

The Analysis of Nestlé's Oversea Strategies

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Abstract: As one of the Global 500 companies, Nestlé plays an active role in the food consumer product industry. The founder, Henri Nestlé invented a milk supplement “Farine Lactée Nestlé” in 1867, this company started its legend on healthy and user-focused products, it also developed innovative brands through time such as Nescafé and Maggi. Nestlé operated in 83 countries in 2022, when it entered overseas markets, this firm also kept a careful attitude toward Corporate Social Responsibility (CSR). This research highlights Australia as Nestlé's ideal host country, their relationship began in 1908. In Australia, Nestlé has opportunities from the market competition, this firm kept diversity in product categories and this characteristic helps Nestlé to win more market shares. On the opposite side, nationalism threatens this firm since the pandemic because it built barriers between Nestlé and domestic consumers. As its classic strategy, Nestlé absorbs domestic culture to create specific goods and services. The company also uses the entry mode of franchising for the Australian market, which brings fewer monitoring costs and revenues to Nestlé. As suggestions, this firm can combine its brands with technologies, this decision will help Nestlé to get higher market shares in Australia.

Keywords: International Business; Entry Mode; Oversea Strategy

1. Introduction

1.1 Purpose

In the food consumer product industry, Nestlé achieved Rank 79 on the Global 500 companies list, this firm created \$89,852.9 million in annual revenues ^[4] (FORTUNE 2021). The purpose of this report is to research and analyse Nestlé's performance in Australia and provide suggestions based on these findings.

1.2 Scope

This original paper covers the basic introduction of Nestlé such as its history and main products. The target host country is Australia, the report focuses on discussing the local business environment's influences on Nestlé. The research reflects the entry mode and strategy in Nestlé's overseas performance, the next section would design recommendations for this firm. In different sections, both scholarly and non-scholarly sources were used as evidence.

2. Profile of Nestlé

2.1 History

Nestlé's original was in Switzerland, the historical background is newborn babies' rising mortality, and it pushed society to seek solutions for malnutrition. Its founder Swiss chemist, Henri Nestlé designed a milk supplement “Farine Lactée Nestlé” in 1867, this powerful invention saved an infant who was unable to absorb his mother's milk and other substitutes. Henri created a coat of arms as the first logo of Nestlé. With this classic trademark, this firm promised that would provide quality food and life experience to customers, 5 key elements were nurture, care, safety, health and family connections. In 1905, Nestlé began its mergers,

The Anglo-Swiss Condensed Milk Company and Peter & Kohler became parts of Nestlé^[2] (Nestlé 2022). Nowadays, Nestlé expands from merging huge firms, this company now covers diverse product categories. As the first and most famous instant coffee, the NESCAFÉ was the result of brand combinations inside Nestlé.

2.2 Key products & Service

In the beginning, Nestlé's products focused on milk and children's dietetic supplements. Referring to the company's development history, it entered the wheat flavour beverages, soups and bouillon markets through mergers. Nestlé followed its founder Henri's people-oriented guideline that provided quality experiences to users, it put efforts to meet customer needs from different regions^[3] (Nestlé 2022). The active mergers improved this firm's product diversity, more business choices were shown to consumers. In this firm's previous report, Nestlé's products cover different areas in customer's daily life. For example, Nestlé, Nescafé, Nestea, Maggi, Buitoni and Friskies provided 70% of sales amounts, these 6 brands covered Nestlé's main products such as Milo and La Cocinera frozen pizza^[4] (Management Report 2000). Overall, Nestlé's core product, and service focused on food and beverage.

As a multinational enterprise, this firm combined its innovations with different cultures, and the relative service paid attention to safety and flexibility. In the annual report 2021, Nestlé also innovated a digital platform Tails.com for pet caring services, when consumers were confused about the pet's trilogy, the online professionals designed unique health suggestions for each pet. The owner followed these guides during purchasing. Tails.com would perform express delivery^[5] (Nestlé 2021). Nestlé adapted to needs of the modern society, it kept self-evolution for "good food, good life" performances.

2.3 Counties of operation

In 2022, Nestlé operates in 83 countries around the world such as France, Australia and Japan. In Central & West Africa, this firm sets operations in 22 countries^[6] (Nestlé 2022b). Nestlé became an effective role on the global stage, it builds business connections with different countries.

3. Australia's business environment

3.1 Basic situation

To Nestlé, Australia is an ideal host country because it already became this MNE's second biggest export market in 1906. In 1908, Nestlé operated a local business in Australia. This new office is called Nestlé Australia, and its responsibility covered the business of the Oceania Region^[7] (Nestlé Australia 2022). From the history of cooperation, Nestlé entered the Australian market at an early period, this firm also defined that this country existed a high potential for international trade. Australia provided an opening, active environment to push Nestlé's developments to the global stage.

In YouGov's survey, 87% of Australian interviewees thought that it was important for firms to perform Corporate Social Responsibility (CSR). 56% of Australian participants also mentioned the role of charities in CSR, when a company used a part of annual revenues on charity, it was easier for consumers to leave positive evaluations and recommend products to others^[8] (YouGov Staff 2018). These researchers found that CSR and sustainability were important factors that caused consumers to choose a brand. For Australia's current business environment, firms need to show CSR and active activities to customers.

3.2 Opportunities & challenges

In Australia, Nestlé Rank 196 inside the list of the top 2000 organisations. The data showed that Nestlé still faces powerful competition in the Australian markets. For example, Wrigley covered 35.90% of market shares, this organization was the leader of Australia's pet food production market, and Nestlé's value was 18.40% during the same period. In the Australian market, there only existed 33 firms to operate the confectionary manufacturing industry. Nestlé took the highest market share of 28.90%, and its biggest competitor, Mondelez was 28.60%^[3] (Faiz 2019). Australia existed different categories under the food consumer products market, Nestlé gained benefits by increasing product diversity, but it also got pressure from competition because when consumers purchased substitutes, it was possible for Nestlé to lose the market.

During Covid-19, society paid more attention to health, quality, food safety and animal care in the food industry. People also highlighted the topic of eco-friendly and low-carbon sustainability. For food consumer products organizations during the crisis, they helped themselves and their stakeholders by rising social responsibilities. A firm needed to focus on both revenues and benefiting society, the role of CSR included 4 cores, they were ethics, legal, economy and charity^[10] (He, Yu & Han 2022). In this journal, these researchers analyzed the role of CSR after the pandemic. More people noticed the importance of healthy and safe food, firms took responsibility for improving society. In the Australian market environment, MNEs also needed to perform actions about CSR.

In 2020, the pandemic became a serious challenge to countries. Nestlé built long-term partnerships with the Girls Academy, Foodbank Australia and the International Federation of

the Red Cross and Red Crescent Societies (IFRC), it also donated valued \$2 million in products and \$500,000 in funds in 2 months. For helping with the food shortage, the basic food supply was sent to 43 blocked communities. Nestlé's CEO Mark Schneide highlighted that the pandemic was a global issue. As an organization that had a global presence and experience, Nestlé would try its best to help people^[1] (Berry 2020). During the Covid-19 issue, Nestlé showed its care for society such as donating resources. Linked to Australian consumers' preference, Nestlé's performance also became an opportunity for more consumers to choose this MNE, the reason was that it met the needs of the local business environment and showed a friendly brand attitude.

In 2022, Nestlé Australia transferred all operations to 100% renewable energy. As the improved design, the new product portfolio would base on plants. Nestlé also set long-term plans to achieve zero net emissions in 2050^[12] (Neo 2022). In this news, Nestlé Australia showed responsibility for minimizing emissions.

Nestlé's professionals put efforts into creating a recycling food system, the team analyzed the new product's influences on the environment, this process also enhanced employees' understanding of carbon emissions. The core target was providing innovative, quality, and eco-friendly food to consumers. The trust of stakeholders and employees also was an important factor in Nestlé, this firm promised to follow ethics and legal principles, and its actions focused on respecting stakeholders and presenting authenticity^[13] (Nestlé 2021). From the 2021 sustainability report, Nestlé reflected the performance in CSR and environmental sustainability, the firm kept core about caring for stakeholders and the environment.

This situation set opportunities for Nestlé because the market trends were showing CSR and eco-friendly actions in Australia, these careful performances won reputations for Nestlé.

For challenges, economic nationalism was a long-term trade barrier in Australia. The nationalism happened after a global crisis such as the pandemic, Australia used economic nationalism since 2000, and the key policies were purchasing national products, enhancing domestic production and limiting foreign investments. For restriction, the Australian government increased the Foreign Investment Review Board (FIRB)'s scope. When the Treasurer thought that a foreign MNE was risky to Australia's security, FIRB had the power to call for disinvestments. In Australia, citizens believed that globalization decreased national identities and broke the local production industry^[14] (Ndukwe et al. 2021, pp. 87–91). In Ndukwe's group research, Australia's economic nationalism was a challenging factor to foreign investments because companies faced risks of disinvestment, and the local citizens also had a negative attitude to the entry of MNEs. For example, the relative policies encouraged consumers to purchase Australia's local industry. To Nestlé, it needed to suffer the risks of losing sales.

Overall, Australia's business environment created both opportunities and challenges for Nestlé. Nestlé's future strategy would be based on surviving and benefiting stakeholders from challenges, the firm also caught opportunities to achieve more consumers and revenues.

4. Nestlé's entry to Australia market

4.1 Nestlé's strategy and entry mode

As the MNE in the food industry, Porter's 5 forces reflected the current market trend. For example, McDonald's showed a competitive advantage under the threat of substitution. The fast food's core element was convenience. McDonald's already had a flexible coverage of product categories^[15] (Raj & Singh 2020). Porter's 5 forces helped organizations to define their strength and weakness. In Nestlé's case, it showed long-term advantages in the competitive rivalry, Nestlé faced many competitors in the food consumer product market, but it still kept high consumer loyalty and effectiveness in Australia.

For the threat of substitution, there existed some replacements such as Wrigley. Nestlé still kept stable market shares under substitution conflicts, it was important for Nestlé to analyze new market trends and enhanced product uniqueness.

As the threat of new entry, Nestlé had competitive advantages because its industry coverage was wide. This firm entered the Australian markets at an early period, the helpful experience led Nestlé to have a deeper understanding of the food industry in Australia. In Australia, the barrier of economic nationalism also stops new organizations to enter the market.

In the food consumer product market, Nestlé took the strategy of localization. This method helped this MNE to adapt to the local

material suppliers and communities. As common actions, local suppliers got chances to borrow interest-free equipment loans from Nestlé, and the firm's payments also were higher than the average international price. After building stable connections with the national supply groups, Nestlé reset its purchasing and supply chain in this new country, and the trading cost became lower ^[16] (Wu & Jia 2018). This report discussed Nestlé's effective strategy in new countries. Nestlé researched the local supply power and the needs of communities, its method focused on building connections with the new country. Then, this firm changed its trade chain based on the success of localization, the operation cost became lower in the new country. In 1934, Nestlé's chemical engineer, Thomas Mayne introduced Milo beverage to society, the core characteristics linked to Australian children's nutritional deficiency, Mayne's purpose was to create a beverage product that supported nutrients and was safe for young users ^[17] (Lyall 2021). In Australia, Milo was a classic example of Nestlé's localization. Nestlé considered the current trend of consumers, it designed products for filling in consumers' needs, and the invention of Milo combined both Nestlé's characteristics and the Australians' preferences.

For entering the Australian market, Nestlé's entry mode was franchising. In 2010, Nestlé purchased the rights to being Jenny Craig's franchise partner in Australia, this decision spread the coverage of Nestlé's global nutrient business ^[18] (Nestlé 2010). Nestlé benefited from franchising because this mode enhanced its power in the Australian market, Nestlé included wider industries.

When MNEs used the mode of franchising, the role of a franchise partner decreased the monitoring costs in oversea markets. Under the basic franchising agreement, master franchisees received profits, the gaining situation also slowed down the moral risks ^[2] (Doherty 1999). From Doherty's research, this professional explained the benefits of franchising mode. Referring to Nestlé's news, this firm signed a franchise partnership with Jenny Craig to push a successful entry into the Australian market. On the opposite side, the entry mode of franchising also showed weakness. The franchising faced higher regulations, its distributors had less freedom in management such as editing the retail prices ^[20] (Kaushik 2013). Linked to Kaushik's original paper, these drawbacks set a restriction on franchising, it was important for Nestlé to set a balance between the franchisee's responsibility and gaining profits as an MNE.

4.2 Extra actions

In Nestlé's case, its current performance keeps a stable situation in Australia. If the student is responsible for Nestlé's operations in the Australian market, some extra actions will be taken for achieving more benefits.

In the competition of different MNEs, these organizations took localization as the basic strategy. They upgraded machines, this decision showed complex knowledge and technical abilities to the public ^[21] (Li & Cheong 2017). This group's research mentioned that technology and professional knowledge also improved localisation. In Nestlé's case, its localisation did not face many troubles, but they still were possible for this firm to perform better in this area. For example, Nestlé will research new inventions and digital strategies inside the food industry, the new product combines existing brand principles, the Australian market trends with technologies.

Nestlé presented the franchising mode to enter deeper into the Australian market. The suggestion is that the firm purchases franchising rights from other food industry firms in Australia because when more franchising exists, Nestlé owned more roles in the market, and it becomes powerful for winning higher market shares.

5. Conclusion

In conclusion, Nestlé showed an active performance in Australia, this country still played an important role that helped the firm in sales. Nestlé also meet the needs of local consumers such as having CSR activities, its classic strategy was building localization by researching local society and developing its unique products, and the entry mode was franchising. As suggestions, it was helpful for Nestlé to make extra decisions such as combining core elements with the technology.

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