • A growing suspicion of prepackaged foods • Increased Government regulations


 The Nestlé logo is displayed in a large, light blue, sans-serif font. The letter 'N' is stylized with a horizontal bar extending to the right, and the 'e' has a distinctive shape with a horizontal bar. The logo is centered horizontally and occupies the lower half of the page.

IT MISSION

To use innovative technologies and digital advances to integrate IT deeply into all the sectors of company operations to enrich the future of Nestlé, contribute to better products, and facilitate our value of “GOOD FOOD, GOOD LIFE”.

IT VISION

To enrich the Nestlé experience with technology that inspires “healthy living” by providing our consumers highest quality products with added convenience. To be synonymous with products that comes in people’s mind when they think of Nutritious Food.

GOALS

GOAL 1: Revitalize Nestlé’s Online Presence

❖ Objective 1.1: Improve the Mobile experience for customers

Strategic Initiative: As the world is moving towards highly functional smartphones and with smartphones being responsible for majority of the web traffic, it is imperative that Nestle should start focusing on its mobile visibility.

Presently, there are multiple Nestle apps on the google play store on apple play store with overlapping functions and many redundancies. As a result, the customer feedback and ratings tend to be very unattractive. Nestle should focus on building a centralized application to allow business to have a more direct and instant connection with their consumers. This closeness will help create a relationship between the business and the consumer that evolves to brand loyalty.

Through increased exposure across mobile devices, the company can be accessible to its consumer anywhere and anytime.

❖ Objective 1.2: Increase Brand Visibility through Websites

Strategic Initiative: Through its wide range of offerings, Nestle has dominated the food industry since almost 150 years. The company has grown significantly and has achieved quite a respect and trust for the '*brand name*'. However, by focusing primarily on organic growth, and acquiring brands without renaming them,

Nestle is losing on the opportunity to use their own well-established brand name. With the large capital Nestle possesses, they can market and advertise such brands and products in the traditional way. However, as the consumer world is getting more and more digital, the website has a far wider reach than any other form of advertising and Nestle should use it to increase consumer awareness about brand portfolio with details on acquired brands and products.

We suggest to use the Platform as a Service (PaaS) model to create a such a website for the company as it will require no capital investments. Further, this will enable the company to get closer to the consumer and provide greater satisfaction and carry out promotional activities without any cost. Adopting the Platform as a Service model which would result in Nestle developing the application online and it being hosted by the vendor.

The reasoning behind this is to lower that infrastructure costs on servers and maintenance.

❖ Objective 1.3: Exploring Online Retail Opportunities

Strategic Initiative: Presently, Nestle sells to consumers primarily through Brick and Mortar stores. Even in such cases the supply chain and retailing is completely handled by third parties. When it comes to selling online, there product offerings are limited to a few nutrition products. Growth in online retail could open up new distribution channels (such as Amazon) that can bypass traditional retailers enabling the customers with ubiquitous, convenient, on-demand access to a large pool of products from the convenience of their home.

Looking at the IT infrastructure it is evident that Nestle possesses limited internet related infrastructure, as there is no comprehensive online shopping website.

Having its own website (on the lines of Amazon.com), will allow Nestle to get much closer to its customers and be in its self a retailer medium. By using Cloud Infrastructure as a Service (IaaS) such as Microsoft Azure platform to build an internet-retailing platform, Nestle could cut down the cost incurred on servers as well as software licensing fees. Nestle can build its own website without incurring any capital expenditure and meet its vision of guaranteeing consumer satisfaction.

GOAL 2: Customize and Personalize Nestle Experience for Consumers

❖ Objective 2.1: Develop Applications to Deliver Personalize Nutrition Plan

Strategic Initiative: Personalizing nutrition is quite an emerging field because by giving people a better understanding of their own nutritional status, lifestyle, environment and genetics Nestle can help individuals to preserve their health throughout life. There are also many opportunities in terms of harnessing the power of nutrition science and digital sensor technologies. Since, Nestle has expertise in systems based technology; they have opportunities in providing personalized nutrition solutions in and out of home.

Not only this but the data generated can help us understand our nutrition and activity and guide us towards a healthier and happier life.

❖ Objective 2.2: Use Customer Insights to Offer Product Recommendation

Strategic Initiative: Nestle has huge implementation of data warehouse. They can leverage its database and consumer insights to target audience with products specific to their interests and purchase history. Using its data repository, the company can support web or text mining in order to leverage consumer buying behaviour data and transform or aggregate them into useful information about product suggestion and placement.

Nestle will offer them special incentive for products related to segment of their choice such as food, beverage, nutritional supplements, etc..

Nestle will also use this data to offer ads tailored to personal interests (using technology like adwords, adsense) with special offers on days like anniversaries, birthdays, etc.

❖ **Objective 2.3: Incorporate Real-Time Response Mechanism for Customer Feedback**

Strategic Initiative: In conjuncture with the Digital Acceleration Team, Nestle can set up Data Analytics Research Department to find new ways to incorporate customer feedback data.

Data Analytics is a vast and evolving field with new techniques evolving every day. Nestle will setup a research department and employ a very knowledgeable research team, to find new and innovative ways to respond to customer feedback from a wide variety of social media platform in real-time using technologies like hadoop and big data. A responsive and innovative IT analytics team will meet business needs and enhances the end-user experience.

GOAL 3: To Reinforce a Socially Responsible Brand Persona of Nestle

❖ Objective 3.1: Incorporate Demographic Variations in Product Design and Labelling.

Strategic Initiative: Erroneous labelling of products can be avoided by leveraging customer demographic data. This will help Nestle offer products that are fit to the consumer sentiment. Image processing and decoding techniques can be used to scan labels to give correct and relevant information on product ingredients. Accurate labelling depending on primary ingredients used, and also secondary requirements of the deliverable will educate consumers about the product to be introduced and its benefits.

❖ Objective 3.2: Enforcing systems to Monitor Environmental Standards

Strategic Initiative: Fulfilling its social and environmental responsibilities to the society, while upholding the virtues of care and nurturing remain at the heart of the way Nestlé does business. Geographic information system (GIS) technology can help make environment friendly decisions using Real time data access, visualization and analysis from data sources like Public Health Surveillance, Customer Complaint Surveillance. IT can enable management of information systems, visualization tools, S&A capabilities, and contamination incident response plans, to be leveraged to support source water management operations.

GOAL 4: Contrive Robust and Dependable IT Department

❖ Objective 4.1: Recruit Strong IT Professionals

Strategic Initiative: Identify weak points of the IT team and take steps to come up with a solution towards strengthening the IT team. Recruiting IT professionals having talent, passion, attitude and aptitude to become future leaders.

❖ **Objective 4.2: Establishing Robust Training Policies and Systems**

Strategic Initiative: Leveraging technology training platform and learning management systems, training should be provided to the staff as a new technology is introduced by Nestle.

This would help Nestle becoming a learning organization and would provide its staff the confidence to deal with the changes in technology taking place.

PERFORMANCE MEASURES

Performance measures are very important to determine the success of IT strategy. Performance measurement systems should enable managers to precisely communicate performance expectations to subordinates for several reasons: so they know how the organization is really performing and can identify performance gaps; and, to effectively make and support decisions regarding resources, plans, policies, scheduled, and business process redesign.

Though increase in revenue is considered the primary key measure, Customer Satisfaction is more important for Nestle. Customer Satisfaction is one of the core values in Nestle and is at the centre of its philosophy of being synonymous to most nutritious products.

CONCLUSION

Thus, above mentioned strategies are to be implemented, and their results should be measured. The document should be reviewed and revised after every 2 years.