SWOT Analysis of Nestle, the popular food brand
contributor Oct 14, 2015

Nestle S.A. (OTC: NSRGY) is a multinational packaged foods and beverage manufacturer headquartered in Switzerland. It is widely considered to be the world's largest food manufacturer, with more than 2000 brands and operations in 197 countries. [1]

Nestle reported revenues of $99.09 billion on December 31, 2015, and estimated sales of $92.62 billion for the current fiscal year. Nestle had a market capitalization of $245.71 billion, according to YCharts.com; because the company is based in Switzerland, it does not have to report its enterprise value like an American company would. [2]

Currently Nestle operates in 12 different segments of the consumer products market, including baby foods, bottled water, cereals, candy, coffee, prepared and prepackaged foods, dairy, drinks, food service, healthcare and nutrition, ice cream and pet care. Its staple of brands includes some of the best-known names in the industry, such as Stouffer's, Dreyer's, Haggen-Daz, Purina, Aero, Butterfinger, Gerber, Maggi and Perrier.

1. Nestle owns some of the world's most recognized and trusted brands. Some families have used its products for generations. Gerber has historically been one of the most trusted brands of baby food in the United States.

2. Much of its sales depend upon a few well-recognized brands. This makes the company vulnerable to any sudden changes in consumer behavior.

3. Growth in online retail could open up new distribution channels such as Amazon Prime that can bypass traditional retailers.

4. The company is heavily dependent upon advertising to shape consumer opinion and drive traditional sales. This can lead to high marketing costs with a questionable return on investment.

5. Nestle is a highly-diversified company operating in many different markets and sectors of those markets.

6. Grocery sales in some major markets are increasingly concentrated in the hands of a few giant retailers such as Walmart and Kroger in the United States and Tesco in the United Kingdom. These companies have the ability to force sharp reductions in price. Some of these retailers are intent on supplementing name brand products with more-profitable house brands.

7. Nestle has strong relationships with retailers.

8. The variety of brands gives Nestle a strong ability to weather economics because it serves many different segments of the market.

9. It has well-established relationships with other powerful brands, including Coca-Cola, Colgate Palmolive and General Mills.

10. There is a high cost for launching new brands to supplement older, less-fashionable food products.

11. It has strong research and development capabilities that are growing.

12. Growing middle classes in nations such as China and India create larger and broader markets for Nestle's products.

13. It includes well-established brands with a large amount of market share in some of the largest national economies, including Europe and the United States.

14. Some of its brands, such as Carnation milk, are not tailored to modern lifestyles and are seen as old-fashioned by some customers.

15. Increased disposable income in countries like China could increase the demand for luxury items like bottled water, ice cream and pet food.

16. Retailers such as Walmart, Kroger and Aldi are increasingly promoting house brands, which are more profitable for them. House brands are often sold at a lower price and given greater visibility on shelves. Some retailers such as Aldi and Trader Joe's emphasize house brands at the expense of traditional products.

17. Changes in lifestyle, such as longer work hours, more women in the workforce, and more single-person households, increase the demand for prepackaged foods.

18. There is pressure from large retailers such as Walmart to cut prices.

19(a). Increased mobility and car ownership increase the demand for candy, bottled water and snack foods in nations like China.

19 (b). There is a growing ineffectiveness of traditional advertising as new technologies such as streaming video supplant traditional broadcast and print media.

20. The growing use of new retail channels such as Amazon Prime and dollar stores may not favor traditional retail products.

21. They have experienced disruption of the traditional grocery industry in countries like the United States by new players such as Whole Foods Market and online retailers.

22. A growing suspicion of prepackaged foods as unnatural and unhealthy in Europe and North America is becoming common. This increases the demand for fresh and natural foods in some markets. It also increases the demand for organic and other alternatives.

23. Consumers in some countries are eating fewer meals at home, which means less demand for some Nestle products. Bloomberg reported that Americans' spending on restaurant meals overtook spending on groceries for the first in April 2015.[3]

24. There is a possibility of increased government oversight and regulations in some markets, such as India. India's government ordered billions of dollars of Maggi instant noodles be pulled from the shelves in the summer of 2015 because of allegations of excessive levels of lead in the product.

25. Increased interest in health and nutrition could increase demand for some Nestle products, such as energy drinks.