**Assignment – 3**

**Financial Analytics**

**Title :Analyzing competitive advantage in real companies**

**INTRODUCTION:- Here, we take 2 companies**

**Company name : Nestle**

**Nestle is the largest food company in the world, in terms of revenue. It is a Swiss Company established in 1866 by its founder Henri Nestle. While its main foray is foods and drinks, it has hundreds of products, nearly 2000. Some of its most famous products and brands include Maggi, Kit Kat, Nespresso, Nescafe, etc.**

**The overall turnover for Nestle was approx 90 billion Swiss Franc in 2016. It operates 418 factories in 86 countries, employing nearly 339,000 people worldwide. Its products are available in 191 countries of the world.Nestle also is a leading researcher in the field of nutritional sciences. It invests nearly 1.5 billion Francs yearly on research and development**

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| **Company name** | **NESTLE** |
| **Brand reputation** | **In its 2023 food and beverage report, Brand Finance values Nestlé brand at $20.8 billion, up from $19.4 billion, twice that of runner up, the Chinese dairy brand Yili at $10.6 billion.**  **Snack brand Lay's has increased in value to $8.6 billion from $6.6 billion – showing that many big food and beverage companies are getting bigger in the post-pandemic economy.**  **Hershey, the chocolate company, is ranked as the world’s “strongest” food brand, according to Brand Finance.**  **The fastest growing food brand is Belvita, a breakfast biscuit first introduced in France in 1998, which grew its value by more than 60% since last year** |
| **Product differentiation** | **Nestle brings a lot of product for target customers. Theyprovide 25 types of minerals in Nido for children. It also provides Cerelac andLactogen1 &3 for newly born baby exclusively. Now the doctors prescribe theseproducts for babies to their parents for high nutrition Nescafe is a product whichcontains 4 types of categories. They offer Nescafe ice for hot weather, classic forall 3 in 1 for those who are busy. They provide Maggi including Maggi instant; Maggi 2 minutes which contain various minerals, vitamins and nutrition’s.** |
| **Technological innovation** | **Nestle’s budget friendly innovaton strategy: ‘we are faster now than many of the startups” nestle launched and tested 12% more innovations in 2021 vs 2020, most of which offered meaningful differentiation in the market place, they claimed that, “they still have 30% of their growth coming from products they launched in the last three years. Other AI and data processing tools developed by nestle focused**  **on mining clinical data for new discoveries such as, 1) increasing innovation without increasing the R&D budget,2) focus on high growth categories increase innovation efficiencies and also partnerships for ongoing growth.** |
| **Market leadership** | **Milk products and nutrition segment remains the largest contributor (40.4 per cent) to Nestle India’s sales and grew by 9.5 per cent y-o-y in 2022. Contribution of prepared dishes and cooking aids segment, led by brand Maggi, was pegged at 32.2 per cent and clocking a growth of 15.6 per cent y-o-y in 2022. “Maggi Noodles in 2022 saw the highest ever distribution and maintained market leadership as per Nielsen report,” the company added.** |
| **Distribution network** | **Nestle has its own distribution network which is equipped with the all necessary facilities. It transports all of its products at major regional sales offices which are situated at different cities of the country. Nestle employ around 2,50,000 people from more than 70 countries and have factories or operations in almost every country in the world. Nestle is based on the principle of decentralization which means each country is responsible for the efficient running of the business.** |

**Analysing financial performance of**

**Consumer goods service company :NESTLE**

**Revenue growth:**

**Organics growth reached 7.2%, with pricing of 7.5% and real internal growth (RIG) of -0.3%. Growth was broad-based across geographies and categories. Total reported sales were CHF 93.0 billion, a decrease of 1.5% (FY-2022: CHF 94.4 billion).**

**The underlying trading operating profit (UTOP) margin was 17.3%, increasing by 20 basis points on a reported basis and by 40 basis points in constant currency. The trading operating profit (TOP) margin was 15.6%, increasing by 160 basis points.**

**Profit margin:**

**FMCG major Nestle India on Wednesday reported a net profit of Rs 656 crore for the quarter ended December 2023, which is up 4% year-on-year (YoY) from Rs 628 crore posted in the same quarter last year. Revenue from operations rose 8% YoY to Rs 4,584 crore in the reporting fourth quarter.**

**Return on investment:**

**Nestle SA DRC's return on invested capital hit its 5-year low in December 2021 of 12.8%. Nestle SA DRC's return on invested capital decreased in 2020 (13.2%, -3.8%) and 2021 (12.8%, -3.2%) and increased in 2019 (13.8%, +4.7%), 2022 (13.0%, +1.2%), and 2023 (13.6%, +4.8%).**

**Market share:**

**As of March 2024 Nestlé has a market cap of $282.42 Billion. This makes Nestlé the world's 37th most valuable company by market cap according to our data.**

**Assessment of sustainability**

**Consumer goods sector: NESTLE**

**“We believe in the power of food to enhance quality of life.”**

**This belief fuels our desire to use our global scale, resources and expertise to contribute to a healthier future for people and the planet.**

**Creating Shared Value (CSV) is at the heart of our purpose: to unlock the power of food to enhance quality of life for everyone, today and for generations to come.**

**Our approach to sustainability is wide-ranging, underpinned by commitments to strive for net zero emissions and deforestation-free supply chains and to advance regenerative agriculture at scale. We are also committed to improving water stewardship, developing better packaging to improve their end of life options, creating opportunities for young people and building a diverse and inclusive workforce.**

**Packaging helps to protect food and beverages, ensure product quality and freshness, communicate nutritional information and prevent food waste.**

**We aim to reduce our carbon footprint and achieve net zero by 2050 at the latest.**

**We take a holistic approach to managing our impact on the environment – joining the dots between climate change and related issues including water stewardship, biodiversity and human rights.**

**The ingredients we use for our products come from nature. That’s why playing our part in taking care of the environment and supporting a just future for communities is not only critically important for people and planet, it’s a business imperative too.**

**Company name – COCA COLA**

**• The Coco-Cola company Is a total beverage company. It is a carbonated soft drink produced by The Coca-Cola Company of Atlanta, Georgia Originally intended as a patent medicine when it was invented in the late 19th century by John Pembertonm .**

**STRENGTHS OF THE COCO-COLA co.**

**• Diverse product portfolio.**

**• Distribution system.**

**• Valuable Brand.**

**• Global brand recognition.**

**REVIEWS BY CONSUMERS :-**

**COCO-COLA CO.**

**Published on 2021 by atlantispress**

**By clarifying the competitive environment of the industry, CocaCola Company complies with the development of the times. It widens the litigation points of consumers. Also, it meets the multidimensional needs of consumers through the combination of various differentiation strategies to make Coca-Cola take a leading position in the competitive soft drink industry.**

**4. FINANCIAL PERFORMANCE EVALUATION:-**

**The Coco- Cola company:-**

**Gross margin TTM 59.52%**

**Operating margin TTM 29.1%**

**Net Profit margin TTM 23.42%**

**Return on Investment TTM 15.39%**

**5.COMPARATIVE ANALYSIS:-**

**The COCO-COLA co.**

**• Market share :- 42.8%**

**• Growth prospects :- 6-7%**

**• Competitive Threats:- Water usage controversy.**

**> Packaging controversy.**

**> Direct and indirect competition.**

**>Aggressive competition with Pepsi.**

**• Barriers to entry:- brand loyalty**

**. > vertical integration.**

**> economy of scale.**

**LONG TERM VIABILITY OF COCO-COLA COMPANY :**

**Our long-term targets consist of solid revenue growth of 4% to 6%, strong operating leverage driving 6% to 8% operating income growth, delivering meaningful EPS growth and improving on our free cash flow conversion.**

**• Focusing on a world without waste is the most long term goal of Coco-cola company.**

**• Coca-Cola’s competitive advantage lies in its ability to satisfy customers more than its competitors and continuously serve their customers’ wishes. Coca Cola’s competitive advantage is attributed to its new product development, customer orientation, and ability to outperform competitors.**

**• The Coca-Cola Company’s strengths, such as its global brand recognition, extensive distribution network, and diverse product portfolio, are likely to endure over the long term. However, it may face challenges from industry changes, technological disruptions (like shifts towards healthier beverages), and competitive pressures (from both traditional rivals and emerging players). Adapting to these changes and innovating will be crucial for its continued success.**

**CONCLUSION :-**

**NESTLE**

**Overall, Nestle is a highly successful and profitable company with a strong reputation for quality and innovation. The company has a wide range of well-known and popular brands and a strong presence in the global market. Despite some challenges, such as concerns about environmental sustainability and criticism of the company's marketing practices, Nestle has generally been successful in navigating these issues and maintaining its position as a leader in the food and beverage industry.**

**Recommendations for improvement Nestle company: One area in which Nestle could improve is in its commitment to environmental sustainability. The company has faced criticism in the past for its use of unsustainable packaging and its impact on natural resources. To address these concerns, Nestle could invest in research and development of more sustainable packaging materials, as well as in initiatives to reduce waste and promote recycling.**

**Another area in which Nestle could improve is in its marketing practices, particularly with regard to the promotion of unhealthy products to children. The company has faced criticism in the past for its marketing of sugary drinks and other unhealthy products to children. To address these concerns, Nestle could adopt stricter guidelines for its marketing practices and prioritize the promotion of healthier products.**

**Nestle is the major player in the fast-moving consumer goods (FMCG) industry, but Nestle holds better long-term growth prospects. This is primarily due to its stronger brand portfolio, wider distribution network, and a larger presence in emerging markets.**

**COCA COLA**

**Coca-Cola as the world's leading soda beverage, with the strength of high resources company and also a very good and well-known brand image will be accepted at ease almost all over the world. Therefore, the strategy of Coca-Cola focuses on covering the full market segmentation, anywhere.**