International Marketing Strategy of Nestle

Posted on September 17, 2018

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Introduction

In recent years, the rapid growth in the market has influenced the business practices. The improvements which had occurred in technology, communication, and transportation have proven to be a co-dependent factor in the whole world. Multinational corporations are working around the world by carrying out business activities not in one but several countries, which include the production and distribution of goods and services. The movement of Multinational Corporations has increased the market growth and the consumers throughout the world. The factor that influenced the most is globalization which started by opening up the borders in the late 19th century, whereas number of business took historical decisions towards the expansion of businesses. After globalization started its process, money, human resources, and technology also started moving across nations even more easily.

The organization that took the initiative in making itself multinational was Nestle; despite cultural, economic, and social constraints, Nestle has always succeeded when it comes to the growth steps. Around 130 nations know the name of Nestle and the consumers living in those nations consume the beverage products of Nestle. Furthermore, this essay analyzed the historical expansion of Nestle along with its current strategy toward the international market.

Discussion

Nestle is considered to be the world's most renowned organization working in the beverages industry, and it's headquarters is located in Switzerland. Nestle expended globally with having 500 factories around the globe with distribution among Europe, America along with Asian and African countries. Nestle was founded by the Henry Nestle who named the organization with his own name. The owner was basically from the Switzerland and in the beginning of 1866 he started manufacturing the milk for babies in powdered form. The main aim at the start of the company was to serve the infants by providing quality foods to save their lives and milk powder to those mothers who were not able to breastfeed their babies. Since the organization has always succeeded in achieving its goals and targets, and during that time, the organization succeeded in providing quality food and milk. That was the same reason why the company logo is being designed as the nest to show the care and nourishment through the approach of nature and affection. The idea is still being carried out and that is the reason they had the best corporate social responsibility programs to support culture and value

of their host countries (Grew, 2018).

Historical International strategy of Nestle:

The historical international strategy of the Nestle involves the merger with its main competitors during that time Anglo-Swiss condensed milk which led to the rapid sale growth through the Europe in 1905. The business analyst recognize that merger as the horizontal in nature which gave the leverage to Nestle to conduct the business and sale its products of processed milk and infant food throughout Europe by only using its own name. The early 1900s was the period when Nestle went international and took a step away to turn into a multinational. This move of acquiring and merging it with the competitors was the historical international strategy of the Nestle. The product line, which was milk, sugar, cocoa, and coffee, stayed its core business nature, but the company expended throughout Europe and allowed the acquired companies to use Nestlé's name to sale the goods. After a while, increasing its product line to coffee, soft drinks, and ice cream to further gain strength in every market of its operation and capture the food markets. Furthermore, Nestle at that time designed and created 4 different approaches in order to grow in the current and future markets (Salam, 2016).

Those four approach which are referred as above includes the penetration in the market, development of product, after that developing the market and in the last diversification approach to further increase the line of products. The next addition to its international strategy during 1920's, Nestle included the Milo along with the proceed milk. This strategy made them include customers who were not infants, and the product targeted teenagers. After that, in 1938, Nestle further used the approach of diversification and included coffee products with the name of Nescafe which had helped the company to further expansion of customers. Through several other strategies, Nestle was not stayed limited to the food industry but also included cosmetic and pharmaceutical products with L'Oreal. The acquisition and mergers were not only limited to food making companies but they acquired Alcon Laboratories in order to gain strength in cosmetics and pharmaceutical products. This approach was known as the economies of scale which had made them cutting the cost of distribution by owning several other companies through mergers and acquisition (Grew, 2018).

With this move of diversification in portfolio development, Nestle further expended the brands by using the market penetration approach. Nestle further increased the product lines with similar in nature but targeting different types of consumers which includes the products like Nesquik and Nespresso. In achieving the aim of leading the food industry, Nestle didn't leave the food for pets by adding Friskies and Vittel. China and Saudi Arabia are the clear examples in the start along with other European countries where the historical strategy of Nestle involves the acquisition and mergers. Nestle has always been the one who, while penetrating any new market with the approach of a Multinational Corporation, used its name, which had gained fame, and also acquired all the organizations that are working on the same product types that Nestle manufactures. The strategies using its 4 approaches have always helped Nestle to become a strong multinational corporation. Leading the food and beverages industry was their mission and goal at the start of expanding to new

international markets. Nestle created its structure decentralized, which also helped it gain success by overcoming cultural barriers. The local staff of any host country created marketing strategies that were sufficient for Nestle. Still, Nestle is known for the decentralized system by giving the decision making authority to its staff at all levels (Salam, 2016).

While going through its history, it can be easily assessed that market trends during that time had helped them gaining the strength in the international markets. Now, as it can be easily assessed the change in the market is rapid and continuous. The market internationally is becoming competitive and also flat. Nestle, as they are known for being the leader in global strategy, would surely be looking into more markets for the growth of business. With the changes which had occurred recently and also in the continuous form it is occurring, Nestle needs to be more flexible than as compared to before. The foreign direct investment approach has always been the strategy of Nestle to enter any new market. Nestle's approach of acquiring and merging has proven to be a less expensive approach in entering the new market. During the early days of Nestle, it used the needs of the consumers to gain strength, but the current international strategy has evolved and made changes in the Nestle growth goals. Now they prefer upscale products such as chocolate and beverages to penetrate the new market along with the current market. This strategy looks small but it's a strong strategy which will be proven to be effective one by looking at it current pace of growth. But still, its strategy of acquiring small companies is being applied in Asian countries (Fielding, Sieber & Vellas, 2015).

Nestle Global strategy are dependent on the decentralized approach and the example is Nigeria where that they had sued the central warehouse system to distribute while viewing the condition of the country's road system. In China, the approach of Nestle is different as compared to other countries. Its dairy products are not being solely manufactured by them but they had created the contracts with farms who bring Nestle Milk from their farms which further processed into refine milk products. The other example of Nestle's global strategy is from Syria. The consumer from Syria prefer tomatoes more so Nestle production of the food materials are being processed by the local ingredients which is widely being appreciated and helped Nestle securing the position (Baran, 2016).

Current International Strategy:

The current strategies of the Nestle aims to achieve the sustainable competitiveness by applying the four pillar globally. The first one focuses on low cost, the second is efficient operations, the third is renovation, and the last one is innovation. According to Nestle, all of these could only be achieved through better means of commination with consumers by building effective marketing strategies. The focus of the Nestle which in the past was towards the technology but now they had shifted it to health, nutrition and wellness. The current strategies of Nestle did help them and the initiative they took was not to own the agricultural roots but to build relationships with the local farmers. The other initiative Nestle took is to modify its value chain system by cutting off the few activities. Nestle no longer uses the cocoa roasting for the production of chocolate. The traditional methods and activities that the multinational corporation used in the value chain have been eliminated, which turned out to

become more innovative and is helping in developing the new products efficiently. Moreover, the other significant initiative Nestle took in their global strategy to create stronger relationship with suppliers by cutting of the third party interfere. In fact, Nestle is focusing on guiding and providing assistance to suppliers for productivity and growth (Black, 2016).

The next move for achieving renovation and innovation is to build strong and focused Research and Development departments throughout the world. This benefited Nestle in meeting the demands of all the customers around the world by understanding their needs and demands. The specifications of the products are now focused according to the specifications provided by the customer. Nestle gathers data from surveys and different marketing campaigns and uses that information to bring innovation and renovate the products. This initiative of Nestle helped it secure sustainable ways to gain strength in new markets and sustain the old customers. Along with research and development, Nestle is also focusing on the knowledge-sharing approach, which is helping it gain a competitive advantage by adopting all the changes that are occurring in the market. All 4 pillars, which are mentioned earlier, the first one focuses on low cost, the second is efficient operations, the third is renovation, and the last one is innovation. According to Nestle, all of these could only be achieved through better means of commination with consumers by building effective marketing strategies. The focus of Nestle in the past was on technology but now they have shifted it to health, nutrition, and wellness. These pillars are the current global strategies of Nestle, and the working is being done on all of these pillars (Robinson, 2016).

Challenges in the Global Markets:

It is important to take the concern regarding the multinational corporations which influences their growth and market penetration. The bad reputation came from the anti-globalization movement which accuse the MNCs for manipulating the natural resources of the host and developed countries. The factor which Nestle is currently acing is climate change. The production which is being done in factories really influencing the climate and proven to be bad influence or the environment. Currently, Nestle is working on it, which will be an environmentally friendly way of production. The other concern is damage to the local market. Small businesses from the local markets are also facing problems because big corporations capture the market with their strategies and marketing approaches. The socio-economic condition of the country matters when pursuing the business to any country. The jobs which Nestle is providing to local people but at the meantime shifting of production and not paying as compared to the standards of developed counties is another factor. Consumers are now aware of the issues that are connected with the working of multinationals in the local markets. This influences the power of multinationals, and Nestle has suffered in the past with similar problems (Tempels, Verweij & Blok, 2017).

The impacts are both positive and negative when it comes to globalization, the positive side of the globalization is that it contributes in the growth of the economy and also brings the improvement in the living standards of people living in the developing countries. But the negative side of globalization

is the significant which is a threat to local small businesses. The other concern which recently has been raised by environmentalist is the climate change. Small businesses from the local markets are also facing problems because big corporations capture the market with their strategies and marketing approaches. The socio-economic condition of the country matters when pursuing the business to any country. The jobs that Nestle is providing to local people but the meantime shifting of production and not paying as compared to the standards of developed counties is another factor. The consumers are now being aware of the issues which are connected with the working of multinationals in the local markets. This influences the power of multinational and Nestle had suffered in the past with similar problems.

The challenges which Nestle is confronting are a potential threat to its business. The first one is the political condition of the country, which influences the business. The political instability is a threat because the change in the government brings new policies regarding international businesses. The tariffs and limitations of the production can harm Nestle. The other challenge is the economic condition of the country where Nestle intended to do business. The low economic condition of the country eliminates the customers because of buying power is limited. The cost which occurs in moving the business to that country and production will not be covered if people don't buy the products. The infrastructure of the host country also matters because infrastructure plays a huge role in conducting business. The technological limitation will cause Nestle to use extra costs in bringing the supportive machinery for conducting the business. The other significant challenge is the cultural, which can also influence Nestle. The products such as mineral water and processed milk which Nestle offered considered to be not good to buy because in developing countries people prefer not to use the mineral water and it's a bad norm not breastfeed the infant by the mother (Miah et al., 2015).

Conclusions

In conclusion, Nestle historical achievements in term of tuning into multinational is indeed remarkable. The firm started with a very small amount of resources in the village but the strategies which it implemented took it to other heights of growth. The current global strategies which are innovative and environmental friendly benefiting the Nestle. The continuous adoption of change in the market is securing the position of Nestle. The pro-active approach of Nestle to always adopt the change even before it occurs made them market trend setters. The movement of Multinational Corporations has increased the market growth and the consumers through the world. The factor which influences the most is the globalization which started by opening up the borders in the late 19th century where umber of business took historical decisions towards the expansion of businesses. After the globalization started it process, the money, human resources and technology also started moving across nations even more easily. The organization that took the initiative in making itself multinational was Nestle; despite cultural, economic, and social constraints, Nestle has always succeeded when it comes to the growth steps. The organization have always succeeded in achieving its goals and targets and during that time the organization succeeded in providing the quality food and milk. That was the same reason why the company logo is being designed as the nest to show the

care and nourishment through the approach of nature and affection. China and Saudi Arabia are clear examples in the start, along with other European countries where the historical strategy of Nestle involves acquisition and mergers. Nestle had always been the one who while penetrating any new market with the approach of Multinational Corporation used its name which had gain fame and also acquiring all the organization which are working on the same product types which Nestle manufactured. The foreign direct investment approach has always been the strategy of Nestle to enter in any new market. Nestle's approach of acquiring and merger has proven to be a less expensive approach in entering the new market. During the early days of Nestle, it used the needs of the consumers to gain strength but the current international strategy has evolved and made changes in the Nestle growth goals. The other significant initiative Nestle took in their global strategy was to create stronger relationships with suppliers by cutting off third-party interfere. In fact, Nestle is focusing on guiding and providing the assistance to suppliers for productivity and growth. Political, cultural, infrastructure and social challenges are important to consider by the Nestle. The instability in several of Asian and African Countries are being faced by the Nestle. The importance given to them is crucial because Nestle has the major market share in those areas. The challenges which are being in the way to further success are influencing the growth of Nestle. The organization need to take approach which environmental friendly along with these the relationship building through the use of cultural factor will definitely help the Nestle even more.

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