

SWOT Analysis and Strategy Selection of Nestle Based On 2018-2020 Annual Report

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ABSTRACT

The purpose of this research is to create a marketing strategy to boost Nestle's reputation. Firstly, it describes Nestle's situation analysis and conducts a SWOT analysis to understand the overall situation. The article evaluated two alternative strategies to improve Nestle's image using the QSPM tool. According to the findings, the optimum option is to enhance financial support to the R&D department by 30%. They have the resources to develop environmental and social projects, environmental protection products, and innovative formulae to replace the artificial ingredients in some of their products. Using the strategic canvas to analyse Nestle's competitive advantage, we determine that one of Nestle's most important advantages is its marketing department. As Nestle lacks popularity as a socially responsible company, it needs to use this lever to promote these plans. Furthermore, we developed the 4P for examining the Nestle market, and the results demonstrated the importance of increasing its R & D. Moreover, implementation will be the responsibility of the headquarters and organizational culture. Formal and informal controls will be explored for evaluation and control to assess employees' and organisations' commitment to the process. Finally, the report shows that the implementing of this strategy will be an excellent asset to restore Nestle's reputation.

Keywords: *Nestle Company; SWOT Analysis; Market Strategy.*

1. INTRODUCTION

Nestle is one of the most famous beverage and food production companies globally.. Nestle has built firms or offices in over 186 countries [1] since its founding in 1866, occupying a major market share. They offer a wide choice of products that meet practically all of the needs of clients of all ages, but as the company's territory expands, they neglect some acts that harm Nestle's image and reputation. Nestle's reputation has suffered since the 1980s. The issues include, but are not limited to, the use of child labour by downstream companies, incorrect and missing nutritional product identification, and negative publicity surrounding its new-born formula. The need to restore lost market and customer confidence has become one of their main concerns.

Despite the fact that Nestle has risen to the ranks of the world's top 100 corporations (ranking 39th on Forbes' global brand value list in 2021) [2,] the company remains concerned about its customers' perceptions of the company. Therefore, Nestle's contribution to social philanthropy has been significantly improved. Especially in third world countries, Nestle should set up some funds

to help them solve fundamental problems, such as water resources, forest protection, health and medical assistance. Furthermore, healthy and nutritious products are the core of the competitive market, so Nestle needs to focus on R & D and launch new products to fulfil the diverse needs of customers.

2. SITUATION ANALYSIS

Nestle was founded in 1867 by Mr Henry Nestle, and its headquarters are in Vevey, a city in Geneva, Switzerland. Nestle is the world's largest food maker, with over 500 factories worldwide. Nestle's slogan is "good food, good life". As a result, Nestle's purpose and goal are to provide Nestle customers with the best quality food. Nestle began with baby food, but its well-known items are chocolate bars and instant coffee.

However, Nestle has not obtained a good reputation and return from its customers in recent years. The first problem is the employment of child labour. Nestle's reputation has suffered greatly as a result of this issue. Nestle was forced to sign a cocoa agreement as a result of the exposure of this situation in order to safeguard its reputation. Nestle, on the other hand, has implemented

several methods and actions ten years later, which makes Nestle establish a cruel image in society. Another problem is misleading, and the first misdirection comes from Nestle's parenting courage which Henry Nestle proposed in the 1860s [3]. Then this product achieved great success. Following that, Nestle's marketing stated that its child-rearing method was marginally superior to breastfeeding [4]. This product is being used in place of nursing by an increasing number of people. However, this is a lie. Besides, another example is Nestle's advertising of raw materials. They do not have recognized standards to test which products are better in the food industry. Some companies use their private standards as documents in advertising. Nestle is a good illustration of this. Some regulators believe that nestle only shows some parts that can improve its performance, but does not show the shortcomings of its products, such as harmful ingredients in Nestle products. Due to these two examples, Nestle lose the trust of customers and society.

The last question is about the relationship between Nestle and the external social environment, which is Nestle's weakness. Nestle uses a large number of non-degradable plastics as the packaging of its products, such as Pol Spring, Nestle's famous bottled drinking water brand. Furthermore, much water is wasted in the whole production process, but the company does not have any technology or scheme to solve this problem. In 2015, California experienced a severe drought. These two concerns appear to be unrelated, yet Nestle's behaviour continues to arouse social concern and fury.

3. SWOT ANALYSIS

3.1. SWOT

3.1.1. Strengths

- Nestle is one of the most critical foods and beverage companies globally, with a long history and strong business in more than 186 countries.

- Products are highly diversified, with the most well-known and popular brands. Its subsidiaries have advantages over competitors. People are familiar with Nestle's products and have been using the products for several generations.

- With a natural growth rate of 3.6 percent in 2020, the highest in the last five years, the country has strong financial capacity. [5]

- In several countries, Nestle have built solid working relationships with well-known retailers and suppliers.

- The powerful R & D department is committed to developing environmental protection products. Up to 293 factories have attained pollution-free status. At the same time, according to the environmental protection

strategy, greenhouse gas emissions will be decreased by 2.6 percent for each tonne of commodities produced in 2018. [6]

- Strong marketing department.

3.1.2. Weakness

- Some products have bad reputation problems in manufacturing and advertising. For example, some infant milk powder in China includes excessive arsenic, a California company is suspected of illegal water use and anti-union sentiment, and some developing-country suppliers exploit child labour. These have caused harmful public praise, which indicates that the legal department has weaknesses in not taking the appropriate measures.

- Highly dependent on advertising to promote their products and compete with competitors, which leads to expensive marketing costs.

- Mislabelling products in the past has led to people losing confidence in Nestle's products and losing essential market shares, such as India and China.

- Lack of visibility as a responsible and environmentally friendly company.

- Some goods have excessive amounts of sugar and sodium, which contradicts the company's health image.

3.1.3. Opportunity

- With the expansion of digital media, e-commerce sales accounted for 8.5% of the total amount in 2019, with a growth rate of 18.5% [7].

- Although Zone Asia, Oceania, and Sub-Saharan Africa have the lowest overall turnover [8,] they have enormous potential and a high number of growing economies. Nestle can increase its market penetration in AOA countries and regain people's trust.

- To promote the new face of Nestle and participate in environmental sustainability, form collaborations with strategic ecological companies such as NGO protection international.

- Preference for pre-packaged food is a recent trend, and individuals choose functional food due to longer working hours. This category's overall sales rose steadily from fifth place in 2018 to fourth place in 2020 [9].

- Strengthen relationships with retailers to promote healthy eating.

- New trends: environmental and social awareness.

3.1.4. Threaten

- People are paying more attention to the composition of items due to the new healthy lifestyle, which may

damage Nestle's sales because the key ingredients in most products are artificial.

- Many retailers are producing their own products. Nestle is facing new rivals in terms of pricing and retailer strategic positioning.

- Because of the changed work habits, individuals are spending less time at home, which implies there is less time for the demand for specific Nestle items.

- Rising prices of raw materials, such as coffee beans.

- Customer loyalty is declining, and people prefer price to brand. Some Nestle products have lost popularity in recent years as a result of fierce competition, particularly in dairy products.

3.2. SWOT Matrix Evaluation (using QSPM tool)

Table 1. Scoring Two Strategies

Key Internal Factors	Weight	Strategy 1		Strategy 2	
		AS	TAS	AS	TAS
Internal Strengths					
1.- Largest food and beverage company since 1866, thus brand recognition	0.06	0	0	1	0.06
2.- Financial stability, sales increased in 2020 in 3.6%	0.08	2	0.16	3	0.24
3.- High diversity in products, portfolio includes over 2000 brands	0.02	2	0.04	1	0.02
4.- Strong presence in market share in 186 countries	0.02	2	0.04	1	0.02
5.- Strong relationship with retailers in 186 countries	0.02	1	0.02	0	0
6.- Strong partnerships with important companies e.g., Coca Cola	0.05	3	0.15	2	0.1
7.- R&D department engaged in developing eco-friendly product, more than 6641 projects already evaluated	0.25	3	0.75	0	0
8.- Environmental sustainability program succeeded to reduce 2.6% gas emissions per tone in 2018	0.15	3	0.45	0	0
9.- Strong marketing department	0.03	2	0.06	3	0.09
Internal Weakness					
1.- Unethical practices in the manufacturing and advertising of some products damaged Nestlé's Image since 1980	0.05	2	0.1	3	0.15
2.- High marketing advertising costs	0.03	0	0	1	0.03
3.- Mislabeling products caused a decrease in India's share market	0.03	1	0.03	3	0.09
4.- Lack of visibility as a socially responsible and eco-friendly company	0.09	2	0.18	3	0.27
5.- High sugar and sodium content in all food and beverage products	0.04	3	0.12	2	0.08
6.- Weak legal team	0.08				
Total	1				
Key External Factors					

<i>External Opportunities</i>					
<i>1.- e-commerce sales growth in 18.5% in 2019</i>	0.2	2	0.4	3	0.6
<i>2.- Zone Asia, Oceania and sub-Saharan Africa has potential purchasing power</i>	0.06	1	0.06	0	0
<i>3.- Strategic partnerships with ecofriendly environmental companies e.g., NGO Conservation International</i>	0.12	1	0.12	3	0.36
<i>4.- Preference for pre-packed food increased in 2020 to fourth</i>	0.1	2	0.2	0	0
<i>5.- Strengthen the relationship with retailers to foster healthy diets</i>	0.06	2	0.12	1	0.06
<i>6.- New trend: environment and social consciousness</i>	0.18		0		0
<i>External Threats</i>					
<i>1.- Healthy lifestyle trend threatens Nestlé's products, most are produced with artificial ingredients.</i>	0.08	3	0.24	2	0.16
<i>2.- Increasing manufacturing of goods from retailers, these threaten in price and strategic positioning inside retailers</i>	0.06	1	0.06	0	0
<i>3.- Longer work hours demand people to purchase practical goods (prepacked)</i>	0.05	1	0.05	0	0
<i>4.- Decrease in customers loyalty, people prefer price over brand</i>	0.07	1	0.07	2	0.14
<i>5.- Raise in prices of raw material e.g., coffee beans</i>	0.02	2	0.04	0	0
<i>Total</i>	1		3.46		2.47
<p>S1. - To increase the financial support to R&D to develop environmental sustainability and healthier products and social responsibility programs.</p> <p>S2.- Nestlé will open a Non-profit organization to address all of their issues regarding the manufacturing of their products.</p> <p>Weight: All listed factors are divided into internal and external factors. The sum of the weights of each category is equal to 1, and its value ranges from 0.0 (unimportant) to 1.0 (very important). The weight indicates the relative size of the impact of various factors on the success or failure of the enterprise in the industry.</p> <p>Attractiveness Scores(AS): where 3 = most attractive, 2 = somewhat attractive, 1 = least attractive</p> <p>Total Attractiveness Scores (TAS)= Weight* AS</p>					

Following an evaluation of the two possibilities, Strategy 1 is selected to raise R&D funding to 30% in order to develop ecologically sustainable and healthier products, as well as social responsibility plans.

3.3. Develop Competitive Advantage

3.3.1. Positive Strategy: Turning Opportunities Into Advantages

3.3.1.1 Online Promotion

- Use online advertising to reduce costs. It is cheaper,

more comprehensive, and can serve customers 24 hours a day.

- Hundreds of national business groups make it easier to promote online business.
- Online advertising is cost-effective, and companies can transfer funds to other projects.

3.3.1.2 Environmental and Social Consciousness

- Support the environmental sustainability plan and create new strategies to promote Nestle's desire to project a fresh image.
- The plan's content must adapt to the characteristics and policies of each country.
- Develop new formulas to replace harmful ingredients or non-environmentally friendly products with natural and environmentally friendly components.

3.3.1.3 Establish Strategic Partnership with Environmental Protection Companies

- Brand identity. Nestle can utilise this by building alliances with environmentally and socially aware companies.
- Nestle can show its strong desire to change its bad reputation through strategic alliances through many advertisements.
- It has a great global impact, allowing Nestle to form alliances with top corporations all around the world, particularly in regions where Nestle is weak in dealing with difficulties.

3.3.2. Turn Around Strategy: Turning Weaknesses and Threats into Opportunities

3.3.2.1 Lack of awareness of socially responsible companies

Nestle needs to use its brand as a lever to promote itself as a socially responsible company. Its marketing department needs to develop strategies to change people's views of Nestle. They can create programmes to encourage people to recycle, demonstrate how healthy their products are in public, track the success of their efforts, and lastly demonstrate their progress with the outcomes.

3.3.2.2 Weak Legal Team and Unethical Behavior in The Manufacture and Advertising of Some Products

- As an international company, it becomes difficult to manage all branches worldwide, some of which may have lost Nestle's core values. Therefore, it is essential to consider the management changes and re-establish

Nestle's principles. At the same time, it is also very important to promote employees to participate in the reform process and make them more responsible.

- This modification will demonstrate that nestle needs to improve its manufacturing and product procurement, showing a real commitment to rebuilding an ethical company.
- Its legal department needs to amend its contracts in order to avoid charges of illegal procurement or improper manufacturing of its products, particularly in developing countries.

3.3.2.3 The Trend of Healthy Lifestyle Threatens Nestle's Products, Most of Which Are Made of Artificial Ingredients and Customer Loyalty

- People are concerned about allegations of production and product ingredients, whether from Nestle or other companies. The proper conversion to healthier solutions will resolve the issue of incorrect labelling.
- Nestle will benefit by offering healthier options and restoring lost markets when the promised environment changes.
- It has a great global impact, allowing Nestle to form alliances with top corporations all around the world, particularly in regions where Nestle is weak in dealing with difficulties.

3.4. Develop Strategic Priorities (using the Strategic Canvas)

Nestle is suffering major corporate image issues due to some negative news and scandals from the environment and society. The marketing strategy strives to enhance the current situation and change the company's image. The approach combines its competitive advantages and compensates for its shortcomings by pursuing positive and backward directions described above.

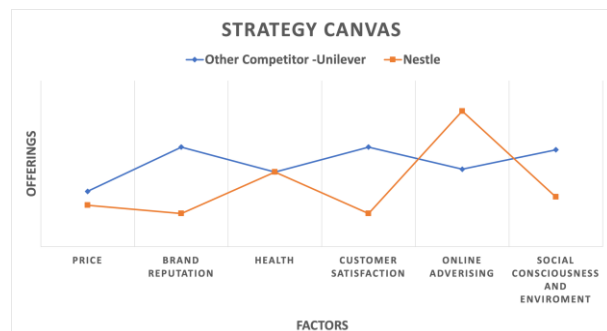


Figure 1 Strategy Canvas

The strategic framework establishes six value aspects as criteria for comparison with other food sector competitors, namely pricing, brand reputation, health, customer happiness, internet advertising, social

awareness, and environment. Nestle's competitive edge is based on price and online advertising.

Nestle's weakness lies in its brand reputation, customer satisfaction, social awareness and environmental awareness than other rival (Unilever). In terms of health, the product value of Nestle and its competitor (Unilever) maintain at the same level.

Due to Nestle's poor brand reputation has affected low customer satisfaction, its competitiveness is not as competitive as other competitors such as Unilever. Despite having a lower pricing advantage than its competitors, Nestle cannot compensate for its drawbacks (bad reputation). Nestle needs to develop environmentally friendly materials or promote social responsibility to build a good reputation and improve customer satisfaction.

4. CONCLUSION

This report analyses the marketing strategies to improve Nestle's image and reputation. Based on the QSPM tool, we find that increasing R&D budget to 30% is the best alternative approach for developing ecologically sustainable and healthier products, as well as social responsibility strategies.

By implementing a positive transformation strategy, Nestle will turn its opportunities and disadvantages into advantages. Its marketing department is an essential competitive advantage to promote this implementation. Nestle's reputation will profit from this move, and the lost market will be restored. Implementing environmental and social projects, coupled with efforts to produce healthier products, will prove that nestle needs to change its old image. The marketing department need to promote these efforts to see them, which may be a long process, but it will produce lasting results.

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