

Report On
Internal and External Factors of Nestle and Comparison with
Unilever

By

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requirements for the degree of
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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

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Letter of Transmittal

Dr. Salehuddin Ahmed
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Subject: Submission of case study report on Internal and External factors of Nestle and Comparison with Unilever.

Dear Sir,

I'm very glad for submitting my case study report on Internal and External factors of Nestle and Comparison with Unilever. As it is an important part of MBA degree requirement, I have included all the knowledge which I have gained from doing MBA courses in this case study. I tried my best to prepare this case study report though had to face various challenges and obstacles while making this case study report.

I would like to heartily thank my supervisor for guiding me to prepare the case study report. Without your guidance it would be very hard to successfully complete this report. Hence, I hope you will appreciate the information that I have provided in the report. However, this report shows some limitation because of the shortage of time duration. Please inform me if you have any inquiries about the report, I am glad to provide you any help to clarify on my report.

Sincerely yours,

Shaikh Afnan Birahim

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Date: 19 September, 2020

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Executive Summary

In the food sector, Nestle is the largest company and also in terms of growth and revenue. It is also a very trusted brand name and people use its products undoubtedly. Nestle continuously is innovating through its R&D department to make new and attractive products. This paper discusses the history of Nestle Bangladesh, its products and services, marketing strategies, general management and financial management. Also, Nestle's growth compared to Unilever's growth is compared as well as the comparison between Nestle and Unilever's management is also stated here.

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Chapter 1

Introduction

1.1 History and Background

Nestle is one of the most famous Multi-National Companies of the whole world. It's very famous for its variety of foods and drinks. In fact, it's the world's largest company if it's considered from the side of food and beverage. It's also the largest food company if measured by revenues. In Bangladesh, it also has laid its footprints too.

It's main headquarter is in Vevey, Switzerland. Nestle is one of the most trusted names in the industry of high-quality food products. Nestle has a variety ranges of products such as tea, juices, cereals, baby foods, chocolates, dairy products, sports nutrition etc. From the beginning, Nestle has emphasized on nutrition.

In 1992 Nestle started its operations on Bangladesh. Its one and only factory is located in Sreepur of Gazipur. At 1998, Nestle S. A's full subsidiary became Nestle Bangladesh.

650 people work in Nestle Bangladesh. Other than that, another 1000 people are recruited by Nestle's suppliers and distributors. The products which gets the most sells in Bangladesh are Nescafe, Nido, Maggi, Maggi soup, Koko crunch and corn flakes cereals, coffee-mate and many others.

Nestle is situated all around the world. All parts of nutrition such as infant formula, milk products, culinary products, frozen foods, sports drinks etc. are covered by Nestle.

1.2 Product and Services

From the last 20 years, Nestle has given various types of products and services to the people of all ages of Bangladesh. Nestle has helped people take care of themselves and also their family members. Nestle has also engaged themselves deeply with the communities where they function. They have ensured high quality training of the farmers and thus enhancing livelihoods of the people they work with. Nestle is also educating children with their families of right nutrition alongside environmentally sustainable operations promotions.

<u>Sl. No.</u>	<u>Segment</u>	<u>Product</u>
1.	Dairy	1. Nestle Everyday 2. NIDO FortiGrow
3.	Food	1. Maggi Noodles 2. Maggi Healthy Soup 3. Maggi Shaad-e-Magic

4.	Beverages	<ol style="list-style-type: none"> 1. Nescafe Classic 2. Nescafe 3in1 3. Nestle Coffeemate 4. Nestea
5.	Breakfast Cereals	<ol style="list-style-type: none"> 1. Nestle Koko Krunch 2. Nestle Milo 3. Nestle Honey Stars 4. Nestle Corn Flakes
6.	Soft Drinks	<ol style="list-style-type: none"> 1. Nestle fruta vitals
7.	Baby Food	<ol style="list-style-type: none"> 1. Cerelac 2. Lactogen 3. Nan

Table 1: Current Product Portfolio of Nestle Bangladesh [1]

1.3 Nestle Bangladesh Competitor Analysis

Nestle is still in its development stage in Bangladesh. So, its still facing competition from other companies. Some of the companies it's facing competition alongside their products are:

Unilever (Knorr soup, Lipton-Tea)

BRAC (Aarong)

New Zealand Dairy (Diploma, Red Cow)

Pran (Mr.Noodles)

Ispahani (Tea)

Kellogs (Cereal)

By observing carefully and through consumer feedback, the main culinary competition Nestle Bangladesh is facing from Mama Noodles and Knorr Soup. Although its true that Maggi is the most popular noodles and most people grew up eating it, many people say that its taste is not quite up to the mark. Maggi provides with all the necessary nutrition, but the consumer wants something tastier. Similar thing can be said about Maggi Soup. But Maggi is leading if seen from the view of market share. Munch rolls are considered cheap but people still prefer Kitkat which is priced higher. Kitkat is a nestle product but not made in Bangladesh. Kitkat is available in the smallest shops but munch rolls are not. Many people questioned the quality of chocolate in munch rolls because of its cheap price. It's quite clear that people of low income range wants to buy the national brands.

In breakfast cereals, Kellogg's is a renowned name. Nestle cereals are quickly bought because of their small size compared to Kellogg's. But there is no complain about the taste. If we look into baby food, we can see that cerelac is no.1 compared to other baby foods. And we can see

that Nescafe too is no.1 in terms of other coffee brands. Consumers claim that NIDO is a bit expensive compared to other powdered milk brands. It's been also called unhealthy and it was quite controversial. So, people prefer Diploma, Red Cow over NIDO.

1.4 Vision and Mission Statement Narrative

Mission

Nestle's tagline/mission statement is "Good food, Good life". Nestle Bangladesh's mission is also aligned to it. Its mission is to be the whole world's best nutrition leading, wellness and health company. Nestle wants to claim this by making tasty, healthy foods and drinks. They create this food for any time (day and night) and for any occasions.

Vision

The vision of Nestle is to be a leader in nutrition, health and wellness through improving the value of the shareholders.

Nestle Bangladesh's Vision

Nestle Bangladesh's Vision is to be the leading food and beverage company of Bangladesh. It wants to be so by creating sustainable and profitable growth and continuously improving results for the benefit of shareholders and employees.

Current Guiding Principals

Nestle is currently working a lot for the development of rural areas. This is in alignment with Nestle's global creating shared value model. For other projects taken by Nestle are:

- Healthy Kids program, to ensure proper nutrition, education as well as physical activities among children.
- Giving sanitation facilities like installing purifying water tanks
- Give support to NGOs to give training to the local farmers

Thus Nestle puts ethical business practices guided by corporate principles. And through this Nestle gains respect from everyone.

Proposed Vision Statement

The proposed vision statement of Nestle Bangladesh is to be the best food and beverage company of Bangladesh. And by doing this it will also ensure health and wellness alongside profitability and growth. Any multinational companies' main goal is to increase shareholders

share price. Nestle Bangladesh's main goal is also the same. Nestle Bangladesh's another aim is to target suppliers selling targeted products. Nestle tries it best to make its vision real.

Proposed Mission Statement

The main tagline "Good food, Good life" is also same for Nestle Bangladesh. Its mission is to produce various foods that can be eaten through morning to night. And, the foods and beverages should be tasty and nutritious too.

Chapter 2

For the developed countries, external factors are much more important in role than internal factors as by the saying of Industrial Organization (IO).

External factors of Nestle Bangladesh

Political Factors

Government intervention can easily affect the production of any company. Because of government policy and its changes, many problems can arise like bottlenecks.

Nestle has to also follow the food standards and other regulations set by the Government.

If they don't follow this, Government will intervene and thus it will not be a positive thing for Nestle.

Economic Factors

Rate of Inflation

In 2019, the inflation rate in Bangladesh was almost 5.6% [2]. So, if it increases it will also increase the prices of the product of Nestle.

Economic Growth Rate

The GDP growth of the fiscal year of 2017-2018 of Bangladesh was 7.9%. Nestle productivity and sales has to face various effects for it.

Social factors

Consciousness of health

In present world people are being more and more health conscious. Nestle knows this and they are trying to make their products healthier. Different elements of health are added to the Nestle products.

Quality of Work Life

Quality of work life is fast and getting better and better in the 21st century. Also, every MNC is trying its best to offer high quality standards that are adaptive to the modern world.

Technological Factors

New Diversified Products

In the present world everything is all about competition. Nestle is also accustomed to it and competing with other food and beverage companies. It knows that it can't simply exist by a

number of simple products. So, its continuously diversifying itself. It's diversifying to keep pace with the trends as well as customer demands.

Innovation of Products

Innovation is the keyword in today's world. Innovating the products is a must as customers today know every basic thing about creating a product by the boon of internet. So, nestle is keeping its products up to the mark by introducing new products.

Increasing productivity by Automation

Automation is a blessing. It has increased the number of productions of any type of product rapidly. Efficiency is maintained through automation which can also be called economies of scale.

Research and Development Expenses

Any company emphasizes on its R&D sector. As R&D is the division where technological changes takes place. So, Nestle puts millions and millions of dollar for the improvement of R&D sector.

Modern Communication Technology

Different ways of communication is being adopted by Nestle. Email, mobile phones and modern ways of communication is being adopted. Nestle has its own website too. The website includes recent news and other works of Nestle. Anyone can visit it and get a clear picture of what's going on in Nestle. Through this communicational changes, work can be quickly done thus increasing the overall efficiency of the company.

Environmental Factors

In Bangladesh monsoon occurs frequently. It affects the transportation and thus delivery dates of the completed products might change.

Due to climate change, some products might have high demand in one season and low demand in another. Like Nescafe. It has high demand in winter in Bangladesh but few people like to have it in the summer seasons. [3]

Nestle makes products being highly concerned about the environment. It's cautious about the mother earth and nature so that minimum pollution occurs while creating their products.

Legal Factors

Taxes

Like other regulations, taxes put upon Nestle can be changed too. If high tax is put on Nestle, then it'll effect the sales as well as productivity of Nestle.

Laws like labor laws

Nestle imposes such laws to the workers that is good for them and it prospers the company. Because labor law is directly affected by Nestle Management.

Protection Laws of Environment

Environment is one of the largest concerns of Nestle. Nestle manufactures products in such a way that it harms the environment minimum. Environment is kept into mind by Nestle of any country.

Trade Regulations (Foreign)

Nestle mainly operates nationally. So, foreign trade regulations don't affect that much as foreign trade regulations affects internationally. Although seeing from the past couple of years the economy of the overall world is not so great. So, it's affecting slightly Nestle Bangladesh.

2.3 Key opportunities and Threats

Key Opportunities

Friendly Foreign Investment

In present times Bangladesh Government has taken initiatives that are helpful for foreign investment. It's helping the foreign investors in many ways. Some of the steps are: citizenship facilities, tax holiday, double taxation treaty (with 32 countries), tax exemption, flexible offshore loan policies etc.

Social Trends that are changing

Western culture is taking over our culture. Especially the young generation is heavily influenced by it. People are eating oats, cereals as their usual breakfast. They are drinking juices and coffee and drinking less tea. It's a huge opportunity.

Health aware people

People are becoming more and more health-conscious day by day. Especially Bangladeshi people are more than they were at the last decade. This is due to some reasons. Such as NGOs and health organizations like USAID, UN, UNICEF, UKAID, DANIDO etc. has taken initiatives and health awareness programs. The main goal of this programs is to make people aware and create good food eating habits in them. People are responding well in this campaigns and people are starting to eat oats, cornflakes etc. other than their usual rural diet. [4]

Growth of the Market

Nestle's market growth is expanding at a fabulous rate. A new research shows that in 2012 people are drinking 85.5 liters of juice per year which now has certainly increased. People are using more hygienic products than ever before. It's because of the low hygienic environment around them. Also, improved logistics has made possible to make the food products reach at the farthest corners of the country. So, the market expanded from 60,649,009 (urban population which is app. 35%) to it's complete that is 166,368,149. So, market growth is increasing in case of Bangladesh.

Joint Venture Opportunity

There is an opportunity to establish joint venture in Bangladesh because of relaxed regulations. So, Nestle is able to form a joint venture if it wishes.

Gap of Market

A gap exists in some parts of Bangladesh especially in the rural areas. This is an opportunity for Nestle to reduce the gap.

Government/Political Stability

The present government is a stable government and is going to rule for another 5 years too. So the rules and regulations are relaxed and there is no risk of sudden change or hard rule implications.

Economic Boom

Bangladesh's economy is a booming economy. As per saying of Bangladesh Bureau of Statistics the GDP growth of Bangladesh is 8.2% for the fiscal year 2018-19 and is expected to increase. Also, it has achieved Millennium Development Goals 8 goals. The purchasing power of people increased. So, customers are looking for standard and high-quality products.

High Entry Barrier

Fast Moving Consumer Goods (FMCG) industry depends on capital intensity. On the other hand, there are many established local and foreign companies like Pran RFL, Unilever, Kazi

Foods, Akij Foods etc. These companies act as high entry barrier which makes an opportunity for Nestle for not having to deal with new competitors.

Cheap Labor Cost

Bangladesh has one of the cheapest labor costs if compared with the whole world. Current wage is 8000 BDT or app. 94 USD [5]. It's very low if compared with other Asian countries or the G20 countries. This can be an opportunity for Nestle.

Enormous Supplies of Agricultural Products

Being an agricultural country. Bangladesh has large supplies of agricultural goods. So, these can be used in favor for the production and sales of Nestle.

Key Threats

Consumer Taste shifting to Supplementary Products

It's variable that consumer taste shifts from one product to another. It's a threat for Nestle that people will shift their taste from one to another. Like from coffee to tea, cornflakes to oats etc.

Copy of Products (Counterfeit)

There is an intellectual property act in Bangladesh. But its implementation is very weak. So, copy products of the original ones remain unnoticed in the country. Some people slightly reverse engineer and bring products into the market. For example, Coca cola's 2-minute noodles can be mentioned. It has the same packaging as Maggi Noodles. Another manufacturer introduced Nescoffee to mislead customers. It's a very big threat for the original brands because other small manufacturers are creating fake products and stealing their market share. It's creating negative brand image and consumers are thinking they are buying the original ones.

Cultural Differences and Beliefs

Bangladesh is a unique country with people with different religious beliefs and norms. The population can be divided into 3 major religions: Muslims, Hindus and Christians. Any product that has conflict to any religious beliefs may face difficulty in the market. For example once there was a rumor that pig fat was used by Unilever to manufacture one of its soap brands Aromatic. Then people stopped using it and there was huge market loss for Aromatic. People here like to eat rice other than cereals. Also, they prefer to eat spicy food. Any MNC who is trying to enter this market has to face these kinds of potential threats.

Local Manufacturer's Unethical Means

Sabotage of the market and sales, different espionage of the industry are to name a few of the unethical means adopted by local manufacturers of the country. It often goes unnoticed by the legal body of the country.

Fluctuation of Foreign Exchange

The devaluation of currency of Bangladesh is in a great pace. From Jan 18- April 19 the currency has devaluated by BDT 1.75/USD (Bangladesh Bank). It increases the risk of currency exchange loss of any company. Imported raw materials and supplies cost is also increased through this devaluation.

2.4. External Factor Evaluation Matrix

External Factors		Weight	Rating	Weighted Score
Sl#	Opportunities			
1	Friendly Foreign Investment	0.025	3	0.075
2	Social trend that are changing	0.05	2	0.1
3	Health Aware People	0.025	3	0.075
4	Growth of the Market	0.05	2	0.1
5	Joint Venture Opportunity	0.05	1	0.05
6	Gap of the Market	0.025	1	0.025
7	Government/ Political Stability	0.1	4	0.4
8	Economic Boom	0.1	4	0.4
9	High Entry Barrier	0.1	4	0.4
10	Cheap Labor Cost	0.025	2	0.05
11	Enormous Supplies of Agricultural Products	0.025	4	0.1
Sl#	Threats			
1	Consumer Taste shifting to Supplementary Products	0.05	1	0.05
2	Copy of Product (Counterfeit)	0.05	3	0.15

3	Cultural Differences and Beliefs	0.025	1	0.025
4	Local Manufacturer's Unethical Means	0.05	1	0.05
5	Fluctuation of Foreign Exchange	0.25	4	1
Total Score			1	3.05

Chapter 3

3.1 Identifying key strengths and weaknesses

3.1.1 Identifying strengths of Nestle Bangladesh

Parent company's financial support

A strong support from the is gotten by Nestle Bangladesh. As it's the world's largest processed food and beverage company, it's a huge matter. Nestle Bangladesh has access to the benefits and various products of the parent company.

Image of the company

Nestle is a very much known and renowned name. It has worldwide reputation for it's quality products. So, it helps Nestle a lot to retain market share in difficult situations and hard times.

Strength of Individual Brands

There are lots of known strong brands of Nestle here in Bangladesh. Maggi Noodles, Corn flakes, Nescafe are just to name a few. These items are generic of their respective product sections. So, the position is very strong in terms of competitiveness.

Product Control System of High Quality

Nestle has high ideals for its quality. It doesn't compromise its quality given any situation. It wants to give its customers 100%. Most of the competitors of Nestle lack this type of control system.

High quality and Innovative R&D

The company spends a lot in R&D department. So, it's giving its customer various types of new products. With cutting edge technology Nestle copes up with any difficult market situation.

3.1.2 Weakness of Nestle Bangladesh

Restricted to making limited products and unavailability of products

The products here made in Bangladesh is not the complete list of products made by Nestle. Some products like Kitkat, sweet leaf tea etc. are not made in Bangladesh. They have huge demand here. So, the company is not adopting to its true potential.

Centralized control system's limitation

To control the overall management system, the topology of Nestle is centralized. Meaning the main top management in the headquarters are responsible to take important and large actions. Although it has enabled uniformity across globe but there are some demerits too. As decisions are to be taken by central authority it takes a lot of time for implementation. But in any economy and especially here in Bangladesh any product launch, promotions, marketing etc. are to be done very fast. If Nestle doesn't maintain this it has to face unimaginable losses.

3.1.3 Evaluation Matrix for Internal Factor

Internal Factors		Weight	Rating	Weighted Score
SI				
#	Opportunities			
1	Parent Company's Financial Support	0.1	3	0.3
2	Image of Company	0.1	3	0.3
3	Strength of Individual Brands	0.1	2	0.2
4	Product Control System of High Quality	0.25	4	1
5	High Quality and Innovative R&D	0.2	4	0.8
SI				
#	Threats			
1	Restricted to making limited products and unavailability of products	0.15	2	0.3
2	Centralized Control System's limitation	0.1	2	0.2
Total Score		1		3.1

Chapter 4

4.1 SWOT Analysis

Nestle Bangladesh's SWOT Analysis is given below:

The Organization	Strengths-S I. Parent company's financial support II. Image of the company III. Strength of Individual Brands IV. High Quality and innovative R&D V. Product control system of high quality	Weaknesses-W I. Restricted to making limited products and unavailability of products II. Centralized Control System's limitation
Opportunities-O I. Friendly foreign investment	SO Strategies I. Introducing a Completely New Product Segment	WO Strategies I. Enter New division of Market with Existing

<p>II. Social Trends that are changing</p> <p>III. Health aware people</p> <p>IV. Growth of market</p> <p>V. Joint Venture Opportunity</p> <p>VI. Gap of the market</p> <p>VII. Government/ Political Stability</p> <p>VIII. Economic Boom</p> <p>IX. High Entry Barrier</p> <p>X. Cheap Labor Cost</p> <p>XI. Enormous Supplies of Agricultural Products</p>	<p>II. Takeover of Local Brands for Reducing Market Competition</p> <p>III. Introduce CSR Programs that Concentrates on the Local Farmers for Making them Suppliers</p> <p>IV. Strengthen Rural Market Section</p>	<p>Products like Water, Chocolate, Juices etc.</p>
<p>Threats-T</p> <p>I. Consumer Taste shifting to Supplementary products</p> <p>II. Copy of Products (Counterfeit)</p> <p>III. Cultural Differences and Beliefs</p> <p>IV. Local Manufacturer's unethical means</p>	<p>TO Strategies</p> <p>I. Concentrate Public Relations to promote the High Standard and Quality of NBL's Products</p> <p>II. Make More Physical Promotions like Providing Free Samples of Product, Create Flyers, Posters etc.</p>	<p>WT Strategies</p> <p>I. Introducing Decentralized Operational Decision-Making System by the Introduction of Management By Objectives (MBO)</p>

V. Foreign Exchange Fluctuation	III. Use Forward Call Option to Alleviate Risk of Currency Exchange Fluctuation	
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4.2.1. Strength-Opportunity Strategies

1. Introducing a Completely New Product Segment.
2. Takeover of Local Brands for reducing Market Competition.
3. Introducing CSR Programs to concentrate on the Local Farmers to turn them into Suppliers.
4. Strengthen Rural Market Division

4.2.2. Weakness-Opportunity Strategies

Enter New Segment of Market with Existing Products ie. Water, Chocolate, Juice etc.:

4.2.3. Strength-Threat Strategies

1. Concentrate Public Relations to Promote the High Standard of NBL's Products:
2. Make More Physical Promotions e.g. Providing Free Samples of Product, making posters and flyers etc.
3. Use Forward Call Option to Alleviate Risk of Currency Exchange Fluctuation.

4.2.4. Weakness-Threat Strategies

Introducing De-centralized Operational Decision-Making System by Introducing Management by Objectives (MBO).

4.3 Internal/External Factor Matrix

The IFE Total Weighted Score

	High 3.0-4.0	Medium 2.0-2.99	Low 0.00-1.99
High 3.0-4.0	I Nestle's Position (IFE 3.01, EFE 3.05)	II	III
Medium 2.0-2.99	IV	V	VI
Low 0.0-1.99	VII	VIII	IX

Figure__ : Internal and external Factor Matrix

Recommendation: EFE 3.05 and IFE 3.01 accordingly the strategies are “Grow and Build” which includes Horizontal and Vertical Integration, Market Penetration, Market Development, Product Development

Chapter 5

Management of Nestle Bangladesh

Nestle's management structure is pretty much the same all over the world. Usually management structure can be divided into these types: Matrix, Hierarchical, Horizontal.

Nestle follows the matrix type. Nestle is a decentralized organization. As Nestle is a decentralized organization its branches have freedom to work freely. [6]

The important decisions are usually taken from the top management and the subordinate divisions usually implement it. The operating decisions are done by local groups. It is one of the effective management structures of the 21st century.

Day by day the works done by Nestle are getting complex. It started its journey from a small village and now conquering the whole world. It established itself as one of the leading food companies.

There are 3 levels of management and their work are as follows [6]:

Top Management

- Giving policies and objectives.
- Giving subdivisions schedule, projects, budgets etc

- Preparing plans and strategies
- Controlling other departments
- Provides contact to the customer world
- Gives proper guidance and direction to other departments
- Taking care of shareholders

Middle Management

- They do work given by the top management
- Making plan for lower management
- Gives explanation of policies to lower division
- Inspiring low-level management so that they can perform better
- Give training and give employees position

Lower level Management

- Workers are given jobs by them

- They are directly related to production. Quality as well as quantity is related to their performance
- Daily schedule of workers is given by them
- Maintaining good relationships in the organization is also on their shoulders
- Complain of the workers are solved by them

Financial Management of Nestle

Finance is one of the most essential part of any company and especially for MNCs. The finance management of Nestle delivers many things such as [7]:

- Supporting essential pillars like the operations pillar
- Taking advantage of financial matters
- Delivering the best possible financial solution

Nestle financial management helps to make the best decisions of the company. Various innovative plans are undertaken by them. Growth optimization, cash flow optimization, shareholder returns etc. are just to name a few.

The finance sector has many parts like the taxes section, treasury section, risk management section, audits section, taking care of internal controls etc. [7]

The role of financial management is diversified and can be extended to supply chains, sales and factory controllers.

In a nutshell, it can be said that the overall business performance, analyzation of strategic issues, completion of projects are the issues undertaken by the finance department of Nestle.

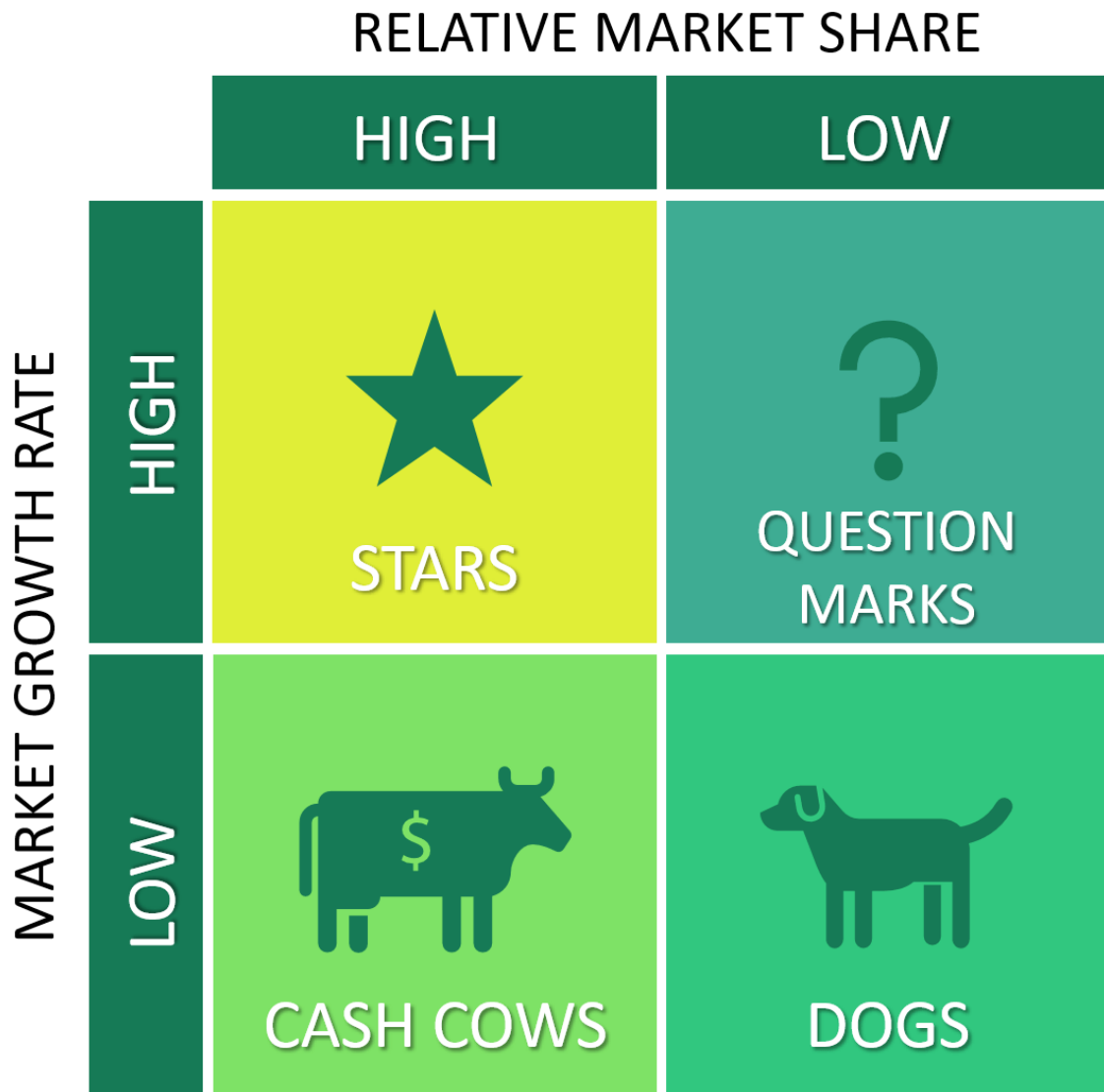
Chapter 6

BCG Matrix

BCG matrix is one of the most renowned charts that is made to analyze business units. Bruce Doolin Henderson invented it in 1970. It's a 2x2 matrix. It analyzes the market position of strategic business units (SBUs). Industry growth rate as well as relative market share are the factors that this matrix is made of.

NBL's BCG Matrix

The BCG Matrix of NBL is given below:



Stars

Stars point out any company's best opportunities for growth and also profitability. Stars have big market shares.

In the context of Bangladesh, Nescafe and Cerelac can be regarded as stars. Nescafe, Cerelac have no rivals. Nescafe is arguably the best coffee brand of Bangladesh. On the other hand, Cerelac is the most renowned baby food available. There are many variations of Cerelac available. Both market share and sales are continuously increasing from their launches.

Mainly Nescafe and Cerelac are popular in Dhaka and Chittagong. But they can be popularized in other districts too. These stars can do well more. All it needs is proper marketing strategies.

Cash Cows

Cash cows cover a large position of market share in the industry. They need small investment and they make a good amount of cash.

Maggi Noodles can be regarded as cash cows in Bangladesh. It can be considered the primary choice of children when it comes to instant foods. Its market growth is not that much high. The usual purchasers usually buy this product but there are very few new purchasers.

NBL should take initiatives to make these products convert into stars.

Maggi Noodles is made targeting children only, but it should be made for elders kept in mind too. Like office going people, housewives, young adults etc.

Question Marks

Question marks generate very low cash. It has a very small market share compared to the high growth market. That much of money is not made by them. Question marks is named to them because the company doesn't know whether to keep them or diminish them through selling.

Kitkat, Maggi Soup, Nestle Milk can be regarded as question marks in the framework of Bangladesh. These items are of very high quality but the market share is not much. The price is much high but they are not selling like the other popular products of Nestle. Maggi soup has not significant market share because there are other popular soup brands. Kitkat is liked by

many people because its tasty and crispy. But it has very low market share. The same can be said about Nestle milk (Nido). Kitkat is not made here and is imported from India.

Dogs

Dogs means low growth market share or no growth at all. They can't make a significant amount of cash. Also, they don't consume a good amount of cash. Dogs are named to them because their position (both internal and external) is weak.

In Bangladesh, Munch, Koko Krunch, Nestea etc. are dogs. Although they are popular worldwide, Bangladeshi people still don't like them much. Nestea is not gaining its market share because of Taza, Ispahani Zareen Tea, Lipton etc. are popular in Bangladesh. Munch is a tasty chocolate bar but it's not much known to the Bangladeshi children. And in case of Koko Krunch, it's quite a bit expensive. Nestle should take steps to convert these dogs into stars.

Chapter 7

7.1 Nestle's Growth

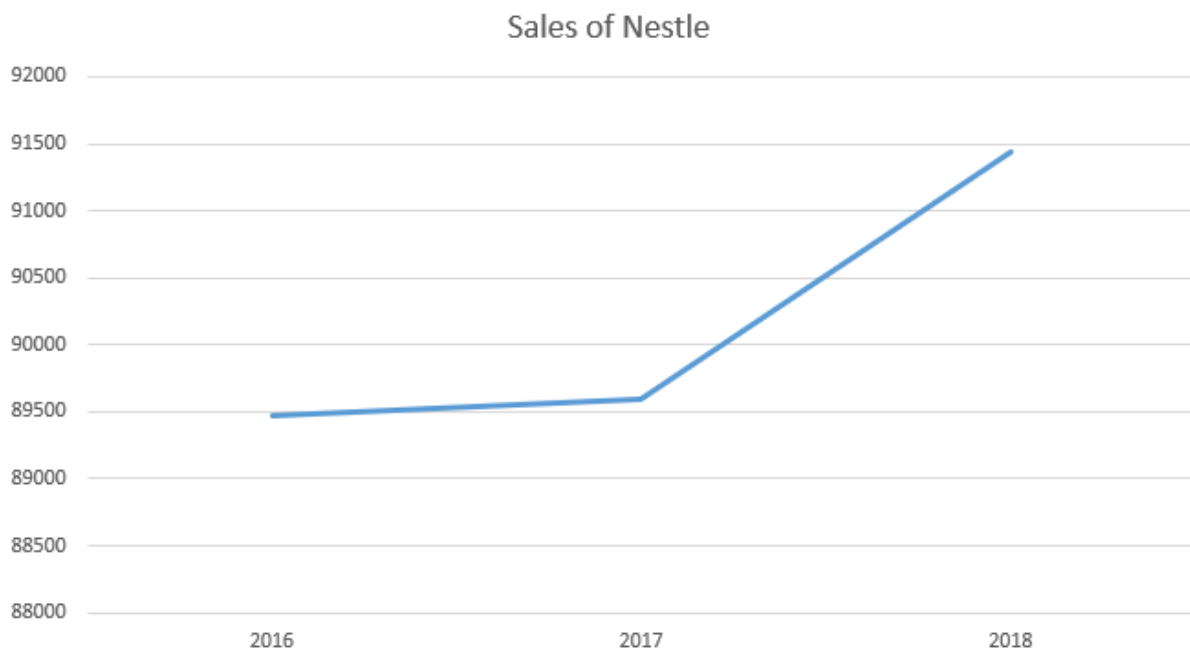
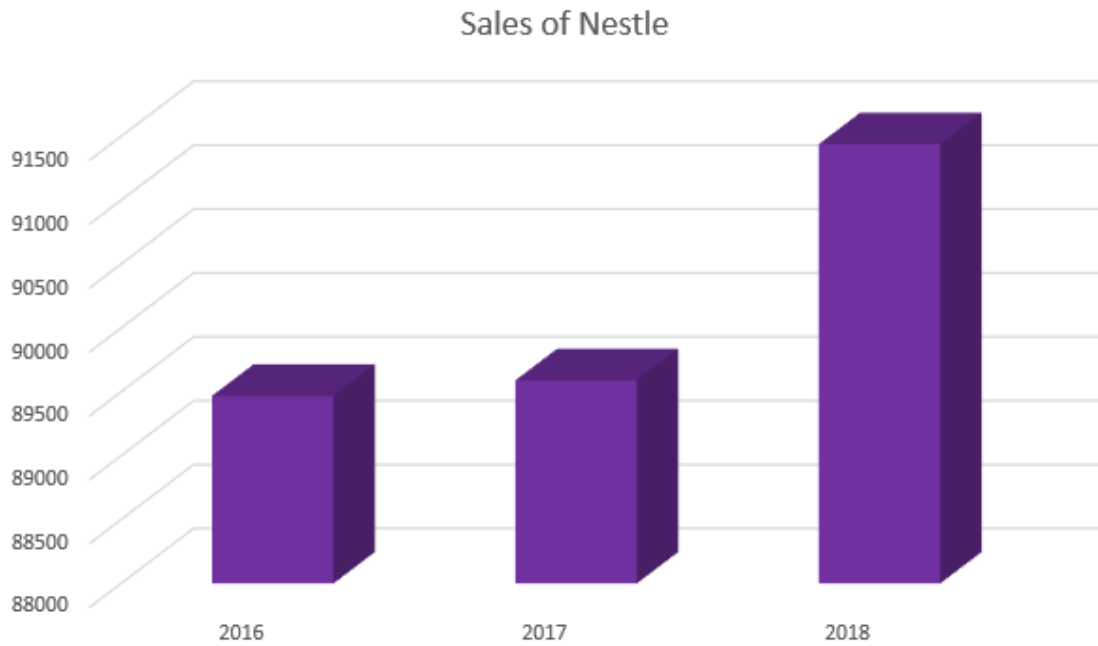
Nestle's growth is implemented in many strategic ways. They deal with the expectation of customers, they compete with other brands, they trade on harsh landscapes and what not. Everything they do is to deliver their mission statement properly. And it's delivered by

applying expertise on nutrition, meeting modern consumers' needs, offering plant or grain typed foods etc. Nestle has a model and it's for creation of long-term value. It's first step is to increase growth. If the portfolio of the seen it can be seen that its ever growing. Nestle is present in 187 countries and has more than 2000 brands. At retail level, 34 of these brands generate more than 1 billion CHF.[9] And it's happening in the retail level only. Nestle allocate their resources for growth for creating the most value. It generates organic growth for Nestle. Which is about 40%. [8]

Sales of Nestle

The Sales of Nestle for the past 2016, 2017 and 2018 is shown here [23] [24]:

Sales of Nestle In Millions of CHF	2016	2017	2018
	89469	89590	91439

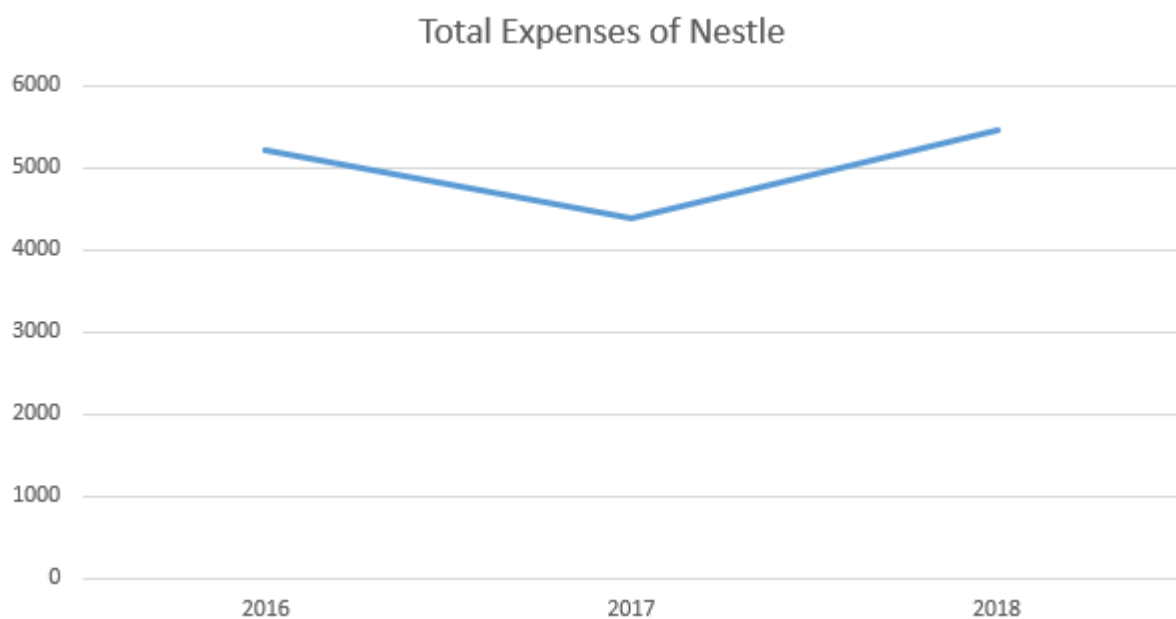
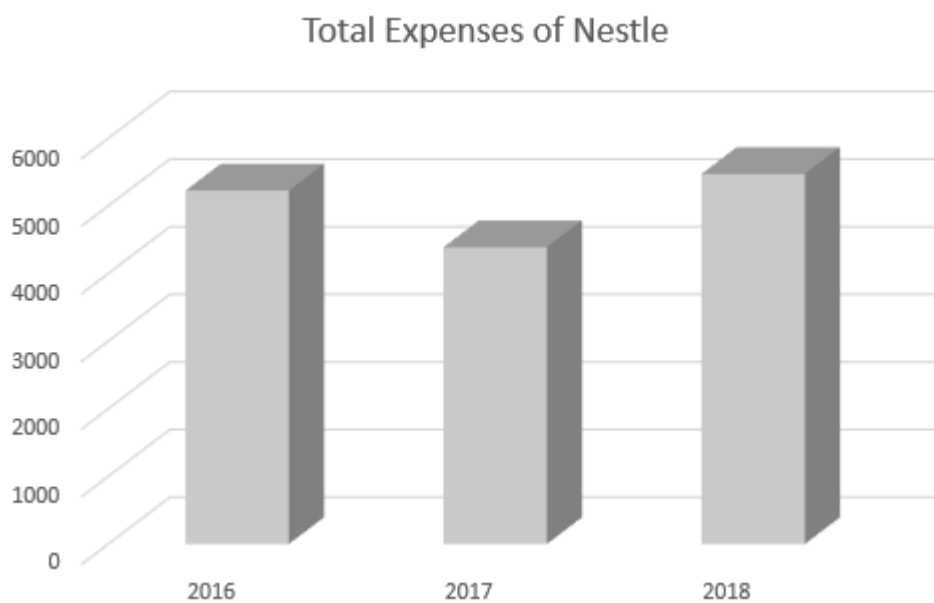


As it can be seen from the bar chart and line chart, Nestle's sales increased by a slight amount from 2016 to 2017. But from 2017 to 2018 it increased to a drastic amount which was very good for Nestle.

Expenses of Nestle

The expenses of Nestle for the year 2016, 2017 and 2018 are shown below [23][24]:

Expenses of Nestle In millions of CHF	2016	2017	2018
	5228	4389	5473

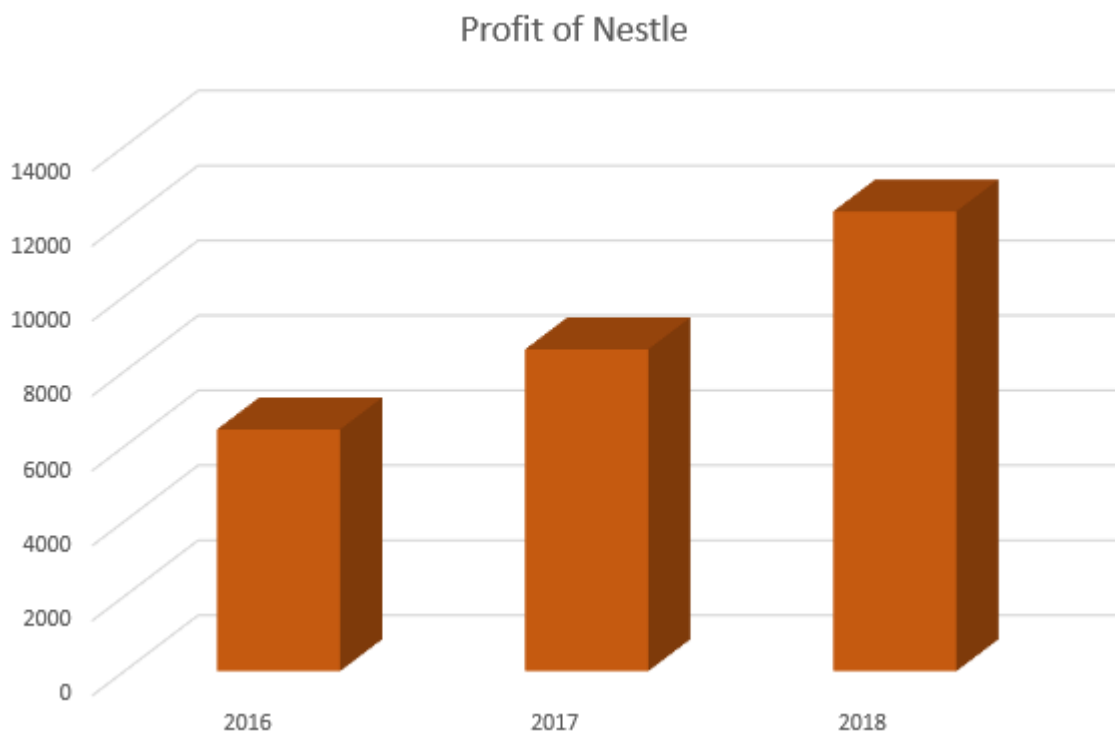


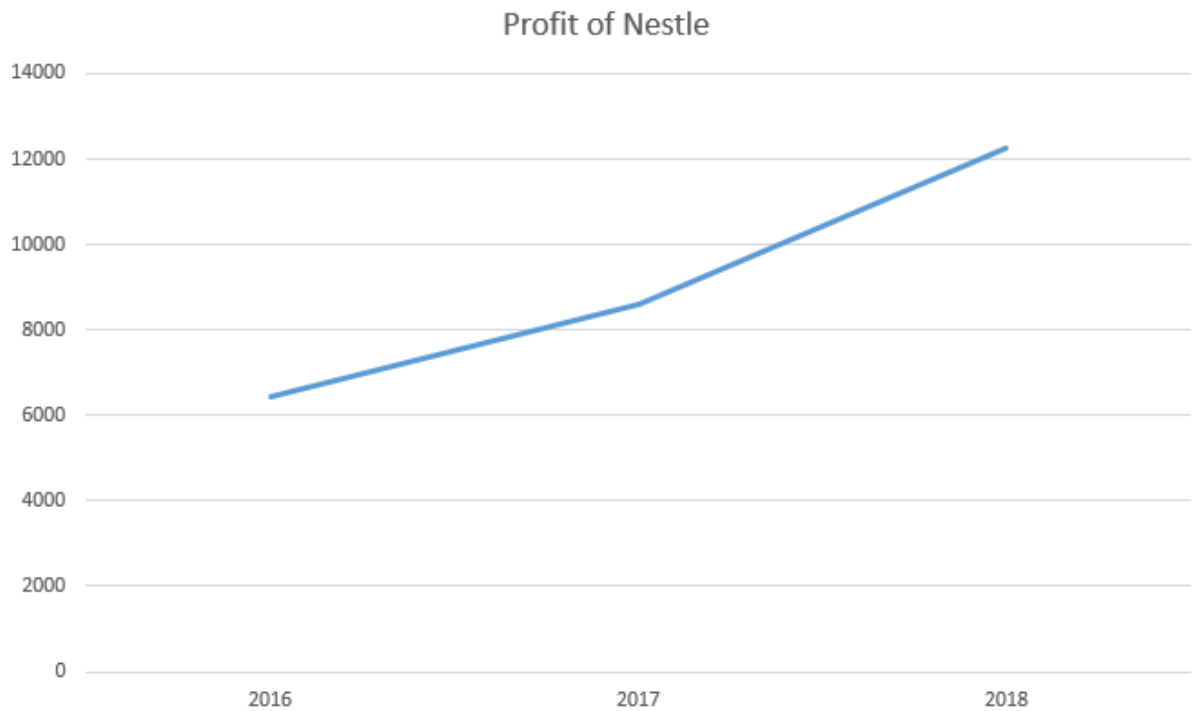
As it can be seen from the charts, that the expenses of Nestle decreased by 839 million CHF from 2016 to 2017. But it increased a lot to 5473 million CHF by 2018 which was much more than the year 2016

Profit of Nestle

The profits of Nestle for the year 2016, 2017 and 2018 are as follows [23] [24]:

Profit of Nestle In terms of CHF	2016	2017	2018
	6448	8585	12268





From the charts, it can be seen clearly that the profits of Nestle is ever increasing from the past couple of years. From 2016 to 2017 it was about 2000 units change. But from 2017 to 2018 it changed to about 3700 units clearly states that it was a huge profit year for Nestle.

From looking at the sales, profit and expenses; it is clear that Nestle sales and expenses has increased over the years but so has its profits. That means that Nestle is growing than ever before from each and every aspect.

If the 2017-2018 fiscal years annual report is analyzed, it can be seen that [20]:

For Income statement:

- Operating profit increased by 35.4%
- Depreciation and amortization decreased by 0.25%
- Other income grew by 14.58%
- On year by year basis Net Profit grew 42.9%

For Balance sheet:

- Total current liability was 5427 in 2017 and 4738 in 2018. It means that current liability decreased by 12.7%
- Current assets have increased from 28.6% from the previous year (2017). While fixed assets decreased by 5.24% in year 2018 from 2017.
- Then it can be seen that total assets and liabilities and equity was 133210 in 2017 and 137015 in 2018 that means slightly increasing by 2.86%

For Cash flow:

- From 2017 to 2018, the operating cash flow increased by 8.44%
- Free cash flow (FCF) increased by 15.03% on year to year basis.

Some other notable findings:

- The earnings per share (in CHF) was 2.32 in 2017 and 3.36 in 2018
- $ROE_{2017} = 11.4\%$ and $ROE_{2018} = 17.1\%$ [21]. This means the ROE of Nestle increased from 2017-2018. ROE of Nestle is in a healthy position. As a FMCG industry, Nestle's ROE is good. [22]

Unilever's growth

If we see through Unilever's growth, we see that it has a unique growth of its own. Unilever's growth makes a very good amount of profit and its sustainable too. Unilever has 18 successful sustainable brands. The sustainability delivered 60% [10] of Unilever's growth. Unilever is also doing women empowerment. They helped about 1 million women so that they can establish themselves, hone their skills and make and sell their products. Unilever also works

for health and people's hygiene. Unilever also helps 650000 small farmers to improve their business as well as their income too.

Unilever also tries its best to less pollute the environment. It emphasizes on releasing less amount of greenhouse gas. It has also cut CO₂ emissions, using groundwater and total amount of its wastages. Its total amount of wastages is reduced by 96% per ton.

Comparison of Nestle and Unilever's growth

Unilever makes household products like utensils, toiletries, food items etc. On the other hand, Nestle focuses on manufacturing various food items.

Nestle focuses its growth by corporate wellness unit for bringing great food items, whereas Unilever focuses on the real need of their customers

The two MNCs growth from market also differs. Unilever's mission is to add vigor to life. So, it doesn't hesitate to eliminate products. And in case of Nestle it's creating new and newer products every day. Nestle enhances its products in many ways. Packaging plays an important role for Nestle.

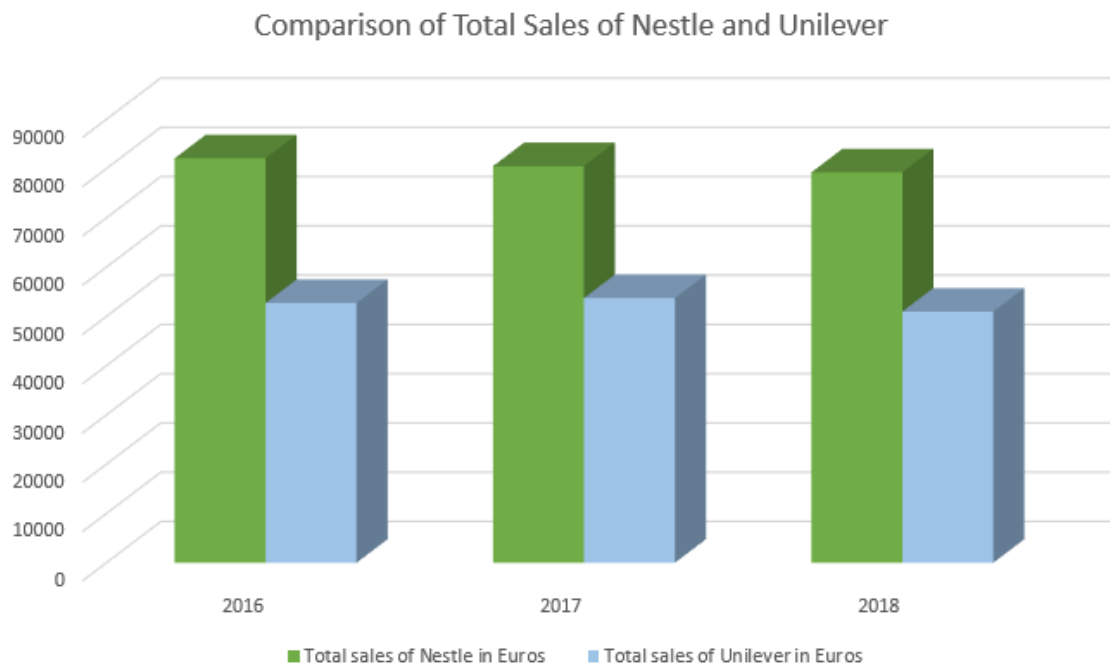
Unilever looks for the future of their made products. They emphasize on hygiene and are making products for pregnancy issues, brain diseases eradication, getting fat etc. and their products will help their consumers in these problems.

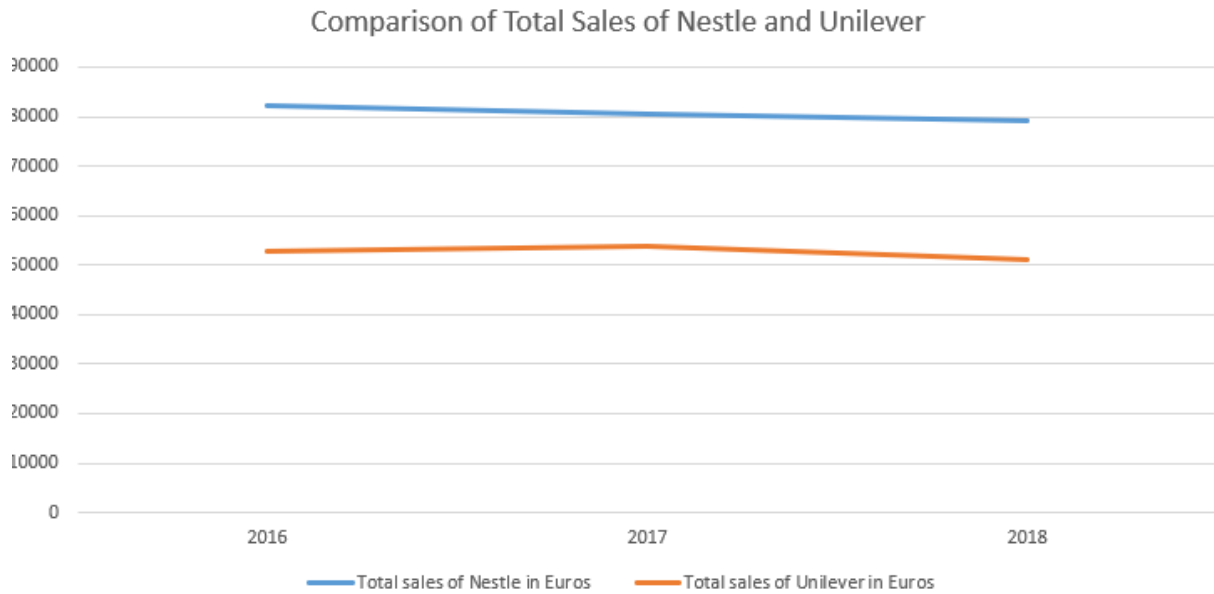
Comparison of Nestle and Unilever's Sales, Profit and Expenses

Nestle and Unilever's Sales

	2016	2017	2018
Total sales of Nestle in Euros	82082	80494	79237
Total sales of Unilever in Euros	52713	53715	50982

Note: The values are converted from CHF to Euros from the given weighted average annual rates in the annual reports of Nestle. [23][24][26][27]





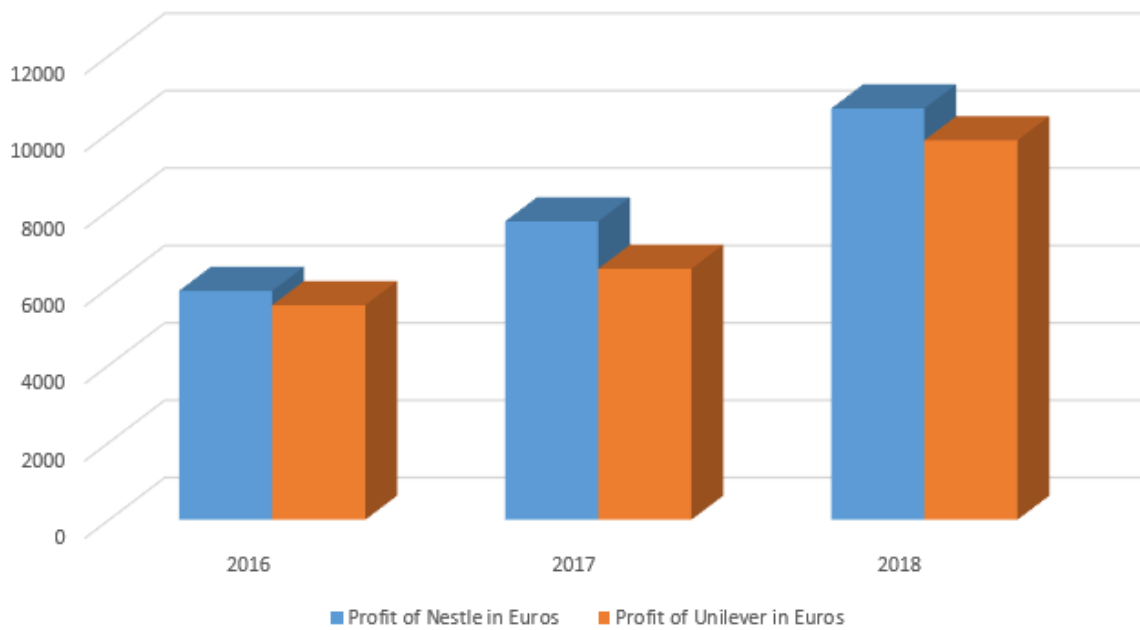
From looking at the charts above, it is clear that Nestle’s sales are much larger than Unilever’s sales. Nestle’s sales remain pretty much the same throughout the 3 years (2016, 2017, 2018). On the other hand, Unilever’s sales were much less than Nestle’s and were pretty much the same and remained slightly above the 50000 units (Euros) mark.

Nestle and Unilever’s Profit

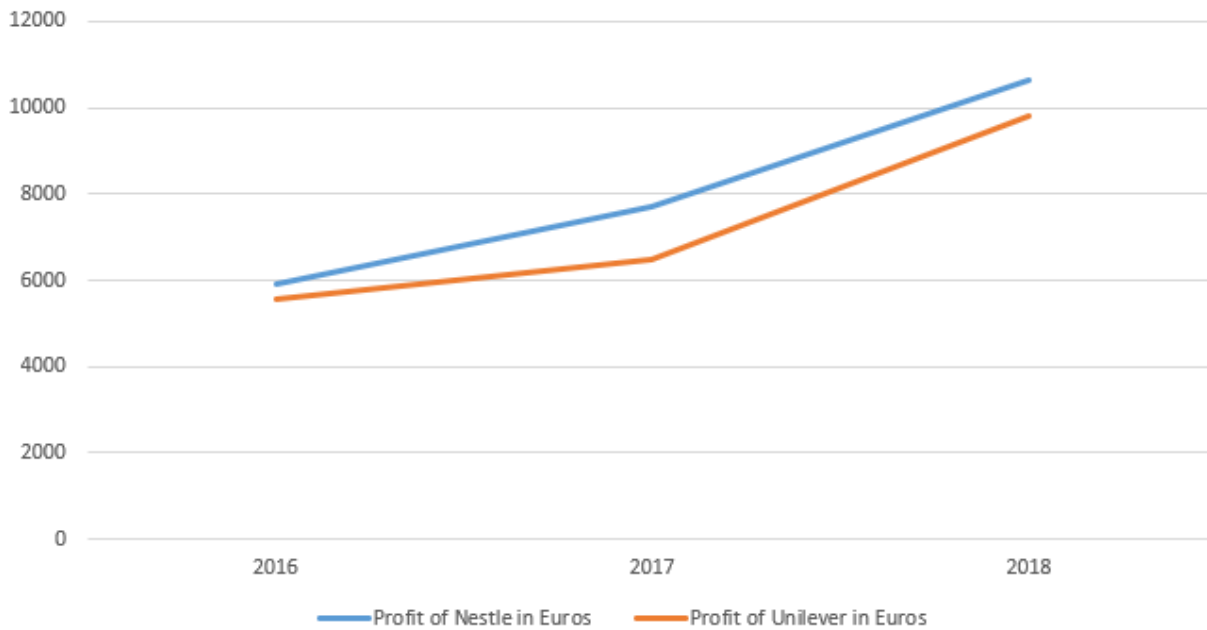
	2016	2017	2018
Total profit of Nestle in Euros	5916	7713	10631
Total profit of Unilever in Euros	5547	6486	9808

Note: The values are converted from CHF to Euros from the given weighted average annual rates in the annual reports of Nestle. [23][24][26][27]

Comparison of Profit of Nestle and Unilever



Comparison of Profit of Nestle and Unilever



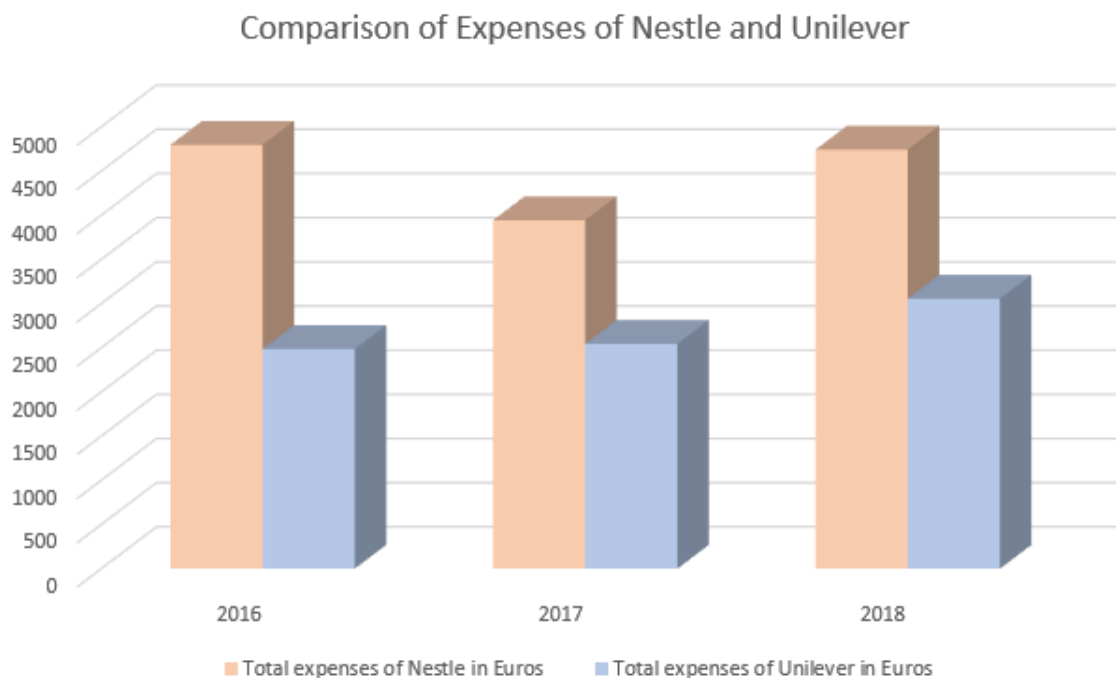
It can be seen that Nestle here too has more profits than Unilever. Both of their profits are increasing from 2016 to 2017. For Nestle, it increased a little bit more from their 2016 profits in 2017 in comparison with Unilever. For the year 2017 to 2018 Nestle's profit increased much

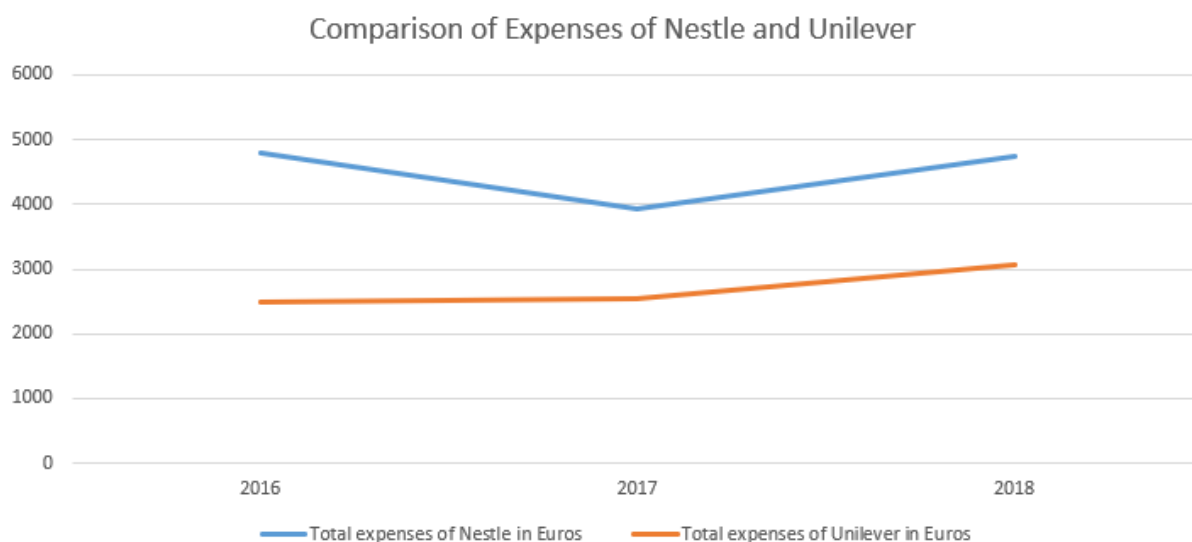
more than it was from 2016-2017. On the other hand, Unilever’s profit also increased in an increased pace than its previous year’s pace.

Nestle and Unilever’s Expense

	2016	2017	2018
Total expenses of Nestle in Euros	4796	3943	4743
Total expenses of Unilever in Euros	2485	2544	3056

Note: The values are converted from CHF to Euros from the given weighted average annual rates in the annual reports of Nestle. [23][24][26][27]





Clearly, it can be seen that Nestle's expenses are more Unilever's. Nestle's expenses were close to 5000 units in 2016 and it went down to about 4000 units in the year 2017. On the other hand, the expenses increased from 4000 units to the amount of 5000 units from the year 2017 to 2018 being the value pretty much same like the year 2016.

From looking at the charts and discussion it can be clearly realized that Nestle is a bigger MNC than Unilever. Hence, it's profits, sales and expenses are much more. Unilever is not that much low; it's also increasing at its own pace and becoming larger day by day.

Some another comparing is given below [21][29]:

- For the year 2018, Nestle's Free cash flow (FCF) was 9470 Euros (Converted from CHF) and Unilever's FCF was 4962 Euros Usually people who invest like to invest in such companies where FCF is high. High FCF of a company denotes that that company is easily able to pay its debts. It also states that it can pay dividends and also buy back stocks. The company can take various measures for the growth. Nestle, as a bigger company has higher cash flow than Unilever, so investors tend to invest more on Nestle.[28]

- ROE of Nestle was 17.1% and Unilever 74.5% (For the year 2018). It shows that Unilever is using more of its equity capital. Nestle is using less. It also says that Unilever is generating high profit without the usage of capital [30]. However, it should be stated that Nestle is only a food and beverage company and Unilever is not only food but also is a product of cleaning, beauty, medicine, personal care etc. company [31]. That's why the ROE is different.
- ROA for the year 2018 of Nestle was 7.50% and Unilever was 15.7%. A 5% or above is a good value [32]. Nestle and Unilever both crossed the mark. High ROA means that how effectively the assets are used of that company for bringing profits. Unilever is doing slightly better in this case. Unilever is performing slightly better in terms of finance and operations. As Unilever is a slightly different company this difference is normal.

However, in the recent covid 19 situation both Nestle and Unilever has seen decline in their sales. On the half yearly analysis of Nestle, it can be seen that organic growth of Nestle reached 2.8% and throughout the whole year it's expected to be in 2-3%. Real internal growth (RIG) of 2.6% and pricing of growth drastically reduced to 0.2%. Total sales (reported) decreased by 9.5%. [18]

Unilever on the other hand have a sales flat with a volume of only 0.2% and with a negative price = 0.2% in the first quarter of 2020. Emerging markets declined by 1.8% but turnover slightly increased by 0.2% [19]

Nestle has taken steps so that their employees work hard and safe in this situation to deliver necessary quality food items to the consumers. Nestle has donated taka worth 10 million to the affected people of Sreepur. [16] Unilever is doing notable work too in this situation, they are

donating medical equipment to the people. They have donated breathing equipment as well as covid-19 testing kits to 2 famous organizations. [15]

Comparison of Nestle and Unilever's Management

The management of Nestle and Unilever is pretty much the same. But in case of both of them, there are some uniqueness.

Unilever has its own unique policies such as:

- In terms of revenue, cash control, different business processes, they have an organizational model and it targets new things
- Their organizational chart is built in such a way that it is cost cutting, definition of target is given here as well as headcount etc.
- Develop policies of reward as well as develop talent
- Planning to integrate corporate culture [12]

Unilever promotes leadership. It's ever evolving. For the last 20 years it's evolving from traditional leadership models. These leadership style has grown for various factors such as because of international markets, leadership competition etc. [13]

Unilever makes its mission, vision and goals clear to build effective leaders.

Nestle has its own strategy on leadership. They emphasize on innovativeness. They say that their leaders can make mistakes but they have to be willing to learn from their mistakes. [14]

Both Nestle and Unilever encourages teamwork because each have a joint goal. They think of their employees as families and tries to give a friendly and family environment as office culture. These are their mottos to gain maximum output from their employees.

Chapter 8

Conclusion

From the studies discussed above it can be seen that from the SWOT analysis and BCG matrix is that Nestle is gradually developing and maintaining its operations properly in Bangladesh. In its 150 years, Nestle target has always been to deliver quality food all over the world. And it has been a success. Foods are produced for different cultures, religions and ethnicity by them. Its main approach is to creating sustainable value for long term for consumers, employees, shareholders that means each and every people connected with Nestle.

Nestle and Unilever have an enormous growth. But Nestle is clearly ahead of Unilever in terms of sales, expenses and profit. On the other hand, Unilever has better ROE and ROA. But these drastically changed due to coronavirus pandemic. Nestle and Unilever's management is quite the same but they have different policies. It can be said that Nestle is a good food oriented MNC and Unilever focuses more on sustainable living.

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