

Internship Report
On
“Merchandising Development of Nestle Bangladesh Limited”



Inspiring Excellence

Prepared for:

Mr. S.M. Arifuzzaman
Assistant Professor
BRAC Business School
BRAC University

Prepared by:

Tanvir Hassan
ID: 11104133
BRAC Business School
BRAC University

Date of Submission: 20th June, 2015

Letter of Transmittal

20th June, 2015

Mr. S.M. Arifuzzaman
Assistant Professor
BRAC Business School
BRAC University

Dear Sir,

As per your instructions, I have successfully completed my internship report, focusing on Merchandising Development of Nestle Bangladesh Limited.

I have followed your guidelines and have included ideas that you shared. In writing this report I have included my work and findings regarding the current merchandising scenario of the retail outlets. As the name of the course says, during the last 4 months I have come to learn a lot from doing my internship in the Sales Department of Nestle Bangladesh Limited.

I thank you very much for letting me have the opportunity to work on this report and hope to meet your expectations and standards.

Sincerely yours,

Tanvir Hassan
ID: 11104133
BRAC Business School
BRAC University

Acknowledgement

I would like to thank my academic supervisor Mr. S.M. Arifuzzaman, Assistant Professor of BRAC Business School, for helping me choose my topic and guiding me through the report from the very beginning till the end. I am also thankful for the patience he has shown during the time of writing this report.

Secondly, I would like to thank Mr. Prashonta Bhattacharjee, Territory Officer – HO, Nestle Bangladesh Limited, who was my supervisor during my tenure as an intern in Nestle. Mr. Bhattacharjee was with me all throughout the project, coaching me about different aspects of the job, as well as assisting me during the market visits.

Lastly, I would like to thank the other interns who were in my team and all the other employees and interns whom I worked with during my internship period in Nestle Bangladesh Limited.

Table of Contents

<i>Letter of Transmittal</i>	i
<i>Acknowledgement</i>	ii
<i>Table of Contents</i>	iii
<i>Executive Summary</i>	v
Ch.01: Company Overview	
1.0 Introduction	1
1.1 History of Nestle	2
1.2 Globally Recognized Brands	6
1.3 Strategic Direction	8
1.4 Corporate Business Principles	8
1.5 Growth Strategy & Business Segments	11
1.6 Nestle Bangladesh Limited	15
1.7 Functions of Nestle Bangladesh Limited	17
1.8 Products of Nestle Bangladesh Limited	19
Ch.02: Internship Responsibilities	
2.0 Job Description	21
2.1 Specific Responsibilities of the Job	21
2.2 Different Aspects of Job Performance	22
2.3 Critical Observations	23
2.4 Recommendation	25
Ch.03: The Project	
3.0 Literature Review	28
3.1 Summary of the Project	30
3.2 Merchandising Development	32
Ch.04: Findings & Analysis	
4.1 Territory: Karwan Bazaar	42
4.2 Territory: Badda	43
4.3 Territory: Mohammadpur	44
4.4 Territory: Khilgaon	45
4.5 Territory: Mirpur	47
4.6 Overall Scenario	49

Ch.05: Conclusion.....50

Reference.....51

Appendices

Appendix AField Report Format - Document
Appendix B Territory: Karwan Bazaar – Charts
Appendix C Territory: Badda – Charts
Appendix D Territory: Mohammadpur - Charts
Appendix E Territory: Khilgaon - Charts
Appendix F Territory: Mirpur - Charts

Executive Summary

This report attempts to investigate Nestle Bangladesh Limited's the current merchandising scenario in the markets of Dhaka Metropolitan. As part of the "Merchandising Development" project, undertaken by the Sales Department of Nestle Bangladesh Limited, this report includes information and analysis regarding the visibility and merchandising of Nestle products in retail markets, which have been collected via continuous market visits. The results show that almost 15% of the total retail outlets in 5 territories have major merchandising issues where as the rest are in good condition, as per the Nestle merchandising guideline

Keywords: Merchandising, Sales, Nestle, FMCG, Marketing, Food Industry

Chapter 01

Company Overview

1.0 Introduction

With instant coffee, baby food, and bottled water in the mix, Nestlé crunches more than just chocolate. The world's no.1 food and drinks company in terms of sales, Nestlé is also the world leader in coffee (Nescafé). It also makes coffee for the home-brewing system, Nespresso. Nestlé is one of the world's top bottled water makers (Nestlé Waters), one of the biggest frozen pizza makers (DiGiorno), and a big player in the pet food business (Friskies, Purina). Its most well-known global food brands include Buitoni, Dreyer's, Maggi, Milkmaid, Carnation, and Kit Kat. The company also owns Gerber Products. North America is Nestlé's most important market.

Nestlé is the world's largest nutrition, health and wellness company not only in terms of its sales but also in terms of its product range and its geographical presence: Nestlé covers nearly every field of nutrition and food business : infant formula, baby food, milk products, chocolate and confectionery, instant coffee, ice-cream, culinary products, frozen ready-made meals, mineral water etc. In most of these product groups and in most markets.

Nestlé is a publically owned company, governed by the Board of Directors. Nestlé has over 250,000 shareholders worldwide (42% Swiss; 22% US Citizens; 10% British; 8% French; and 5% German). Under Swiss law, the names of shareholders are not allowed to be disclosed, so there is no way to tell if there are particularly powerful shareholders that own large blocks of stock in the company.

Nestlé is present around the globe, on all continents, with around 330,000 people working in more than 194 countries with 447 factories and with sales representatives in at least another 70 countries.

Nestlé has divided its worldwide operations in three zones. These are:

- Europe – Adriatic, Benelux, Iberia, Russia+Eurasia
- Americas – Austral-America, Bolivarian America, Caribbean & Central America
- AOA – Africa, Ocenia, Asia

Since its founding, Nestlé's business practices have been governed by integrity, honesty, fair dealing and full compliance with all applicable laws. Nestlé employees worldwide have upheld and lived this commitment in their everyday responsibilities ever since, and Nestlé's reputation remains one of the company's most important assets today.

The Nestlé Corporate Business Principles prescribe certain values and principles which Nestlé has committed to worldwide. This Code of Business Conduct specifies and helps the continued implementation of the Corporate Business Principles by establishing certain non-negotiable minimum standards of behavior in key areas.

The nature of this Code is not meant to cover all possible situations that may occur. It is designed to provide a frame of reference against which to measure any activities. Employees should seek guidance when they are in doubt about the proper course of action in a given situation, as it is the ultimate responsibility of each employee to “do the right thing”, a responsibility that cannot be delegated.

According to Nestlé’s Code of Business Conducts, employees should always be guided by the following basic principles:

- avoid any conduct that could damage or risk Nestlé or its reputation;
- act legally and honestly;
- put the Company’s interests ahead of personal or other interests.

1.1 History of Nestlé

The Nestlé Company’s humble roots can be traced back to the first European condensed milk factory, the Anglo-Swiss Condensed Milk Company that was opened in Cham, Switzerland in 1866. The very next year, Henri Nestlé launched his company and focused on creating an early form of infant formula. In 1905, the Anglo-Swiss Condensed Milk Company merged with Nestlé. By 1918, thanks to increased dairy demand from government, Nestlé had 40 factories worldwide. In the 1920s, despite economic downturn, Nestlé acquired Peter, Cailler, Kohler Swiss Chocolate Company, creating the chocolate and confectionary side of Nestlé’s business. In 1938, Nescafé coffee was launched and followed by Nestea in the 1940s. It was American soldiers that really helped make Nescafé coffee a beverage mainstay. The end of World War II ushered in many of Nestlé’s new product lines, including Nesquik and the Maggi products. In the late 1970s, due to a large infant formula scandal and international boycott, Nestlé began a consultation with the World Health Organization and UNICEF. The boycott ended in 1984. In 1984, Nestlé acquired the American food giant, Carnation. Through the remainder of the 1980s, Nestlé had increased profits and acquired many more of its now popular brands such as

Nespresso and Buitoni. Nestlé continued its expansion and acquisitions in the 2000s with the purchase of Purina and creation of Nestlé Purina PetCare Company.

The timeline of this spectacular journey is as follows -

1866-1905: Henri Nestlé's quest for a healthy, economical alternative to breastfeeding is the important factor that drives the history of Nestlé Company. Henri Nestlé started his experimentations with various combinations of cow milk. His ultimate goal was to help combat the problem of infant mortality due to malnutrition. People quickly recognized the value of the new product, as Nestlé's new formula saved the life of children within a few years. In August, 1867 Charles and George Page, two brothers from Lee County, Illinois, USA, established the Anglo-Swiss Condensed Milk Company in Cham. In 1877 Anglo-Swiss added milk-based baby foods to their products and in the following year the Nestlé Company added condensed milk so the firms became direct and fierce rivals. Henri Nestlé retired in 1875 but the company under new ownership retained his name as Farine Lactée Henri Nestlé.

1905-1918: The Company formed by the 1905 merger was called the Nestlé and Anglo-Swiss Milk Company. Most production facilities remained in Europe, however, and the onset of World War I brought severe disruptions, as a result acquiring raw materials and distributing products became increasingly difficult. At the same time the war created tremendous new demand for dairy products, largely in the form of government contracts. By war's end, the Company had 40 factories, and its world production had more than doubled since 1914. Moreover in this period Nestlé added chocolate to its range of food products and also the Condensed-milk exports increased rapidly as the Company replaced sales agents with local subsidiary companies. In 1907, the Company began full-scale manufacturing in Australia.

1918-1938: The end of World War I brought with it a crisis for Nestlé. Rising prices for raw materials, the worldwide postwar economic slowdown, and declining exchange rates made the situation worst. In 1921, the Company recorded its first loss. Nestlé's management brings Louis Dapples as an expert to deal with the situation; his rationalized operations and reduction of the company's outstanding debt improve the financial condition. On the other hand Nestlé's first expansion beyond its traditional product line came in 1920s by producing chocolates. Meanwhile, Brazilian Coffee Institute first approached to Nestlé in 1930 to reduce Brazil's large coffee surplus, after eight years of research Nestlé came with Nescafé became an instant success.

1938-1944: In this period World War II started and its effect were felt immediately upon the business once again; profits dropped from \$20 million in 1938 to \$6 million in 1939. To overcome distribution problems in Europe and Asia, factories were established in developing countries; particularly in Latin America. As the end of the war approached, Nestlé executives found themselves unexpectedly heading up a worldwide coffee concern, as well a company built upon Nestlé's more traditional businesses.

1944-1975: The graph of growth sets its trends little higher between 1944 and 1975. As a result many new products were added and outside companies were acquired. Nestlé merged with Alimentana S.A in 1947, purchase of Findus frozen foods occurred in 1960, Libby's fruit juices joined the group in 1971 and Stouffer's frozen foods in 1973 and finally in 1974 the Company became a major shareholder in L'oréal, one of the world's leading makers of cosmetics. The Company's total sales doubled in the 15 years after World War II.

1975-1981: In 1975 and 1977 price of coffee bean and the price of cocoa tripled. In this situation to maintain a balance, Nestlé went to second venture outside the food industry by acquiring the pharmaceutical and ophthalmic product producer Alcon Laboratories Inc. of U.S; as a result it increased competition and shrink the profit margins.

1981-1995: Improvement of financial situation through internal adjustments and strategic acquisitions are the two important moves in this period. As a result between 1980 and 1984, diversification of several non-strategic or unprofitable businesses occurred. On the other hand Nestlé managed to put an end in the third World to about a serious controversy over its marketing of infant formula in this period. In 1984 Nestlé acquire American food giant Carnation and became one of the largest company in the history of the food industry.

1996-2002: The opening of Central and Eastern Europe, along with China and a general trend towards liberalization of direct foreign investment was good news for the company. On the other hand in July 2000 Nestlé launched a Group-wide initiative called GLOBE (Global Business Excellence) aimed to simplifying business process. Two more acquisitions took place in this period-U.S. ice cream business was to be merged into Dreyer's and the acquisition of Chef America, Inc. a leading U.S.-based hand-held frozen food product business.

2003-2009: Within this time the acquisition of Mövenpick Ice Cream, Jenny Craig and Uncle Toby's enhanced Nestlé's position as one of the world market leaders in the super premium category. On the other hand Novartis Medical Nutrition, Gerber and Henniez joined the

Company in 2007. Meanwhile Nestlé entered into a strategic alliance with the Belgian chocolatier Pierre Marcolini at the end of 2009.

2010 to present: In mid-2010 Nestlé finalized the sale of Alcon to Novartis. On 1 March 2010, Nestlé concluded the purchase of Foods' North American frozen pizza business for \$3.7 billion.

In July 2011, Nestlé SA agreed to buy 60 percent of Hsu Fu Chi International Ltd. for about \$1.7 billion. On 23 April 2012, Nestlé agreed to acquire Pfizer Inc.'s infant-nutrition unit for \$11.9 billion. Before the acquisition, there was a 'bidding war' between the three shareholders Nestlé, Mead Johnson Nutrition and Danone. Each of the companies held a share, with Nestlé holding the biggest share (17%) (Johnson held 15%, Danone 13%).

As of 28 May 2013, Nestlé has announced that it will expand R&D in its research center in Singapore. With a primary focus on health and nutrition, Nestlé is investing \$4.3 million in its Singapore center, creating 20 jobs for experts in related R&D fields. In 2013 Nestlé Nigeria successfully pioneered and implemented the use of compressed natural gas as a fuel source to power their Flowergate factory. The above timeline is presented visually below:

1866	Foundation of Anglo-Swiss Condensed Milk Co.
1867	Henri Nestlé's Infant cereal developed
1905	Nestlé and Anglo Swiss Condensed Milk Co. (new name after merger)
1929	Merger with Peter, Cailler, Kohler Chocolats Suisses S.A.
1934	Launch of <i>Milo</i>
1938	Launch of <i>Nescafé</i>
1947	Nestlé Alimentana S.A. (new name after merger with Maggi)
1948	Launch of <i>Nestea</i> and <i>Nesquik</i>
1969	Vittel (initially equity interest only)
1971	Merger with Ursina-Franck
1973	Stouffer's (with <i>Lean Cuisine</i>)
1974	L'Oréal (associate)
1977	Nestlé S.A. (new company name) Alcon (disposed in August 2010)
1981	Galderma (joint venture with L'Oréal - full acquisition announced for 2014)
1985	Carnation (with <i>Coffee-mate</i> and <i>Friskies</i>)
1986	Creation of Nestlé Nespresso S.A. and Herta
1988	Buitoni-Perugina, Rowntree (with <i>KitKat</i>)
1990	Cereal Partners Worldwide (joint venture with General Mills)
1991	Beverage Partners Worldwide (joint venture with Coca-Cola)

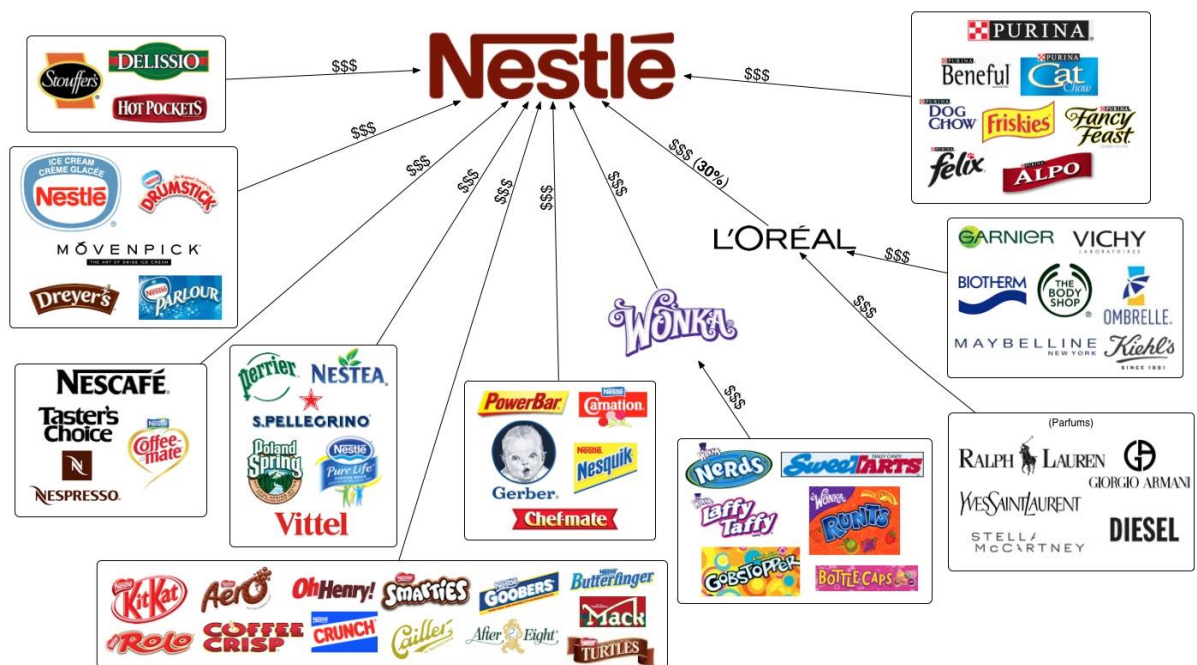
1992	Perrier (with Poland Spring)
1993	Creation of Nestlé Sources Internationales (2002: Nestlé Waters)
1997	Creation of Nutrition Strategic Business Division (2006: Nestlé Nutrition)
1998	San Pellegrino and Spillers Petfoods Launch of <i>Nestlé Pure Life</i>
2000	PowerBar (disposal announced for 2014)
2001	Ralston Purina
	Schöller, Chef America
2002	Dairy Partners Americas (joint venture with Fonterra)
	Laboratoires innéov (joint venture with L'Oréal)
2003	Mövenpick and Dreyer's
2005	Wagner
	Creation of Food Services Strategic Business Division (2009: Nestlé Professional)
2006	Lactalis Nestlé Produits Frais (associate)
	Jenny Craig (disposed in 2013), Uncle Tobys, Delta Ice Cream
2007	Novartis Medical Nutrition, Gerber, Henniez
2008	Ruzanna
2010	Kraft Food's frozen pizza, Waggin'Train, Malher, Technocom, Vitaflo
2011	Creation of Nestlé Health Science and Nestlé Institute of Health Sciences Yinlu, Hsu Fu Chi (partnerships) in China
2012	Wyeth Nutrition
2013	Pamlab
2014	Take a look at all our latest news in the Media section

1.2 Globally Recognized Brands

Nestlé's portfolio covers a vast range of food and beverage category – giving consumers healthier and tastier products in a wide range to enjoy at every eating occasion and throughout life's stages, including times of special nutrition. Nestle has over 70 brands in 12 categories:

- Baby Food: Cerelac, Gerber, Gerber Graduates, NaturNes, Nestum, Lactogen, NAN, Pre-NAN, AL110
- Bottled Water: Nestle Pure Life, Perrier, Poland Spring, S.Pellegrino
- Chocolate & Confectionary: Aero, Butterfinger, Cailler, Crunch, Kit Kat, Orion, Smarties, Wonka

- Coffee: Nescafe, Nescafe 3 in 1, Nescafe Cappuccino, Nescafe Classic, Nescafe Decaff, Nescafe Dolce Gusto, Nescafe Gold, Nespresso
- Culinary, Chilled & Frozen Food: Buitoni, Herta, Hot Pockets, Lean Cuisine, Maggi, Stouffer's, Thomy
- Dairy: Carnation, Coffee-Mate, La Laitiere, Nido
- Food Service: Chef, Chef-Mate, Maggi, Milo, Minor's, Nestea, Sjora
- Healthcare Nutrition: Boost, Nutren Junior, Peptamen, Resource
- Ice Cream: Dreyer's, Extreme, Haagen-Dazs, Movenpick, Nestle Ice Cream
- Pet Care: Alpo, Bakers Complete, Beneful, Cat Chow, Chef Michael's Canine Creations, Dog Chow, Fancy Feast, Felix, Friskies, Gourmet, Purina, Purina ONE, Pro Plan
- Sports Nutrition: PowerBar
- Weight Management: Jenny Craig



1.3 Strategic Direction

Nestlé's current strategic focus is on *Creating Shared Value*. This involves finding where society and the company's interests meet, and where value optimization for both can be maximized. In Nestlé's document about its corporate business principles, it describes its ten principles of business operations. It breaks these into five parts; Consumers, Human Rights, Our People, Suppliers and Customers, and the Environment. Nestlé has a variety of initiatives to create shared value for its stakeholders. One of the ways Nestlé is doing this is by creating smaller local factories and farms closer to its customers. This helps the communities in which it operates with jobs for workers, taxes to support local projects and generally increased economic activity. In the early 2000's in the coffee segment, Nestlé's relationships with suppliers and some NGO's (such as Oxfam) were poor. This led to Nestlé launching the Nespresso AAA Sustainable Quality Program, which has helped to improve these relations. As Nestlé is a consumer brands company, the ultimate consumers' opinions matter.

1.4 Corporate Business Principles

Nestlé does not have a formal mission statement. Instead of a mission statement, Nestlé uses a clear set of principles and values to guide it through its business and corporate decisions. Nestlé believes that attempting to capture all of its values and principles in a couple of sentences would fall short of what Nestlé strives to achieve. Nestlé operates under ten guiding principles of operations.

The Nestlé Corporate Business Principles are at the basis of the company's culture, which has developed over the span of 140 years. Since Henri Nestlé first developed his successful infant cereal "Farine Lactée", the company has built their business on the conviction that to have long-term success for the shareholders, they not only have to comply with all applicable legal requirements and ensure that all their activities are sustainable, but additionally they have to create significant value for society.

At Nestlé, this is known as *Creating Shared Values*.

The first three principles are in reference to Nestlé's consumer. Nestlé works to enhance 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 fourth principle is about recognizing the necessity of human rights and exercising and promoting good human rights practices. Guiding principles five and six are about requiring that employees respect each other and their management while also ensuring healthy and safe conditions for all employees worldwide. Principles seven and eight require that Nestlé's customers and suppliers adhere to the same high standards of honesty, integrity and fairness that it expects of itself. Lastly, Nestlé's ninth and tenth principles revolve around environmental sustainability, and Nestlé continuing attempts to advance its environmentally safe practices and sustainability initiatives. It is through adherence to these ten principles that Nestlé can give shared value to society, customers, and shareholders.

Nestlé is committed to the following Business Principles in all countries, taking into account local legislation, cultural and religious practices:

1. Nutrition, Health and Wellness

Nestlé's core aim is to enhance the quality of consumers' lives every day, everywhere by offering tastier and healthier food and beverage choices and encouraging a healthy lifestyle.

2. Quality Assurance and product safety

Everywhere in the world, the Nestlé name represents a promise to the consumer that the product is safe and of high standard.

3. Consumer Communication

Nestlé is committed to responsible, reliable consumer communication that empowers consumers to exercise their right to informed choice and promotes healthier diets. Nestlé respects consumer privacy.

4. Human rights in our business activities

Nestlé fully support the United Nations Global Compact's (UNGC) guiding principles on human rights and labour and aim to provide an example of good human rights' and labour practices throughout our business activities.

5. Leadership and personal responsibility

Nestlé's success is based on their people. The people in Nestlé treat each other with respect and dignity and expect everyone to promote a sense of personal responsibility. Nestlé

recruits competent and motivated people who respect the company values, provide equal opportunities for their development and advancement, protect their privacy and do not tolerate any form of harassment or discrimination.

6. Safety and health at work

Nestle is committed to preventing accidents, injuries and illness related to work, and to protect employees, contractors and others involved along the value chain.

7. Supplier and customer relations

Nestle requires their suppliers, agents, subcontractors and their employees to demonstrate honesty, integrity and fairness, and to adhere to our non-negotiable standards. In the same way, they are committed towards their own customers.

8. Agriculture and rural development

Nestle contributes to improvements in agricultural production, the social and economic status of farmers, rural communities and in production systems to make them more environmentally sustainable.

9. Environmental sustainability

Nestle commits themselves to environmentally sustainable business practices. At all stages of the product life cycle they strive to use natural resources efficiently, favour the use of sustainably-managed renewable resources, and target zero waste.

10. Water

Nestle is committed to the sustainable use of water and continuous improvement in water management. They recognise that the world faces a growing water challenge and that responsible management of the world's resources by all water users is an absolute necessity.

While Nestlé has a bit of a checkered past when it comes to corporate values due the infant formula scandal of the 1970s, its new principles seem to be working very well. Per the 2011 Annual Report, in 2010 Nestlé experienced internal growth in several important areas, in spite of overall disappointing results.

Nestlé continues to maintain its commitment to follow and respect all applicable local laws in each of its markets.

1.5 Growth Strategy & Business Segments

Since the founding of Nestlé, the company has augmented homegrown brands by using an external growth strategy. Through numerous acquisitions in various industries, Nestlé now operates in seven distinct lines of business. Below is a basic discussion of strategy and operational information of each individual business line.

Powered and Liquid Beverages

Nestlé's powdered and liquid beverages segment accounts for 29.6% of total sales worldwide. This comes primarily from soluble coffee sales, which amount to CHF 9.2 billion of CHF 18.2 billion in total sales. Besides being the largest segment, powdered and liquid beverages also boasts an operating margin of 22.7%, which is the highest of any segment. In 2011, powdered and liquid beverages grew at a 13.0% rate. This segment includes the brands Nescafe, Nespresso, Taster's Choice, and Nestea. The powdered and liquid beverages line includes various powdered drinks, coffees, and teas. Competitors are varied; just in the U.S. coffee market, the company competes with J.M. Smucker Company (owner of the Folgers, Dunkin' Donuts, and Millstone lines), Kraft Foods (Maxwell House), Starbucks, Green Mountain Coffee Roasters (Green Mountain, Keurig). Nestlé is the 5th largest player in the U.S. coffee market with 8.5% market share amongst its various brands.

Water

Nestlé Waters, a division of Nestlé SA, produces 75 different brands of bottled water. The bottled water segment was responsible for CHF 6.5 billion in sales in 2011, down from CHF 7.2 billion in 2010. This segment had the lowest operating margin of any segment, at 8.0%. Nestlé sold 49.7% of its bottled water products in the North American region. 37.4% of sales were derived from Europe, while 12.9% of sales occurred in other regions. The Nestlé Waters lineup includes brands such as: Nestlé Pure Life, S. Pellegrino, Perrier, Acqua Panna, Deer Park, Poland Spring, Ozarka, and Ice Mountain. The Pure Life brand holds the title of "world's most popular bottled water". In the bottled water market, Nestlé competes with differentiated players like the Coca-Cola Company (Dasani, Glaceau, and Vitamin Water) and PepsiCo (Aquafina) as well as low-cost private label store brands.

Milk Products and Ice Cream

The Nestlé Milk Products and Ice Cream segment accounts for 16.4B CHF in annual sales. This makes it the second largest division behind Powdered and Liquid Beverages. This segment had 8.4% growth, which makes it the second fastest growing division, again behind Powdered and Liquid Beverages. The trading operating profit margin is the second lowest in the portfolio, at 13.7%. Nestlé breaks the segment itself into three parts; Milk Products, Ice Cream and Other. Of total segment sales, milk products account for 66.9%, ice cream for 27.2%, and other for 5.9%. Globally these products account for 10.8% of sales in Europe, 29.3% of sales in the Americas, and 33.3% in Asia, Oceania and Africa. In the general global market, Nestlé is the largest player. In 2012 Nestlé had a global market share of 12.4%. The other major competitors are Dean Foods Company (5.6%), Fonterra Co-operative Group Limited (3.4%) and Dairy Farmers of America, Inc. (3.0%). Nestlé has local production in many different countries and is continuing to expand its presence and production capacity. In addition to local production it appears that Nestlé is attempting to focus on creating targeted healthy products in this segment. One example of this is in Pakistan. In Pakistan 51% of children have an iron deficiency. To take advantage of this Nestlé created powdered milk that contains 42% of the daily requirement per serving and started educating mothers about the importance of iron in a diet. In this segment Nestlé has also taken advantage of partnerships and joint ventures. Nestlé started a joint venture with Fonterra in 2003 that provides both companies with Milk in Central America. In partnership with the United Nations Development Programme, Nestlé trained 5,000 people involved in farming in Pakistan.

Nutrition and Healthcare

Over the past few years, Nestlé has redefined its strategy to emphasize nutrition, health, and wellness in response to changing consumer preferences and a growing obesity epidemic in developed nations. The company has chosen acquisition as its primary method of growth in these spaces, including an \$8.0 billion purchase of Novartis' medical nutrition and Gerber baby foods in 2007, as well as an \$11.85 billion purchase of Pfizer Nutrition in April 2012. Nestlé's nutrition and healthcare segment was responsible for CHF 9.7 billion in sales during 2011. Of this amount, 74% of sales were for nutritional products and the remaining portion was attributed to pharmaceutical products. A vast majority of the nutritional sales were derived from infant formula and baby food (Gerber). The remaining

portion came from weight-management (Jenny Craig) and nutritional supplemental products (Boost). In 2011, the company also launched operations of its Nestlé Health Science organization. Nestlé's plan is to invest CHF 500 million in developing products to help combat various ailments, including diabetes, heart problems, and Alzheimer's. Competition in this segment comes in the form of traditional food and beverage companies, specialty health food companies, and drug companies including GlaxoSmithKline and Pfizer.

Prepared Dishes and Cooking Aids

The Nestlé Prepared Foods segment accounts for 13.9B CHF in annual sales, which makes this the third largest division. This segment had 4.6% internal growth, which makes it the second slowest division. The trading operating profit margin is around the middle of the portfolio, at 14.5%. Nestlé breaks the segment itself into two parts, Frozen and Chilled, and Culinary and Others. Of total segment sales frozen and chilled account for 57.7%, and culinary and other account for 42.3%. Globally these products account for 26.7% of sales in Europe, 19.3% of sales in the Americas, and 16% in Asia, Oceania and Africa. Nestlé has local production for many of these products. One way that Nestlé has been attempting to grow in this segment is through acquisitions. In 2002, Nestlé acquired Chef America (Hot Pockets, Lean Pockets, Pizza Mini's, etc.). In 2010, Nestlé acquired Kraft Foods frozen pizza division (Tombstone, California Pizza Kitchen). Another strategy for growth has been through innovation. One example is the on-the-go sleeve for Hot Pockets. This has helped Nestlé take advantage of the growing desire for convenience. In addition, Nestlé has been redeveloping its packaging. It has done this in two ways. One way has been the graphic designs on the packages themselves. Another way has been with the steam-in-bags. Another potential opportunity is the global growth of the prepared foods market. One way Nestlé has been taking advantage of this is by creating regionalized products. For instance, in India Nestlé is launching a culinary paste for catering professionals. Additionally there is an opportunity in healthier products, that many large companies, including Nestlé, are taking advantage of by reformulating existing products.

PetCare

Nestlé owns many of the world's most popular pet care brands. The pet care brands owned by Nestlé are: Alpo, Baker's Complete, Beneful, Cat Chow, Chef Michael's Canine Creations, Dog Chow, Fancy Feast, Felix, Friskies, Gourmet, Purina, Purina ONE, and Pro

Plan. The company has factories that manufacture pet care in 19 countries. The pet care product line makes up over 11% of Nestlé's total sales as a company. Some of Nestlé's top competitors are Mars Inc., which owns Cesar, Greenies, Nutro, Pedigree, Royal Canin, Sheba, Whiskas, KiteKat, Chappi, and Catsan; Colgate-Palmolive Co., which owns Hill's Science Diet, Hill's Prescription Diet, and Hill's Science Plan; Procter & Gamble, which owns Eukanuba and Iams; and Del Monte Foods Co., which owns Meow Mix, Kibbles n' Bits, Milk-Bone, Snausages, Nature's Recipe, 9Lives, and Pup-Peroni.

Chocolate and Confectionary

One of the biggest things that Nestlé is known for worldwide is its chocolate and confectionary business line. Nestlé's confectionary line is made up of chocolate, confectionary, and biscuits. Chocolate makes up over 78 percent of Nestlé's confectionary category, while biscuits make up over 12 percent. The remaining products are included in an additional sugar confectionary category. Nestlé owns the brands Aero, Butterfinger, Cailer, Crunch, Kit Kat, Orion, Smarties, Toll House, and Wonka. Nestlé has 461 factories in 83 countries. Out of these factories, Nestlé has factories that manufacture chocolate or confectionary products in 35 out of those 83 countries. The confectionary product line makes up over 10% of Nestlé's total sales as a company. Nestlé's biggest competitors are Cadbury (Kraft Foods) and Mars internationally and Hershey in the United States.

1.6 Nestle Bangladesh Limited

During the time The British ruled the sub-continent, popular Nestle brands started entering Bangladesh. Nestle World Trade Corporation, the trading wing of Nestle S.A sent regular dispatches of Nestle brands to Bangladesh through an array of indentures and agents after it gained independence in 1971 and soon brands like Nespray, Cerelac, Lactogen and Blue Cross etc. became household names.

In the early eighties Transcom Ltd. was appointed the sole agent of Nestlé products in Bangladesh. In 1992 Nestlé S.A. and Transcom Ltd. acquired the entire share capital of Vita Rich Foods Ltd. Nestlé S.A. took 60 percent while Transcom Ltd. Acquired 40 percent. Nestlé Bangladesh Limited started its first commercial production in Bangladesh in 1994. In 1998 Nestlé S.A. took over the remaining 40% share from our local partner when Nestlé Bangladesh became a fully owned subsidiary of Nestlé S.A.

Nestlé's factory is situated at Sreepur, 55 km north of Dhaka. In addition to the new cereal plant, the factory produces instant noodles and repacks milks, soups, beverages and infant nutrition products. The factory produces the Maggi noodles, Munch and cereals and repacks milks, soups, beverages and infant nutrition products. Today Nestlé Bangladesh Ltd. is a strongly positioned organization. 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. Since the beginning of Nestlé's operation in Bangladesh, the chairman of the company has been Mr. Latifur Rahman, one of the top industrialists of the country, his firm Transcom used to import the products of Nestlé. His business house Transcom is still involved in wide range of business like beverage, pharmaceutical, electronics, newspaper, tea export, fast food franchises etc. Still he remains as an honorary chairman of the company although his group Transcom does not capture any share today as Nestlé S.A. holds 100% share of this company.

Currently, Nestlé has a wide range of popular products in the market like Lactogen, Cerelac, Nido, Maggi Noodles, Maggi Soup, Nestea, Nescafé, etc. Nestlé, through its business partner Kallol Distribution Ltd., also markets malt beverage, confectionery, chocolates etc. in Bangladesh.

1.6.1 Vision

In Bangladesh Nestlé's vision is to build Nestlé as the respected and trustworthy leading Food, Beverage, Nutrition, Health and Wellness Company in Bangladesh ensuring long term sustainable and profitable growth. The company is very much focused to ensure that the vision is implemented in every aspect.

1.6.2 Mission

The mission statement that drives Nestlé is "Good Food, Good Life". They commit to provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories and eating occasions, from morning to night.

1.6.3 Objectives

Nestle Bangladesh's main objectives are as follows:

- a) Develop safe and wholesome packaged foods using the most efficient and appropriate packaging materials available, while at the same time, satisfying consumer requirements and expectations.
- b) Nestle Bangladesh seeks packaging solutions that:
 - i. Will result in the lowest possible weight and volume of packages
 - ii. Take into account new packaging materials and processes that reduce the impact on the environment
 - iii. Avoid the use of substances that can adversely impact the environment during the packaging production and disposal
 - iv. Decrease packaging waste at all stages, including package manufacturing, utilization and disposal
 - v. Increase the use of recycled materials wherever possible
 - vi. Increase the recyclables and compatibility of its packages with existing waste management schemes

Specified Objectives of Each Division

Production

- Optimize production costs while enhancing product quality so as to make Nestlé products even more competitive in the market place.

Sales & Marketing

- Become a billion dollar company by 2020
- Double the turnover every three years

Human Resources

- Help employees to retain a long term perspective and integrate them fully with the company's business goals.
- Retain a broad perspective while addressing individual needs
- View growth as a continuous process
- Concentrate on attitudinal changes by developing leadership skills, an appreciation of interdependence between units and the enhancement of a sense of belonging to Nestle Bangladesh.

Finance

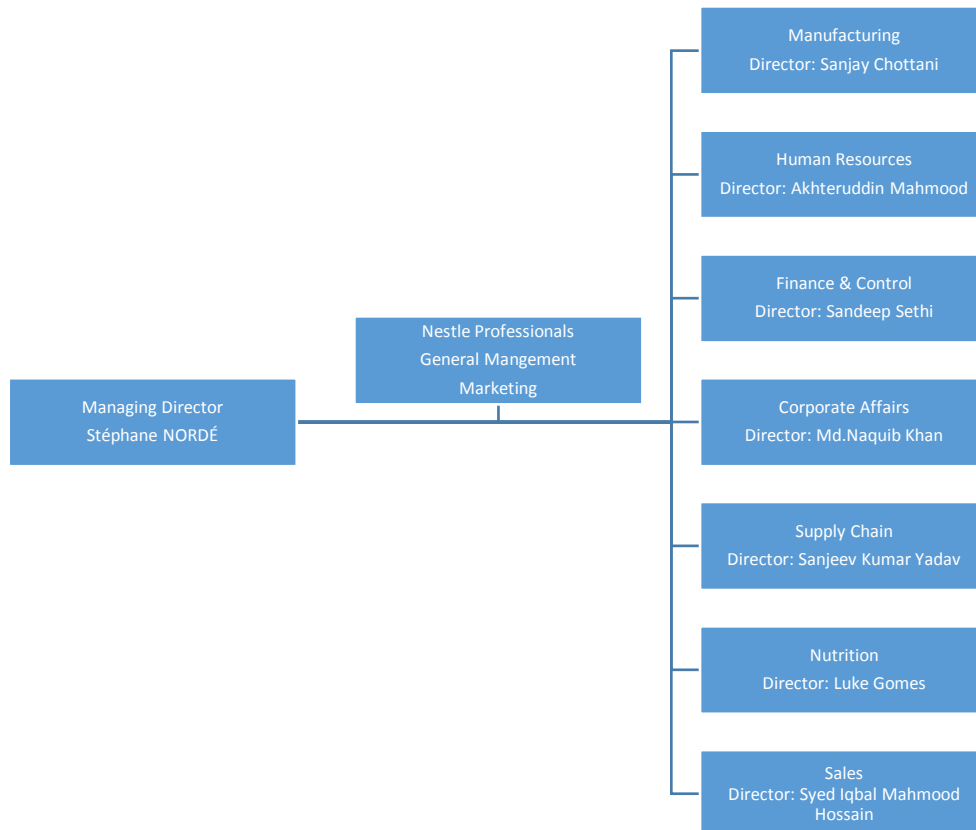
- Maintain profit levels above the average for the food industry of Bangladesh

1.7 Functions of Nestle Bangladesh Limited

Nestlé Bangladesh has 10 functions, among which the Managing director controls 3 and the rest is controlled by their individual directors. *The General Management* take cares of the overall operation of the company, while maintaining their regular governmental affairs and taking key decisions. *The Manufacturing Function* is where some products are made (like Munch, Maggi, Cerelac) and some, like Nido are repacked. *The Human Resources* function focuses on the management of employees and organizational culture, as well as retaining the people, motivating them more with each passing day. *Supply Chain* ensures the stable supply of the products according to the demand of the customers. *Marketing* looks after the existing brands, market share and product development of the products. *Finance* and control deals with the financial transactions and most importantly they also apply the control mechanism to

remain the company complaint financially and procedurally. The IS/IT department falls under the Finance function, hence they also maintain day to day technicality. *Sales* and *Nestlé Professionals* are the revenue generating departments for the company.

The Nutrition function, however, is a separate entity somewhat, for their orders are usually initiated in India, and they carry out their tasks just as orders.



1.8 Products of Nestle Bangladesh Limited

Despite having hundreds of brands of products available worldwide, in Bangladesh Nestle has 20 products. Nestlé believes all foods and beverages can be enjoyed 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.

Category	Product Name
Nutrition	Lactogen
	Lactogen Recover
	NAN
	Pre-NAN
	AL110
	Baby & Me
	Cerelac
Culinary	Maggi Instant Noodles
	Maggi Health Soups
	Maggi Shad-e-Magic Masala
Dairy	Nido Fortified
	Nido 1+
	Nido 3+
Breakfast Cereals	Koko Krunch
	Corn Flakes
Beverages	Nescafe Classic
	Nescafe 3 in 1
	Coffee Mate
	Nestea (Only in exclusive vending machine)
Confectionary	Munch Rollz

Chapter 02

Internship

Responsibilities

2.0 Job Description

As an intern in the Sales Department, I worked in an ongoing project titled *Merchandising Development*. The project coordinator was Mr. Prashonta Bhattacharjee, who also acted as my supervisor during my tenure as an intern. I worked in a team of three other interns.

I, along with my supervisor and team, worked in 5 territories in Dhaka Metropolitan. These territories were Khilkhet, Karwan Bazaar, Badda, Mohammadpur, Khilgaon and Mirpur. In each of these territories is a Distribution House, which is owned by a distributor and managed by a Territory Officer of Nestle Bangladesh. The working staff in the territory offices are known as Secondary Sales Force, which includes Distributor Sales Representatives, Merchandisers and Delivery Men. We stayed and worked on merchandising development with the merchandisers in each territory for 15 working days.

2.1 Specific Responsibilities of the Job

My job consisted of the following:

- Visiting the outlets which have Nestle's display program e.g. paid outlets with the merchandisers to ensure that proper merchandising is done in those outlets.
- Monitor and guide the merchandisers while they maintain the displays in retail outlets
- Check the merchandisers daily call report to ensure that they're writing down their work properly
- Help the merchandisers convince critical traders to allow us to maintain the display as per Nestle's guidelines
- Give on the job the training and evaluate the knowledge and performance of the merchandisers
- Monitor if the merchandisers are keeping track of the number of Point of Purchase Materials e.g. Nescafe Hangers, Soup Hangers, Maggi Baskets and Point of Sales Materials e.g. Posters, Danglers, Buntings and also ensuring that they do not waste them.
- Submit a report and give a presentation to the entire distribution house e.g Territory Officer, Manager, Proprietor, Distributor Sales Representatives and Merchandisers after 15 working days.

2.2 Different Aspects of Job Performance

There is no alternative to going to the field e.g retail stores to evaluate the performance of the merchandisers and since I worked with the merchandisers in the field level to ensure that proper merchandising was taking place, one of the key feature of evaluating my job was for my supervisor to visit the retail stores that I worked in with the merchandisers.

Whilst merchandising at a retail in-store level, refers to the variety of products available for sale and the display of those products in such a way that it stimulates interest and entices customers to make a purchase, the merchandisers of Nestle Bangladesh Limited also had another task other than arranging the products. They were required to make a list of *short dated* products e.g. products that will expire in the next 6 months. Listing these products diligently gives Nestle Bangladesh an estimate of how many products they might have to take back from the retail stores which basically translates to how much loss would occur from each store. Since one of the responsibilities I had was to make sure the merchandisers wrote these reports correctly and listed the short dated products correctly, checking their reports so that they match with the actual situation in the stores was also a way to evaluate my job performance.

The Nestle Continuous Excellence Board, typically known as NCE Board is a board for keeping track of the DSR, Merchandisers and the territory office's activities in general. Every teams work was quantified in this board so that their performance can be measured. The merchandisers' part of the NCE board can also be used as a tool for evaluating my job performance.

2.3 Critical Observations

The overall merchandising scenario wasn't up to the mark. Hence the project was initiated so that the existing gaps/areas of improvement can be pointed out and then necessary measures can be taken to improve merchandising in the retail outlets.

My observations can be divided in two parts. Firstly, the in-house observations e.g. the observations I made based on the work that is done inside the territory office by the merchandisers. These are basically administrative and paper work. Secondly, on-the-job observations e.g. the observations I made during my time working with the merchandisers in the field e.g. retail outlets.

In-House Observations

1. Merchandisers were not given proper induction after being recruited.
2. Merchandisers did not have full knowledge of their job e.g. the proper layout and planograms of the display blocks.
3. The Daily Call Report was not being filled out properly by the merchandisers. In many cases the merchandisers gave fabricated information in the report without reporting the retail outlets.
4. The Territory Officer has to sign the merchandisers' reports as being approved; in many cases it was found that the TOs signed the inconsistent and fabricated reports of the merchandisers, thus further encouraging them to continue this bad practice.
5. Merchandisers did not know how to calculate their *Visibility Achievement vs Visibility Target*.
6. Merchandisers were not updating the NCE board regularly.
7. The Territory Officer or the Manager of the distribution points were not communicating the monthly Sales Bulletin with the merchandising team, as a result they were working aimlessly without a goal.
8. The PoPM & PoSM database was not being properly maintained by the merchandisers. They took these as they pleased and wasted a lot of them.
9. Since one of their job responsibility is to list the short dated products, merchandisers should know what amount of products the company had to withdraw from the stores due to being expired. The merchandisers did not have any knowledge about how much market return were coming from each of their routes.

10. Overall it was very apparent that the Merchandising team was very neglected by the management e.g. Territory Officer and Manager of the Distribution Point. They were not being utilized properly, their work was not being checked or followed up. As a result the merchandising team is slowly turning into waste since the results the company is getting from them is far less than the money and effort the company is putting behind them.

On-the-Job Observations

1. Merchandisers did not pack their bags with proper merchandising equipment e.g. hammer, glue, measuring tapes, duster, correct amount of PoPM/PoS M etc.
2. Merchandisers did not know the address of certain retail outlets as a result much time was wasted in trying to find the stores.
3. Merchandisers did not follow Nestle's guidelines while merchandising,
4. Merchandisers did not always follow the best route to ensure that they could cover all the outlets, as a result in many days it would seem some of the outlets were closed by the time they reached them.
5. Merchandisers did not list all the short dated products or tried to get away by not doing their jobs unless we pointed out that they should list all the short dated products.
6. In many of the retail outlets, back dated expired products were found. Merchandisers were supposed to list these products 6 months ago and DSRs were supposed to withdraw these products 1 month before being expired. This proved that both the DSR and Merchandisers were at fault here.
7. Having good relations with the traders is an absolute must for merchandisers. Some of the merchandisers did not have good relationship with the traders and were denied to work in their stores.

2.4 Recommendation

Just like my observations, my recommendation will be divided in two parts as well.

In-House Recommendation

1. Merchandisers should be given proper training after their recruitment. Only after proper training should they be sent out to the field to work.
2. The Daily Call Report of merchandisers should be thoroughly checked by the Manager or the Territory Officer of the Distribution House.
3. Since the NCE board is a global initiative taken by Nestle, merchandisers should be taught how to properly calculate and fill out their part of the NCE board.
4. The merchandising team should be more included in the daily works. The Territory Officer or the Manager should sit in a meeting with them at least 1 day every week to give them proper encouragement, communicate company guidelines and goals.
5. Since products that have to be withdraw due to being expired hurts the company business a lot and it's the merchandisers' duty to list them down, the merchandisers should be held accountable for this.
6. Currently there are no KPIs for the merchandisers to evaluate them. A list of KPIs should be set for the merchandisers so that their performance can be measured, as this will lead them to work more thoroughly without any kind of excuses.
7. One of the reasons behind merchandisers not doing their work properly is that low salary. Currently the merchandisers get almost BDT 6,000/month which includes daily travel allowance. Living in Dhaka City with BDT 6,000 is almost unimaginable. Increasing their salary to at least BDT 8,000/month would be a more helpful and encourage them to work harder.

On-the-Job Recommendation

1. Manager of the Distribution House should regularly check to see if the merchandisers packed their bags properly. Not having a proper equipment can ruin a merchandiser's entire working day.
2. Merchandisers should properly plan their routes so that they can cover maximum outlets before they get closed for lunch.

3. Merchandisers should be trained to have good social/communication skills. Being a good talker can help the merchandisers a lot when they are dealing with critical traders.
4. Merchandisers should be motivated regularly to own their job. Since it is a field based job they have to be in the streets for 4-5 hours daily despite the sun or storms. I deem daily motivation and encouragement necessary to keep them going and for them to own their job.
5. The Territory Officer or the Manager should sometimes accompany the merchandisers to the retail outlets to offer them help in critical outlets.

Chapter 03

The Project

3.0 Literature Review

Merchandising is a branch of marketing theory and practice concerned with maximizing product sales by designing, packaging, pricing, and displaying goods in a way that stimulates higher sales volume. The underlying assumption in merchandising is that consumers may have a general need for (or interest in) a certain class of product, and it is the merchandiser's task to present the product in a way that best captures consumers' attention and persuades them that the product will fulfill their needs and wants. Merchandising employs a wealth of theories about consumer behavior to accomplish this. In the broadest sense, any practice which contributes to the sale of products to a retail consumer is called Merchandising. At a retail in-store level, merchandising refers to the variety of products available for sale and the display of those products in such a way that it stimulates interest and entices customers to make a purchase.

A particular merchandising campaign can involve myriad considerations, such as

- Product packaging
- Signage
- Location in the store
- Shape, size, color, and other physical characteristics of the display
- Advertising (in-store and other means)
- Discounts, prizes, or other promotional offers

This view emphasizes merchandising as a function of choosing product lines to carry that are likely to move quickly, organizing the store to maximize traffic past profitable lines, and maintaining visual displays and advertisements that turn traffic into sales.

A common application of merchandising theory is the practice known as cross-merchandising. This occurs when a manufacturer or retailer links the marketing of one product to the marketing of another. A simple yet powerful example is the use of food displays at grocery stores. Say a store wishes to promote the sales of deli cheeses, which carry an attractive profit margin. To improve the likelihood of selling cheese, the store may locate items consumed with cheese nearby, e.g., crackers and breads, and may even display them directly together or offer samples. All of these things tend to shore up sales. Another alternative frequently used in higher-end grocery stores is to display interesting facts or information pertaining to the product alongside it. The information may answer common questions about the product (e.g., to reduce

uncertainty about buying or using it) or it might be something catchy to stimulate the shopper's interest. For example, the cheese stand might include creatively worded reviews and wine suggestions for each type of cheese (provided that the store stocks wines). If the cross-merchandising works, the customer will not only buy the cheese but also the crackers or wine.

Although these examples focus mostly on one factor at a time, usually merchandisers must plan the full array of options in a merchandising program. For instance, in addition to merely determining which products have cross-merchandising potential, the company may also decide whether the appropriate emphasis in the display is (1) price, e.g., using a large sign advertising the low price and a utilitarian display; (2) convenience, e.g., locating the items on the main aisle; or (3) luxury, e.g., emphasizing quality, status, mood, or enjoyable experience with a creative or elaborate display.

Product merchandising is one of the core services available for a field marketing campaign and can be very influential when trying to increase a product's sales performance.

Time, effort and money are often invested by companies to create detailed layout plans so that products are positioned correctly on shelving and stands within stores. However, it is equally important to invest in making sure these plans are implemented and kept up to date. Merchandising is the field marketing service that makes sure of this.

When stock is not available for a customer to buy at the point of purchase, they will likely either rethink their decision to buy the item, or find somewhere else to get it from instead; neither of these results is desirable.

Product merchandising is a field marketing service which seeks to address these issues by ensuring that items are in the correct place on fixtures and available to the customer at all times.

Regular visits from trained merchandisers dedicated to these tasks provide the solution. Display blocks can even be cleaned at the same time for added benefit. Comprehensive reporting and analysis can be available almost immediately after a store visit is finished. This includes photographs of the work completed, responses to questions which are pre-decided by the company and even signatures from store staff for accountability.

A customer is more likely to buy from a display if it's full and doesn't have any gaps or missing stock. A good looking display will always attract more sales and greater profits.

3.1 Summary of the Project

Nestlé Bangladesh Limited undertook the Merchandising Development Project in 2013 in order to boost its sales revenue and ensure that Nestlé has a strong presence in retail outlets in this age when there is a competitor popping up almost every year. Due to the increasing number of local and international FMCG companies in Bangladesh, the home shelves of the retail outlets are getting less and less every year since every company wants to have a designated place in the retail stores. Nestlé Bangladesh Limited was the first company in Bangladesh who started hiring shelves in retail stores to create a display block to display its products. Almost all other companies have followed Nestlé's footsteps and started their own display programs now. Nestlé realized that to maintain their strong presence in the retail outlets they need to focus more on merchandising, hence this project.

3.1.1 Origin of the Report

The following report titled "Merchandising Development of Nestle Bangladesh Limited" has been prepared as a part of my BUS400 [Internship] course for the completion of my Bachelor's Degree. My supervisor Mr. Prashonta Bhattacharjee assigned me the topic and my academic supervisor Mr. S.M. Arifuzzaman approved it. I have collected all the required information from the relevant source and tried my best to combine and relate the information with the concept of the report.

3.1.2 Objective of the Project

This project consists of two types of objectives. These are:

Primary Objective

- State Nestlé Bangladesh Limited's merchandising system.
- Identify the lackings that exist in current merchandising system of Nestlé Bangladesh Limited.
- Recommend areas of improvement in current merchandising system and suggest ways to go forward.

Secondary Objective

- Fulfill partial requirement for completing undergraduate studies in BRAC University.

3.1.3 Methodology

Both primary and secondary sources would be used to collect information for this report. Main source of information about the Merchandising Development is collected from several resources of the company. Most of them can be treated as secondary data. Additionally, primary data that I gathered from my field visits will also be used.

Primary Data

- Data from field visits
- Data from interacting with merchandisers and DSRs
- Training sessions for the merchandisers

Secondary Data

- Company's internet website "The Nest"
- Nestle Bangladesh Limited's Annual Reports
- Official website of Nestle
- Different documents in the distribution houses

Field Visit Checklist Design

To assess the current situation of merchandising in the retail outlets a checklist was designed to effectively measure whether the displays were up to the mark and to identify the gaps.

Sampling

Since we were a four member team, each of us would go to a route with the designated merchandiser and visit at least 10 retail stores daily. So at the end of 15 working days in each territory we would have visited on an average of 600 outlets. During the 4 month period of my internship our team visited an average of 3,600 retail outlets in 6 territories of Dhaka Metropolitan.

Data Collection

The data were collected as we were visiting the retail outlets. We would talk with the traders and ask them questions, both open ended and close ended to find out the necessary information.

Data Analysis

For data analysis Microsoft Excel was used. After data input and compilation, various bar and pie charts have been created to illustrate and analyze the data.

Limitations

While working in this project there were a few limitations that should be mentioned. These are:

- Covering all the issues might not have been possible due to confidential matter.
- All the necessary and additional information might not have been possible to get because not everything is discussed with interns.
- Since what we mostly did was field work e.g. market visit, due to heavy rain or unrelenting summer heat sometimes it was difficult to fill our daily quota of outlet visits.

3.2 Merchandising Development

Nestle Bangladesh Limited aims to transform all the outlets/points of purchase to *shopper generating point* through increasing *Availability, Visibility and Accessibility*. By the end of this project Nestle Bangladesh Limited believes that it will have:

- Improved national merchandising of Nestle product in the market with proper execution of planogram and layout.
- Create competitive advantage to ensure hygiene and visibility in and out of Point of Purchase.
- Ensure effective use of different PoPM and PoSM
- Manage and control market return as per Nestle norm.

The project gives a set of methods to follow to achieve these results. These are:

- Establish and follow daily route agendas of DSR/Merchandisers which includes outlets to visit, timing of visit and activities to do.
- Leading the field by creating value on shelf with proper execution of Nestle Bangladesh Limited's merchandising guideline with the engagement of Territory Officers/Area Sales Managers/Region Sales Managers.
- Ensure regular and effective uses of merchandisers daily call report.
- Provide support to TO/ASM's to ensure proper monitoring of Merchandisers/DSRs on daily basis.

- Assessment of project progress on monthly basis

3.2.1 Role of Different Functions in the Project

The Merchandising Development project has been undertaken by the Sales Department of Nestle Bangladesh Limited. The Sales Department consists of different functions such as Sales Operation, Channel & Category Sales Development (*CCSD*), Field Sales (*TO,ASM,RSM*) and each of these functions play a role in this project.

Sales Operation

- Provides DSR/Merchandiser Working Pattern and Working Plan for day to day work.
- Assist ASE/TO in the market level to on the job coaching of Merchandiser.
- Collect data from field, check out the status and share to respective forum.
- Evaluate the project and set next action plan in monthly basis.

Channel & Category Sales Development

- CCSD will provide all necessary gears (POSM, POPE, Shop sign, MDR bag, New MDR as per requirement) and all others support needed to prolific the project.
- Provide the guideline of Merchandising, uses of POSM and POPM, SM, HC Retail and Pharmacy, Gondola etc.
- Share Planograms, SKU Mix & least number of SKU for SM and HC outlet in consultation with sales & business.

Field Sales

- Field Sales team will execute the project through DSR/Merchandiser upon having on the job training observations.
- Will provide feedback in weekly and monthly basis (with prescribe format) to project coordinator.

3.2.2 Working Plan for Merchandisers

Responsibility

- Merchandiser will be solely responsible for ensuring merchandising of Nestle product according to their job description.

Visit Day

- Merchandiser will work with delivery schedule (after delivery)

No. of Outlet

- DSR is accountable for ensuring merchandising in every outlet in his route. Respective Territory Officer will assign selective outlets (20-25 outlets/route) for the merchandisers.

Reporting

- In every aspect Merchandiser should report to the Territory Officer.

Outlet Selection Process for Merchandiser

- In outlet selection, merchandiser will give the priority to key outlets which ensures the most sales.

Frequency of Visit

- The frequency of visit to a route will be mainly once a week; but if it is required there can be more than one visit per week.

Key Performance Indicators

- Control market return as per target
- Ensure display as per planogram
- Use PoPM and PoSM as per guideline

3.2.3 Basics of Merchandising in Nestle Bangladesh Limited

Nestle Bangladesh Limited has three basics to merchandising. These are called AVA in short. According to Nestle, their products should have the following three in all retail outlets:

Availability

- Ensure shoppers can buy their favorite Nestle brands wherever and whenever they shop.

Visibility

- The more shoppers see, the more they buy.

Accessibility

- Displays that are located in key traffic areas in store that are easy to access and increase shopper awareness and impulse sales.

Besides these, to help boost visibility and sales Nestle wants every retail outlet to have three must-have point of purchase materials. These are:

- Maggi Noodles Basket
- Maggi Shad-e-Magic Hanger
- Nescafe Hanger

Nestle wants every retail outlet to have these three products and to increase their visibility they provide every outlet with these PoPMs.

3.2.4 Channel Classification

Similar kinds of retail outlets that provides for similar type of consumers to fulfil similar types of needs are called *channels*. Nestle divides all retail outlets into seven channels:

- Super Mart (also known as Modern Trade)
- Counter Store
- Small Store
- Tobacco Plus
- Pharmacies

- Cash & Carry
- Tea Bunk

3.2.5 Block Display

The block display is the main part of merchandising. In Bangladesh, Nestle was the first company to start hiring shelves in retail outlets and turn them into block displays. Many, if not all companies are following this trend now.

Usually one or more shelves are hired by the company where only their products are to be kept. Since the traders are being paid a monthly rent for this by the company, they have to follow their rules and guidelines while displaying products.

Nestle Bangladesh Limited currently has two block displays. These are:

Nutrition Hygiene Corner

This display block is especially made to showcase the multitude of Baby Food & Nutrition product Nestle has. This block has blue strips surrounding it and has “Mother’s milk is the best” in written in Bangla. The purpose of creating a Hygiene Corner is that since these are baby food they must be kept in a clean and hygienic place so that they do not get contaminated by any external things. Traders are made aware of this fact and are told to keep this space neat and clean to get continued payments, since Nestle does not compromise on quality issues. The products that are to be kept in this display block are:

- Baby & Me
- AL 110
- Pre NAN
- NAN 1
- NAN 2
- Lactogen 1
- Lactogen 2
- Lactogen 3
- Lactogen Recover
- Nido 1+
- Nido 3+
- Cerelac Stage 1

- Cerelac Stage 2
- Cerelac Stage 3
- Cerelac Stage 4



Nestle House

This display block is made to showcase all the other food products of Nestle. This block has red strips surrounding it and “Want Quality, Want Nestle” written in Bangla. The products that are to be kept in this display are:

- Nido Fortified
- Koko Krunch
- Cornflakes
- Maggi Instant Noodles
- Maggi Healthy Soups
- Nescafe
- Coffee-Mate



3.2.6 Steps of Merchandising

Nestle has a specific set of guidelines for the merchandisers to follow while working, these are known as the 9 Steps of Merchandising. These are:

- Maintaining *eye level* display
- Maintaining *block* display
- Maintaining the *layout* of the display
- Maintaining *hotspot* display
- Having an *upright & upfront* display
- Having a *FEFO (First Expire First Out)* based display
- Maintaining *stock depth* in the display
- *Benchmarking* other companies display
- Maintaining *secondary (hangers, baskets)* display

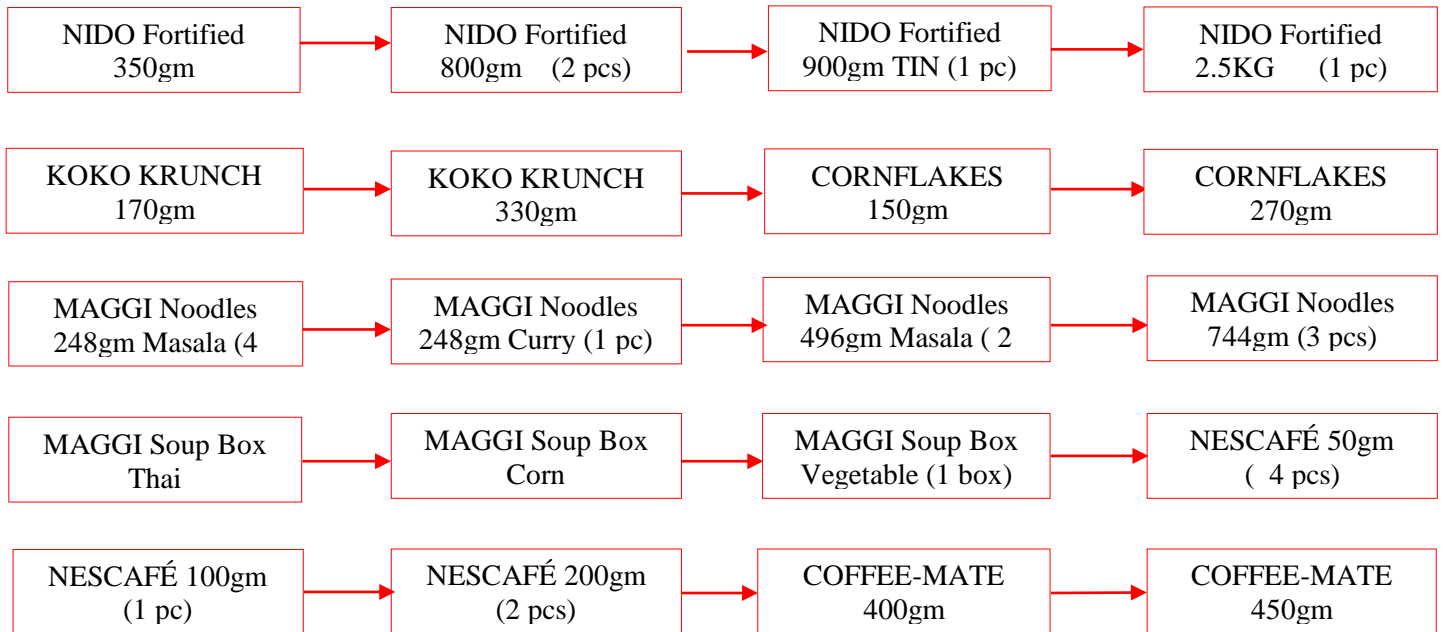
3.2.7 Outlet Classification & Fee

The retail outlets that have either Nestle House or Nutrition Hygiene Corner are called *Paid Outlets*, since they are paid a fee for giving Nestle shelves for their display block. The paid outlets are divided in 4 classes:

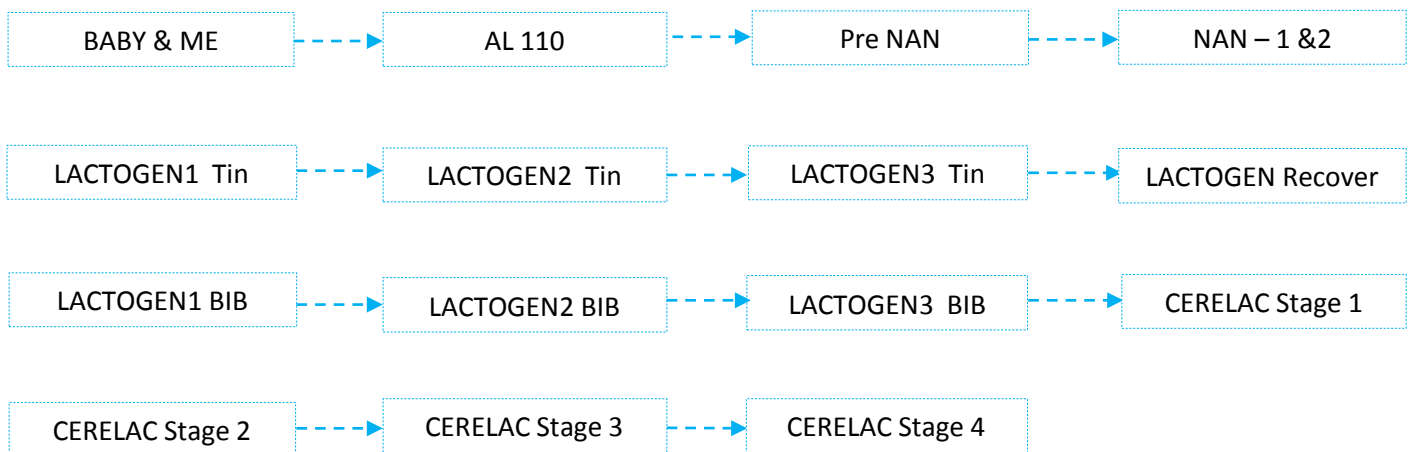
Class	Monthly Fee	Measurement
A	Tk. 700	10 – 11 sqft
B	Tk. 525	8 – 10 sqft
C	Tk. 350	6 – 8 sqft
D	Tk. 200	3 – 6 sqft

3.2.8 Layout & Planogram

The layout shows which products to keep after another. The planogram shows how many products to keep in the shelf. The following is the layout and planogram for Nestle House in A Class Outlets:



Similarly there is a layout and planogram for the Nutrition Hygiene Corner as well.



3.2.9 Benefits of Merchandising

Traders, Consumers, DSRs and the Company, everyone benefits from a properly merchandised outlet.

Benefits for Traders

- Increased sales
- More profit
- More impulse sales
- Well decorated outlet

Benefits for Consumers

- Easily find products
- Get more information about products
- Waste less time in shopping

Benefits for DSR

- Gain the trust of traders
- Improves customer service
- Be responsible for increasing sales

Benefits for Nestle

- Increases the brand value and gain more trust of the consumers
- Increases sales
- Increases market share

Chapter 04

Findings & Analysis

4. Findings & Analysis

The 6 territories in Dhaka Metropolitan that I worked in covered almost 80% of Dhaka city. So it's safe to say that my findings reflect Nestle's current merchandising market scenario of almost the entire city of Dhaka

4.1 Territory: Karwan Bazaar

The distributor for the Karwan Bazaar Territory is M/S Zam Zam Traders. Karwan Bazaar territory includes 39 markets of which we visited 19. The markets we visited in Karwan Bazaar were:

- Nakhalpara 1,2,3,4
- West Rampura 1,2
- Wolon 1,2,3
- Shahinbagh
- Tejkunipara
- Kolmilota Bazar
- Modhubag 1,2,3,4
- Nayatola
- Moghbazar 1,2,3,4,5

There are a total of 2,199 retail outlets in Karwan Bazaar where Zam Zam Traders distributes Nestle's products to, among these 428 are paid outlets and 1,771 are non-paid outlets. We visited 241 retail outlets in total, among these 179 were paid outlets and 62 were non-paid outlets.

From the outlets that we visited, we noted down 10 crucial factors of merchandising to see if they were present. What we found can be summarized as such:

- Extreme dust and messiness – 10% of the visited outlets
- Displays with broken strips or no strips – 19% of the visited outlets
- Nutrition Hygiene Corners without back-sheet – 18% of the visited outlets
- No hangers or baskets – 23% of the visited outlets
- Old hanger or baskets – 6% of the visited outlets
- Wrong sized display blocks – 9% of the visited outlets

- Payment issues/didn't get paid – 2% of the visited outlets
- Has back-dated expired products – 2% of the visited outlets
- Does not have any contract paper – 2% of the visited outlets
- Block displays not in eye-level or properly visible – 4% of visited outlets

4.2 Territory: Badda

The distributor for the Badda Territory is J.K Sales & Distribution - 2. Badda territory includes 75 markets of which we visited 23. The markets we visited in Badda were:

- South Badda School Road
- Gulshan 2+2B
- Middle Badda
- North Badda
- Banani Bazar
- Satarkul 1
- Nurur Chala 1
- Kuratoli Bazar
- Vatara 3+Jomoj Road
- Niketon
- B.A. Nagor 1
- Kalachandpur 1,2,3
- Mukti Polli 2
- Kuril
- Mohakhali Wireless Gate
- Baridhara-Banani
- Sawra Bazar 1
- South Badda Bazar
- Merul Badda 1
- Norda
- Mohakhali

There are a total of 3,359 retail outlets in Badda where J.K Sales & Distribution distributes Nestle's products to, among these 754 are paid outlets and 2,605 are non-paid outlets. We

visited 352 retail outlets in total, among these 308 were paid outlets and 44 were non-paid outlets.

From the outlets that we visited, we noted down 10 crucial factors of merchandising to see if they were present. What we found can be summarized as such:

- Extreme dust and messiness – 25.65% of the visited outlets
- Displays with broken strips or no strips – 18.83% of the visited outlets
- Nutrition Hygiene Corners without back-sheet – 22.08% of the visited outlets
- No hangers or baskets – 13.64% of the visited outlets
- Old hanger or baskets – 5.19% of the visited outlets
- Wrong sized display blocks – 13% of the visited outlets
- Payment issues/didn't get paid – 0% of the visited outlets
- Has back-dated expired products – 3.25% of the visited outlets
- Does not have any contract paper – 36.69% of the visited outlets
- Block displays not in eye-level or properly visible – 4.87% of visited outlets

4.3 Territory: Mohammadpur

The distributor for the Mohammadpur Territory is A.S Enterprise. Mohammadpur territory includes 40 markets of which we visited 26. The markets we visited in Mohammadpur were:

- Nazrul Islam Road+Poolpar
- Chanmia Housing+Salimullah Road
- Mohammadia Housing 1,2
- Nurjahan Road
- Tajmahal Road+Iqbal Road
- Lalmatia 1,2
- Dhaka Uddyan
- Mohammadpur 2
- Babor Road+Tikkapara
- Adabor
- Sher-e-Bangla Road+Rayerbazar
- Townhall
- Sukrabad+Tollabagh

- Shobhanbagh
- Adabor 2+Adabor 10/16
- Krishi Market
- Sankar
- Katasur
- East Razabazar
- Zafrabad

There are a total of 2,460 retail outlets in Mohammadpur where A.S Enterprise distributes Nestle's products to, among these 535 are paid outlets and 1,925 are non-paid outlets. We visited 282 retail outlets in total, among these 278 were paid outlets and 4 were non-paid outlets.

From the outlets that we visited, we noted down 10 crucial factors of merchandising to see if they were present. What we found can be summarized as such:

- Extreme dust and messiness – 35.25% of the visited outlets
- Displays with broken strips or no strips – 12.59% of the visited outlets
- Nutrition Hygiene Corners without back-sheet – 15.83% of the visited outlets
- No hangers or baskets – 39.21% of the visited outlets
- Old hanger or baskets – 1.80% of the visited outlets
- Wrong sized display blocks – 7.19% of the visited outlets
- Payment issues/didn't get paid – 0.72% of the visited outlets
- Has back-dated expired products – 2.16% of the visited outlets
- Does not have any contract paper – 70.14% of the visited outlets
- Block displays not in eye-level or properly visible – 8.63% of visited outlets

4.4 Territory: Khilgaon

The distributor for the Khilgaon Territory is Brothers Trader Centre. Khilgaon territory includes 75 markets of which we visited 28. The markets we visited in Khilgaon were:

- Mayakanon
- Banasree 1,2,3
- Goran Adorsho School
- Madinabagh

- AGB Kachabazar
- Khigaon Kachabazar
- Shantinagar Bazar
- Khilgaon C Block
- Kalibari 1+3
- Mugdapara
- Gulbagh + Gulbagh Kachabazar
- Pir Shaheb Goli
- Taltola 3 + Taltola Bazar
- Bhuiyanpara
- Manda 1,2 + Manda Sesh Matha
- Segunbagicha + Palton 2
- Mugda 5 + Madinabagh
- Taltola Matir Masjid + Zilpar
- Bashabo Bazar
- Hazipara + East Rampura
- Goran Project 2
- Goran Nababi Mor
- Paltan 3
- Shahjahanpur + Amtola
- Banasree D Block
- South Shahjahanpur

There are a total of 4,567 retail outlets in Khilgaon where A.S Enterprise distributes Nestle's products to, among these 1,446 are paid outlets and 3,211 are non-paid outlets. We visited 252 retail outlets in total, among these 251 were paid outlets and 1 was a non-paid outlet.

From the outlets that we visited, we noted down 10 crucial factors of merchandising to see if they were present. What we found can be summarized as such:

- Extreme dust and messiness – 29.08% of the visited outlets
- Displays with broken strips or no strips – 22.71% of the visited outlets
- Nutrition Hygiene Corners without back-sheet – 21.91% of the visited outlets
- No hangers or baskets – 60.56% of the visited outlets

- Old hanger or baskets – 6.77% of the visited outlets
- Wrong sized display blocks – 6.37% of the visited outlets
- Payment issues/didn't get paid – 0% of the visited outlets
- Has back-dated expired products – 1.20% of the visited outlets
- Does not have any contract paper – 42.63% of the visited outlets
- Block displays not in eye-level or properly visible – 7.97% of visited outlets

4.5 Territory: Mirpur

The distributor for the Mirpur Territory is F.A Enterprise. Mirpur territory includes 125 markets of which we visited 57. The markets we visited in Mirpur were:

- Monipuripara
- Mirpur 7
- Ibrahimpur 1,2
- Bhashanteck
- Monipur
- Manikdi
- Borobazar 1,2
- West Agargaon + BNP Bazar
- Muslim Bazar
- Senpara + Parbota 1
- Mirpur 11/1
- Rajanigondha Market 1,2
- Milk Vita Road
- Mollah Market
- Tolarbagh + Shyamoli
- East Shewrapara
- Mirpur 6
- Ansar Camp
- East Kazipara 1,2
- Benarashi Polli
- Mirpur 14
- Masjid Market

- Pallabi Thana Road 1,2
- Eastern Housing
- Kazipara
- Matbor Sharak 1,2
- Mirpur 1/B + Shah Ali Market
- Ahmednagar + Salimuddin Market
- Shewrapara 2
- Shah Ali Bagh + Monipur
- Mazar Road + Lalkuti
- Bel Tola
- BRTA
- Bauniabadh
- Mirpur Stadium Road
- Shahidbagh + Ceramic Gate
- 10 no. Kachabazar
- Mirpur 13
- Kallyanpur Bazar
- Mirpur 10 Original
- Kochukhet
- Mirpur 2
- Rupnagar
- Senpara 2

There are a total of 7,001 retail outlets in Mirpur where F.A Enterprise distributes Nestle's products to, among these 1,075 are paid outlets and 5,923 are non-paid outlets. We visited 563 retail outlets in total, among these 554 were paid outlets and 9 were non-paid outlets.

From the outlets that we visited, we noted down 10 crucial factors of merchandising to see if they were present. What we found can be summarized as such:

- Extreme dust and messiness – 21.85% of the visited outlets
- Displays with broken strips or no strips – 11.72% of the visited outlets
- Nutrition Hygiene Corners without back-sheet – 21.31% of the visited outlets
- No hangers or baskets – 48.85% of the visited outlets

- Old hanger or baskets – 4.44% of the visited outlets
- Wrong sized display blocks – 1.95% of the visited outlets
- Payment issues/didn't get paid – 1.95% of the visited outlets
- Has back-dated expired products – 4.09% of the visited outlets
- Does not have any contract paper – 57.55% of the visited outlets
- Block displays not in eye-level or properly visible – 10.48% of visited outlets

4.6 Overall Scenario

In total we visited 1,814 retail outlets in 170 markets in 5 territories in Dhaka Metropolitan; among these 1,694 were paid outlets and 120 were non-paid outlets. The following is the overall summary of our findings of all 5 territories:

- Extreme dust and messiness – 21.94% of the visited outlets
- Displays with broken strips or no strips – 14.66% of the visited outlets
- Nutrition Hygiene Corners without back-sheet – 18.41% of the visited outlets
- No hangers or baskets – 35.23% of the visited outlets
- Old hanger or baskets – 4.30% of the visited outlets
- Wrong sized display blocks – 6.06% of the visited outlets
- Payment issues/didn't get paid – 1% of the visited outlets
- Has back-dated expired products – 2.59% of the visited outlets
- Does not have any contract paper – 41.73% of the visited outlets
- Block displays not in eye-level or properly visible – 4.69% of visited outlets

5. Conclusion

For the last four and half months I have been visiting different markets on a daily basis to find out the current overall merchandising scenario in Dhaka. What I found out was that, Nestle Bangladesh Limited is very much focused on maintaining their merchandising guidelines in all the outlets. During my visits to the market as I talked to the traders I also found out that all the traders were very much satisfied with the process in which Nestle does its merchandising, although some traders were a bit annoyed with the company since they do not change products that have been cut by rodents. Another thing which I learned from all my market visits and interaction with the traders is that most traders are not satisfied with the profit margin they get by selling Nestle products and that main reason they keep Nestle products in their stores is because Nestle products have very high demands. This is a matter of concern for the company in my opinion, because it shows that Nestle in Bangladesh is currently running because of the trust its consumers have in its products. Losing this trust would mean instant decrease of sales since the traders are not pushing Nestle's products to the consumers on their own. The recent Maggi Noodles fiasco in India further proves my theory. Due to the excessive lead issue in Maggi Noodles in India, sales of Maggi Noodles in Bangladesh fell by almost 50% in just 10-15 days. So despite all the merchandising and other ways to boost sales, maintaining a better trader relation with the traders, giving them a bit more profit margin would certainly win a favorable place in the trader's minds and help Nestle increase their sales much more.

References

- Hawkins, D., & Mothersbaugh, D. (2012). *Consumer Behaviour: Building Marketing Strategy*. Irwin: McGraw-Hill.
- Kotler, P., & Armstrong, G. (2013). *Principles of Marketing*. New York: Prentice Hall.
- Kunz, G. I. (2009). *Merchandising: Theory, Principles and Practice* (3rd ed.). Fairchild Books.
- Nestlé S.A. (2010). *Nestlé Corporate Business Principles*. Nestlé S.A. Retrieved June 20, 2015, from <http://www.nestle.com/investors/corporate-governance/businessprinciples>
- Nestlé S.A. (2013). *Nestlé Group Quick Facts*. Nestlé S.A. Retrieved June 20, 2015, from <http://www.nestle.com/Media/facts-figures>
- Nestlé S.A. (2014). *Corporate Governance Report*. Nestlé S.A. Nestlé S.A. Retrieved June 20, 2015, from <http://www.nestle.com/investors/corporate-governance>
- Nestlé S.A. (2014). *Nestlé Creating Shared Value*. Nestlé S.A. Retrieved June 20, 2015, from <http://www.nestle.com/csv>

Appendix – B: Karwan Bazaar

Re-invent... Nestlé in SAR 2.0



Territory Details:

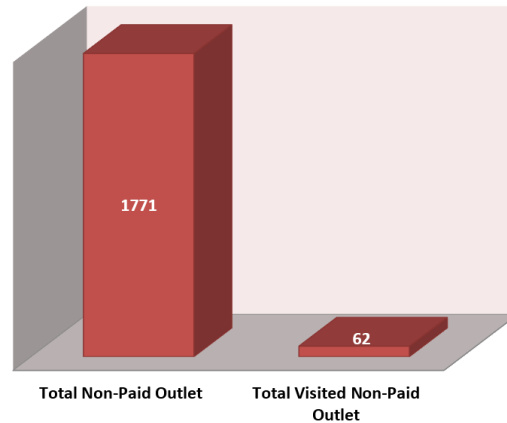
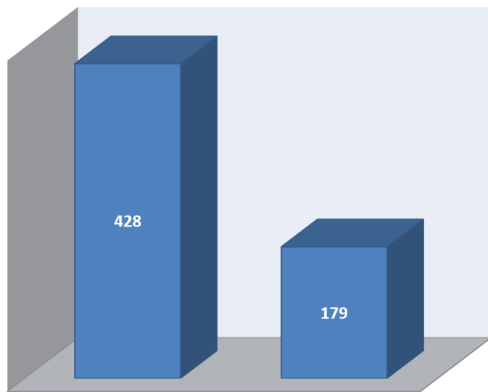
Territory Name: M/S. Zam Zam Traders

Total Paid Outlet: 428

Total Visited Paid Outlet: 179

Total Non-Paid Outlet: 1771

Total Visited Non-Paid Outlet: 62



Focused. Aligned. Consistent. Efficient. Simple

Re-invent... Nestlé in SAR 2.0



Territory Details:

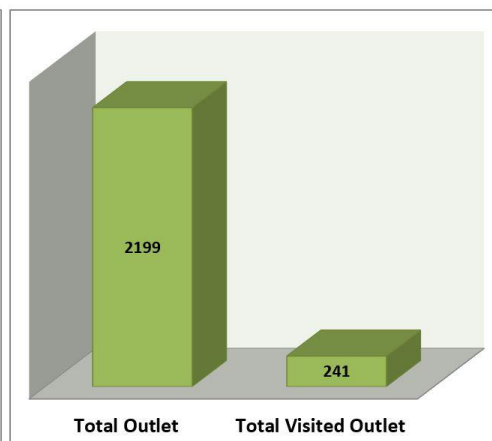
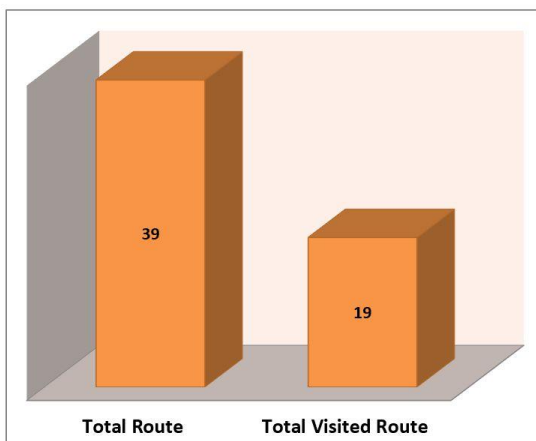
Territory Name: M/S. Zam Zam Traders

Total Route: 39

Total Visited Route: 19

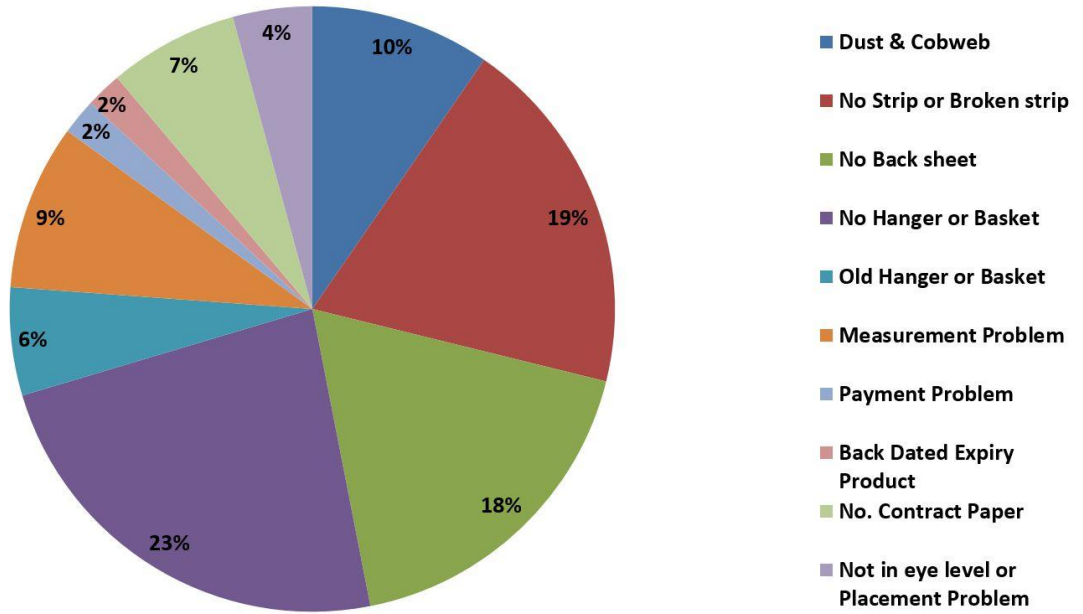
Total Outlet: 2199

Total Visited Outlet: 241



Focused. Aligned. Consistent. Efficient. Simple

Findings in Graph



Focused. Aligned. Consistent. Efficient. Simple

Appendix - C: Badda

Territory Details:

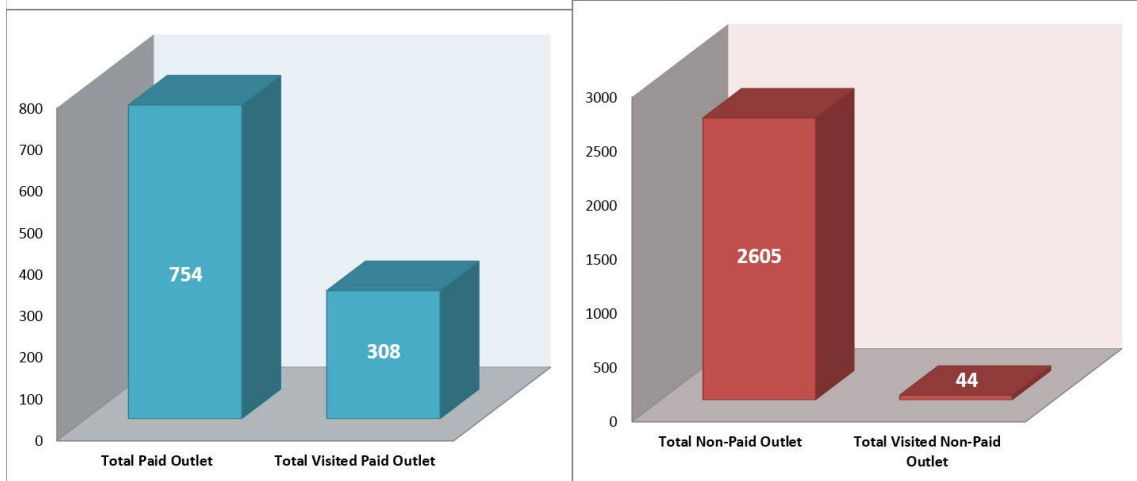
Territory Name: JK Sales & Distribution- 2

Total Paid Outlet: 754

Total Visited Paid Outlet: 308

Total Non-Paid Outlet: 2605

Total Visited Non-Paid Outlet: 44



Focused. Aligned. Consistent. Efficient. Simple

Territory Details:

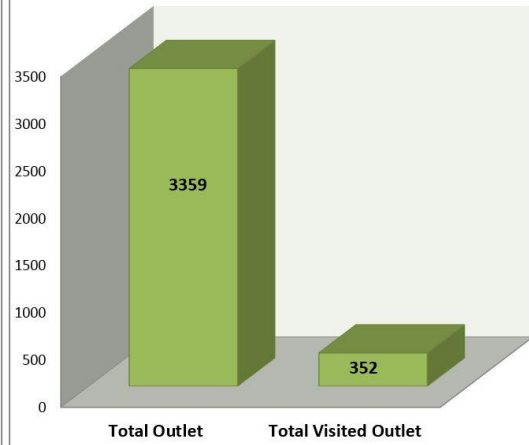
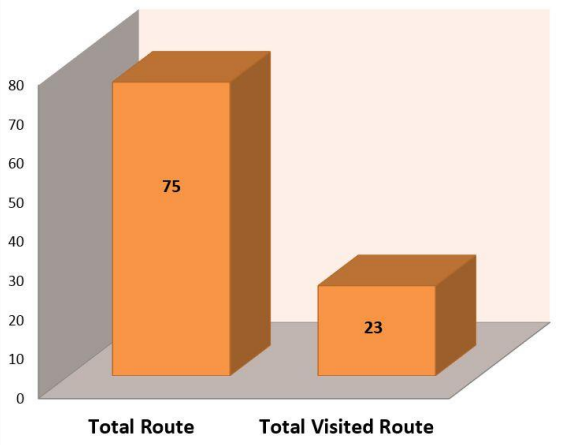
Territory Name: JK Sales & Distribution- 2

Total Route: 75

Total Visited Route: 23

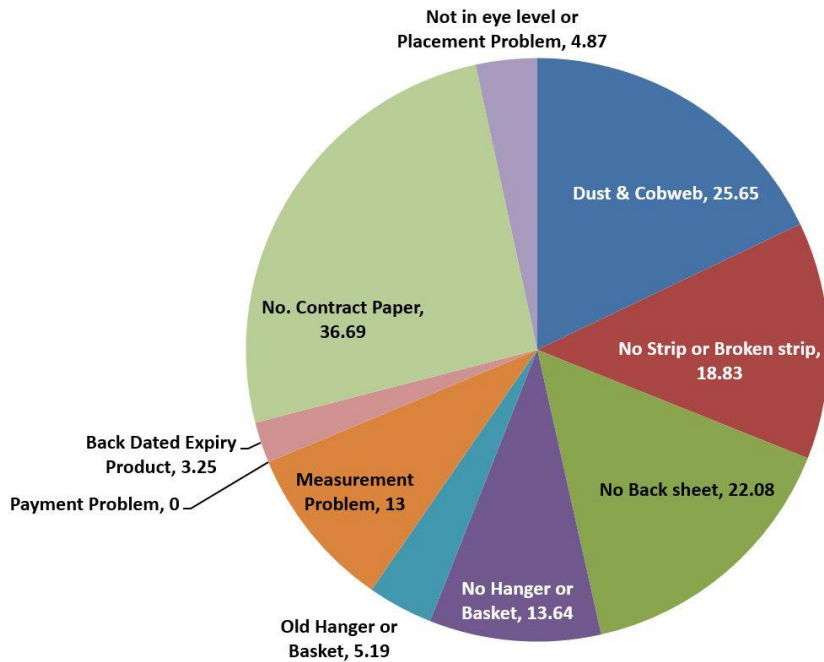
Total Outlet: 3359

Total Visited Outlet: 352



Focused. Aligned. Consistent. Efficient. Simple

Findings in Graph



Focused. Aligned. Consistent. Efficient. Simple

Appendix - D: Mohammadpur

Re-invent... Nestlé in SAR 2.0



Territory Details:

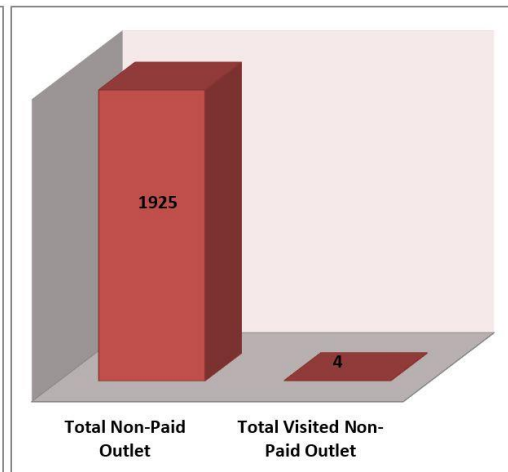
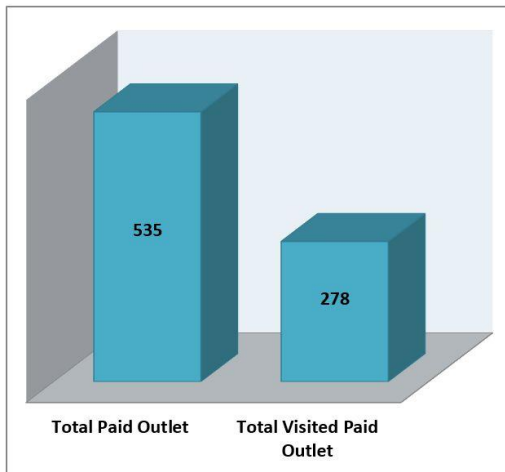
Territory Name: A.S Enterprise

Total Paid Outlet: 535

Total Visited Paid Outlet: 278

Total Non-Paid Outlet: 1925

Total Visited Non-Paid Outlet: 04



Focused. Aligned. Consistent. Efficient. Simple

Re-invent... Nestlé in SAR 2.0



Territory Details:

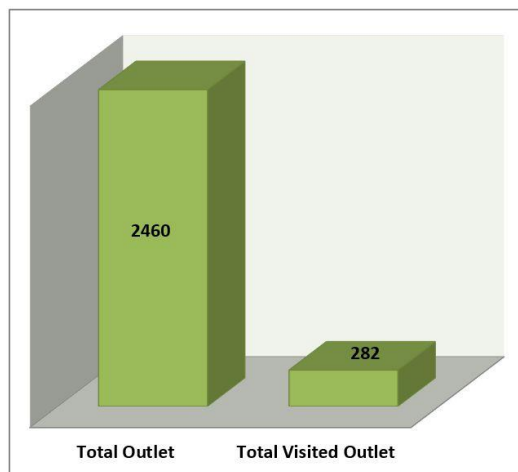
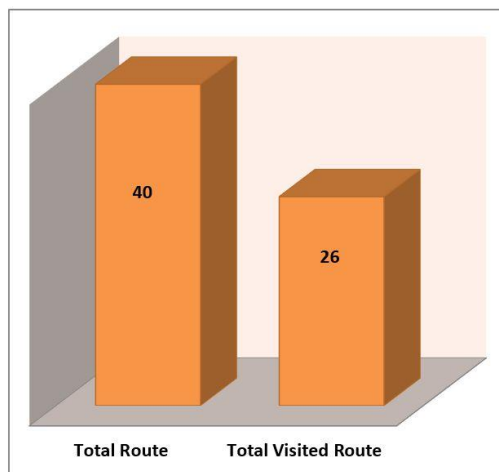
Territory Name: A.S Enterprise

Total Route: 40

Total Visited Route: 26

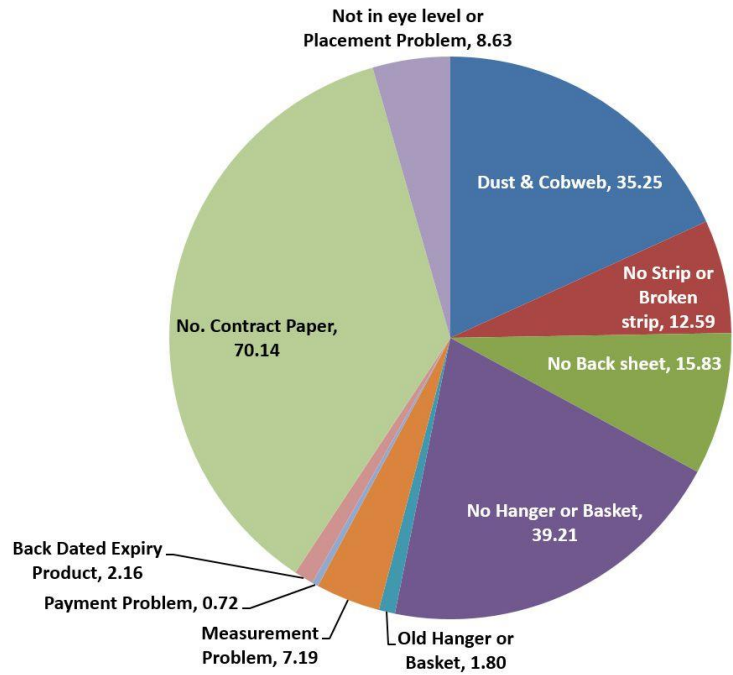
Total Outlet: 2460

Total Visited Outlet: 282



Focused. Aligned. Consistent. Efficient. Simple

Findings in Graph



Focused. Aligned. Consistent. Efficient. Simple

Appendix - E: Khilgaon

Territory Details:

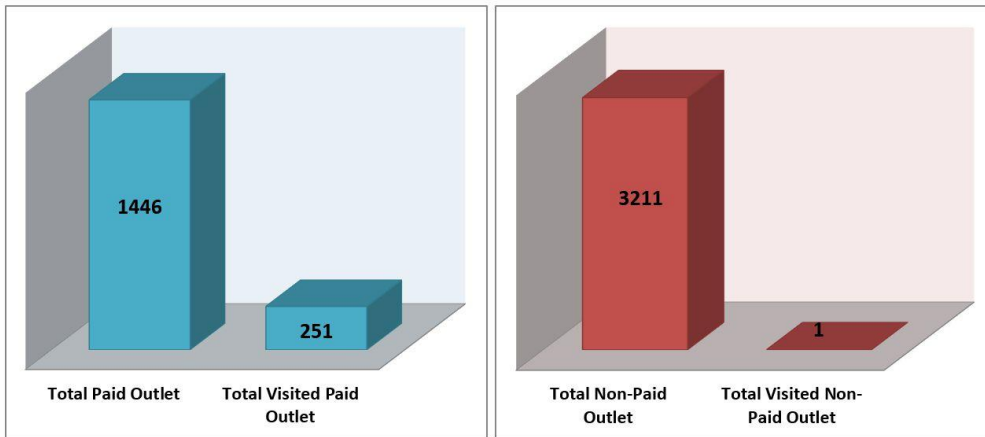
Territory Name: A.S Enterprise

Total Paid Outlet: 1446

Total Visited Paid Outlet: 251

Total Non-Paid Outlet: 3211

Total Visited Non-Paid Outlet: 01



Territory Details:

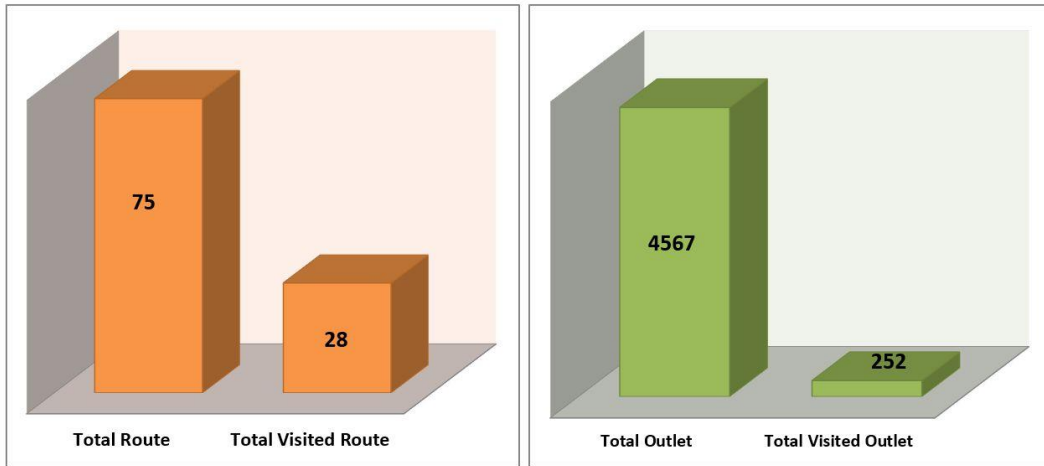
Territory Name: Brothers Trade Center

Total Route: 75

Total Visited Route: 28

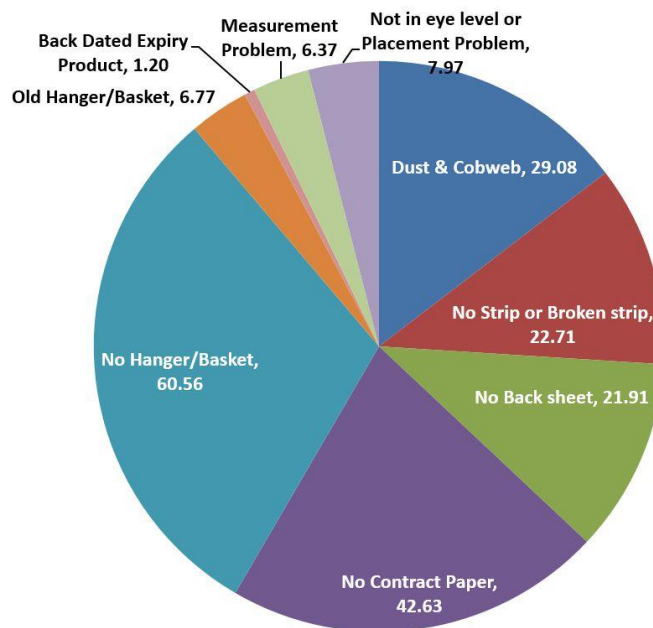
Total Outlet: 4567

Total Visited Outlet: 252



Focused. Aligned. Consistent. Efficient. Simple

Findings in Graph



Focused. Aligned. Consistent. Efficient. Simple

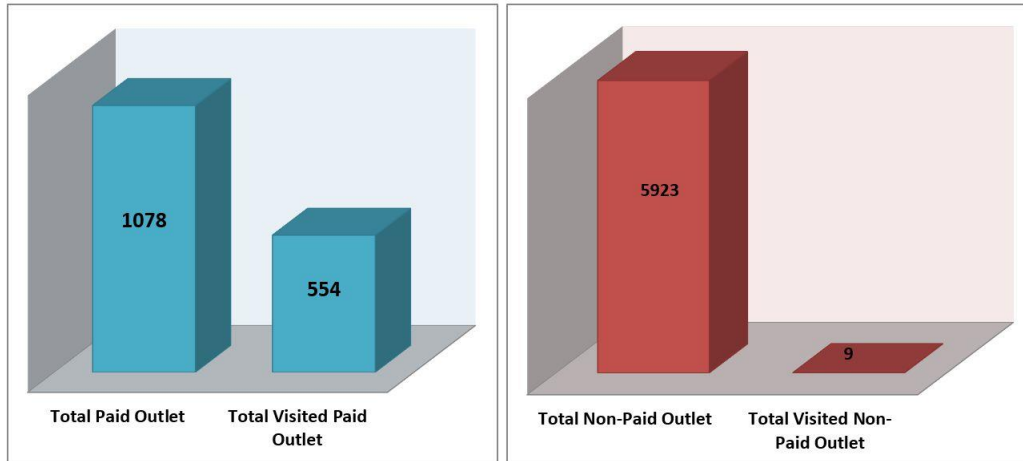
Appendix - F: Mirpur

Re-invent... Nestlé in SAR 2.0



Territory Details:

Territory Name: A.S Enterprise
Total Paid Outlet: 1075
Total Visited Paid Outlet: 554
Total Non-Paid Outlet: 5923
Total Visited Non-Paid Outlet: 09



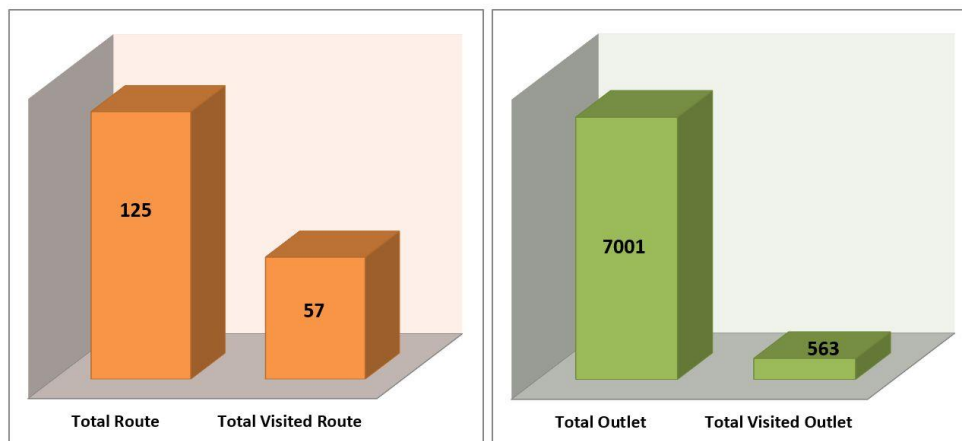
Focused. Aligned. Consistent. Efficient. Simple

Re-invent... Nestlé in SAR 2.0



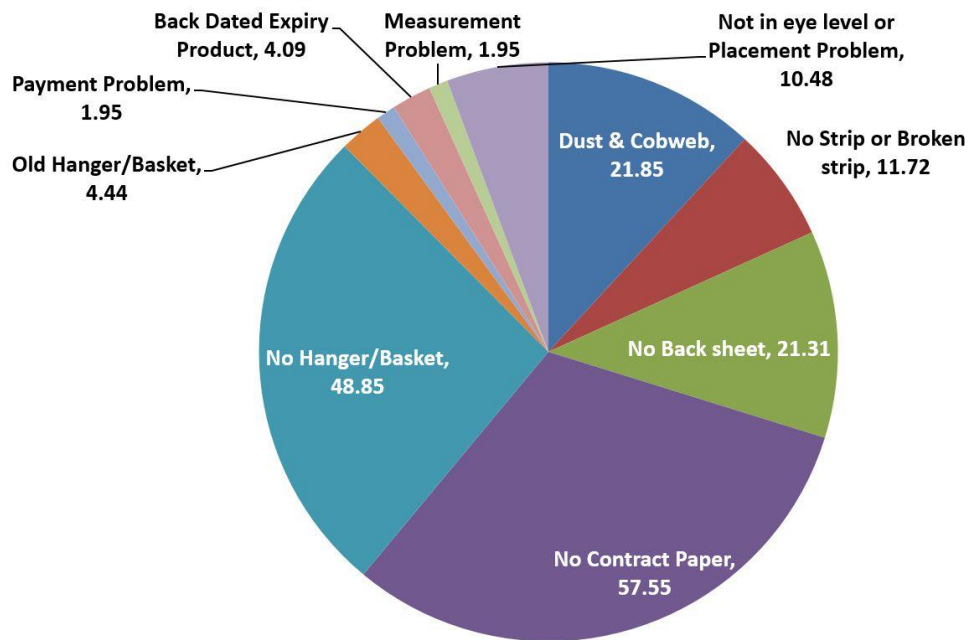
Territory Details:

Territory Name: FA Enterprise
Total Route: 125
Total Visited Route: 57
Total Outlet: 7001
Total Visited Outlet: 563



Focused. Aligned. Consistent. Efficient. Simple

Findings in Graph



Focused. Aligned. Consistent. Efficient. Simple