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Nestlé INDIA: CREATING A new CSR STRATEGY

Namrata Rana and Utkarsh Majmudar wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In December 2013, Sanjay Khajuria, senior vice-president of corporate affairs at Nestlé India Limited (Nestlé), was evaluating the company’s social initiatives. He sat in the Indian headquarters in Gurgaon with his trusted team, finalizing the company’s corporate social responsibility (CSR) report. The report highlighted Nestlé’s social activities in nutrition, water, and rural development, which were also core elements of its global shared value program. Although Khajuria was satisfied with the progress made so far, he was concerned about what more needed to be done in the next year. The Indian government had passed an amendment to the *Companies Act* that mandated a 2 per cent spend on CSR. This amount needed to be spent on activities over and above the ordinary course of business. Khajuria was faced with a complex problem: he had to revisit all existing programs—those that would be covered under the ordinary course of business and those that had no relationship with the ordinary course of business—and then decide which ones to extend further. Any decision to discontinue programs would have an adverse impact on the company and on the many people who had come to depend on them.

NESTLÉ S.A SHARED VALUE FOCUS

By 2013, Nestlé S.A., the Switzerland-based food and drinks multinational, was operating in 196 countries and sold over a billion food products every day. Nestlé S.A. had pioneered the concept of creating shared value (CSV), which outlined the areas of intersection between the company’s activities and those of society, largely focusing on nutrition, water, and rural development (see Exhibit 1). In the company’s 2012 shared value report, the chief executive officer (CEO) Paul Bulcke said, “We have always believed that in order to prosper we need the communities we serve and in which we operate to prosper as well; and that over the long term, healthy populations, healthy economies, and healthy business performance are mutually reinforcing.”

The corporate business principles embodied the basic principles on which Nestlé S.A. functioned and interacted with society (see Exhibit 2). Foremost was nutrition, health, and wellness, around which the company’s core business was structured. It aimed to meet several commitments in the area of nutrition, under three basic pillars: offering tastier and healthier choices through innovation; inspiring people to lead healthier lives; and building, sharing, and applying nutrition knowledge. The 2012 shared value report put special emphasis on the food and water crisis facing the world, and the need for urgent intervention (see Exhibit 3).

The CSV framework was built around three areas: (a) nutrition, (b) water and environmental sustainability, and (c) rural development. Through CSV, Nestlé S.A. aimed to create prosperity and help improve the quality of life for people in an inclusive manner.

**Nutrition**: The company aimed to provide greater access to safe, high-quality, responsibly produced nutritious food, and greater knowledge of nutrition and health issues. It believed that an understanding of nutrition, knowledge of balanced diets, and access to good nutrition was essential for a good life. Given Nestlé S.A.’s strength in nutrition, it aimed to instill the idea of nutrition in every community it reached.

**Water and environmental sustainability**: The company aimed to produce tasty and nutritious food and beverages that also had the lowest environmental footprint. Therefore, it strived to continuously improve operational efficiency and environmental performance, while creating access to drinking water and sanitation.

**Rural development**: The company believed that the well-being of the community from where it got its raw materials was important. It focused on training and technical assistance, helped farmers achieve higher yields, improved the quality of milk and crops, increased income, and increased employment and economic development opportunities.

NESTLÉ INDIA

In 2013, Nestlé S.A.’s subsidiary,Nestlé India, celebrated 101 years in the country. The company’s association with India had begun in 1912 when it began trading as the Nestlé Anglo-Swiss Condensed Milk Company (Export) Limited. Nestlé was one of the largest fast-moving consumer goods companies in India. It was known for its chocolates, milk-based products, instant noodles, and a range of other food and beverages. In 2013, the company reported net sales of ₹90.62 billion[[1]](#footnote-1) and a net profit of ₹11.17 billion (see Exhibit 4).

Nestlé attributed its success and scale to its constant efforts to get insight into Indian customers’ tastes, lifestyles, and needs to create new food and beverage products in its eight factories across India. Its brand promise of Good Food, Good Life was the cornerstone of all its communication. Nestlé defined its goal as “to help consumers attain and maintain optimal nutrition, health and wellness.” It also had a responsible sourcing program and a transparent product labelling program as part of its charter of ethics and responsible behaviour. The company’s marketing activities focused on the themes of nutritional education and awareness.

The responsible sourcing program outlined stringent regulations around business integrity, human rights (labour standards), health and safety, and sustainable environmental standards for Nestlé’s suppliers. Responsible sourcing audits were conducted on suppliers to ensure compliance. To reduce the environmental footprint, most raw materials were locally sourced. In 2013, locally sourced material amounted to 92 per cent of the total raw material procurement expenditure.

Nestlé followed transparent product labelling standards, which included instructions on food preparation and safe consumption. It also created a Nestlé Nutritional Compass, which was printed on every product. The compass consisted of a simple chart on nutritional information for consumers.

The company had four product categories: prepared dishes and cooking aids, chocolates and confectionary, milk products and nutrition, and coffee and beverages (see Exhibit 5). Prepared dishes and cooking aids consisted of the top selling Maggi instant noodles, sauces, and soups, as well as spice mixes used for making Indian food. Chocolates and confectionary included wafer-based chocolates such as KitKat, Munch, and white chocolate confection Milkybar. Milk products and nutrition had a wide portfolio of products consisting of milk, curd, dairy whitener, and infant formula for young children. Coffee and beverages had instant coffee brands Nescafé and Nescafé Sunrise, as well as iced tea brand Nestea.

CREATING SHARED VALUE IN NESTLÉ INDIA

Nestlé carried forward the global CSV framework into its functioning in India. The local term given to this approach was *saanjhapan.* The company spent about 2.14 per cent of its profit after tax on societal activities in 2013 in the areas of nutrition, water, rural development, and health. It engaged a host of stakeholders such as academia, consumers, the general public, employees, government and government bodies, non-governmental organizations, suppliers, and industry associations.

**Nutrition**

Nutrition-based education was a core element of Nestlé’s social responsibility programs in India. The reason was that India was home to a large population of children who suffered from nutritional deficiencies. The country was faced with a unique situation of the double burden of malnutrition—extreme undernutrition on the one hand and obesity and other related diseases on the other. Among Indian children under five years of age, malnutrition and micronutrient deficiencies of iron, Vitamin A, and zinc were rampant, leading to stunting among children. The Indian government’s data showed that the prevalence of stunting in children below five years was 39 per cent.[[2]](#footnote-2) The government had taken up this issue as an important part of its five-year planning cycle, and specific initiatives were designed to address the issue (see Exhibit 6).

Nestlé’s focus on nutrition awareness for adolescents started in 2008 when Khajuria was made India head of corporate affairs, a role in which he was also responsible for CSV. He was expected to work on the company’s CSV strategy, in sync with its mission of being a leading health and nutrition company. At that time, there was considerable research on the nutritional health of children in India. The situation was grim. Government of India data[[3]](#footnote-3) highlighted that around half of preschool children suffered from undernutrition. Micronutrient deficiencies were widespread, and more than half of women and children were anemic. The problem was at two levels. One was poverty and lack of access to good food. Another was lack of knowledge on what constituted balanced and nutritious foods. Rural areas were abound with many myths, including a universal one that ghee (clarified butter) was the source of all nutrition that children needed. There was lack of understanding on the role played by fruits and vegetables.

As a result of its extensive work in health and nutrition, working alongside experts, Nestlé created extensive, detailed documents on the needs of the local people, what constituted a healthy diet, and components of a balanced meal. Khajuria, with the concurrence of senior management, initiated a pilot Nutrition Awareness Program with the Punjab Agricultural University. The university sent its staff to local schools, armed with booklets on healthy eating, and started giving classes on health and nutrition. This programme subsequently became part of the global Nestlé Healthy Kids Programme. Seeing the success of the pilot, Nestlé launched the program in partnership with six regional universities across government schools around all its eight factories.

Conducted through classroom learning, the Healthy Kids Programme was directed at adolescents. It aimed to help them learn about their nutritional requirements at this crucial developmental stage, and reached out to teachers and parents to inculcate behaviour change. The program was conducted for six weeks, with 12 hours of nutrition training for each child, consisting of easy-to-follow healthy habits tailor-made for the local context. It also tracked metrics such as retention of information and behavioural change. By 2013, over 25,000 children had participated in the program.

Nestlé knew that education alone was not enough in a large country like India. It also launched a range of fortified products, including a taste enhancer called *Maggi Masala-ae-Magic,* fortified with iron, Vitamin A, and iodine to help counter three big micronutrient deficiencies in the country.

**Water**

Water was identified as an important focus area. Nestlé realized that clean drinking water was a huge issue in schools and villages around its factories. To begin, the company cut down its water footprint substantially using new technology and water conservation efforts. It increased water use efficiency by 73 per cent and reduced waste water discharge by 78 per cent. The company then chalked out a comprehensive plan on water education for employees, farmers, school children, and women.

Up to 2013, Nestlé had set up about 185 clean drinking water projects. In schools, children were taught about water conservation, and the link between health, hygiene, and clean water. Children then acted as “water ambassadors,” carrying the message on water conservation back home. Farmers were trained to optimize water use in everyday farming and dairy practices.

**Rural Development**

Rural development and sanitation was another core area. When Nestlé started working with farmers and dairy suppliers, it developed a program to help them increase the quality and yield of their products. For instance, in the Moga district in Punjab, the company assisted farmers in caring for cattle, advising them on feed quality and keeping them updated on the latest developments in dairy farming. Similar activities were undertaken for cocoa farmers in the south and chicory farmers in the north.

Nestlé’s milk factory in Moga became an international case study[[4]](#footnote-4) on working collaboratively with local communities to create shared value. What started as a small operation with only 180 farmers willing to supply milk in 1961 expanded to 100,000 farmers by 2013. Nestlé worked extensively to help farmers improve herd management, farm productivity, and overall income. This initiative created long-term sources of income for the community, and at the same time helped Nestlé create goodwill and a continuous supply of milk and milk products.

Health and sanitation was a core area of Nestlé’s work. Research showed that female students tended to discontinue education if schools didn’t have adequate sanitation facilities. The company implemented over 45 sanitation projects in India, leading to an increase in the retention rates of female students. Rural women also benefitted from Nestlé’s health, sanitation, and water conservation programs. Over 1,500 training camps were run, reaching out to over 58,000 women.

MANDATORY CSR DEBATE

In 2011, the Indian government released a consultation document that proposed changes to the *Companies Act.* Among other things, it had a new clause stating that businesses with a certain net worth would have to spend 2 per cent of their average net profits over the previous three years on CSR schemes. This change set off a large debate in the country, with many arguing for and against the clause. Meanwhile, Nestlé established a cross-functional team consisting of representatives from legal, finance, and corporate affairs to closely monitor the legislative developments, and conduct industry and global benchmarking exercises. The company also spoke with experts to interpret the law and guidelines.

In September 2013, *The Companies Act, 2013* came into force with the 2 per cent mandatory CSR clause. All companies that fit the criteria would need to make these spends starting with the next financial year beginning April 1, 2014. Companies under its purview needed to spend 2 per cent of their profits on CSR activities that were not part of their normal business. Failure to spend would require reporting by the board of directors in the annual report. Industry bodies had raised the issue that CSR should be part of a company’s core capabilities. However, the government stood firm, saying that if a company conducted CSR activities that were close to its business interests, the government would not be able to distinguish business activities from the company’s contribution to society (see Exhibit 7).

CREATING THE RIGHT STRATEGY

Khajuria now needed to plan the road ahead. It was already the end of the year, and the regional offices and the institutions Nestlé worked with had submitted their annual reports on funds used and beneficiaries reached. Now they were planning for the next year. Although Nestlé had made significant investments in social commitments in past years, Khajuria realized that the amount was figuratively just a drop in the ocean. Nestlé was a health and nutrition company, and he wondered whether the company could do more. Also, he needed to plan budgetary allocations between health and nutrition, rural development, and water initiatives. The new compliance-related challenges further added to the complexity.

The CEO of Nestlé India, Antonio Helio Waszyk, had asked for a meeting in the coming month so that they could plan and implement their next course of action. Waszyk also indicated to Khajuria that the next year’s plan needed to consider the company’s core capabilities around project implementation. Waszyk asked Khajuria to take a close look at the company’s strengths, weaknesses, opportunities, and threats, (SWOT) analysis, which was being presented in the 2013 annual report (see Exhibit 8).

While Khajuria was doing his research, he met CSR experts and came across many articles on planning a CSR strategy. These articles addressed company-specific factors such as company policies, compliance, and legal requirements; business issues being faced; and company size and age. Other factors were the regional environment, institutional environment, social norms, culture, history of business, and the history of the region. To gain a better understanding, Khajuria called a meeting with the legal and financial teams to learn their points of view.

The discussion and brainstorming brought out various points. One person stated:

This law has significant financial implications for us. This is because any social activity that is part of core business cannot be part of CSR budgets. This means that all the work that we do with farmers on rural development can no longer be included as CSR. If CSV and CSR are treated as two different types of projects, we will have to double our spending (i.e., continue current CSV spend and an additional 2 per cent of net profit on CSR). Why don’t we discontinue the CSV initiatives and just focus on CSR in compliance with the Indian law?

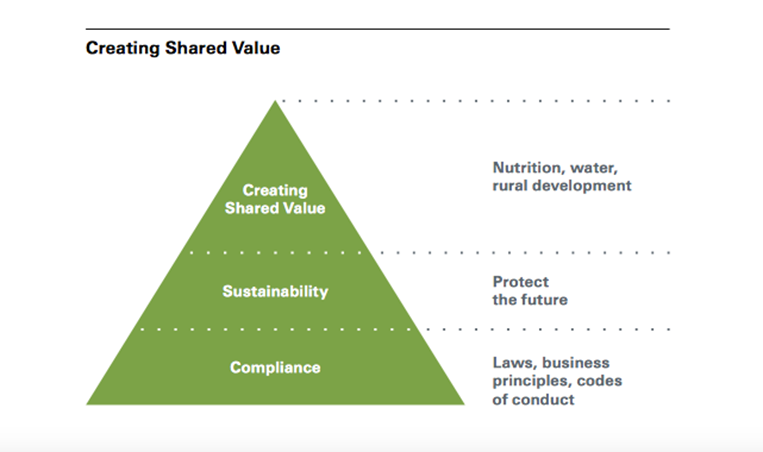
Another view was, “We have to comply with the law of the land. Let’s start fresh, create a list of community activities we want to support within the areas specified by the new *Companies Act,* and how we plan to implement the projects.”

Some members supported this third view:

We can’t possibly stop the CSV program. The farmers depend on our help, and in turn this assists the company in maintaining a dependable, high-quality supply of milk, coffee, and other agricultural commodities so essential for production. This is part of the work we have done over the last five decades, which has seen local communities prosper. This is also an area where Nestlé is involved globally. Why don’t we all first define what CSR and CSV really mean, and then set out to determine which of our activities would fit into CSV and which ones could be incorporated within CSR?

The team agreed to meet again for a more detailed discussion in a week. In the meantime, Khajuria continued his research and planned to take all factors into consideration to create a comprehensive CSR framework.

EXHIBIT 1: SHARED VALUE FOCUS AREAS



Creating shared value (CSV) remains the fundamental guiding principle for how Nestlé does business. CSV is the strategy tool that Nestlé uses to operationalize and manage all the actions it takes to ensure it creates value for shareholders and for society. This is how Nestlé brings its purpose to life—to enhance quality of life and contribute to a healthier future.

The Nestlé in Society report features 42 commitments under the areas of nutrition, health and wellness, rural development, water, environmental sustainability, people, human rights, and compliance.

Source:Company files.

EXHIBIT 2: CORPORATE BUSINESS PRINCIPLES

|  |  |  |
| --- | --- | --- |
| **Consumers** | | |
| 1 | Nutrition, health, and wellness | Our core aim is to enhance the quality of consumers’ lives every day, everywhere by offering tastier and healthier food and beverage choices, and encouraging a healthy lifestyle. We express this aim through our corporate proposition Good Food, Good Life. |
| 2 | Quality assurance  and product safety | Everywhere in the world, the Nestlé name represents a promise to the consumer that the product is safe and of high standard. |
| 3 | Consumer communication | We are committed to responsible, reliable consumer communication that empowers consumers to exercise their right to informed choice and promotes healthier diets. We respect consumer privacy. |
| **Human rights and labour practices** | | |
| 4 | Human rights in our business activities | We fully support the United Nations Global Compact guiding principles on human rights and labour, and aim to provide an example of good human rights and labour practices throughout our business activities. |
| **Our people** | | |
| 5 | Leadership and personal responsibility | Our success is based on our people. We treat each other with respect and dignity, and expect everyone to promote a sense of personal responsibility. We recruit competent and motivated people who respect our values, provide equal opportunities  for their development and advancement, protect their privacy, and do not tolerate any form of harassment or discrimination. |
| 6 | Safety and health at work | We are committed to preventing accidents, injuries, and illness related to work, and to protect employees, contractors and others involved along the value chain. |
| **Suppliers and customers** | | |
| 7 | Supplier and  customer relations | We require our suppliers, agents, subcontractors, and their employees to demonstrate honesty, integrity, and fairness, and to adhere to our non-negotiable standards. In the same way, we are committed to our own customers. |
| 8 | Agriculture and rural development | We contribute to improvements in agricultural production, the social and economic status of farmers, rural communities, and production systems to make them more environmentally sustainable. |
| **Environment** | | |
| 9 | Environmental  sustainability | We commit ourselves to environmentally sustainable business practices. At all stages of the product life cycle, we strive to use natural resources efficiently, favour the use of sustainably managed renewable resources, and target zero waste. |
| 10 | Water | We are committed to the sustainable use of water and continuous improvement in water management. We recognize that the world faces a growing water challenge and that responsible management of the world’s resources by all water users is an absolute necessity. |

Source: Company files.

EXHIBIT 3: How urgent is the food and water crisis?

The facts speak for themselves:

* There are 925 million undernourished people in the world today (Food and Agriculture Organisation).
* Two billion people—nearly one-third of the world’s population—suffer from deficiencies in iron, iodine, Vitamin A, zinc, or a combination of these. The World Health Organization estimates that over 740 million people suffer from iodine deficiency disorders and that 250 million preschool children are Vitamin A deficient.
* Globally, an estimated 43 million preschool children were overweight or obese in 2010, a 60 per cent increase since 1990, of which over 80 per cent live in developing countries (*American Journal of Clinical Nutrition*, November 2010).
* Today, 31 countries face chronic freshwater stress and shortages. By 2025, this number is estimated to rise to 48 countries as water withdrawal outpaces renewal (United Nations Environment Programme). These challenges will only get more pressing as the global population rises to 10 billion by 2100.

Source:Company files.

EXHIBIT 4: Nestlé india FINANCIALS (IN ₹ MILLIONS)

|  |  |
| --- | --- |
| **Particulars** | **2013** |
| Domestic sales | 87,537.4 |
| Export sales | 6,261.3 |
| Less: excise duty | 3,179.7 |
| Net sales | 90,619.0 |
| Other operating income | 391.5 |
| Total revenue from operations | 91,010.5 |
| Total expenses | 74,068.7 |
| Profit from operations | 16,941.8 |
| Other income | 830.9 |
| Finance costs | 365.1 |
| Employee benefit expense due to passage of time | 558.1 |
| Net provision for contingencies (others) | 207.4 |
| Profit before exceptional Items and taxation | 16,642.1 |
| Exceptional items—charge/(credit) | –138.1 |
| Corporate social responsibility expense | 0.0 |
| Profit before taxation | 16,780.2 |
| Tax expense | 5,608.9 |
| Profit after taxation | 11,171.3 |
| Earnings per share | 115.9 |
| Dividends per share | 48.5 |

Source: Company files.

Exhibit 5: DETAILS OF Product SALES

|  |  |  |
| --- | --- | --- |
|  | **Gross Sales** | |
| **Classification** | **Quantity**  **(Metric Tonnes)** | **Amount**  **(in ₹ Millions)** |
| Milk products and nutrition | 138,772 | 40,712.2 |
| Beverages | 27,717 | 13,240.6 |
| Prepared dishes and cooking aids | 245,443 | 26,982.1 |
| Chocolate and confectionery | 46,718 | 12,863.8 |
| **Total** | **458,650** | **93,798.7** |

Source: Company files.

EXHIBIT 6: FOOD AND NUTRITION SECURITY, Government of India,

TENTH FIVE YEAR PLAN 2002–2007

Problem Areas

The Tenth Five Year Plan of the Government of India highlighted the need for urgent attention in the following areas:

* Chronic energy deficiency and undernutrition
* Micronutrient deficiencies
* Anemia due to iron and folate deficiency—Vitamin A deficiency
* Iodine deficiency disorders
* Chronic energy excess and obesity

Initiatives

The Tenth Five Year Plan aimed to improve the health and nutrition of citizens through a series of interventions that included providing easy access to food and targeting undernutrition. Undernutrition was a multi-faceted problem that the Tenth Plan aimed to address in three ways:

* Education: providing nutrition education, and promoting appropriate dietary intake and lifestyles
* Screening and monitoring: screening vulnerable groups such as women and children; monitoring and tracking health changes after providing adequate nutritional interventions
* Interventions: providing adequate nutritional supplements

Source: Planning Commission, Government of India, “Food and Nutrition Security,” *Tenth Five Year Plan 2002–2007*, accessed March 12, 2018, http://planningcommission.nic.in/plans/planrel/fiveyr/10th/10defaultchap.htm.

**Exhibit 7:** **Corporate Social Responsibility RULES AND REGULATIONS Mandated by *Companies Act 2013***

The Companies Act, 2013 contains an important clause (Clause 135) that mandates corporate social responsibility (CSR) regulations for Indian companies. The final rules were notified on February 27, 2014, coming into force on April 1, 2014.

This piece provides a guide to the rules and how these rules affect your business.

Who are these rules applicable for?

The mandatory CSR clause is applicable to companies with net worth of Rs 500 crores or more; or annual turnover of ₹1000 crores or more; or annual net profit of ₹5 crores or more.

How is net profit calculated?

1. Net profit before tax, not including profits arising from branches outside India.

2. The two per cent CSR spending needs to be computed as two per cent of the average net profits made by the company during every block of three years. For the purpose of the first CSR reporting, the net profit should be calculated as average of the annual net profit of the preceding three financial years ending on or before March 31, 2014.

2 Per Cent CSR Expenditure—What does it include?

1. CSR expenditure has to be in line with the amended Schedule VII of the Companies Act 2013. While the company can conduct CSR activities across a range of areas that it may deem suitable, however, only investments in areas specified in Schedule VII will be considered as eligible CSR expenditure. Therefore, companies will have to draw up the policy and action plan to ensure that they spend the required 2 per cent amount on the activities included in Schedule VII.

2. CSR expenditure should exclude expenditure on activities undertaken in pursuance of normal course of business of a company.

3. Foreign companies have to contribute to CSR based on the profits of their Indian business operations.

4. Companies belonging to the same group can set up a trust or not-for-profit company to undertake CSR. Companies can also join hands with other companies to undertake CSR projects jointly. This would allow groups and companies operating in an area to come together and undertake projects of a larger scale.

10 areas where the CSR Budget can be spent

i) **Eradicating hunger, poverty and malnutrition**, promoting preventative health care and sanitation and making available safe drinking water;

ii) **Promoting education** including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects.

iii) **Promoting gender equality**, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day-care centres and other such facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;

iv) **Ensuring environmental sustainability**, ecological balance, protections of flora and fauna, animal welfare, agroforestry, conversation of natural resources and maintaining quality of soil, air and water;

v) **Protection of national heritage, art and culture** including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts.

Exhibit 7 (Continued)

vi) **Measures for the benefit of armed forces veterans,** war widows and their dependents.

vii) **Training to promote rural sports**, regionally recognised sports, Paralympics sports.

viii) **Contribution to the Prime Minister’s National Relief Fund** or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;

ix) **Contributions or funds provided by technology incubators** located within academic institutions which are approved by the Central Government;

x) **Rural development projects**

Directives for Companies

1. Create a ‘CSR Committee’, made up of three or more Directors, one of whom must be an independent director.

2. Report details of all CSR initiatives undertaken by the company in the Directors’ Report and on the company website at the end of each year.

3. Create a ‘Corporate Social Responsibility Policy’ that details which activities will be undertaken by the company, and what budget will be spent on them. This should be published on the company’s website.

The rules have brought clarity to the apprehensions which the companies have had with regards to CSR expenditure. The range of themes is likely to promote national causes. It will now be up to companies to expand their range of activities.

Note: 1 crore = ten million.

Source: Namrata Rana and Utkarsh Majmudar, *Balance: Responsible Business for the Digital Age* (Chennai, India: Westland, 2018); Ministry of Corporate Affairs, “The Companies Act, 2013,” accessed November 11, 2020, http://ebook.mca.gov.in/default.aspx; Ministry of Corporate Affairs, “CSR Activities,” accessed November 11, 2020, http://ebook.mca.gov.in/Childwindow1.aspx?pageid=21462&type=RU&ChildTitle=The%20Companies%20(Corporate%20Social%20Responsibility%20Policy)%20Rules,%202014.

EXHIBIT 8: Swot Analysis for NestlÉ India

|  |  |
| --- | --- |
| **Strengths:**  • Being Nestlé—part of one of the largest food and beverage company in the world  • General Licence Agreement, which gives access to the Nestlé Group’s proprietary technology/brands, expertise, and extensive, centralized research and development facilities  • High-quality and safe food products at affordable prices, and trust in Nestlé  • Understanding of nutrition, health, and wellness  • Strong and well-differentiated brands with market share leadership  • Product innovation and renovation, based on consumer insights  • Well-diversified product portfolio across categories and income strata  • Efficient supply chain and sales automation  • Distribution structure that allows wide reach and coverage in the target markets  • Capable and engaged human resources  • Participation in Global Business Excellence  • Strong financial position  • Manufacturing capacities in place to cater to emerging demand with speed | **Threats:**  • Price volatility of key raw packaging materials and fuels  • Food inflation  • Increasing competition in processed foods  • Availability of agro-based commodities that meet Nestlé specifications  • Regulatory developments affecting processed foods  • Increasing concern over current prevalent packaging materials and absence of viable alternatives  • Increasing dependence on technology for connectivity  • Delay in introducing Goods and Service Tax, which would have simplified the distribution network  • Uncertainty in the economic environment |
| **Weaknesses:**  • Complex supply chain configuration  • Cascading indirect taxes  • Price point portfolio  • Low market attractiveness in some pockets of the portfolio | **Opportunities:**  • Potential for expansion of numeric and weighted distribution in smaller towns and other geographies  • Increasing demand for value-up and premium products  • Emergence of social media to connect with young consumers  • Development of Out of Home segment  • Leveraging Nestlé technology to develop more products that provide nutrition, health, and wellness at affordable prices |

Source: Company files.

1. ₹ = INR = Indian rupee; all currency amounts are in ₹ unless otherwise specified; ₹1 = US$0.0162 on December 31, 2013. [↑](#footnote-ref-1)
2. Ministry of Women and Child Development, Government of India, *Rapid Survey on Children (RSOC) 2013–2014 National Report*, accessed March 22, 2018, http://wcd.nic.in/sites/default/files/RSOC%20National%20Report%202013-14%20Final.pdf. [↑](#footnote-ref-2)
3. Planning Commission, Government of India, *Tenth Five Year Plan, 2002–2007*, accessed March 12, 2018, http://planningcommission.nic.in/plans/planrel/fiveyr/10th/10defaultchap.htm. [↑](#footnote-ref-3)
4. Asit K. Biswas, Cecilia Tortajada, Andrea Biswas-Tortajada, Yugal K. Joshi, and Aishvarya Gupta, *Creating Shared Value: Impacts of Nestlé in Moga, India* (Cham, Switzerland: Springer International Publishing, 2014). [↑](#footnote-ref-4)