



Munich Personal RePEc Archive

Present and Future of Nestlé Bangladesh Limited

Mohajan, Haradhan

Assistant Professor, Premier University, Chittagong, Bangladesh

24 March 2015

Online at <https://mpra.ub.uni-muenchen.de/82850/>
MPRA Paper No. 82850, posted 23 Nov 2017 06:58 UTC

Present and Future of Nestlé Bangladesh Limited

Haradhan Kumar Mohajan*

Assistant Professor, Premier University, Chittagong, Bangladesh

*Corresponding author: haradhan1971@gmail.com

Abstract In the food industry Nestlé is the leading multinational company and the most trusted name with high quality products. It offers healthier and tastier choices throughout all stages of a consumer's life and at any time of the day. Based on science and Research and Development, the Company permanently innovates its portfolio of food and beverages. The aim of the Company is to build strong foundations of compliance and sustainable business practices globally. This paper discusses the marketing strategy, competition structure and other strategies of Nestlé S.A. Creating Shared Value is a philanthropic act of Nestlé in Bangladesh. An attempt has been taken here to represent present situation and future attempts of Nestlé Bangladesh Limited with the help of SWOT analysis and BCG growth sharing matrix. Due to the substantial growth and the other business perspective, the Company has developed its own functional areas in Bangladesh.

Keywords: BCG Matrix, CSV, Nestlé, SWOT analysis.

1. Introduction

Nestlé is the world's largest health, nutrition and wellness company (measured by revenues). Its Headquartered is in Vevey, Switzerland. In the food industry Nestlé is the most trusted name with high quality products. Nestlé produces a diversified portfolio of product categories ranging from baby foods, bottled water, chocolate, coffee, dairy to healthcare and sports nutrition. From the start of Nestlé, nutrition has been at the core of its business. According to the company's Annual Report [1], it has employed about 339,000 people in over 196 countries and over 450 factories in more than 86 countries around the world. Employees of Nestlé by geographic area are; 28.0% in Europe (10,175 employees in Switzerland in 2013), 32.5% in Americas and 39.5% in Asia, Oceania and Africa. Factories of Nestlé by geographic area are; about 140 in Europe, about 164 in Americas and about 143 in Asia, Oceania and Africa [24].

Nestlé has more than 250,000 shareholders worldwide (42% Swiss, 22% US Citizens, 10% British, 8% French and 5% German). It applies the principle of "one share-one vote" up to a maximum of 3% of the total shares [11]. Some of the basic Nestlé values and principles are [33]:

- Favoring long-term development over short-term profit.
- Long-term commitments and relationships.

- Respect for and integration with diverse cultures.
- Proper conduct and ethical values as basic requirements for management and employees.
- Recognition that consumers deserve information about the products they buy and the company behind the brand.

Nestlé is in the developing stage in Bangladesh. But recently it has experienced an organic growth of 40% and this trend predicted to continue in the near future. Nestlé Bangladesh Limited (NBL) is not a listed company in the stock exchange of Bangladesh. "Good Food Good Life" is the mission of Nestlé, which drives the company to provide consumers with the best tasting and most nutritious choices in a wide range of food and beverage categories. Its business practices have been governed by integrity, honesty, fair dealing and full compliance with all applicable laws [20].

In Bangladesh Nestlé's vision is to establish the most successful food and drink Company in Bangladesh by generating sustainable, profitable growth and continuously improving results to the benefit of shareholders and employees.

2. Methodology of the Study

The article is prepared on the basis of secondary data of Nestlé S.A. and Nestlé Bangladesh Limited (NBL). We have used Nestlé websites, previous

published articles and various research reports. We have also collected information from the employees of NBL, wholesalers of various departmental stores and consumers of Bangladesh. NBL has strong rules and regulation of sharing information. It is not a listed company in stock exchange of Bangladesh. The data of NBL is not widely available to explain the present financial situation properly.

3. Objectives of the Study

The objective of the study is to express a brief summary about business structure of Nestlé Bangladesh Limited (NBL). The purpose of the research approach is to discuss the present and future situation of various foods and beverages of NBL. At the start we have discussed the history, market structure and strategy and business principle of Nestlé S.A. We stress current mission, vision, objectives and strategies of Nestlé in Bangladesh. NBL has some Corporate Social Responsibility (CSR) activities in, which it call Creating Shared Value (CSV). We have tried to explain briefly the CSV of the Company.

We have briefly discussed general management, finance and control, human resource management, supply chain management and marketing, and their performance in Bangladesh. We have also highlighted the efficiency and effectiveness of working capital management system and food market for Nestlé in Bangladesh.

Bangladesh is a densely populated and developing country in the Southern Asia. The article highlights present and future of Nestlé in Bangladesh. The public health consciousness of the country has increased in the 21st century. On the other hand economic development of Bangladesh makes the popularity of Nestlé products to the people of Bangladesh. We have simply discussed the SWOT analysis and BCG growth sharing matrix to develop the market structure of Nestlé in Bangladesh.

4. Brief History of Nestlé

In 1849, Henri Nestlé (10 August 1814–7 July 1890), a German pharmacist, set up his laboratory in the small Swiss town of Vevey on the shores of Lake Geneva, Switzerland. In 1866, the Company was founded by Henri Nestlé in Switzerland. In 1867, he

launched his ‘Farine lactée’, a combination of cow’s milk, wheat flour and sugar, which is the world’s first infant food. This food helps to nurture and to save the lives of young babies. He developed and produced this milk-based food for babies whose mothers could not nurse them. His ultimate goal helped to combat the problem of infant mortality due to malnutrition [30,34].

Thinking for mothers and their babies he decided to export his successful new product to other countries and distributed to Europe, Australia and South America. By the 1870s it was selling in places as far afield as Egypt, Russia, Mexico and Indonesia. The Company formed by the 1905 merger was called the Nestlé and Anglo-Swiss Milk Company. In 1907, the Company began full-scale manufacturing in Australia. It has operated the business in Brazil since 1921 and in South Africa since 1927. Nestlé established the world’s largest milk processing plant in Kabirwala, Pakistan and total investment was CHF (Swiss franc) 90 million (\$1= CHF 1.25) in 2007 [12].

In 1921, the Company recorded its first loss due to economic slowdown and declining exchange rates during and after the First World War. In 1929 Company Nestlé and Anglo Swiss Condensed Milk Co. had merger with the Peter, Kohler Chocolats Suisses S.A. In 1934 the Company launched Milo, in 1938 launched Nescafé, in 1947 it merged with Maggi and changed the name to Nestlé Alimentana S.A., in 1948 it launched Nestea and Nesquik, in 1969 it opened Vittel (initially equity interest only), in 1971 it Merge with Ursina-Franck, in 1973 it started Stouffer (with Lean Cuisine) and in 1974 it initiated L’Oréal (associate). In 1977 company changed its name to Nestlé S.A. [26].

During the World War II (1938–1945) the Company faced difficulties for the second time. Profits dropped from \$20 million in 1938 to \$6 million in 1939. Thinking this the Company established factories in developing countries. As a result the Company developed day by day and recently it covers almost every food and beverage category globally. At present Nestlé become world’s biggest health, nutrition and wellness Company. In the food industry Nestlé is the most trusted name globally with high quality products [25].

5. Global Market Structure of Nestlé

Nestlé has divided its worldwide operations into three zones: i) Europe Regions (Adriatic, Benelux, Iberian and Russia), ii) Americas Regions (Austral-America, Bolivarian, Caribbean and Central American), and iii) AOA Regions (Asia, Africa and Oceania). “Good Food Good Life” is the mission of Nestlé, which drives the company to provide consumers with the best tasting and most nutritious choices in a wide range of food and beverage categories and eating occasions [23].

In 2014, Nestlé has employed about 339,000 people in over 196 countries and over 450 factories in more than 86 countries around the world with a total equity of CHF 110 billion. It has 2,000 brands and 10,000 different products and more than one billion products sold every day worldwide. The average number of employees in the factories of Nestlé is 270, and the average number of employees in any single country is around 2,000. Nestlé interacts with some 165,000 direct suppliers and cooperates directly with over 690,000 farmers worldwide [1].

About one-fourth of the employees of Nestlé are trained medical delegates. They work closely with health care professionals such as doctors, nurses and dietitians to provide them with relevant information as well as products and services to help their patients [34].

At present processing milk foods are still Nestlé’s chief products. The other products are chocolates and confectionery, instant milk-based drinks culinary products, frozen ready-made meals, instant coffee, ice cream, dairy products, infant foods, mineral water etc. Nestlé’s expertise as the world’s leading infant food manufacturer, gained over more than 125 years, is put at the disposal of health authorities, the medical profession and mothers and children everywhere [25]. Nestlé is the world’s largest milk Company, sourcing 11.8 million tons of milk from more than 30 countries. Coffee is the 2nd most traded commodity in the world after oil, and grows best within the “coffee belt” between the tropics of Cancer and Capricorn that spans Latin America, Africa and Asia. Nestlé purchased 750,000 tons of green coffee in 2006 [12].

6. Global Products of Nestlé

At present Nestlé covers almost every food and beverage category globally. It always provides the consumers tastier and healthier products. It is the trust and effort of the Nestlé professionals which created the win and winning scenario globally. The main products of Nestlé are as follows [16,25]:

1. Baby foods: Cerelac, Gerber, Gerber Graduates, NaturNes and Nestum.
2. Food service: Chef, Chef-Mate, Maggi, Milo, Minor’s, Nescafé, Nestea, Sjora, Lean Cuisine and Stouffer’s.
3. Cereals: Chocapic, Cini Minis, Cookie Crisp, Estrelitas, Fitness and Nesquik Cereal.
4. Culinary, chilled and frozen food: Buitoni, Herta, Hot Pockets, Lean Cuisine, Maggi, Stouffer’s and Thomy.
5. Bottled water: Nestlé Pure Life, Perrier, Poland Spring and S. Pellegrino.
6. Drinks: Juicy Juice, Milo, Nesquik and Nestea.
7. Coffee: Nescafé, Nescafé 3 in 1, Nescafé Cappuccino, Nescafé Classic, Nescafé Decaff, Nescafé Dolce Gusto, Nescafé Gold and Nespresso.
8. Chocolate & confectionery: Aero, Butterfinger, Cailler, Crunch, Kit Kat, Orion, Smarties and Wonka.
9. Healthcare nutrition: Boost, Nutren Junior, Peptamen and Resource.
10. Ice cream: Dreyer’s, Extrême, Häagen-Dazs, Mövenpick and Nestlé Ice Cream.
11. Pet care: Alpo, Bakers Complete, Beneful, Cat Chow, Chef Michael’s Canine Creations, Dog Chow, Fancy Feast, Felix, Friskies, Gourmet, Purina, Purina ONE and Pro Plan.
12. Sports nutrition: Power Bar.
13. Weight management: Jenny Craig.

7. Corporate Business Principles of Nestlé

Nestlé provides nutritionally sound products designed for children and helps to reduce risk of malnutrition through micronutrient fortification. Nestlé reduces sugars, salts, saturated fats and trans fats. It helps to increase consumption of whole grains and vegetables, including via healthier home cooking. There are 10 corporate business principles of Nestlé, which comply with all applicable legal requirements and international norms, ensure activities are environmentally sustainable and create significant value for society. These 10 corporate business principles are as follows [21]:

1. nutrition, health and wellness,
2. quality assurance and product safety,
3. consumer communication,

4. human rights in business activities (eliminate child labor),
5. leadership and personal responsibility,
6. safety and health at work,
7. supplier and customer relations,
8. agriculture and rural development,
9. environmental sustainability, and
10. improvement of water efficiency.

The 1st three principles are in reference to Nestlé's consumer. The Company works to improve the nutritional value, taste, and enjoyment of its products while guaranteeing a safe product that fully informs the consumer about the benefits and pitfalls of its products. The 4th principle is about the necessity of human rights and exercising and promoting good human rights practices. Principles 5 and 6 are about requiring that employees respect each other and their management while also ensuring healthy and safe conditions for all employees worldwide. Principles 7 and 8 require that Company's customers and suppliers stay to the same high standards of honesty, integrity and fairness that it expects of itself. The 9th and 10th principles expressed environmental sustainability and Nestlé continuing attempts to advance its environmentally safe practices and sustainability initiatives [10].

8. Strategy of Nestlé

Strategy of the Nestlé Company is as follows [2]:

Four competitive advantages

- ❖ Unmatched product and brand portfolio: Focused and diverse product portfolio, with 75% of sales accounted for by around 30 brands and an understanding of local needs.
- ❖ Unmatched research and development capability: An impetus from R&D that supports growth through consumer-centric innovation and renovation.
- ❖ Unmatched geographic presence: Company presence in many markets, including emerging markets, which created close relationships between the Company and the consumers.
- ❖ People, culture, values and attitude: Decentralized structure with devolved responsibilities as well as cohesive strategic directions to encourage entrepreneurial spirit.

Four growth drivers

- Nutrition, health and wellness: These are the main goals that the Company is aiming to achieve through science-based nutritional expertise and all of its activities.
- Emerging markets and popularly positioned products: Nestlé's operations in emerging markets are both well developed and rich with opportunity.
- Out-of-home consumption: Nestlé Professional is the largest branded manufacturer in the out-of-home segment, and this segment has two divisions: Branded Beverages and Customized Food Solutions.
- Premiumisation: Increasing incomes and leisure time are positive trends for this sector.

Four operational pillars

- Innovation and renovation to ensure products are new or remain relevant to the customers.
- Operational efficiency to ensure the highest quality, the lowest cost and the best customer service.
- Whenever, wherever, however...to have the products always in an arm's reached of the consumers.
- Consumer communication to excite and to learn from the consumers.

9. The Nestlé Nutrition Council

The Nestlé Nutrition Council was founded in 1978. It is composed of 10 internationally renowned nutritional scientists with a spread of nationalities and specialties. It reviews current and developing nutritional issues, and provide the Company with relevant information and continuous advice related to its business, policies and strategy. It also operates as a medical and scientific network to provide health professionals with the most current and appropriate nutritional education, information and tools [25].

10. Future Attempt of Nestlé

Every year Nestlé invests around CHF 1.5 billion in Research and Development (R&D). R&D plays a pivotal role, and looking ahead, will play an even greater role. It is also working on scientific innovations to reduce obesity and diabetes. It works

for special nutritional needs of patients with Alzheimer's disease and illness related to ageing. It does not favor short-term profit at the expense of successful long-term business development [34].

11. Environment Friendly Products of Nestlé

Nestlé invests at an average of CHF 100 million each year for the protection of the environment in the factories. It reduces waste and emissions when it produces products in the factory. It pioneered the Clean Development Mechanism which is part of the 'Kyoto Protocol 1997' to control carbon dioxide (CO₂) emissions to combat global warming. During 2004-05 periods it reduced water consumption in factories by 42%, energy consumption by 30%, and emissions of greenhouse gases by 34%. It buys milk, coffee, cocoa, cereals, vegetables, fruit, herbs, sugar and spices directly from local farmers. For example, in China, Nestlé buys milk from some 40,000 farmers and contributes directly or indirectly to the welfare of about 200,000 people in the country. More than 800 of agronomists, technical advisers and field technicians of Nestlé provide technical assistance to more than 400,000 farmers throughout the world to improve their production quality [34].

The Nestlé Policy on the environment helps Nestlé to achieve continuous performance improvement and contributes towards sustainable development. More than 18% of factories of Nestlé are certified to ISO 14001 and/or OHSAS 18001 [12].

12. Social Works of Nestlé

Long-term objective of Nestlé is to create sustainable value for its shareholders. It works to achieve the UN Millennium Development Goals in developing countries. For example, it funds schools in rural areas in Morocco to designing and maintaining a water supply system for refugees in Ethiopia. In India it finances and helps to organize deep bore wells and sourcing of clean water. It works for the poverty reduction, education, health for women and children, and the reduction of pandemics like HIV/AIDS and malaria. More than 800,000 Nigerians have received HIV/AIDS education from Nestlé with 2,600 peer educators reaching youth in twelve states with high HIV/AIDS prevalence.

Donations are provided at humanitarian relief during natural disasters. The Company constructs storage tanks and installs submersible water pumps at village schools near factories [34].

13. Nestlé Bangladesh Limited

After the independence of Bangladesh in 1971, Nestlé initiated only some limited brands such as, Nespray, Cerelac, Lactogen, and Blue Cross etc. It started its commercial operation in Bangladesh in 1994. Its total authorized capital was Tk. 1.5 billion and total paid up capital was Tk. 1.1 billion. The only factory of the Company in Bangladesh is situated at Sreepur (55 km north of Dhaka). The factory produces the instant noodles, cereals and repacks milks, soups, beverages and infant nutrition products. At present it is a strongly positioned organization in Bangladesh. The Company is continuously growing through the policy of constant innovation, concentrating on its core competencies and its commitment to high quality food to the people of Bangladesh. The vision of Nestlé Bangladesh Limited is to survive as the most successful food and drink Company in Bangladesh, generating sustainable, profitable growth and continuously improving results to the benefit of shareholders and employees [1].

14. Products of Nestlé Bangladesh Limited

Although globally the product line of Nestlé is very large, in Bangladesh currently there are only 12 products of Nestlé. The Company believes all foods and beverages can be enjoyable and play an important role in a balanced and healthy diet and lifestyle. As a result no matter how short the product line may be but it ensures the same quality in compare to the other countries [10].

The products of Nestlé Bangladesh Limited (NBL) are [22];

- Beverage: Shad-Nescafé, Nescafé 3 in 1, Coffee Mate, Gold e-Magic Nestea, and Nesfuta.
- Culinary: Maggi Noodles, Shad-e-Magic, Maggi Healthy Soup, Magic Cube.
- Dairy: Nido Fortified, Nido 2+, Nido 3+, Nido Growing up Milk.

- Breakfast Cereal: Cornflex, Koko Crunch and Huny Gold.
- Nutrition: Lectozen, Lactogen Recover, Prelactogen, NAN, All 110, BABY & Me and Cerelac (Different flavors).
- Confectionary: Nestlé Munch Rolls.

Nestlé NAN is the first nutrient system clinically proven to enhance a baby's immune defenses which reduce allergic symptoms by 50%.

15. Business Functions of NBL

Demand and trust on the Nestlé products are growing day by day in Bangladesh. The products of Nestlé are distributed throughout the country with the help of the distributors. There are currently 80 distributors of its products of which 76 are retail distributors and remaining 4 are Nestlé Professional's distributors providing products for the out of home consumptions. The whole country is divided into 7 regions: Dhaka North, Dhaka South, Chittagong, Bogra, Khulna, Sylhet and Barisal [20].

Nestlé has 10 functions in Bangladesh, among which the Managing Director controls 3 and the rest are controlled by their individual directors. Among 10 functions, 5 functional areas of NBL are as follows [20]:

General Management: The General Management takes cares of the overall operation of the Company, by maintaining regular governmental affairs and by taking the key decisions. The General Management also deals the manufacturing function, where some products are made and some are packed.

Finance and Control: The Finance and Control department of NBL deals with the financial transactions and most importantly it also applies the control mechanism to remain the Company complaint financially and procedurally.

Human Resource Management: Human resource management (HRM) is a function in organizations designed to maximize employee performance in service of their employer's strategic objectives. It is primarily concerned with how people are managed within organizations, focusing on policies and systems. It is typically responsible for a number of activities, including employee recruitment, training and development, performance appraisal, and rewarding.

In 2014, NBL directly employed more than 650 people and many more with indirect contracts with its own factory in Sreepur. More than 1,000 people are employed by suppliers and distributors in connection to Nestlé.

Manpower is considered by NBL to be its best asset and prefer people to work with enthusiasm, wit and efficiency to enhance productivity and sustainable growth to the organization.

Supply Chain Management: The Supply Chain ensures the stable supply of the products of NBL according to the demand of the customers.

Marketing: The marketing department of NBL looks after the existing brands, market share and product development of the products. It is divided into different sub-departments like, Corporate Affairs and Communication, Regulatory Affairs, Nestlé Professional etc.

Sales and Nestlé Professionals are responsible for earning revenue for the company, but sales goes for the retail distributors and Nestlé Professionals looks after the institutional sales.

Every function of NBL contributes from their end to meet the corporate goal and main aim of every function is to gain ultimate excellence.

15.1 Success of NBL

Key success factors of NBL are as follows [25]:

1. Strong brands/relationships with consumers.
2. Research and development (R&D).
3. Innovation and renovation.
4. Product availability.
5. Building relations with medical and scientific community.

16. Creating Shared Value (CSV) of NBL

Nestlé Bangladesh Limited (NBL) has some Corporate Social Responsibility (CSR) activities in, which it call Creating Shared Value (CSV). Nestlé always focuses on long-term, sustainable and profitable growth and helps communities around its operation to improve their quality of life in a similar

manner. So, NBL calls CSR as CSV [31]. At present CSR activities are one of the inevitable parts of any organization. In Bangladesh CSR is very philanthropic work. Most of the organizations perform their CSR activities as a charitable work. Almost all the renowned organizations perform CSR activities for the sake of society. Tax exemption (10% of the actual expenditure of CSR) is another cause for performing CSR at a high rate in Bangladesh [9]. But NBL follows its own way to do CSV, which is very aligned with its business. It neither does charitable work nor rigidly follows the top ten issues of CSR [15].

NBL first puts emphasis on the compliance, where they remain compliant to the local and international law then it focuses on its sustainability as a business organization and finally contributes for CSV. NBL has three areas where it is working extensively as a part of CSV: Nutrition (mainly Healthy Kids Programme), Water and Rural Development. Nutrition is the first and leading CSR among school kids so that they can ensure balanced food value in their regular meal. At present NBL is arranging the safe drinking water, where the sources of the pure drinking water are rare. It is establishing water tank to provide pure drinking water to the children and nearby community [31].

NBL emphasizes the compliance with laws, rules and Codes of Conduct. For the sustainability of the company it meets the needs of present without compromising for future generations. CSV is created for farmers, consumers, employees, communities, and shareholders [21].

16.1 Three Areas of NBL as a Part of CSV

NBL has started its CSV operation parallel to other operating countries around the world.

Nutrition

Nutrition programme of NBL is divided into two parts: i) Nestlé Healthy Kids (NHK) Programmes in rural schools, and ii) Knowledge sharing programmes [21].

Thinking nutritional deficiencies of children NBL initiated NHK model in Bangladesh. The programme was launched in April 2010 in the Sreepur factory area in the Gazipur district. At present it provides

nutrition facilities to more than eighteen thousand school children. It is carefully designed for children between the ages of 13 to 17 years. The programme consists of six modules and is of six week duration [31].

It provides school students in rural communities' guidance on living a healthy lifestyle. It educates school students on good food habits, nutritional deficiencies, food related disorders, food hygiene, and techniques to safeguard the nutritional value of food during preparation [20].

In Bangladesh till 2014, about 4,000 kids are enrolled in NHK training and shared nutrition knowledge among 15,000 kids through this pilot initiative. Comparison of CSV in nutrition is given in table 1 [20].

CSV (Nutrition)		2012 (Past)	2013 (Past)	2014 (Present)	2015 (Future)	2016 (Future)
Nutrition	Nestlé Healthy Kids Programme (NHK)	2,000	3,000	4,000	5,000	6,000
	Knowledge Sharing Programme	0	10,000	15,000	25,000	30,000

Table1: Nutrition programme of NBL. Source: [20].

Water

Water programme of NBL is divided into two parts: i) Construct water tank in rural schools to provide clean drinking water, ii) Water education [21].

To support the community in the rural area, NBL has constructed several water tanks of the highest hygiene and quality to supply clean drinking water, which are built by drilling and constructing water tanks that store clean drinking water allowing the school children regular access to drinking water. NBL is increasing awareness regarding the depletion of water and advice farmers on the optimal use of water in agriculture and dairy [31].

In Bangladesh till 2014, NBL constructed 40 water tanks to provide clean drinking water and 4,000 students are provided with water training to rural school children [20].

Rural Development

NBL believes that education and empowerment of students can enhance the quality of life in

communities. In Bangladesh, majority of the girl students in the rural areas drop-outs from schools due to early marriage and absence of a separate or any sanitation. Thinking these NBL has set up 21 sanitation facilities in village schools in the Gazipur district till 2013, which benefited about 11,000 girl students. In Bangladesh till 2014, NBL constructed 24 girls' toilets in Gazipur district [31].

NBL has taken initiative to collect the raw materials from farmers directly rather than importing from abroad. It trains the farmers about modern methodology of cultivation, use of seed and fertilizer etc. and then buys raw materials from the farmers [31].

17. Mission, Vision, Objectives and Strategies of NBL

The missions of NBL are as follows [28]:

- Provide nutrition, health and wellness to the people of Bangladesh.
- As "Good Food, Good Life" is the mission of Nestlé S.A., its mission is also same as for Bangladesh.
- The aim of the Company by providing consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories and eating occasions in Bangladesh.
- Its mission is to produce foods for the consumers of Bangladesh from morning to night.

The visions of NBL are as follows [29]:

- To be a leading and competitive food Company in Bangladesh.
- To build the respected and trustworthy leading food, beverage, nutrition, health and wellness Company in Bangladesh ensuring long-term sustainable and profitable growth.
- To improve shareholder value by being a preferred corporate citizen preferred employer in Bangladesh.
- Its aim is to preferred supplier selling preferred products in Bangladesh.
- It focuses to ensure that the vision is implemented in every aspect.

The objectives of NBL are as follows [20]:

- To be recognized as the leader in nutrition, health and wellness, trusted by all its stakeholders, and to be the reference for financial performance in its industry.
- To create long-term sustainable value for the shareholders if their behavior, strategies and operations are also creating value for the communities in Bangladesh.
- To develop safe and wholesome packaged foods using the most efficient and appropriate packaging materials available in Bangladesh.
- To build long-term inspiration for the future and short-term entrepreneurial actions by delivering the necessary level of performance.
- To provide only foods which satisfy consumer requirements and expectations.
- To provide lowest possible weight and volume of packages.
- To achieve leadership and earn the trust by satisfying the expectations of consumers, whose daily choices drive their performance, of shareholders, of the communities in which they operate and of society as a whole.
- New packaging materials and processes that will reduce the environment pollution.
- Increase the use of recycled materials in the whole process wherever possible.

The strategies of NBL are as follows:

- To offer strong brands to the consumers.
- To keep the best relationships with consumers.
- To invest in Research and Development (R&D) for the development of the products.
- To maintain innovation and renovation of the products.
- For the product availability to all type of consumers.

18. Marketing Structure of NBL

Marketing structure of NBL is as follows [20]:

- It is more people, product and brand oriented than system oriented.
- It seeks to earn consumer's confidence, loyalty and preference and anticipate their demands through innovation and renovations.

- It remains conscious of satisfying the wants needs and demands of its consumers.
- It is always committed to the concept of continuous improvement of its activities and customer satisfaction through market segmentation, positioning and target marketing.
- It favors long-term successful business development and even to greater extent, customer life-time value.
- It is driven by an acute sense of performance adhering to quality and customer satisfaction.
- It does not lose sight of the necessity to improve in terms of quality, price and distribution.
- It is always aware of the need to generate a sound profit annually.

19. Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis

A SWOT analysis is a structured planning method used to evaluate the strengths, weaknesses, opportunities, and threats involved in an organization. The technique is credited to Albert Humphrey, who led a convention at the Stanford Research Institute in the 1960s and 1970s using data from Fortune 500 companies [14].

Strength is something or some capability that can help the team be successful and sustaining. It could be something that the team would share with other teams. Weakness is something that is a disadvantage or significant additional challenge to the team. An opportunity is something the team may be able to do to help be more competitive or improve sustainability. Threat is something that poses a risk to the team and the ability of the team to sustain itself.

The strengths and weaknesses are internal factors and the opportunities and threats are the environment external of an organization. SWOT analysis helps organizations to set achievable goals, objectives, and steps to further the social change or community development effort [27].

A SWOT analysis can be used to for the following purposes [8,36]:

- Explores possibilities for new efforts or solutions to problems.
- Identifies barriers that will limit goals/objectives.

- Decides on direction that will be most effective.
- To revise plans to the best navigate systems, communities, and organizations.
- As a brainstorming and recording device as a means of communication.
- To enhance credibility of interpretation to be utilized in presentation to leaders or key supporters.
- Makes decisions about the best path for initiative. Identify opportunities for success in context of threats to success can clarify directions and choices.
- Determines where change is possible. In the turning point, an inventory of an organization's strengths and weaknesses can reveal priorities as well as possibilities.
- Adjusts and refines plans mid-course. A new opportunity might open wider avenues, while a new threat could close a path that once existed.

20. SWOT Analysis of NBL

SWOT is the type of analysis which represents good overview of Company's internal and external situation. SWOT analysis of NBL is as follows [20]:

Strengths

1. A portfolio of products which responds to the consumer always.
2. A unique strategic position which combines powerful local brands with strong global product brands.
3. Strong internal growth and internal emphasis on innovation.
4. Carefully selected employees who are dedicative and understand company's culture and values, and are willing to provide significant labor hours to accomplish any project efficiently.
5. Operational efficiency makes the company competitive in the market.
6. Strong cultural environment.
7. Heavy emphasis on quality and benefit of the products.
8. Centralized organization that helps in easier coordination of business activities.
9. Highly diversified product and brand portfolio, which decreases the fluctuation of company's performance and increases competitiveness.

10. Well developed and performing R&D project which is one of the main drivers to ensure company's growth and constantly increasing performance.

Weaknesses

- Warehouse storage problems.
- Diversified portfolio at times makes decision process difficult.
- Nestlé is less well-known and only specialist products are marketed by Nestlé Nutrition.
- Prices of some of the Nestlé products are more expensive than its competitors.
- Unable to control raw material prices.

Opportunities

- ❖ Good reputation, well-known brand leads to customer's loyalty.
- ❖ Increasing demand for healthier food products.
- ❖ Can establish new joint ventures.
- ❖ Launch the products with integration of social and cultural factors by matching the taste buds of Bangladeshi consumers.
- ❖ Can enhance distribution of Infant Nutrition Products in Bangladesh where malnutrition already exists.
- ❖ Can make certain products available in the market at a relatively lower price so that a larger number of consumers can buy it.
- ❖ Leader in the most of the markets that show the strength to the future development.
- ❖ Nestlé has footprints and may improve its presence in emerging markets.

Threats

- Rivals doing more vigorous advertisements and campaigns.
- Controversies.
- Product pricing not preferred by many customers.
- Far fewer staffs than actually required in terms of tasks to be completed.
- Significantly less customer support services than is required in terms of the number of customers and the complexity of the services offered.
- Few local manufacturers who tend to sale their products at a relatively lower price through various unethical means.
- Uncertainty of the new market. Entering new market company cannot mitigate all the risks.

- Changing economic and political situation, which pushes the company to make future predictions and forecasts.
- Different needs and habits of customers in every market. Company is operating in the markets where people have different taste, habits, income, which is hard to evaluate and predict.

21. BCG Matrix Analysis

BCG matrix is a chart that was created by Bruce Doolin Henderson (1915–1992) for the Boston Consulting Group (in the USA) in 1970 to help corporations to analyze their business units [3,4]. It is a growth-share 2×2 matrix. It is a 2-dimensional analysis on management Strategic Business Units (SBUs): i) industry growth rate (in the vertical axis), which attempted to capture the potential cash usage of a single business, and ii) relative market share (in the horizontal axis), which was a surrogate for overall competitive strength and hence the cash generation potential. SBU is a unit of the company that has a separate mission and objectives. It can be planned independently from the other businesses. A SBU can be a company division, a product line or even individual brands [32].

It is the most famous and simple corporate portfolio planning matrix. BCG matrix methods are judged to be successful by those who use them [18]. It gives us a graphical representation for an organization to examine different business in its portfolio on the basis of the organization's related market share and industry growth rates [19].

It chooses volume growth in demand as the single measure of the future business units prospects (vertical dimension) and the firm's market share in relation to the share of the leading competitor (horizontal dimension). It helps the company allocate resources and is used as an analytical tool in brand marketing, product management and portfolio analysis. According to this matrix business could be classified as high or low according to their industry growth rate and relative market share [5,7].

The BCG matrix is useful for two purposes:

- decisions on the desirable market share positions, and
- the assigning of the strategic funds among the business units.

21.1 Description of BCG Matrix

The BCG matrix makes a series of key assumptions as follows [6]:

- Market share can be gained by investment in marketing.
- Market share gains will always generate cash surpluses.
- Cash surpluses will be generated when the product is in the maturity stage of the life cycle.
- The best opportunity to build a dominant market position is during the growth phase.

Resources are allocated to business units according to where they are situated on the grid as follows:

Stars: Stars are defined by having large market share in a fast growing market/industry (Figure 1). They represent the organization's best long run opportunities for growth and profitability [35]. They are the leaders in the business but still need a lot of support for promotion a placement. They generate large sums of cash because of their strong relative market share, but also consume large amounts of cash because of their high growth rate. Stars tend to generate high amounts of income. The cash being spent and brought in approximately nets out. If a star can maintain its large market share it will become a cash cow when the market growth rate declines and when the industry matures (Figure 2). Forward, backward and horizontal integration, market penetration, market development, product development and joint ventures are appropriate strategies for these divisions to consider.

Stars tend to have new plant and equipment, high capacity utilization, high R&D expenses, broad domains, high sales per employee, high value added, and superiority on a number of competitive devices [13].

Cash Cows: Cash cows are in a position of large market share in a mature, slow growing industry [35]. They are called *Cash Cows* because they generate cash in excess of their needs, they often are milked (milk these products as much as possible without killing the cow!). Cash cows require little investment and generate substantial cash that can be utilized for investment in other business units (Figure 1). Product development or concentric diversification may be attractive strategies for strong cash cows. If competitive advantage has been achieved, cash cows have high profit margins and generate a lot of cash flow. Because of the business's relative high market share and industry leadership position, it has high sales volumes and reputation to earn attractive

profits. As leaders in a mature market, cash cows exhibit a return on assets that is greater than the market growth rate, so they generate more cash than they consume.

Because of the low growth industry, promotion and placement investments are low and capital reinvestment and competitive maneuvers are needed to sustain its present market share. Investment into supporting infrastructure can improve efficiency and increase cash flow more. Every effort is needed to keep cash cows in a healthy condition to preserve their cash generating capabilities over the long-term. When cash cows lose their appeal and move towards deterioration, then a retrenchment policy may be pursued. Many of today's cash cows were yesterday's stars (Figure 2). Cash cows, though less attractive from a growth standpoint are, valuable businesses.

Cash cows tend to have very high capacity utilization, dated plant and equipment, low capital intensity, low sales per employee, low R&D and marketing expenditures, broad domains, and superiority on essentially all competitive devices examined [13].

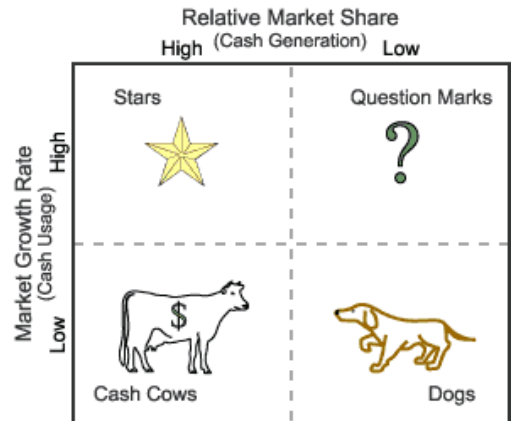


Figure 1: BCG growth share matrix.

Question Marks: Question marks (also known as problem children or wild cats) represent a business unit that has a small market share in a high growth market and they do not generate much cash (Figure 1). These businesses are called *Question Marks* because the organization must decide whether to strengthen them by pursuing an intensive strategy (market penetration, market development, or product development) or to sell them, i.e., it is not known if they will become a Star or drop into the Dog. They consume resources and initially have low profit margins. They have high demand and low return due

to low market share. They require huge amount of cash to maintain or gain market share. They require attention to determine if the venture can be viable. Question marks are generally new goods where buyers have yet to discover them. There is no specific strategy which can be adopted. If the firm thinks it has dominant market share, then it can adopt expansion strategy, else retrenchment strategy can be adopted. Most businesses start as question marks as the company tries to enter a high growth market in which there is already a market-share. If ignored, then question marks may become dogs, while if huge investment is made, and then they have potential of becoming stars and eventually a cash cow when the market growth slows (Figure 2). These business units require resources to grow market share, but whether they will succeed and become stars is unknown. The best way to handle question marks is way to either invest heavily in them to gain market share or to sell them.

Question marks tend to have low capacity utilization, new plant and equipment, high current asset levels, high capital intensity, high R&D expenses, high marketing expenses, narrow domains, heavy new product activity, high direct costs, and competitive devices that lag Star competitors on all fronts [13].

Question marks have the worst cash characteristics of all, because they have high cash demands and generate low returns, because of their low market share. If the market share remains unchanged, it will simply absorb great amounts of cash. Question marks must be analyzed carefully in order to determine whether they are worth the investment required to grow market share.

Dogs: Dogs represent businesses having weak market shares in low-growth or no-market-growth mature industries (Figure 1). So that they can neither generate nor consume a large amount of cash. They are called *Dogs* (more charitably called *pets*) because of their weak internal and external position; these businesses often are liquidated, divested, or trimmed down through retrenchment. These are a drain on resources and management energy. Dogs typically ‘break even’, generating barely enough cash to maintain the business’s market share. Weak dog businesses often cannot generate attractive long-term cash flows. When a division first becomes a dog, retrenchment can be the best strategy to pursue because many dogs have bounced back, after strenuous asset and cost reduction, to become viable, profitable divisions. They neither generate cash nor require huge amount of cash but it ties up capital that

could better be deployed elsewhere. Due to low market share, these business units face cost disadvantages. Generally retrenchment strategies are adopted because these firms can gain market share only at the expense of competitor’s/rival firms. These business firms have weak market share because of high costs, poor quality, ineffective marketing, etc. Unless a dog has some other strategic purpose, it should be liquidated if there are fewer prospects for it to gain market share. Number of dogs should be avoided and minimized in an organization and savings to turn Question Marks into Stars (Figure 2). Dogs must deliver cash, otherwise they must be liquidated.

Dogs tend to have dated plant and equipment, medium capital intensity, high inventory levels, low R&D expenses, moderate marketing expenses, narrow domains, low value added, and competitive devices that lag Cow competitors on all fronts [13].

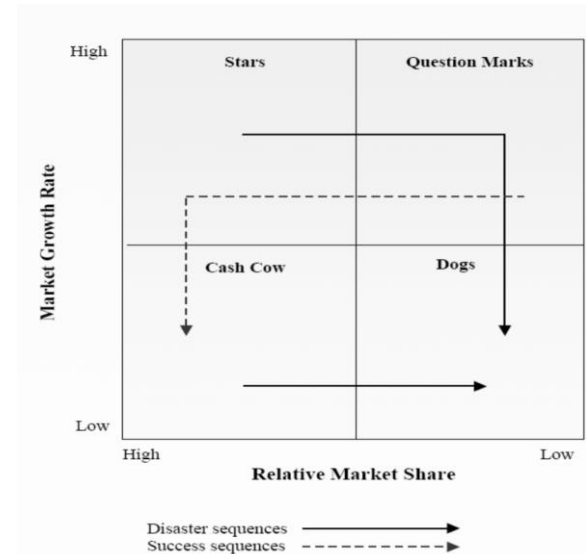


Figure 2: Flow chart of BCG matrix.

21.2 BCG Matrix of Nestlé Bangladesh Limited

The BCG matrix structures of NBL are as follows [20]:

Stars

Nascafé, Cerelac are stars in Bangladesh. Nascafé is one of the leading coffee brands in the Bangladeshi market, which is unparalleled by any other brand in the country. It has a high market share and its growth rate is significantly high. Cerelac has become one of

the leading baby food products in the country. Its different variants are available and it is a major contributor for NBL revenues. Its market share with its sales is increasing on a continuous basis from the start of its marketing.

It has witnessed a substantial growth of Nascagé, Cerelac in the market of Bangladesh at present and seems to continue dominating the market for some time. At present these two products are very popular in Dhaka and Chittagong. NBL must try to expand market of these in all districts of Bangladesh equally. It must be sincere in bringing new variants in order to hold on to their positions. Although they are stars but it can do much better in terms of expanding their shares by adopting market development strategies [17].

Cash cows

The cash cows are children food items in Bangladesh, such as, Maggi Noodles. It is the first preference of Bangladeshi children in terms of instant food but market growth rate of it is not very high. Though the number of repeat purchasers is high in case of Maggi Noodles, the rate of increase among the new purchasers is not too high. Company has to take measures to make these products as stars [17].

Maggi Noodles of NBL has targeted only for the children, it should now also concentrate on placing the products for Office Executives, Mid wives, Young adults, and the elite wing of the society [17].

Cocola Noodles and Products of Pran are competitors of NBL.

Question marks

Maggi Soup, Kit Kat and Nestlé Milk are question marks in Bangladesh. Though these items are of superior quality but market share are not sufficient. These items are comparatively higher prices than the competitors and they are not turning up that size of revenues as like the other popular products of NBL. According to the sellers' experience, the demand of Maggi Soup is underdeveloped, because of high demand of other soups. Kit Kat has an upper edge over its competitors because of its crispiness and superior quality but it suffers lack a significant market share. It is not produced in Bangladesh, instead imported from India. NBL can take necessary market strategies, such as, capitalize for the Kit Kat to make it popular to the people of all age levels of Bangladesh. Nestlé Milk (Nido) is popular to the

consumers of Bangladesh. But its market share is not satisfactory [17].

Dogs

Munch, Koko Crunch, Nestea are dogs in Bangladesh. Though these items have been popularized worldwide but they have not been popularized to the Bangladeshi customers [20]. Nestea is also not accepted cordially to the customers because Ispahani, Taza and Shelon tea are popular to the consumers of Bangladesh. Munch is a very cheap snack bar in Bangladesh but it is not well known to the children of the country. Koko Crunch is a tasty nutritious food but it is very costly and only very rich customers can buy it. Nestle should take necessary steps to make these items as stars in Bangladesh.

22. Conclusion

In the study we have found that at present NBL is using and developing their market strategy properly with gradual success. The ambition of Nestlé is to enhance the quality of consumer's lives through nutrition, health and wellness. Nestlé Nutrition develops science-based nutrition products and services that improve the quality of life for people with specific nutritional needs. It is always very careful for infant nutrition, healthcare nutrition and performance nutrition. It produces foods with different cultures, different geographies, different needs, tastes, flavors and habits that all consumers eat and drink. It does not discriminate on the basis of origin, nationality, religion, race, gender or age. It is not involved with politics in any country. In the 150-year life of Nestlé, its fundamental approach to business has been the creation of long-term sustainable value for our consumers, customers, employees, shareholders, and society as a whole. Nestlé, as global company that has many known brands, have good possibilities to create a permanent market in Bangladesh. Company has a wide variety of suppliers and customers that are based on trust and long-term relationships.

References

- [1] Annual Report, "Nestlé S.A.", Vevey, Switzerland. 2014.
- [2] Annual Report, "Nestlé S.A.", Vevey, Switzerland. 2010.
- [3] Ansoff, I.H., "Corporate Strategy", London: Penguin Books. 1987.

- [4] Ansoff, I.H. and McDonnell, E.J., “*Implanting Strategic Management*”, 2nd Ed., Cambridge, Great Britain: Prentice Hall International (UK) Ltd. 1990.
- [5] Armstrong, J.S. and Brodie, R.J., “Effects of Portfolio Planning Methods on Decision Making: Experimental Results”, *International Journal of Research in Marketing*, 11(1): 73–84. 1994.
- [6] BCG Website: <http://www.bcg.com>
- [7] Boston Consulting Group, “*Perspectives on Experience, Boston: The Boston Consulting Group*”. 1968.
- [8] Chermack, T.J. and Kasshanna B.K., “The Use of and Misuse of SWOT Analysis and Implications for HRD Professionals”, *Human Resource Development International*, 10(4): 383–399. 2007.
- [9] Chowdhury, S.K. “*Policy Support to CSR in the Context of Tax Exemption for the Banking Sector*”. 2014.
- [10] Corporate Governance Report, “*Nestlé Bangladesh Limited*”, Dhaka, Bangladesh. 2014.
- [11] Corporate Watch, “*Nestlé S.A.: Who, Where, How Much?*” Vevey, Switzerland. 2012.
- [12] Creating Shared Value Reports, “*The Nestlé S. A.*”, Vevey, Switzerland. 2008.
- [13] Hambrick, D.C., MacMillan, I.C. and Day D.L., “Strategic Attributes and Performance in the BCG Matrix—A Profit Impact of Market Strategies (PIMS)-Based Analysis of Industrial Product Businesses”, *Academy of Management Journal*, 25(3): 510–531. 1982.
- [14] Humphrey, A., “SWOT Analysis for Management Consulting”, *SRI Alumni Newsletter*. 2005.
- [15] Islam, S.S., “Internship Report on Working Capital Management at Nestle Bangladesh Limited” BRAC University, Bangladesh. 2014.
- [16] IUF Dairy Division, “*Nestlé S.A.*”, Switzerland. 2013.
- [17] Kumar, A., “Nestlé India—on BCG Matrix”, *Research Expo International Multidisciplinary Research Journal*, II(II): 1–10. 2012.
- [18] Lu, H. and Zhao, L., “*Integrating GIS and BCG Model for Marketing Strategic Planning, Proceedings of the 11th Annual Conference of Asia Pacific Decision Sciences Institute*”, Hong Kong, June 14–18, 2006: 718–725. 2006.
- [19] McDonald, M., “*Marketing Plans: How to Prepare Them, How to Use Them*”: 175–245. MA: Butterworth-Heinemann. 2003.
- [20] Nestlé Bangladesh Limited, “*Nestlé Bangladesh Limited*”, Gulshan, Dhaka, Bangladesh. 2014.
- [21] Nestlé in Society, “*Creating Shared Value and Meeting Our Commitments*”, Full Report. 2012.
- [22] Nestlé Management Report, “*Nestlé Bangladesh Limited*”, Gulshan, Dhaka, Bangladesh. 2014.
- [23] Nestlé Annual Report, “*Consolidated Financial Statements of the Nestlé Group 2013*”, 147th Financial Statements of the Nestlé S. A. 2014.
- [24] Nestlé Group, “*Quick Facts*”, Nestlé S.A., Vevey, Switzerland. 2013.
- [25] Nestlé Website: <http://www.nestlé.com>
- [26] Nestlé World, “*Nestlé S.A.*”, Vevey, Switzerland. 2013.
- [27] Quincy, R., “*SWOT Analysis: Raising Capacity of your Organization*”, Rutgers School of Social Work. 2012.
- [28] Sayeef Z.S., “Internship Report on Nestlé Bangladesh Ltd.”, BRAC University, Bangladesh. 2014.
- [29] Sazid, S.M.S., “Internship Report on Training Function of Nestlé Bangladesh” BRAC Business School, BRAC University, Bangladesh. 2012.
- [30] Stevens, A., Fosness, D., Katz, J. and Harrison, J.S., “*Nestlé S.A.*”, Robins School of Business, University of Richmond. 2012.
- [31] Tarannum, M., “*Internship Report on CSR Activities of Nestlé Bangladesh Limited*” BRAC University, Bangladesh. 2014.
- [32] Temmerman, R., “Stars, Problem Children, Dogs and Cash Cows: Evocative Terminology in Multilingual Business Communication”, SYNAPS, *Journal of Professional Communication*: 48–61. 2011.
- [33] The Nestlé Sustainability Review, “*Nestlé S.A.*”, Vevey, Switzerland. 2002.
- [34] The World of Nestlé, “*Nestlé S.A.*”, 1800 Vevey, Switzerland. 2006.
- [35] Thompson, A.A. and Strickland, A.J., “*Crafting and Implementing Strategy*”, Text and Readings. Oakland, USA: Irwin, Inc. 1995.
- [36] Westhues, A., Lafrance J. and Schmidt G., “A SWOT Analysis of Social Work Education in Canada”, *Social Work Education: The International Journal*, 20(1): 35–56. 2001.