



Nestlé



THE TIMES 100

Responding to changing customer requirements: the drive towards Wellness

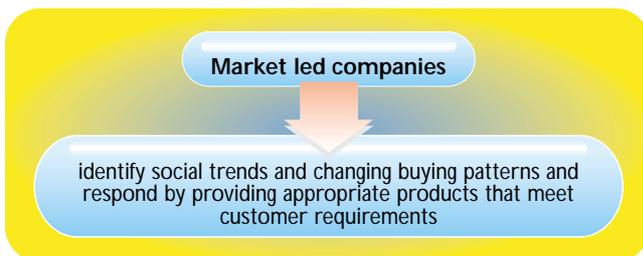


01_Introduction

Consumer research shows that people are looking to adopt healthier lifestyles. Newspapers and television channels bombard us with health information and messages about the benefits of healthier living. Governments, keen to ensure that people are looking after their health in order to ease the burden on public health services, are also reinforcing these messages. As a result, many people are taking positive steps to lead healthier lives. They are starting to take appropriate exercise; to find ways of relaxing and to eat a balanced, nutritious diet.

When millions of people decide to change their lifestyle and their buying habits market-led companies are certain to notice and to respond. This is because their ability to stay in business depends on providing goods and services that meet customers' needs and to respond to changing requirements.

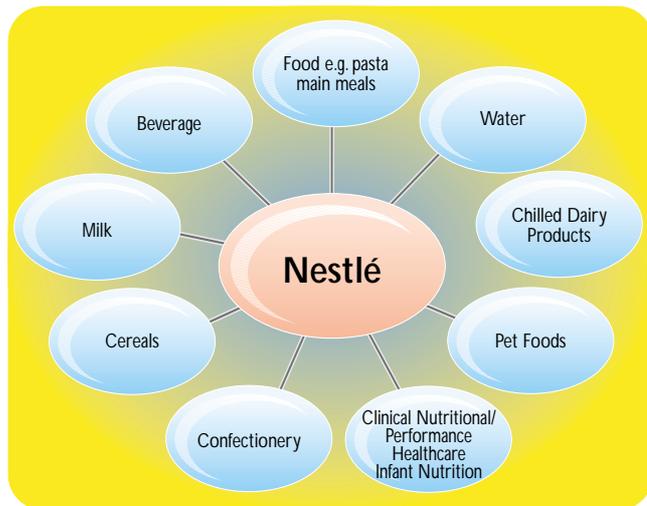
Nestlé is the world's biggest food and beverage company and produces a wide range of products. Many of its best known brands are household names, although you may perhaps not realise, that some of them are part of the Nestlé portfolio.



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10

The Nestlé organisation operates through **product divisions**. These include:



You will be familiar with many of the **brands**, which include

- Nescafé (coffee)
- Smarties, KitKat (confectionery)
- Perrier, Buxton (water)
- Buitoni (pasta)
- Sveltesse (chilled dairy)
- Shredded Wheat (cereals).



Henri Nestlé developed the first infant food in 1867 to save the life of a friend's baby who could not be breastfed. Since then, the company has looked to build on a tradition of providing nutritious products. It builds its business around:

- discovering what customers want
- identifying pressures for change e.g. government campaigns, health education initiatives
- responding to changes in the market place.

Today, in Lausanne (Switzerland), Nestlé operates the world's largest nutrition based science research unit. Over 600 scientists and food technicians work there developing and improving products.



This Case Study focuses on how Nestlé, one of the world's leaders in consumer-led approaches to product development, continually seeks to provide products that meet consumers' changing requirements. In particular, it also looks at how Nestlé use its vast scientific and consumer knowledge to make products that make it easier for consumers to be healthier.

02_Responding to market demands

A market led company like Nestlé is continually monitoring customer attitudes and requirements through market research. This research takes two main forms:

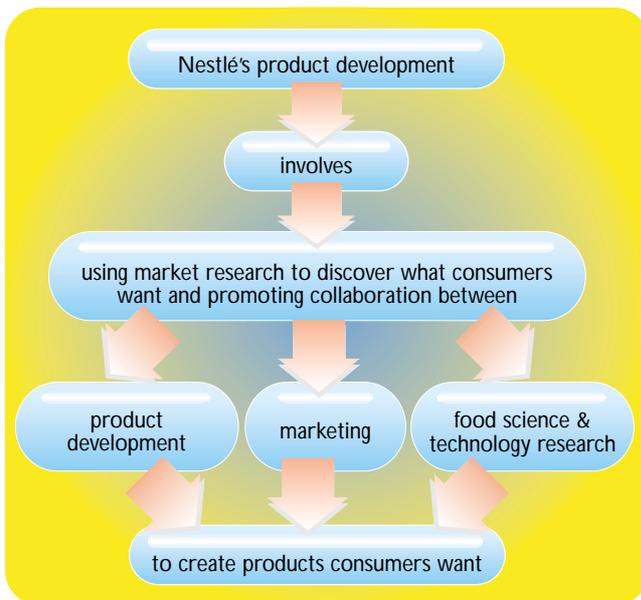
- **Qualitative research.** This involves setting up small focus groups of consumers who express their ideas and opinions about their needs and views on different products. At one level, this might involve asking groups of athletes to talk about their lifestyles, dietary habits and training regimes. At another level, it could involve a consumer focus group discussing the quality of the nutritional labelling on a yoghurt drink.
- **Quantitative research.** Whereas qualitative research involves only relatively few people, quantitative research involves much bigger numbers. For example, professional market researchers may interview thousands of people through postal or telephone interviewing.



Nestlé regularly uses both forms of research to gain a clear idea of consumer opinions and trends. Market research helps the company to keep in touch with an ever changing environment in which social attitudes and buying patterns are continually shifting.

Nestlé's market researchers do not work in isolation. They liaise closely with the company's product developers, food scientists and technologists. In this way the company can design products to meet market needs.

Nestlé spends more on **Research and Development (R&D)** than any other company in the food industry. It is constantly looking at ways to improve its products.



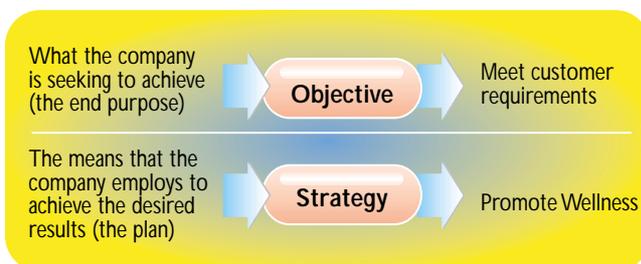
Using this market-led approach, Nestlé introduced and developed its Sveltesse ('slimness' or 'elegance' in French) range. The range began with yoghurts and dairy products and globally now includes bottled water, ice cream, cereal bars and frozen prepared meals.

In developing Sveltesse, the emphasis is concentrating on an appealing taste combined with a low or no fat, low calorie option.

03_Strategic development

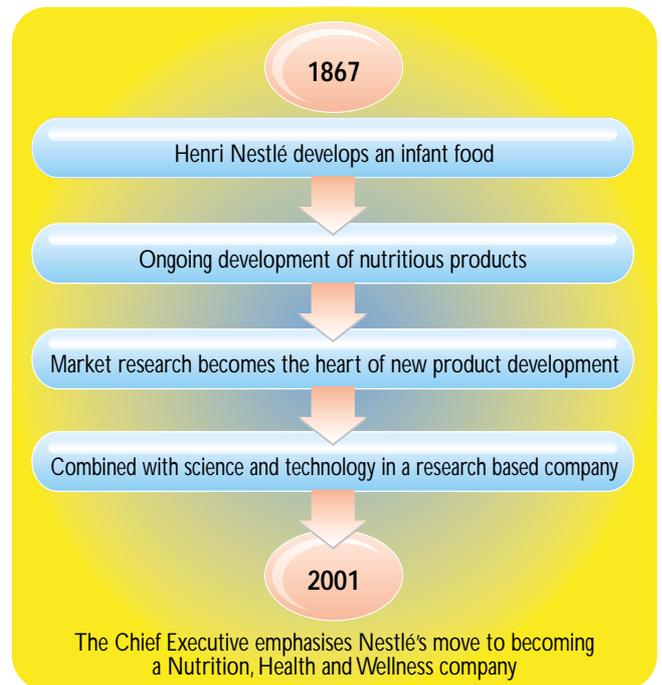
A **strategy** is the means by which an organisation achieves particular ends. An agreed strategy answers the question "By what means are we going to achieve our objective?". For example, Nestlé's market research confirms that increasing numbers of consumers want to buy good tasting foods that can allow them to have healthier diets. Nestlé is keen to capture a greater share of this growing market. So Nestlé's ongoing strategy is to develop a 'Wellness' approach that builds on its tradition of producing nutritional products.

Wellness is a condition of enhanced health, a physical state which is maintained by good diet, exercise and life habits. Wellness is also associated with a feeling of vitality and being in good shape.



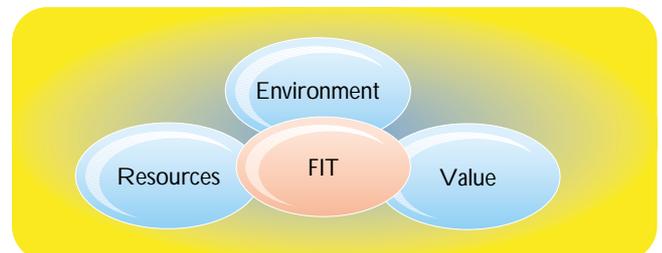
In 2001, Nestlé's Chief Executive set out the company's vision when he stated: 'We want to grow from the respected and trustworthy food company that we are known as now, into a respected and trustworthy food, nutrition and Wellness company'.

Nestlé's development of a strategy to promote Wellness is an evolution of the company's original commitment to nutrition and health.



04_Ensuring strategic fit

An Environment, Value and Resources (EVR) fit is a simple but useful business tool to decide whether a proposed strategy is appropriate.



The strategy the business chooses must match these three elements.

For example, Nestlé's Wellness strategy must:

E Match the strategy to the prevailing **Environment**, in which the business operates. In this case, it is a social environment, in which consumers are seeking nutritional products to complement a healthy lifestyle.

V Ensure the strategy is consistent with the organisation's **Values**. Nestlé worldwide adheres to a set of business principles that have long underpinned the way the company operates. One key principle is that of meeting consumers' needs for nutrition, enjoyment and quality they can trust. This is why the company places so much emphasis on market research and on the best ways to communicate with customers. Principles that underpin consumer communication include:

- stressing moderation in food consumption
- depicting children in healthy, energetic pursuits.

Nestlé is clear, for example, that its advertising must not look to encourage children to eat snack foods instead of meals.

R Ensure the company has the necessary **Resources** to support the strategy. With its science and technology base, Nestlé is well equipped to develop the required science-based improvements to existing products. It can also handle the development of new products that contribute to Wellness.

Personal health and Wellness are powerful, universal, human needs. With its strong brands, wide product portfolio and R&D competence, Nestlé is well positioned to benefit from a growing market. It has the values and the resources to meet customer requirements in an environment in which more and more people are seeking health and Wellness.

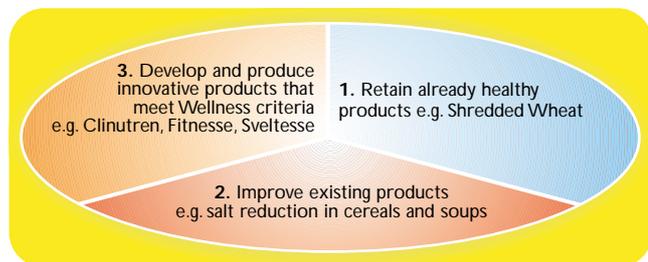
05_Implementing the strategy

Having developed a clear strategy, it is important to implement it. Nestlé will look to ensure that going forward all its products retain a superior taste profile while providing enhanced nutritional benefits.

This will involve:

- i. retain certain products
- ii. product reformulations (including salt, sugar, fat reduction)
- iii. launching new products with scientifically proven nutritional benefits. Nestlé's product research and development network ensures it is well placed to meet the challenge of changes in consumer expectations. The Company's Wellness strategy is carefully geared to delivering what consumers want in relation to the foods they eat – a high nutritional value and a positive contribution to their general wellness.

This has led to the following three-part strategy:



Clinutren has been formulated for patients with increased energy and protein requirements and supports the nutrition of people suffering from a series of medical conditions or recovering from operations. Fitnessse is a 99% fat free cereal. Sveltesse is a range of low or fat-free products (e.g. yoghurt and fromage frais).

Using this approach, over the past five years Nestlé has developed or reformulated over 700 products so that they have a lower fat, sugar and salt content.

In addition, the Company looks to educate consumers about healthy lifestyles and proper nutrition. Its initiatives include:

- the Nestlé Trust supporting a number of initiatives focused on developing nutritional awareness, often these are aimed at young people
- a website focused on providing nutritional information
- on-pack nutrition information.

As the Wellness approach is now central to everything that Nestlé does, the company has set up a Strategic Wellness Unit. Its job is to promote the Wellness approach both internally and outside the organisation, so that everyone knows what it means and how to implement it.

06_Conclusion

Consumer interest in the nutritional quality and health impact of foods has probably never been greater and for good reason. Governments have been busy 'spreading the message' that healthy foods and a balanced diet are vital for good physical and mental health and a general feeling of Wellness.

Nestlé is one of the world's leading food companies and intends to remain so. Its commitment to high quality market research ensures that it remains fully aware of changes in consumer behaviour and consumer tastes. Its excellent product research and development network ensures that it is well placed to meet the challenge of changes in consumer expectations. The company's Wellness strategy is carefully geared to delivering to customers what they now clearly want in relation to the foods they eat; a high nutritional value and a positive contribution to their general Wellness.

Glossary

Brands: Products or firms whose names and/or logos are readily recognised and associated with particular characteristics e.g. KitKat.

Environment: The context in which a business operates, including all the factors outside its control e.g. new laws introduced.

Market-led: A company that sets out to identify and then meet customer requirements.

Product divisions: The separate organisational and administrative units, into which a large company may divide itself, with each unit looking after a particular range of products.

Qualitative research: Market research based on small numbers of participants, who are asked for their opinions and views of particular products or ideas.

Quantitative research: Research that involves larger samples of consumers to gain a feel for views and opinions in the wider market.

Research and Development: Processes that involve investigating new ideas for products and taking them forward to be test marketed.

Resources: The things that are available to an organisation for it to use.

Strategy: An overall plan to achieve business objectives.

Values: What an organisation stands for. The ideals that it holds dear and which determine how it acts and operates.

For more information about Nestlé
please browse:

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