

# **INTRODUCTION**

The way business is conducted today is very much different from that of a century ago, where the advent of computer in the later half of the last century had changed the landscape of business transactions. Now the majority of businesses are conducted through faceless interfaces, which include telephones, computers and other technology devices. However, one thing remains more or less constant; that is the engine of life - food. Though some of its ready-to-consume appearance may have changed in shape, form and perhaps origin, it remains the most desirable consumption that human beings need. This brings to mind the name and company that provides the most food in the world today, Nestle.

## **1.1 THE BIRTH OF THE NESTLE COMPANY**

The Nestle trademark was first a name - that of a man who lived during the nineteenth century in Vevey, a charming Swiss township set on the shores of Lake Geneva. It was in 1866 that Henri Nestle, a chemist and inventor, achieved some dramatic results with a milk-based formula that had been given to a premature baby to help him recover to good health (Heer, 1991).

From this early and modest beginning, Nestle has grown to be the largest food manufacturing company in the world, producing high quality products to suit the tastes and needs of the consumers all over the world. As at end of 2000, the company has a workforce of more than 230,000 people in more than 500 factories worldwide (Nestle website, 2000).

## **1.2 NESTLE IN MALAYSIA**

Nestle had long recognised the need to diversify its operation beyond the Swiss frontier. Nestle strongly believes that a Nestle company in a foreign country can grow successfully only if there is a parallel growth in that country. It is with this spirit of partnership and enterprise that Nestle arrived at the shores of Malaysia in 1912 (Eberhard, 1991).

The first Nestle office was set up in Bishop Street, Penang. The company, then called Anglo-Swiss Condensed Milk Company, quickly made progress. In 1939, Nestle House was established in Kuala Lumpur as the headquarters to centralise nation-wide operations under one roof. With the objective of enlarging a market that it had developed over half a century, Nestle through Food Specialities (Malaya) Ltd opened its first factory in Petaling Jaya in 1962. This factory locally manufactures sweetened condensed milk, tomato ketchup, chilli sauces and Milo, a chocolate-based beverage. Since then, more factories were set up to produce the varied Nestle products both for local and export markets. In addition to factories in 1987, a fully automated Central Factory Warehouse was set up, probably the most modern in the region at the time.

The Nestle Group began restructuring by forming a locally incorporated company, Nutritional Products Sdn Bhd in 1979 to take over the marketing activities of the group. The group was further restructured to be in line with the Malaysian New Economic Policy by increasing the Malaysian equity as required. A new holding company, Nestle Malaysia Sdn Bhd, was formed, which became the owner of Nestle's manufacturing arm, Food Specialities (M) Sdn Bhd and its trading arm, Nutritional Products Sdn Bhd. Both companies were subsequently renamed in the 1990s to Nestle Foods (M) Sdn Bhd and Nestle Products Sdn Bhd in line with the worldwide megabranding of the Nestle name.

In 1989, Nestle was listed in the Kuala Lumpur Stock Exchange at an issue price of RM5.20 each. On 2<sup>nd</sup> May 1996 and 26<sup>th</sup> December 2000, the price of the share was RM21.00 each (Nestle Internal Records and The Star, 30 Dec 2000). This impressive performance at the stock exchange is a reflection of the financial performance of the company, taking into account the crash of 1997 in most of East Asia region.

Under the ASEAN Industrial Joint Venture project, Nestle Asean (M) Sdn Bhd was set up. Its first factory commenced operations in 1994 producing Kit Kat and Smarties chocolates. In October 1994, another company was

incorporated, Nestle Cold Storage (M) Sdn Bhd, when Nestle SA entered into a joint venture with Cold Storage Malaysia Berhad. This new company is the manufacturer and distributor of Nestle ice cream, pasteurised UHT and dairy products. The last take-over was in January 1996 when Nestle Foods bought over the local ownership of a yoghurt company - Sunglo Natural Food Sdn Bhd (Nestle Internal Records).

### **1.3 OBJECTIVES**

This study is carried out to determine the following:

- i) To determine whether it is feasible to introduce a malt-based beverage drink into the Malaysian market.
- ii) To determine the impact and feasibility of cost cutting in its production processes in line with its transnational strategy in Malaysia.

### **1.4 MAJOR SECTIONS**

This study would be categorised into seven chapters, viz., i) Introduction; ii) Transnational Strategy; iii) Methodology; iv) Analysis of the company; v) Analysis of the industry; vi) Recommendations and vii) Summary and Conclusion.

Introduction would give a brief overview of the Nestle origin and its history in Malaysia. It would also justify why there is a need to analyse such a company in Malaysia due to its leadership position and the objectives of the study. The transnational strategy section provides the definition and example of such a strategy in practice. Methodology would give the methods of collection of information and also a description of the analysis tools. This will be followed by analysis of the company and various players in the market.

Finally, based on the study, the writer would recommend certain steps to further enhance the stature and the leadership position of the company that other emerging and existing companies would try to emulate. The conclusion would include how the company can remain competitive in the long run and why it is hard for the rest to catch up.

## **1.5 SCOPE OF THE STUDY**

The scope of this study will be limited to the Nestle Malaysia market with some references to other regional Nestle companies. An in-depth review of the company endeavours in recent years would be covered. The study would focus on organisational structure and management, corporate vision and strategy, investment factors and some main products. This study does not include the general survey of the food segment of the Malaysian economy other than that which concerns Nestle and its competitors.