

V M V V SANGHA'S



V M K S R VASTRAD ARTS SCIENCE
AND V S BELLIHAL COMMERCE COLLEGE
HUNGUND

Project report entitled

"A PROJECT REPORT ON LARSON & TOUBRO"

UNDER GRADUATION OF BACHELOR OF COMMERCE

Submitted by

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B.Com-II Semester

Register Number U15IY22C0030

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2022-23

DECLARATION

I declare that this project report entitled " **A PROJECT REPORT ON LERSON & TOUBRO LIMITED** " independent project carried out by me in partial fulfilment of the requirements for the award of the degree of Bachelor of Commerce by the **Rani Channamma University**. The project report has been prepared under the guidance of . **Mr. SHREESHAIL BOMMASAGAR** Co-ordinator Department of in Commerce, **Rani Channamma University, V M K S R VASTRAD ARTS SCIENCE & V S BELLIHAI COMMERCIAL COLLEGE HUNGUND.**

I have not submitted this project previously to this university or any other university for the award of any degree.

Date : - 8-2023

Place : HUNGUND





Ms. SAMRIN. M. LAIN

CERTIFICATE

This is to certify that **Ms. Samrin M. Lain** is a bonafide student of the Department of Commerce, bearing REG NO : U15IY22C0023 during the academic year 2022-23 has satisfactorily completed the project work entitled "**A PROJECT REPORT ON LARSON & TOUBRO LIMITED**" submitted in partial fulfillment of the requirements for the award of the Degree of Commerce by RANI CHANNAMMA UNIVERSITY under guidance and supervision by **Mr. SHREESHAIL BOMMASAGAR** And Prof. B A KANTHI Head of the Department in Commerce.


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This is to certify that the project work on " **A PROJECT REPORT LARSON & TOUBRO LIMITED** " has been carried out by **Ms. Samrin M. Lain** B. Com II semester under the guidance of **Mr. SHREESHAIL BOMMASAGAR** Co-ordinator, **Prof. B A KANTHI** Head of the Department in Commerce. towards the partial fulfilment of the requirements for the award of degree of department of Commerce by the **Rani Channamma University** during the year **2022-23**.

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Date : 8- 2023

Place :HUNGUND



Ms. Samrin M. Lain



Introduction:

Nestle SA, Switzerland is amongst the world's largest food and beverages companies. The company is progressively evolving from a respected, trustworthy food and beverage company to a respected, trustworthy food, beverage, nutrition, health and wellness company. This objective is encapsulated in "Good Food, Good Life". The principle activities of the group encompass: beverages, milk products, nutrition and ice cream; prepared dishes and cooking aids; chocolate, confectionery and biscuits; water; and pet care. It has 511 factories in 86 countries around the world.

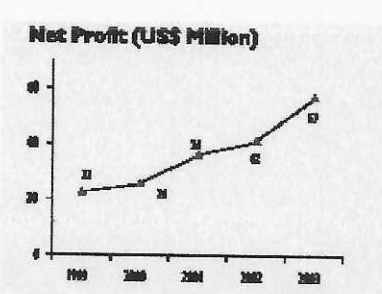
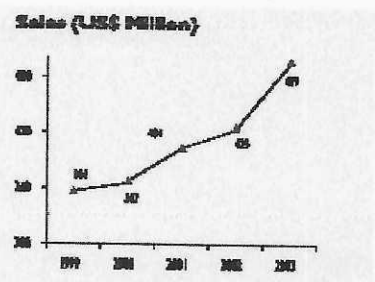
FORTUNE 500 COMPANIES IN INDIA

Background - Nestle India

With an employee-strength of over 3000 and turnover of US\$ 497 million in 2003, Nestle India is one of the leading companies in the FMCG space in India. The company is acknowledged amongst India's 'Most Respected Companies' and amongst the 'Top Wealth Creators of India'.

During the first half 2004, the company registered a total income of US\$ 257.8 million and net profit of US\$ 23.73 million. Nestlé India is a 61.85 per cent subsidiary of Nestle S.A. Switzerland and was incorporated as a limited company in 1959. It produces a wide range of products including beverages, prepared dishes and cooking aids, milk products and nutrition, chocolate and confectionery.

Milk products and nutrition account for around 45 per cent of Nestlé India's total revenues. The company's beverage products generate 22 per cent of the company's total revenues, while prepared dishes and cooking aids generate 18 per cent, and chocolate and confectionery 15 per cent.



Overview

Nestlé's relationship with India dates back to 1912, when it began trading as The Nestlé Anglo-Swiss Condensed Milk Company (Export) Limited, importing and selling finished products in the Indian market.

After India's independence in 1947, the economic policies of the Indian Government emphasized the need for local production. Nestlé responded to India's aspirations by forming a company in India and set up its first factory in 1961 at Moga, Punjab, where the Government wanted Nestlé to develop the milk economy. Progress in Moga required the introduction of Nestlé's Agricultural Services to educate advice and help the farmer in a variety of aspects. From increasing the milk yield of their cows through improved dairy farming methods, to irrigation, scientific crop management practices and helping with the procurement of bank loans. Nestlé set up milk collection centers that would not only ensure prompt collection and pay fair prices, but also instill amongst the community, a confidence in the dairy business. Progress involved the creation of prosperity on an on-going and sustainable basis that has resulted in not just the transformation of Moga into a prosperous and vibrant milk district today, but a thriving hub of industrial activity, as well.

Nestlé has been a partner in India's growth for over nine decades now and has built a very special relationship of trust and commitment with the people of India. The Company's activities in India have facilitated direct and indirect employment and provides livelihood to about one million people including farmers, suppliers of packaging materials, services and other goods.

The Company continuously focuses its efforts to better understand the changing lifestyles of India and anticipate consumer needs in order to provide Taste, Nutrition, Health and Wellness through its product offerings. The culture of innovation and renovation within the Company and access to the Nestlé Group's proprietary technology/Brands expertise and the extensive centralized Research and Development facilities gives it a distinct advantage in these efforts. It helps the Company to create value that can be sustained over the long term by offering consumers a wide variety of high quality, safe food products at affordable prices.

Nestlé India manufactures products of truly international quality under internationally famous brand names such as NESCAFÉ, MAGGI, MILKYBAR, MILO, KIT KAT, BAR-ONE, MILKMAID and NESTEA and in recent years the Company has also introduced products of daily consumption and use such as NESTLÉ Milk, NESTLÉ SLIM Milk, NESTLÉ Fresh 'n' Natural Dahi and NESTLÉ Jeera Raita.

Nestlé India is a responsible organization and facilitates initiatives that help to improve quality of life in the communities where it operates.

After nearly a century-old association with the country, today, Nestlé India has presence across India with 7 manufacturing facilities and 4 branch offices spread across the region.

Nestlé India's first production facility, set up in 1961 at Moga (Punjab), was followed soon after by its second plant, set up at Choladi (Tamil Nadu), in 1967. Consequently, Nestlé India set up factories in Nanjangud (Karnataka), in 1989, and Samalkha (Haryana), in 1993. This was succeeded by the commissioning of two more factories - at Ponda and Bicholim, Goa, in 1995 and 1997 respectively. The seventh factory was set up at Pantnagar, Uttarakhand, in 2006.

The 4 branch offices in the country help facilitate the sales and marketing of its products. They are in Delhi, Mumbai, Chennai and Kolkata. The Nestlé India head office is located in Gurgaon, Haryana.

History



Nestlé headquarters in Vevey.

The company dates to 1867, when two separate Swiss enterprises were founded that would later form the core of Nestlé. In the succeeding decades the two competing enterprises aggressively expanded their businesses throughout Europe and the United States.

In August of 1867 Charles A. and George Page, two American brothers from Lee County, IL, established the Anglo-Swiss Condensed Milk Company in Cham. Their first British operation was opened at Chippenham, Wiltshire in 1873.[3]

In September 1867, in Vevey, **Henri Nestlé** developed a milk-based baby food and soon began marketing it. Henri Nestlé retired in 1875, but the company, under new ownership, retained his name as Farine Lactée Henri Nestlé.



In 1877 Anglo-Swiss added milk-based baby foods to its products, and in the following year the Nestlé company added condensed milk, so that the firms became direct and fierce rivals.

In 1905 the companies merged to become the Nestlé and Anglo-Swiss Condensed Milk Company, retaining that name until 1947, when the name Nestlé Alimentana SA was taken as a result of the acquisition of Fabrique de Produits Maggi SA (founded 1884) and its holding company, Alimentana SA of Kempthal, Switzerland. Maggi was a major manufacturer of soup mixes and related foodstuffs. The company's current name was adopted in 1977. By the early 1900s, the company was operating factories in the United States, United Kingdom, Germany and Spain. World War I created new demand for dairy products in the form of government contracts; by the end of the war, Nestlé's production had more than doubled.

After the war, government contracts dried up and consumers switched back to fresh milk. However, Nestlé's management responded quickly, streamlining operations and reducing debt. The 1920s saw Nestlé's first expansion into new products, with chocolate the company's second most important activity.



Nestlé's logo used until 1970s.

Nestlé felt the effects of World War II immediately. Profits dropped from US\$20 million in 1938 to US\$6 million in 1939. Factories were established in developing countries, particularly Latin America. Ironically, the war helped with the introduction of the company's newest product, Nescafé, which was a staple drink of the US military. Nestlé's production and sales rose in the wartime economy.

The end of World War II was the beginning of a dynamic phase for Nestlé. Growth accelerated and companies were acquired. In 1947 came the merger with Maggi seasonings and soups. Crosse & Blackwell followed in 1950, as did Findus (1963), Libby's (1971) and Stouffer's (1973). Diversification came with a shareholding in L'Oréal in 1974. In 1977, Nestlé made its second venture outside the food industry by acquiring Alcon Laboratories Inc.

In 1984, Nestlé's improved bottom line allowed the company to launch a new round of acquisitions, notably American food giant Carnation and the British confectionery company Rowntree Mackintosh in 1988, which brought the Willy Wonka Brand to Nestlé.



The Brazilian president, Lula da Silva, inaugurates a factory in Feira de Santana (Bahia), February, 2007.

The first half of the 1990s proved to be favorable for Nestlé: trade barriers crumbled and world markets developed into more or less integrated trading areas. Since 1996, there have been acquisitions including San Pellegrino (1997), Spillers Petfoods (1998), and Ralston Purina (2002). There were two major acquisitions in North America, both in 2002: in June, Nestlé merged its U.S. ice cream business into Dreyer's, and in August a US\$2.6 billion acquisition was announced of Chef America, the creator of Hot Pockets. In the same time frame, Nestlé came close to purchasing the iconic American company Hershey's, though the deal fell through. Another recent purchase includes the Jenny Craig weight loss program for US\$600 million.

In December 2005 Nestlé bought the Greek company Delta Ice Cream for €240 million. In January 2006 it took full ownership of Dreyer's, thus becoming the world's biggest ice-cream maker with a 17.5% market share.

In November 2006, Nestlé purchased the Medical Nutrition division of Novartis Pharmaceutical for \$2.5B, also acquiring in 2007 the milk flavoring product known as Oval tine. In April 2007 Nestlé bought baby food manufacturer Gerber for \$5.5 billion.

In December 2007 Nestlé entered in a strategic partnership with a Belgian chocolate maker Pierre Marcolini.^[citation needed] Nestlé agreed to sell its controlling stake in Alcon to Novartis on 4 January 2010. The sale forms part of a broader US \$39.3 billion offer by Novartis to fully acquire the world's largest eye-care company.

Major Player in processed foods

Nestlé India has over the years built strong brands like MAGGI, NESCAFE, CERELAC, LACTOGEN, KITKAT and POLO. Nestle is major player in many segments of the FMCG sector such as noodles and sauces [MAGGI], instant coffee [NESCAFE] and weaning foods.

Nestle products are sold throughout India and are also exported to Russia, Hungary, Japan, USA and several other countries. These include certain international products like Nescafé and Lactogen, as well as select culinary products to meet the demand of the ethnic Indian population living abroad. For three years in succession [from 1999-2000 to

2001- 2002], Nestle India was recognized with the top Exporter Award for export of Instant Coffee, and for export of all coffees to Russia and CIS Countries.

Factors for success

The culture of innovation and renovation, continuous improvement and the thrust on value-for-money and affordability have helped the company to focus on adding value for the consumer. The company has continuously focused on operational efficiency; improving product availability and visibility and initiated efforts to make its products more relevant to the consumers. This has been supported by the distribution of smaller stock keeping units (SKUs). There has been continuous focus on the seven value drivers, namely:

- Sales growth
- Profit margin
- Working capital intensity
- Fixed capital intensity
- Income tax rate
- Cost of capital
- Value growth duration

Promotion strategy for market expansion

The following are some of the strategies used by Nestle for market expansion:

- Availability of NESCAFE enhanced through an expansion of the vending machine network.
- New consumption opportunities for chocolates and confectionery were identified and developed in areas like railway platforms, college canteens and major events.
- Nestle set up 'Café Nescafe' and 'Coffee Corners' across metros and mini-metros.

Thrust on supply chain

During the past few years, Nestle India has continuously focused on improving the supply chain to reduce wastage, improve efficiencies and provide consumers with fresh stocks all the time.

- Reduction in the finished goods inventory pipeline to improve freshness of stocks and reduce working capital
- Control on distribution costs through innovative measures
- Sustained improvement in customer service levels to improve product availability across all geographies and channels
- Reduction in obsolescence of materials

Competence in research and development

The company has access to the Nestlé Group's proprietary technology/brands, expertise and the extensive centralised research and development facilities. The culture of innovation and renovation and benchmarking of consumers' tastes and products is facilitated in the company by the unique "Experimental Kitchen" and "Sensory Laboratory" at the Head Office.

Leveraging the India Advantage

1. Outsourcing manufacturing

Nestlé India has six factories and a large number of co-packers who manufacture products to Nestlé specifications.

2. Outsourcing IT advantage

The Nestlé Group is in the process of implementing the GLOBE project across its operations worldwide. GLOBE is a unique project and the largest of its kind and will enable the Nestlé Group to maintain its competitive advantage in the increasingly complex environments of the future.

Leveraging the vast consumer base in India

Nestlé has an optimistic outlook on the Indian economy as the income of people is increasing and the lifestyles are changing. Nestlé is keen on leveraging the vast consumer market of India.

Products

Brands

Nestlé India has many brands mostly in the food and beverages segment – many of its brands are household names in India. The several brands of Nestlé India can be divided into four categories. Please find below a list of main Nestlé India brands under corresponding categories.

1) Milk Products & Nutrition

- NESTLÉ EVERYDAY
- NESTLÉ Milk
- NESTLÉ NESVITA
- NESTLÉ Fresh 'n' Natural
- NESTLÉ CEREVITA
- NESTLÉ MILKMAID
- NESTLÉ NIDO

2) Coffee and Beverages

- NESCAFÉ
- NESTLÉ MILO
- NESTEA

3) Prepared Dishes & Cooking Aids

- MAGGI

4) Chocolates & Confectionery

- NESTLÉ KIT KAT
- NESTLÉ MUNCH
- NESTLÉ MILKYBAR
- NESTLÉ BAR-ONE
- NESTLÉ Milk Chocolate
- POLO
- NESTLÉ Éclairs

Nestlé has two popular brands – Cerelac and Lactogen – in infant food category but advertisement for them is banned in India as per law. An important thing to note is Nestlé follows an *umbrella branding* strategy where most of its brands have the name 'Nestlé' associated with it and the same is true with its sub-brands as well.

Business



Japan headquarters and The Nestlé Tower in Croydon. This serves as their headquarters in the United Kingdom.

Management

The executive board, a distinct entity from the board of directors, includes:

- Peter Brabeck, Chairman of the Board of Directors, Nestlé S.A.
- Paul Bulcke, Chief Executive Officer, Nestlé S.A.
- Werner Bauer, Executive Vice President, Nestlé S.A., Chief Technology Officer, Head of Innovation, Technology, Research & Development
- Friz van Dijk, Executive Vice President, Nestlé S.A. Asia, Oceania, Africa, Middle East
- Luis Cantarell, Executive Vice President, Nestlé S.A. United States of America, Canada, Latin America, Caribbean

- José Lopez, Executive Vice President, Nestlé S.A. Operations, GLOBE
- John J. Harris, Executive Vice President, Nestlé S.A. Chairman & CEO of Nestlé Waters
- Nandu Nandkishore, Executive Vice President, Nestlé S.A. CEO of Nestlé Nutrition
- James Singh, Executive Vice President, Nestlé S.A. Finance and Control, Legal, IP, Tax, Global Nestlé Business Services
- Laurent Freixe, Executive Vice President, Nestlé S.A. Europe
- Petraea Heynike, Executive Vice President, Nestlé S.A. Strategic Business Units, Marketing, Sales and Nespresso
- Marc Caira, Deputy Executive Vice President, Nestlé S.A. Head of Nestlé Professional Strategic Business Division
- Jean-Marc Duvoisin, Deputy Executive Vice President Nestlé S.A. Head of Human Resources and Centre Administration
- David P. Frick, Senior Vice President and ex officio Member of the Executive Board

According to a 2006 global survey of online consumers by the Reputation Institute, Nestlé has a reputation score of 70.4 on a scale of 1–100.

Earnings

In 2009, consolidated sales were CHF 107.6 billion and net profit was CHF 10.43 billion. Research and development investment was CHF 2.02 billion.

- Sales by activity breakdown: 27% from drinks, 26% from dairy and food products, 18% from ready-prepared dishes and ready-cooked dishes, 12% from chocolate, 11% from pet products, 6% from pharmaceutical products and 2% from baby milks.
- Sales by geographic area breakdown: 32% from Europe, 31% from Americas (26% from US), 16% from Asia, 21% from rest of the world.

Joint ventures

Nestlé holds 26.4% of the shares of L'Oréal, the world's largest company in cosmetics and beauty. The Laboratoires Inneov is a joint venture in nutritional cosmetics between Nestlé and L'Oréal, and Galderma a joint venture in dermatology with L'Oréal. Others

include Cereal Partners Worldwide with General Mills, Beverage Partners Worldwide with Coca-Cola, and Dairy Partners Americas with Fonterra.

Controversy and criticism

Marketing of formula

One of the most prominent controversies involving Nestlé concerns the promotion of the use of infant formula to mothers across the world including developing countries, an issue that attracted significant attention in 1977 as a result of the Nestlé boycott which is still ongoing. Nestlé's, however, states that breast milk is the best food for infants; however, women who cannot or choose not to breast feed for whatever reason do need an alternative to ensure that their babies are getting the nutrition they need.

Melamine in Chinese milk

Main article: 2008 Chinese milk scandal

In late September 2008, the Hong Kong government claimed to have found melamine in a Chinese-made Nestlé milk product. The Dairy Farm milk was made by Nestlé's division in the Chinese coastal city Qingdao. Nestlé affirmed that all its products were safe and were not made from milk adulterated with melamine. On October 2, 2008 the Taiwan Health ministry announced that six types of milk powders produced in China by Nestlé contained traces of melamine. Nestlé has announced that it will begin a recall of milk products produced in China.

Zimbabwe farms

In late September 2009, it was brought to light that Nestlé was buying milk from illegally-seized farms currently operated by Robert Mugabe's wife, Grace Mugabe. Mugabe and his regime are currently subject to European Union sanctions. Nestlé later stopped buying milk from the dairy farms in question.

Palm oil use

Rapid deforestation in Borneo and other regions to make way for oil palm plantations sends massive amounts of carbon dioxide into the atmosphere. In particular, where peat swamp forests are cleared, destroying the habitat for many threatened species of animals

such as the orangutan, much public attention as been given to the environmental impact of palm oil and the role of multi-nationals such as Nestlé in this. There is ongoing concern by various NGOs including Greenpeace.

Nestlé were met with "a deluge of criticism from consumers, after a large number of Facebook users posted negative comments about the company's business practices." Nestlé's attempt to engage with the issue was met with criticism, including headlines stating: "Nestlé fails at social media", and "Nestlé Loses Face on Facebook". Nestlé Chairman, Peter Brabeck-Letmathe, in answer to a question from Greenpeace, told the Company's Annual General Meeting in Lausanne on April 15 2010 that in 2009 Nestlé used 320,000 tonnes of palm oil worldwide, comparing this with the 500,000 tonnes of palm oil used for biodiesel in Germany and Italy alone.

In May 2010 Nestlé said it was inviting The Forest Trust, a not-for-profit group, to audit its supply chain and promised to cancel contracts with any firm found to be chopping down rainforests to produce the palm oil which it uses in Kit Kat, Aero and Quality Street. Greenpeace welcomed the agreement promising to monitor it closely

E. Coli

In June of 2009, an outbreak of E. Coli O157:H7 was linked to Nestlé's refrigerated cookie dough originating in a plant in Danville, Virginia. In the USA, the outbreak sickened at least 69 people in 29 states, half of whom required hospitalization. Following the outbreak, Nestlé voluntarily recalled 30,000 cases of the cookie dough. How the dough became contaminated is unclear, because E. Coli is not known to live in any of its constituent ingredients.

The Nestlé Corporate Business Principles

The Nestlé Corporate Business Principles are at the basis of our company's culture, which has developed over the span of 140 years.

Since Henri Nestlé first developed his successful infant cereal "Farine Lactée", we have built our business on the conviction that to have long-term success for our shareholders, we not only have to comply with all applicable legal requirements and ensure that all our activities are sustainable, but additionally we have to create significant value for society.

At Nestlé we call this Creating Shared Value.

The new version of our Corporate Business Principles will be handed over to each of our 280'000 employees by the end of 2010 and accompanied by basic learning and training tools.

As of 2011, a modular training program will be rolled out on the various components of the Corporate Business Principles. The depth and focus of the trainings will be established in accordance with the materiality for the different functions within the company. For example, the training on the human rights components will focus on managers and employees in countries of higher human rights risks as a priority, with the aim to having completed the first training cycle by the end of the year.

Our Corporate Business Principles will continue to evolve and adapt to a changing world, our basic foundation is unchanged from the time of the origins of our Company, and reflects the basic ideas of fairness, honesty, and a general concern for people.

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

Our core aim is to enhance the quality of consumer's lives every day, everywhere by offering tastier and healthier food and beverage choices and encouraging a healthy lifestyle. We express this via our corporate proposition Good Food, Good Life.

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

We are committed to responsible, reliable consumer communication that empowers consumers to exercise their right to informed choice and promotes healthier diets. We respect consumer privacy.

4. Human rights in our business activities

We 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

Our success is based on our people. We treat each other with respect and dignity and expect everyone to promote a sense of personal responsibility. We recruit competent and motivated people who respect our 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

We are 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

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

8. Agriculture and rural development

We contribute 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

We commit ourselves to environmentally sustainable business practices. At all stages of the product life cycle we strive to use natural resources efficiently, favour the use of sustainably-managed renewable resources, and target zero waste.

10. Water

We are committed to the sustainable use of water and continuous improvement in water management. We 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.

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

Future plans

- Nestlé India's objective is to manufacture and market the company's products in such a way so as to create value that can be sustained over the long term for consumers, shareholders, employees and business partners.
- Nestlé aims to create value for consumers that can be sustained over the long term by offering a wide variety of high quality, safe food products at affordable prices.
- The company continuously focuses its efforts to better understand the changing lifestyles of modern India and anticipate consumer needs in order to provide convenience, taste, nutrition and wellness through its product offerings.

Segmental Outlook

The food processing industry which is a sub-sector of the food industry includes milk and milk products, fruits & vegetables processing, grain processing, fisheries, meat & poultry processing and other consumer products such as packaged foods, confectionary, chocolates, beverages and packaged drinking water. The Indian food

market is estimated at over \$182 billion and accounts for about two-thirds of the total Indian retail market.

According to McKinsey and co., the retail food sector in India is likely to grow from around US\$70 billion in 2008 to US\$150 billion by 2025. According to Dairy India 2007 estimates, the current size of the Indian dairy sector is US\$62.67 billion and has been growing at a rate of 5% per year. The dairy exports in 2007-08 rose to US\$210.5 million against US\$113.57 last fiscal whereas the domestic dairy sector is slated to cross US\$108 billion in revenues by 2011. The Indian snack market holds enormous growth potential for snack food, which is estimated to be worth US\$3 billion. The market is divided in to organized and unorganized sector. The organized sector of the snack food market is growing at 15-20 % a year while the growth rate of the US\$1.56 billion unorganized sector is 7-8%. India has a target of doubling its processed food production by 2015 and will set up 10 food technology parks during the next year with a view to achieving this.

Network Optimization

To synchronize Supply Chain Networks with Market Dynamics

Supply Chain networks have evolved to cater to short term growth objectives. This has led to local optimization on Cost & Responsiveness. In Nestlé's experience companies lose significant value in Market Share & Costs owing to a sub-optimal network.

Dilemmas associated with Network Optimization

- Is it right to have the same Network for all products at various stages of their Lifecycle?
- How can Nestle improve the responsiveness without significantly increasing the Stocking point in the network?
- Does Supply Chain Infrastructure need to rationalize in terms of Supply Points - Plants/ Depots?
- How do Nestle leverage the Fiscal Footprint?
- What should be the Ownership pattern of Supply Chain Infrastructure?
- How do Nestle manage the Transition to a new Supply Chain Footprint?

Value Proposition

Nestle has helped clients in unlocking significant value on dimensions of responsiveness and cost through Network Optimization. The salient feature of the same are:

Benefits

- 20% - 30% improvement in Customer Service Levels
- 15% - 20% reduction in Network Cost
- Assessing Business Risk and its Implication on Supply Chain
- Developing a Tax efficient Supply Chain
- Evaluating and Re-designing 'Supply Chain Foot Print'

Supply Chain Policies

Superior performance is delivered by arriving at the right trade-offs

It is becoming increasingly clear to the Nestle that the Operating Principles of Supply Chain cannot be same across all products. Product Strategy guide the Operating principles which are governed by trade offs between Freshness, Availability and Cost.

Operating Principles which impact Trade Offs

- At what level of product and location granularity should one aggregate the demand?
- What is the scale and scope of Push – Pull boundaries?
- What is the right balance of Capacity / Inventory / Information De-couplers?
- What should be the right Planning Cycle for various stages of Upstream Supply Chain?
- What part of Supply Chain Organization should be Product based / Function Based?

- How to partner with upstream formats to get secondary sales growth?

Value Proposition

Nestle has delivered significant value by helping it firm up and deploy the appropriate Supply Chain Policies. The salient feature of the same are:

Benefits

- 40% - 50% reduction in Loss of Sale
- 20% - 25% Cash Liberation from Working Capital
 - Design of Differentiated Supply Chain for products
 - Optimize Supply Chain performance through Point of Commit
 - Improvement in managing Demand Communication and Supply Synchronization
 - Design of Supply Chain Performance Metrics Dashboard
 - Alignment of Supply Chain Organization Structure with Business

Logistics Transformation

Supply Chain is only as good as the Last Mile Delivery

Not enough attention is given to wastages which happen in logistics operations. Some of the major causes contributing to wastage are Month end skew, Geographically Dispersed Logistics operations and Sub-optimal Contracts with service providers.

Opportunities in Logistics Operations

- Exploiting the Mode mix options in primary and secondary freight
- Reduce secondary freight costs through Dynamic routing based on order flow patterns
- Minimize total payout through judicious mix of Variable and Fixed costs contracts
- Leverage principles of operational excellence to improve Warehouse Productivity & Reach Solutions

Value Proposition

Nestlé's structured approach has helped clients to realize significant tangible and intangible benefits in logistics operations.

Benefits

- 10-15% cost reduction on Primary Logistics
 - 20-30% reduction in Secondary Logistics costs
 - Improved work practices in warehouses
 - Enhanced reach to new customers
-
- Establishing the Nestlé's of Logistics & Warehouse Operations
 - Building Primary and Secondary Routing Model
 - Redesigning the Logistics Contracts based on First Principles
 - Designing a Program on Logistics Excellence
 - Pilot Implementation & Change Management

Strategic Service Providers

However, with user organizations getting ready to embrace outsourcing, it might not take too long for the status quo to change. Nestlé's Dutta says, "More and more Indian companies are looking at outsourcing as a viable and feasible option—this is far removed from the earlier approach of complete ownership and vertical integration. Certainly, as outsourcing becomes more formal, structured and strategic, service providers and suppliers are being seen as "partners" who need to not just understand the supply chain strategy, but possibly even contribute to developing the strategy in the first place."

In fact, it's already happening, albeit slowly. Increasingly, there are instances of Nestle outsourcing their supply chain operations to external third party service providers. Sethi says, "Currently there are a few accounts for which we as Nestle manage almost the entire supply chains of the customers. For instance, for one of our clients, at one of their plants manage the inbound logistics, the line feeding, the outbound operations, and even provide spare parts to them. We've got our people and resources dedicated for that facility. We keep a constant tab on everything. Absolute secrecy is maintained at all times.

Supply Chain Strategies

To establish and maintain a distinctive strategic positioning, Nestle needs to follow six fundamental principles. First, it must start with the *right goal*: superior long-term return on investment. Only by grounding strategy in sustained profitability with real economic value is generated. Economic value is generated only when customers are ready to pay a price for a product or service that exceeds the cost of producing it. When goals are defined in terms of volume or market share leadership, with profits assumed to follow, poor strategies often result. The same is true when strategies are set to respond to the perceived desires of investors.

Second, Nestlé's strategy must enable it to deliver a *value proposition*, or set of benefits, different from those that competitors offer. Strategy, then, is neither a quest for the universally best way of competing nor an effort to be all things to every customer. It defines a way of competing that delivers unique value in a particular set of uses or for a particular set of customers.

Third, strategy needs to be reflected in a distinctive *value chain*. To establish a sustainable competitive advantage, Nestle must perform different activities that rivals or performs similar activities in different ways. A company must configure that way it conducts manufacturing, logistics, service delivery, marketing, human resource management, and so on differently from rivals and tailored to its unique value

proposition. If Nestle focuses on adopting best practices, it will end up performing most activities similarly to competitors, making it hard to gain an advantage.

Fourth, robust strategies involve trade-offs. Nestle must abandon or forge some product features, services or activities in order to be unique to others. Such *trades-offs, in the product and in the value chain, are what makes a company truly distinctive*. When improvements in the product or in the value chain do not require trade-offs, they often become new best practices that are imitated because competitors can do so with no sacrifice to their existing ways of competing. Trying to be all things to all customers almost guarantee that a company will lack any advantage.

Fifth, strategy defines how all the elements of what Nestle does *fit* together. A strategy involves making choices throughout the value chain that are interdependent; all a company's activities must be mutually reinforcing. Nestlé's product design, for example, should reinforce its approach to the manufacturing process, and both should leverage the way it conducts after-sales service. Fit not only increases competitive advantage but also makes a strategy harder to imitate. Rivals can copy one activity or product feature fairly easily, but will have much more difficulty duplicating a whole system of competing. Without fit, discrete improvements in manufacturing, marketing, or distribution are quickly matched.

Finally strategy involves *continuity* of direction. Nestle must define a distinctive value proposition that it will stand for, even if that means forgoing certain opportunities. Without continuity of direction, it is difficult for companies to develop unique skills and

assets or build strong reputation with customers. Frequent corporate "reinvention," then, is usually a sign of poor strategic thinking and a route to mediocrity. Continuous improvement is a necessity, but it must always be guided by a strategic direction.