

Paper:	Strategic Management
Program:	MBA 90 NB
ID Number:	16476
Instructor Name:	Sir Azmat Ali Shah

Importance of Strategic Management

It guides the company to move in a specific direction. It defines organization's goals and fixes realistic objectives, which are in alignment with the company's vision.

It assists the firm in becoming proactive, rather than reactive, to make it analyse the actions of the competitors and take necessary steps to compete in the market, instead of becoming spectators.

It acts as a foundation for all key decisions of the firm.

It attempts to prepare the organization for future challenges and play the role of pioneer in exploring opportunities and also helps in identifying ways to reach those opportunities.

It ensures the long-term survival of the firm while coping with competition and surviving the dynamic environment.

It assists in the development of core competencies and competitive advantage, that helps in the business survival and growth.

The basic purpose of strategic management is to gain sustained-strategic competitiveness of the firm. It is possible by developing and implementing such strategies that create value for the company. It focuses on assessing the opportunities and threats, keeping in mind firm's strengths and weaknesses and developing strategies for its survival, growth and expansion.

Mission, Vision, Objectives of Nestle organization.

Mission:

While Nestle mission is to be the world' leading nutrition, health and wellness company. Bangladesh has set its target aligned with Nestle mission of "good food, good life, by providing consumers with the best tasting most nutritious choices in a wide range of food and beverage categories and eating occasions from morning to night.

Vision:

To be a leading , competitive, Nutrition health and wellness company delivering improve share holder value by being a preferred corporate citizen preferred employer preferred supplies selling preferred products.

Objectives:

Nestle Bangladesh leading objectives are.

- (a) To Develop safe and whole some packaged foods using the most efficient and opportunities packing materials available while at the same time satisfying consumers requirements and expectations.
- (b) Nestle seeks packing solutions that will result in the lowest possible weight and volumes of packages.
- (c) Take into account new packing materials and process that reduce the impact on the environment.
- (d) Avoid the use of substance that can adversely impact the environment during packing production and disposal.
- (e) Decrease packaging waste at all stages including package manufacturing utilization and disposal.
- (f) Increase the use of recycled materials where ever possible.
- (g) Increase the recyclables and compatibility of its packages with existing waste management schemes.

Q2: SWOT analysis of Nestle

Strengths in the SWOT analysis of Nestle

World Renowned brand: It is fortune 500 Company and is world's largest food company measured by revenues (2014). Nestle does individual branding of their different food brands which help them in creating awareness about their various food brands. This also helps them because if a brand like Maggi is affected, it does not affect the sale of Coffee.

Extensive distribution system: With its diversified product portfolio Nestle has been successful in penetrating Urban as well as rural markets. Locally adapted distribution methods & decentralization in supply chain, including street markets, mobile street vendors, door-to-door distributors & Medical outlets has helped the company in making its products visible in the market. If you just look at the

Broad Product portfolio: Nestle has more than 8000 brands / products under its name which ranges from beverages like Coffee & Mineral water, Breakfast cereals, Soups & sauces etc. Under each product categories Nestle have deep assortments to satisfy different needs & wants of the consumers.

Large workforce: Nestle have engaged 340000 odd global workforce who are continuously working to make its products available in every nook & corner of the world.

R & D centers: Nestle have the world's largest food & nutrition research organization, with about 5000 people involved in R & D, as well as corporate venture funds and research partnerships with business partners and universities. It has 21 research centers globally.

Brand equity – As of 2016, it is the 37th highest rank brand in the world which says a lot about its brand equity.

Weaknesses in the SWOT analysis of Nestle

Maggi Controversy – In India, Maggi was recently banned because it was found to contain additives which were harmful. This affected the brand name of Nestle as well as Maggi big time. However, it has been relaunched recently and Nestle is trying to convince people about the quality of Maggi.

Brand structure: It has many brands under the same umbrella group so managing such large number of individual brands can create conflict of interest.

Legal & consumer issues: Although Nestle is global food giant but it got into controversies over the years like Nestle baby formula boycott, Child labor by suppliers, Chocolate price fixing etc. which resulted in negative word of mouth.

Opportunities in the SWOT analysis of Nestle

Healthy breakfast – Maggi oats or other such healthy breakfast alternatives have a big time future as most breakfast alternatives are heavy and people are becoming more health conscious. Nestle needs to do more market penetration with regards to its Cereals.

Expanding market: By entering into other markets & penetrating more & more in the rural markets through its robust supply chain and transition of spots of unorganized business to organized one will lead to further expansion of the company's business.

Increasing Income levels: Due to stable political scenario, improved literacy rate & controlled inflation, disposable income of the people is increasing there by resulting into upsurge in demand & changing their lifestyle.

Strategic Alliances: Nestle is already engaged in partnerships with a number of major companies, such as Coca-Cola, and several others, opening doors of opportunities for the company. It is one of the main shareholders of L'Oreal, the world's largest cosmetics So partnering with other food giants will help the company in further growth.

Focusing more on R & D to handle ethical issues: Recent outcry of Maggi Noodles in India for lead presence like issue will create hindrances in the future growth of the company. So in order to handle these health issues Nestle must invest in R & D further to come up with more hygienic food products.

Threats in the Marketing strategy of Nestle

Competition in the market: With increasing number of local & national players it's becoming very hard for the companies to differentiate themselves from others. There is also threat from counterfeit products destroying its brand image in the market.

Price of commodities: Increasing price of commodities will result in further increase in the price. Further increase in price will result in decrease in sales, margins & brand switching.

Buyers power: With highly diversified consumer goods market where there are lots of brands claiming different sorts of benefits, it's very difficult for consumers to stick to a particular brand & hence results into brand switching where consumer got power to select a brand based on several factors like availability, reference group recommendation,

Q3: "Porter's Five Forces Analysis (Porter Model) of Nestle.

This is the detailed Porter's Five Forces Model of Nestle which is one the top-notch company operating in consumer goods industry. It has strong brand & long history therefore, consumer commonly use its products.

Nestle is a Switzerland based multinational food and drink company. It is one of the world's best food companies and was ranked 33rd in Fortune Global 500 in 2016. Nestle was found in 1866 by Henri Nestle. The main products of Nestle are medical food, baby food, cereals, mineral water, coffee, dairy products, frozen food, pet food, and snacks. Nestle operates in 194 countries with its 447 production facilities that employ 339,000 employees. Nestle also holds majority shares of L'Oreal, the world's largest cosmetic company. Over its life, Nestle has made a number of acquisitions that have helped it grow and diversify its product portfolio. Some of them are Cross & Blackwell, Gerber, and Libby's. Nestle is well known for its continuous growth through innovation and research that has helped it become the market leader and understand what the consumers want.

Following is a detailed Porter Five Forces Model Analysis of Nestle:

Competitive Rivalry – High

Nestle operates in the consumer food industry that faces intense competition. The competitors of Nestle are Kraft Foods, P&G and Group Danone. In certain products, such as breakfast cereal, there are particular competitors of those products such as Kellogg's. Although Nestle is one of the largest players in the industry with more than 150 years of experience, it is still facing competition from these brands. They hold a certain market share. All of these firms spend large amounts on marketing and advertisement, especially during product launches. The competition is not just for price, but for product variety, creativity, promotional offers, and so on. All the players in the industry have to strive to retain their market share. Thus, competitive rivalry for Nestle is high.

Threat of New Entrants – Low

The consumer food industry is diverse making it tough for a new entrant. There are a number of entry barriers. The existing players hold large market shares. They are well experienced and understand the consumer needs. They have developed customer loyalty over time (Othman, 2014). Every year a number of new entrants enter the industry in an attempt to grab market share even at the local level. A few succeed. The existing companies have developed strong distribution networks and economies of scale that allow that to produce and deliver at low costs. This all makes the threat of new entrants low for Nestle.

Bargaining Power of Suppliers – Low

Nestle holds the largest market share in the industry. As a result, it requires supplies in massive quantities. This makes it an ideal buyer for the suppliers. Therefore, any supplier that once starts supplying to Nestle never interferes with it or attempts to bargain or influence the prices. Nestle, in return, holds its supplier in esteem and takes care of them (Tavsar, 2013). Nestle prefers long-term relations with its suppliers to ensure the quality of the raw products. The switching cost for Nestle, if it wishes to change a supplier, is moderate as it will have to enter into new contracts and work to ensure quality from that new supplier.

Bargaining Power of Buyers – High

Due to a high level of competition, the bargaining power of the buyers is high. They can easily switch from one brand to another, Nestle or any other brands attempts to influence the market or raise the prices. The switching cost is low for the consumers. There are a number of companies that sell similar products. Nestle recognizes this power of the buyers and strives to ensure that the consumers of Nestle remain satisfied. These aspects have helped Nestle develop brand loyalty from many of its buyers.

Threat of Substitutes – High

Many of Nestle products such as bottled water and pasteurized milk have substitutes that are also readily available. Many of the products have homemade substitutes such as baby food. There are also allegations against some of the products of Nestle as not being healthy for consumption. This has led to the increase in the sale of substitutes amongst health conscious people. Nestle strives to highlight the healthy aspects of its products so as to tackle the substitutes. Thus, the threat of substitutes is high for Nestle.