The Future in the Food Markets

Nestlé Vs. Unilever

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Competitive Intelligence – UBI

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History

• Nestlé and Unilever had completely different starts.
  – Nestlé (1866): one man’s idea!
  – Unilever (1930): Merger between two existing companies active in two different fields, but with same raw materials

• Both companies grew through numerous acquisitions (Nestlé under his brand as family brand, Unilever with individual brands)
History

• 70s Nestle acquires first non-food companies
• 80s Unilever: sleeping giant, Nestlé Internal adjustments and diversifications
• 90s new markets in Eastern Europe and China
• End of 90s / 2000: Unilever: total restructuring: path to growth, radical brand cutting, Nestlé towards Health and Wellness
• Today: both multinational companies operating worldwide
## Company / Competitive Fact sheet

<table>
<thead>
<tr>
<th></th>
<th>Nestlé</th>
<th>Unilever</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Position in the world</strong></td>
<td>The world largest food manufacturer</td>
<td>Supplier of consumer goods in food (nr. 5), home and personal care markets</td>
</tr>
<tr>
<td><strong>Presence</strong></td>
<td>In ca 200 countries world wide</td>
<td>In ca 160 countries world wide</td>
</tr>
<tr>
<td></td>
<td>Headquarters in Vevey, Switzerland</td>
<td>Headquarters:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>For food- Unilever Plc – UK-London</td>
</tr>
<tr>
<td></td>
<td></td>
<td>For home and personal care-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unilever NV – The Netherlands - Rotterdam</td>
</tr>
<tr>
<td><strong>Workforce</strong></td>
<td>253,000 employees</td>
<td>234,000 employees</td>
</tr>
<tr>
<td><strong>Activities</strong></td>
<td>• Food - Beverages</td>
<td>• Food – Hot Beverages</td>
</tr>
<tr>
<td></td>
<td>• Pet care</td>
<td>• Home Care</td>
</tr>
<tr>
<td></td>
<td>• Pharmaceuticals</td>
<td>• Personal care</td>
</tr>
<tr>
<td>Divisions</td>
<td>Nestlé</td>
<td>Unilever</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Beverages, milk products, nutrition and ice-cream, prepared dishes, cooking aids, chocolate, confectionary, biscuits, pet care, food services, Alcon and pharmaceutical and cosmetics joint ventures;</td>
<td>Food and home (culinary products, frozen foods, Ice-cream, Tea-based beverages, Spreads and cooking products, household care, Laundry) Personal care (Deodorants, hair care, personal wash, oral care and fragrances)</td>
</tr>
<tr>
<td>Mission/Vision</td>
<td><em>The Company’s priority is to bring the best and most relevant products to people, wherever they are, whatever their needs, throughout their lives. : Good Food – Good Life!</em></td>
<td><em>Unilever’s mission is to add vitality to life. We meet the everyday needs for nutrition, hygiene, and personal care with brands that help people feel good, look good and get more out of life.</em></td>
</tr>
</tbody>
</table>
| Strategy          | • Adapt products to local tastes  
• “target 2004+”: Low manufacturing costs  
• “Globe” – technological platform for the group / E-marketing  
• Become a food, nutrition, health and wellness company | • Global brands that meet local needs  
• Completion of Path to Growth strategy (sales growth of 3-5% )  
• Vitality at the core of mission  
• Make greater use of corporate brand |
Competitive Positioning in Global Food market

Global Food Market Share

Market Share
0.00% 1.00% 2.00% 3.00% 4.00% 5.00% 6.00% 7.00% 8.00%

Country Presence
100 150 200

Nestlé
Kraft
ConAgra
PepsiCo
Unilever
Archer
Cargill
Coca-Cola
Diageo
Presence in Western European Ready Meals Market

STRATEGIC PRESENCE OF TOP-10 PLAYERS IN WESTERN EUROPE #

Source: Food for Thought (FFT)

Top-10 Players in Western Europe by Market Share

1. Nestlé 8.9%
2. Unilever 8.6%
3. Greencore 4.5%
4. Heinz 4.2%
5. Uniq 3.7%
6. Northern Foods 3.3%
7. Oetker 2.5%
8. Südzucker 2.4%
9. Apetito 1.9%
10. Frosta 1.7%
Presence in Western European Dairy Market

Top-10 Players in Western Europe by Market Share

1. Nestlé 7.9%
2. Unilever 7.7%
3. Danone 5.6%
4. Arla Foods 5.6%
5. Campina 4.8%
6. Sodiaal 3.1%
7. Parmalat 2.7%
8. Artisanal* 2.5%
9. Dairy Crest 2.4%
10. Nordmilk Union 2.3%

Source: Food for Thought (FFT)
Nestle Strategy

Nutrition, Health and Wellness - The Way Forward

- Positive orientation towards Nutrition value added
- Aligning science and consumer benefits
- Develop Nutrition as a competitive advantage
- Nutrition and health dimension in our Brand communication
Unilever strategy: Path to growth

- reconnect with consumers
- enterprise culture
- brand focus
- simplify
- pioneer new channels
- world-class supply chain

Path to Growth
Partnerships & Network

Partnerships
- Sustainable initiatives

Governments
- EU and national

NGOs
- WHO, Unicef, World Heart Organization, Red Cross, UN, Greenpeace

Competitors
- Unilever, Nestlé, Kraft

Retailers
- Wal-Mart, Tesco, Carrefour

Technology
- SAP, IBM, Linux, Toll-MST, Ariba B2B eCommerce

R&D
- Central laboratories in EU, Asia and NA

Customer

B2B

Unilever

Nestlé
Branding

• “In the future, the real competition in markets will be between companies, company reputation”

Martin Sorrell, Marketer
Branding

Nestlé

Endorsed Brands, one family brand

Unilever

House of Brands, individual brands
Advantages of Strong Corporate Branding / Family Branding

• Is cheaper to maintain & more efficient
• Makes it cheaper and easier to launch new products and extend brands
• Provides long-term strategic focus for brand development rather than short-term, tactical
• Has better standing against increasing retailer power
• Attracts & inspires employees, stakeholders & business partners
### Consumer Trends

**Traditional eating patterns are fast disappearing because of major demographic changes**

<table>
<thead>
<tr>
<th>Trend</th>
<th>Consequences</th>
<th>Impact on food sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aging societies</td>
<td>People eat less but more quality</td>
<td>More quality, preference for example for fruit &amp; fish, new meal services</td>
</tr>
<tr>
<td>More women in the workforce</td>
<td>Less time for preparing meals</td>
<td>More ready made meals and other forms of easy snacks</td>
</tr>
<tr>
<td>More single-occupancy households (less children)</td>
<td>Less people to feed, more eating out</td>
<td>More portioning &amp; packaging for singles, more ready made meals</td>
</tr>
<tr>
<td>More ethnic diversity</td>
<td>Mixed preferences in one society / even household</td>
<td>More segmentation even in established markets</td>
</tr>
</tbody>
</table>
# Consumer Trends

More and more people will be better educated both in industrialized and developing world. They will want and need to know more about health and healthy diets (also weight / obesity problems).

<table>
<thead>
<tr>
<th>Trend</th>
<th>Consequences</th>
<th>Impact on food sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better education</td>
<td>Demand for more quality</td>
<td>Need for higher quality, better more nutritious ingredients, organic food</td>
</tr>
<tr>
<td></td>
<td>Demand for food safety</td>
<td>Safer food, more quality control</td>
</tr>
<tr>
<td></td>
<td>Demand for more knowledge about ingredients</td>
<td>Need for different packaging and labelling; maybe stricter legal requirements</td>
</tr>
<tr>
<td></td>
<td>More Concerns about way of production: environment, people, animals, etc.</td>
<td>Need for sustainable production, . Issues: organic food, fair trade, animal welfare</td>
</tr>
</tbody>
</table>
Consumer Trends

In general, expenditures on food will rise in the future.

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<th>Consequences</th>
<th>Impact on food sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population growth drives total demand on food</td>
<td>Higher food expenditure</td>
<td>In general need for more products</td>
</tr>
<tr>
<td>Better education drives demand for more (expensive) quality / healthy nutrition</td>
<td></td>
<td>Need for more quality and healthy / nutritious products</td>
</tr>
<tr>
<td>Better education and higher income per capita</td>
<td></td>
<td>Need for more quality and healthy / nutritious products</td>
</tr>
</tbody>
</table>
Unilever SWOT Analysis

**Strengths**
- Strong corporate culture
- Government and NGO relations
- Supply chain

**Weaknesses**
- Branding
- Distance to the consumer

**Opportunities**
- Responding to the global issues - sustainable initiatives
- Brand equity
- Consumer safety

**Threats**
- “Price-war” / retailers power
- Private Label Competition
- EU approval procedure
- Weather
Nestlé SWOT Analysis

**Strengths**
- Corporate Brand
- Fragmented Suppliers
- Size of Operations
- Cash Generation

**Weaknesses**
- Forex impact
- Commodity based
- Potential conflict between health & wellness image and selling sweets

**Opportunities**
- Functional Foods in Ready Meals
- Joint Ventures in Strategic Areas
- Asian Market

**Threats**
- Corporate Brand
- Private Label Competition
- Energy and distribution costs
Comparison On Key Issues

Good customer relations

Covering health wellness issues

Quality products

Branding/image

| Nestlé | Unilever |
# Future Market Focus

<table>
<thead>
<tr>
<th>Trends</th>
<th>Nestlé</th>
<th>Unilever</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Health &amp; Wellness products (healthy &amp; functional foods)</td>
<td>++</td>
<td>+</td>
</tr>
<tr>
<td>1.1 Probiotic</td>
<td>+++</td>
<td>+</td>
</tr>
<tr>
<td>1.2 Low Carb</td>
<td>++</td>
<td>+</td>
</tr>
<tr>
<td>1.3 Nutricosmetic</td>
<td>++</td>
<td>-</td>
</tr>
<tr>
<td>1.4 Full meal replacement</td>
<td>++</td>
<td>++</td>
</tr>
<tr>
<td>1.5 Low cholesterol</td>
<td>+</td>
<td>+++</td>
</tr>
<tr>
<td>Services (home care, hospitals, schools, etc.)</td>
<td>+++</td>
<td>-</td>
</tr>
</tbody>
</table>
## Competitors

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>Shapers</th>
<th>Adapters</th>
<th>Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unilever</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Nestle</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kraft</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Danone</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oetker</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>General Mills</td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>PepsiCo</td>
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<td></td>
<td>✓</td>
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Investment Guide

Given all the information provided in this presentation and excluding financial analysis, which was not on the scope of this assessment, it is our belief that Nestlé will, in the future, further consolidate its position as a “State of the Art” company, continuing to shape the markets in which it is present and influencing the tendencies of the global economy.
Sources

Here below are some of the sources used during this assessment

Primary Sources:
Interview with Unilever (Public Affairs Director EMEA)

Secondary Sources:
Internet
www.nestle.com
www.unilever.com
www.fft.com
www.foodanddrinkeurope.com
www.datamonitor.com
www.economist.com
www.nutritionsociety.org

Financial Times
Press Conferences from Unilever and Néstle
Thank You!