

Nestlé Canada: Finding a Sweet Path

This case was written by Abigail Leu, Mackenzie Oldfield and Daniel Weintraub under the supervision of S. Carayannopoulos solely to provide material for case analysis. It is for academic purposes and not intended to illustrate effective or poor management practices.

Introduction

In October 2021, Nestlé's eBusiness team held a meeting to discuss the latest report on online shopping habits post-COVID-19 in an attempt to develop a fresh online strategy. Lizbeth James, Director of eBusiness at Nestlé Canada, greeted everyone and after a few moments to hear how everyone was doing she brought everyone's attention to the focus of the virtual meeting: how can Nestlé Canada grow their online sales, particularly of impulse-driven and temperature-sensitive products?

Nestlé was facing two major challenges. First, sales of impulse items, such as chocolate bars and other confectionery goods, had fallen during COVID-19, as more consumers purchased groceries online, and sales of these products were strongly driven by visibility at point of sale in store. Secondly, e-commerce food sales were posing a challenge for temperature-sensitive food, such as ice cream or frozen meals, due to storage and delivery. Even one of Nestlé's strongest partners, Amazon, couldn't facilitate the sale of chocolate year-round due to the higher temperature of Amazon's warehouses in the summer months.

To achieve a strategy that could grow online sales of impulse and temperature-sensitive products, James' team needed to consider if there were any new opportunities to sell impulse-driven products, in particular if there were any new routes to market for temperature-sensitive products, and if any new supply chain assets or activities would be needed.

Nestlé had to consider if it should add any new partners to achieve its goal of having e-commerce sales outpace in-store growth rates and hit a target of 63% by the end of October 2022. Nestlé was committed to its current strong partnerships with Amazon, Loblaws, Sobeys and Walmart, and would not be willing to break ties with any of these organizations, but was open to adding new partners.

James was willing to consider all possible solutions. She told her team that even large solutions that were big innovations were welcome but should be modularized so that they could be implemented in stages, and the modules prioritized.

With a timeline of six months to set up any new partnerships, James was eager to hear what her team had to say.

Nestlé as a Company

Nestlé was the world's largest food and beverage company, with roots dating back to 1866 when Henri Nestlé developed the first infant food in Switzerland. It didn't take long for the Nestlé name to migrate to Canadian soil, with the first Canadian Nestlé plant established in Chesterville, Ontario in 1915. The next 100+ years of Nestlé Canada are history; Canadian-based product innovations and acquisitions led to rapid growth¹.

Today, Nestlé emphasized working to shape a better and healthier world and was making strides towards healthier alternatives, such as plant-based alternatives to dairy². Nestlé offers a wide range of products and product categories. Globally, it encompasses over 2,000 brands. The main product categories in Canada include: Beverages, Coffee, Confectionery, Ice Cream, Infant Nutrition, Foods, Adult and Medical Nutrition, and International Premium Waters as well as Pet Foods (run as a separate operating company called *Purina*).

Nestlé also has a large international presence, with 376 factories located in 81 different countries, and over 273,000 employees around the world. The company believes that its "diversified territorial presence" is a significant strength³. However, performance from 2017-2019 internationally in the confectionery industry was declining, well before COVID-19. See Exhibit A for Nestlé Confectionery Business Performance.

Nestlé also focuses on R&D and sustainability to enhance operations (see Exhibit B for Nestlé's value chain). With four large research institutes and a 22% Canadian reduction in greenhouse gasses since 2010, Nestlé was on the path towards an increase in sustainable operations.

Financially, Nestlé came through COVID-19 in a similar position as it was before, with its global strategy of continuing with a large portfolio of products and investing in categories with the highest growth rate yielding success in the 2020 fiscal year. See Exhibit C for a summary of Nestlé's *global* financial performance in 2020, and Exhibit D for a breakdown of performance by major Nestlé regions.

CPG Industry Profile

The Consumer Packaged Goods (CPG) industry as a whole varied in growth rate. For confectionery goods, the industry size was \$2,500,000,000 and is expected to grow by 2% in the next 5 years. For frozen goods, the growth rate is more stagnant, at 0.4% over the next 5 years, however, was larger overall, at \$5,300,000,000. Major

¹ <https://www.corporate.nestle.ca/en/aboutus/history>

² <https://advantage-marketline-com.libproxy.wlu.ca/Company/Profile/nestle-sa?swot#W0>

³ <https://advantage-marketline-com.libproxy.wlu.ca/Company/Profile/nestle-sa?swot#W0>

players in the CPG industry included Ferrero, Nestlé Canada Inc., Mars Inc., Hershey's and McCains Food Limited⁴.

Within the CPG industry, the traditional supply chain networks were not built to sustain same-day delivery combined with top-tier service. See Exhibit E for the CPG supply chain for confectionery and frozen goods. There were many major players such as retailers or other intermediaries that assisted with e-commerce in the CPG industry as a whole. These included Amazon, Walmart, and subscription services such as the *Dollar Shave Club*, *HelloFresh*, and *GoodFood*⁷.

The processes of transporting frozen goods within this industry was tedious, and organizational success in transportation stemmed from having the most up-to-date Transportation Management System⁵. Within this system, it was important to have devices to track temperature and consistent communication across the supply chain⁶. It was also important to continue to make the transportation of temperature-sensitive goods as sanitary as possible, since COVID-19 was likely to persist and touch transmission was more likely to occur on the surfaces of packing for frozen foods⁷.

The CPG industry was fueled by five key success drivers: First, the ability to adapt to change - the most successful CPG companies were able to anticipate and respond to changes in consumer preferences. In the confectionery industry specifically, there was a seasonal nature to confectionery demand, so companies had to be able to adapt quickly. Second, effective promotion of products: These markets were saturated, and therefore marketing strength was important. Third, creating contracts with suppliers of key inputs: Having reliable contracts with suppliers could decrease supply volatility, due to having guaranteed supplies at fixed prices. This could reduce inevitable spikes in costs and assist in planning for production. Fourth, the ability to pass on cost increases: Prices of raw materials, especially with cocoa in the confectionery industry, were volatile, and this created high purchase costs. Therefore, being able to pass on these cost increases was important for profit maximization. Finally, economies of scale: Companies with more buying power could leverage their scale to increase their margins and lower costs⁸.

Trends in the CPG industry were changing quickly, with many fuelled by lifestyle changes in the COVID-19 era. A five-year trajectory accelerated the migration to e-commerce in a matter of months causing online sales in 2020 to be 93% higher than they were in 2019. Furthermore, after a year of online sales, companies realized that their ability to optimize in a data-driven fashion was crucial to their success. Additionally, companies had started selling higher volumes online as margins were expected to increase as they got significantly better at e-commerce. For example, by strengthening

⁴ <https://my-ibisworld-com.libproxy.wlu.ca/en/industry/31135ca/about>

⁵ A subset of a supply-chain management system focused on transportation, typically part of an enterprise resource planning system

⁶ <https://www.foodlogistics.com/transportation/3pl-4pl/article/21283034/the-difference-in-transporting-fresh-vs-frozen-foods>

⁷ <https://www.forbes.com/sites/williamhaseltine/2020/11/09/are-frozen-foods-a-risk-for-covid-19-infection-possibly/?sh=149056af3a01>

⁸ <https://www.bcg.com/publications/2020/cpg-companies-face-increased-e-commerce>

their pricing management capabilities and avoiding retailer penalties through improved supply chain operations. Pricing Management: *“is the process of integrating all perspectives and information necessary to consistently arrive at optimal pricing decisions.”* While these trends indicated that there was potential for success in this industry, it was also riddled with many challenges⁹. Please see Exhibit F for a summary of trends in the Confectionery and Frozen Goods industries.

CPG companies struggled to manage their profit-and-loss (P&L) drivers. The three specific to CPG were marketing investment, costs associated with revenue-growth management (such as trade and promotional spending), and supply-chain costs. Furthermore, when entering the e-commerce space, margins were initially low because digital advertising and logistics drove costs up. Ads on e-commerce platforms were costly for companies due to heavy investment for prominent placement of their products on the “digital shelf.” Given the algorithmic nature of ordering, choppy patterns made forecasting more difficult (particularly from Amazon), and as more specific order quantities, mixed-pallet (versus full-pallet) configurations and less-than-truckload deliveries became more common, inefficiencies were created in the supply chain.

Some online retailers had established fees for poor compliance with shipping guidelines. For example, Amazon had its “Ships in Own Container”¹⁰ and “Frustration-Free Packaging”¹¹ fees. This led many companies to repackage certain products to make them suitable for e-commerce, predominantly frozen food products. From McKinsey’s market research: *“In our experience, an online order’s cost per unit can easily be four to five times higher than traditional brick-and-mortar replenishment and ten times higher than wholesale fulfillment. All the while, customers demand a seamless omnichannel journey.”*¹²

Consumer Behaviour

With more online shopping than ever before, consumers had turned to e-commerce for various reasons. Many had switched to online channels (ie. company websites, amazon, etc.) due to the convenience of saving time and the availability of products¹³. Furthermore, many consumers found it to be more affordable with an abundance of coupons, discounts, and exclusive loyalty points¹⁴. With over 80% of Canadian shoppers deeming health and safety as their primary decision driver of where to shop, avoiding physical interaction had become a huge motivator to online shopping¹⁵. See Exhibit G for more information on why people are online shopping.

⁹ <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/high-growth-low-profit-the-e-commerce-dilemma-for-cpg-companies#>

¹⁰ A form of product packaging in which a product ordered can be shipped to the customer in its original packaging, without any additional packaging required such as an overbox

¹¹ Easy-to-open packaging that is also 100% recyclable and shippable to the end consumer without the need for an additional box

¹² <https://www.mckinsey.com/industries/retail/our-insights/supply-chain-of-the-future-key-principles-in-building-an-omnichannel-distribution-network>

¹³ <https://www.techprevue.com/reasons-prefer-online-shopping/>

¹⁴ <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/how-cpg-companies-can-sustain-profitable-growth-in-the-next-normal#>

¹⁵ <https://home.kpmg/ca/en/home/media/press-releases/2020/12/covid-19-pandemic-upends-canadian-shopping-habits.html>

Before COVID-19, a shift in consumer behaviour had started to take place, and many of these behaviours were accelerated by the transition to the online world that occurred in the COVID-19 era. Firstly, customers wanted their products now. The *Amazon effect* had raised the bar when it came to delivering what consumers wanted quickly¹⁶. Consumers sought frictionless experiences that blended with their hectic lifestyles, allowing them to dedicate more time to their private life¹¹. More than that, they wanted a balance as consumers tended to shift towards companies with strong corporate social responsibility (CSR) and sustainability strategies¹⁷. Moreover, as many consumers struggled financially, one-third of consumers said trusting a brand was important because they could not afford to waste money on a bad purchase¹⁸. Finally, consumers were looking for a more personalized experience when shopping, which can lead to loyalty¹¹. See Exhibit H for how personalization breeds loyalty.

With COVID-19 consistently impacting the shopping behaviour of 9 in 10 consumers, companies needed to pivot to meet these ever-evolving consumer needs¹⁹. Two-thirds of Canadians increased their online shopping habits during COVID-19. Twenty percent of consumers said that brand trust was becoming more important because of their increasing reliance on brands to automate things they used to do themselves²⁰. Furthermore, because consumers struggled financially due to the pandemic, discretionary spending declined and non-essential items¹⁵. Additionally, there were larger baskets each time and a reduction in shopping frequency²¹.

With these shifts in mind, companies had to look at their long-term strategy as many of these consumer trends were here to stay: 70% of consumers may be routinely buying consumer packaged goods online in five to seven years²². When in-person gatherings resumed, the old practice of shared food containers, such as buffets and shared plates, would be lower¹⁸. Furthermore, there would be a hyper-focus on health, safety, and cleanliness across the supply chain²³. All of these behaviours would continue to evolve. Further changes in consumer behaviour can be found in Exhibit I.

Impulse Buys

The CPG reality for impulse purchases was that they happen 80% of the time in-store, versus online¹⁹. There were three key drivers for impulse buying in person: price, displays and special incentives. A study found that 85.4% of individuals listed

¹⁶ <https://thesmartercrew.com/5-customer-behaviour-trends-2019/>

¹⁷ <https://www.forbes.com/sites/forbesbusinesscouncil/2020/11/18/the-growing-importance-of-social-responsibility-in-business/?sh=1420f8002283>

¹⁸ <https://www.marketingcharts.com/brand-related/brand-loyalty-109127>

¹⁹ <https://www.numerator.com/resources/blog/impact-covid-19-consumer-behavior>

²⁰ <https://home.kpmg/ca/en/home/media/press-releases/2020/12/covid-19-pandemic-upends-canadian-shopping-habits.html>

²¹

<https://www.mckinsey.com/~media/mckinsey/industries/retail/our%20insights/how%20covid%2019%20is%20changing%20consumer%20behavior%20now%20and%20forever/how-covid-19-is-changing-consumer-behavior-now-and-forever.pdf>

²²

<https://www.tissueworldmagazine.com/special-features/distribution-special/70-of-consumers-may-be-routinely-buying-consumer-packaged-goods-online-in-five-to-seven-years/>

²³ <https://www.bdo.ca/en-ca/insights/industries/retail-consumer-business/planning-for-the-post-covid-19-retail-world/>

price as a deciding factor in impulse buys. This was exacerbated online by the inability to compare online impulse purchases to other products easily as there was no display or physical environment. Furthermore, environments where there was an increase in perceived crowds could both lead to or increase the frequency of an impulse purchase. Special incentives such as discounts, exclusivity in products, limited time offers and bulk buys tended to increase impulse buys as well²⁴. Finally, there was no social aspect of online impulse purchases. For example, when James' friend, Candice, stood in line beside her at Loblaws and was raging about the deal on Coffee Crisps, James was more likely to purchase compared to when she was shopping online alone.

CPG companies had found that using personalization by collecting data, creating ideal customer demographics, basket analysis, social commerce, and social media had a positive impact on influencing their target consumers to "impulse buy" online²⁵.

Nestlé's Canadian Operations

Nestlé Canada is a subsidiary of Nestlé S.A and is one of 200 subsidiaries globally. It exists within the "Zone AMS Team" which includes all of the Americas²⁶. Within the confectionery, frozen desserts, and frozen food categories, Nestlé Canada has many diverse products, many that are Canadian-specific, such as the illustrious Coffee Crisp. Please see Exhibit J for more information on Nestlé Canada's products within confectionery, frozen desserts, and frozen food categories.

In Canada, Nestlé employs 4,500 individuals in sales, manufacturing and distribution primarily, with sales in 2019 reaching \$2,700,000,000. Nestlé Canada also spent \$306,000,000 on Canadian suppliers and supports Canada's dairy industry by having sourced \$62,000,000 on dairy in Canada²⁷.

The Canadian Nestlé Supply Chain and Distribution Efforts

Nestlé Canada sources its raw materials from a variety of global locations. For sweet goods, most raw materials are sourced from Latin America or overseas, and very little is sourced directly from Canada²⁸. Please see Exhibit K for an in-depth look at the global sources for many of these ingredients.

In Ontario specifically, Nestlé has two main factories for the development of these confectionery and frozen goods. Near Toronto, there is a factory that produces many of its chocolate goods, such as Aero, Coffee Crisp, Kit Kat and Smarties. Nestlé's main ice cream manufacturing plant is in London, Ontario.

²⁴ <https://www.repsly.com/blog/consumer-goods/theres-some-cool-psychology-behind-impulse-buys-infographic>

²⁵ <https://retailtouchpoints.com/features/executive-viewpoints/for-online-impulse-buys-personalization-is-the-sixth-sense>

²⁶ <https://www.nestle.com/aboutus/management>

²⁷ <https://www.corporate.nestle.ca/en/aboutus/nestleincanada>

²⁸ <https://www.nestle.com/supply-chain-disclosure>

For frozen treats specifically, Nestlé made more than 500,000 ice cream deliveries per year, and the number was steadily growing. Nestlé adheres to strict regulations to ensure the safe transportation of its products. All Nestlé trailers are -25° Celsius, many trucks have Bluetooth-enabled sensors to track the temperature inside, and there are alarms within the frozen food factories to notify employees if any freezer system malfunctions. These regulations are in place even though almost 100% of transportation of these items is outsourced – the partners abide by them as well. These current practices are effective; the fill rates are between 98%-99%. However, these practices were costly for Nestlé²⁹.

All online purchases happen through retailers, and Canadians are unable to purchase any products directly through the Nestlé website. What this means is that home deliveries, which have significantly increased during COVID-19, are in the hands of retailers or intermediaries such as Instacart, or Sobeys' *Voila*. This is positive for Nestlé as it can reduce delivery costs for itself. However, performance shortfalls of the intermediaries could negatively impact Nestlé's brand. Please see Exhibit L for a summarized supply chain of online purchases with Nestlé.

Nestlé's Canadian Partners

Nestlé has a strong relationship with its four primary partners: Amazon, Loblaws, Sobeys and Walmart. These connections work well for Nestlé, especially since they are well-known and widely recognized in the Canadian market. Breaking ties with any of these partners could be detrimental to Nestlé's success.

Amazon demonstrated tremendous success amidst the COVID-19 pandemic, with e-commerce sales nearly doubling in May 2020 alone³⁰. It is an e-commerce giant and became a staple delivery service used by many Canadian households. However, the types of goods delivered throughout the pandemic did not encompass Nestlé's full assortment. Delivery of Nestlé Confectionery, for example, was not possible in the summer months due to the temperature-sensitive nature of the products. Frozen meals and ice cream are not sold on Amazon since Amazon does not have the infrastructure to support frozen products.

Sobeys and Loblaws (as well as other grocery chains falling under their organizations) were both in the top three of Canadian grocery chains and therefore assisted with in-store product placement of Nestlé products at their widespread Canadian locations³¹. Walmart was not far behind, as a Superstore that went beyond food products and was a one-stop-shop for many Canadians. With all three partners,

²⁹ <https://www.insidelogistics.ca/features/cold-chain-change-2/>

³⁰ <https://time.com/5870826/amazon-coronavirus-jeff-bezos-congress/>

³¹ <https://www.statista.com/topics/2874/supermarkets-and-grocery-stores-in-canada/#:~:text=In%20the%20most%20recent%20fiscal.and%20Metro%20Inc.>

Nestlé *impulse* product sales were especially successful, with checkout counters lined with Nestlé Confectionery products.

However, grocery delivery from these locations were slow to catch up to the fast-paced changes that occurred with the COVID-19 shift online. Although intermediary delivery services like *Instacart* partnered with these three organizations, the development of widespread retailer-branded delivery services was slow, and not as widely recognized by Canadians. Sobeys was the most widely known with a recent launch of its *Voila* delivery service.

James wondered if there were new partnerships that could be formed to continue to grow Nestlé's online business. Could adding a partner help facilitate the timely delivery of temperature-sensitive products or assist in increasing online sales of impulse goods?

Nestlé's Marketing and E-Commerce Operations

Nestlé's current marketing strategy in Canada involved a wide range of marketing tactics, from social media to a pop-up Kit Kat Chocolatory store in Toronto (which is now permanent), and many video advertisements. Nestlé Canada's social media profiles were sparse, with followers on Instagram and Twitter specifically just over 1,000 individuals³².

Nestlé's marketing efforts included a recent emphasis on "end-to-end" analytics³³ to increase their marketing efficiency³⁴.

Nestlé also used many video advertisements. Recent confectionery video ads included partnerships with at-home entertainment companies such as Crave, with Kit Kat in 2020, and an increase in advertisements to display more premium and high-quality goods, such as L'Atelier. For frozen desserts, recent Hagen Dazs commercials were also more premium, with high-quality camera angles and alluring voice-overs. Commercials for frozen meals such as Delissio pizza were more fun, humorous, and family-oriented³⁵.

Nestlé also continues to prioritize e-commerce sales. In 2020, e-commerce at Nestlé grew 48.4% globally (with the number even larger in Canada), and direct-to-consumer sales globally rose 12% to be 8.6% of total sales³⁶. However, in Canada currently, the only direct-to-consumer route is through the Kit Kat Chocolatory³⁷. Nestlé also operated an "E-Business Academy" that had fully certified 2,700 employees worldwide in various digital skills and had trained more than 16,000 employees³⁰. It is

³² <https://www.instagram.com/nestlecanada/?hl=en>, https://twitter.com/NestleCA?ref_src=twsrc%5Egoogle%7Ctwcamp%5Eserp%7Ctwqr%5Eauthor

³³ A process that sorts through and understands data from beginning to end, and delivers a complete functional solution, without needing assistance from a third party

³⁴ <https://www.nestle.com/investors/annual-report>

³⁵ <https://www.youtube.com/user/NestleCanadaInc/videos>

³⁶ <https://www.nestle.com/investors/annual-report>

³⁷ <https://www.madewithnestle.ca/kitkat-chocolatory>

clear that Nestlé is in a time and space to increase e-commerce operations, yet the question remains, how to do this in Canada?

Nestlé Canada's Emphasis on Sustainability

By 2030, Nestlé Canada's goal is to have zero environmental impact in their operations. It also aims for net-zero greenhouse gas emissions by 2050. By no means is this a small feat; it requires critical planning in advance, and Nestlé has put in 10 years of work already to achieve, and hopefully accelerate, this goal³⁸.

For example, packages of Smarties are fully recyclable and Nestlé continues to move towards 100% paper-based packaging³⁹. Also, in February 2021, Nestlé Canada launched a partnership with *Loop* to engage in sustainable Haagen Dazs ice cream delivery. Through this platform, Ontario residents were able to enjoy their Haagen Dazs in reusable packaging, delivered by Loop³⁹.

With this in mind, James understood that it was important to consider the sustainability of any solution her team developed.

Nestlé's Recent Innovations in Confectionery and Frozen Food Sales

CPG organizations, including Nestlé, had been historically successful by continually innovating products and supply chain activities, and ensuring that investments in product innovations are within the highest-growing product categories and brands.

The confectionery industry had seen fewer product innovations during COVID-19; product innovations within the confectionery industry had significantly assisted Nestlé in maintaining its market share in the past. Nestlé Canada continued to find ways to revolutionize its products throughout the pandemic, having introduced new seasonal confectionery Stock Keeping Units (SKUs).

Hershey's and Nestlé similarly shifted advertising of chocolate-based products in COVID-19 to advertise their use in at-home baking. Nestlé took this one step further by introducing a new product, *Baking Bits* - the inside chocolate portion of Smarties to be used for baking purposes, such as in chocolate chip cookies⁴⁰!

Other successes for Nestlé in the frozen food industry included creating plant-based pizza crust and repositioning more modern health brands, such as Lean

³⁸ <https://www.corporate.nestle.ca/en/creatingsharedvalue/environment>

³⁹ <https://www.corporate.nestle.ca/en/media/pressreleases/allpressreleases/ontario-residents-can-now-enjoy-iconic-h%C3%A4agen-dazs-flavours-new-reusable>

⁴⁰ <https://www.madewithnestle.ca/baking-bits>

Cuisine, to have 15 different specialized meal solutions, ranging from high-protein to gluten-free options⁴¹.

Conclusion

As James sat in her home, yearning for more workdays to be in person, she couldn't help but wonder how COVID-19 had changed her job and Nestlé Canada, forever. With increased use of e-commerce, declines in-person retail, and the increased emphasis on safety and health, how could Nestlé innovate to drive online sales, especially of impulse purchases, and ensure temperature-sensitive deliveries go above and beyond consumer expectations? Should Nestlé Canada integrate any new partners, or changes to their supply chain, to facilitate a push towards e-commerce? With e-commerce sales growth rates needing to outpace those of in-store sales and hit a target of 63% by 2022, she needed to create a solid plan now.

With no budgetary constraints but a need for a strong long-term return on investment, James was willing to consider any idea, big or small, as long as it was feasible, provided a good return on investment and reached online growth targets. She took a bite of her Kit Kat bar and eagerly listened to the team's recommendations for Nestlé's e-commerce future.

⁴¹ <https://www.nestle.com/investors/annual-report>

Exhibit A: Slowdown in Nestlé Confectionery Business Performance⁴²

Confectionery (Business Performance)

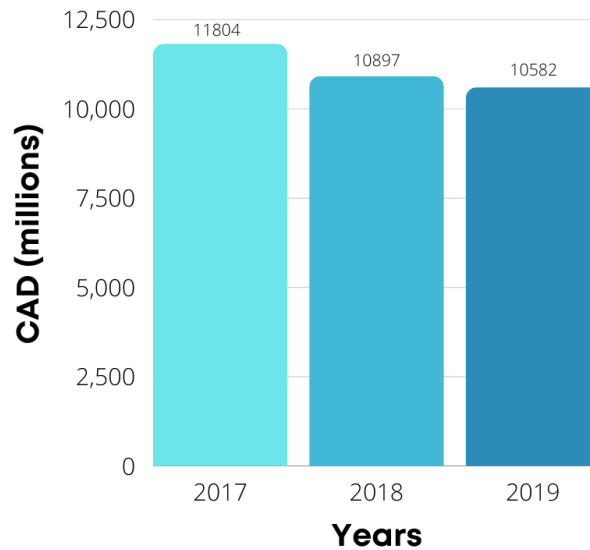


Exhibit B: Nestlé Value Chain

Nestlé Value Chain



⁴² <https://advantage-marketline.com/libproxy.wlu.ca/Company/Summary/nestle-sa>

Exhibit C: Nestlé's Global Financial Performance in 2020⁴³

In millions of CHF (except for data per share and employees)							2019	2020
Results								
Sales							92 568	84 343
Underlying trading operating profit ^(a)							16 260	14 903
as % of sales							17.6%	17.7%
Trading operating profit ^(a)							13 674	14 233
as % of sales							14.8%	16.9%
Profit for the year attributable to shareholders of the parent (Net profit)							12 609	12 232
as % of sales							13.6%	14.5%
Balance sheet and Cash flow statement								
Equity attributable to shareholders of the parent							52 035	45 695
Net financial debt ^(a)							27 138	31 319
Ratio of net financial debt to equity (gearing)							52.2%	68.5%
Operating cash flow							15 850	14 377
as % of net financial debt							58.4%	45.9%
Free cash flow ^(a)							11 934	10 245
Capital additions							5 482	11 367
as % of sales							5.9%	13.5%
Data per share								
Weighted average number of shares outstanding (in millions of units)							2 929	2 845
Basic earnings per share						CHF	4.30	4.30
Underlying earnings per share ^(a)						CHF	4.41	4.21
Dividend as proposed by the Board of Directors of Nestlé S.A.						CHF	2.70	2.75
Market capitalization, end December							301 772	293 644
Number of employees (in thousands)							291	273
Principal key figures ^(b) (illustrative) in CHF, USD, EUR								
In millions (except for data per share)	Total CHF	Total CHF	Total USD	Total USD	Total EUR	Total EUR		
	2019	2020	2019	2020	2019	2020		
Sales	92 568	84 343	93 218	89 982	83 217	78 801		
Underlying trading operating profit ^(a)	16 260	14 903	16 374	15 900	14 618	13 924		
Trading operating profit ^(a)	13 674	14 233	13 770	15 185	12 293	13 298		
Profit for the year attributable to shareholders of the parent (Net profit)	12 609	12 232	12 698	13 050	11 336	11 428		
Equity attributable to shareholders of the parent	52 035	45 695	53 700	51 876	47 921	42 182		
Market capitalization, end December	301 772	293 644	311 426	333 364	277 911	271 072		
Data per share								
Basic earnings per share	4.30	4.30	4.33	4.59	3.87	4.02		

(a) Certain financial performance measures are not defined by IFRS. For further details, see Foreword on page 48.
(b) Income statement figures translated at weighted average annual rate; Balance sheet figures at year-end rate.

⁴³ <https://www.nestle.com/supply-chain-disclosure>

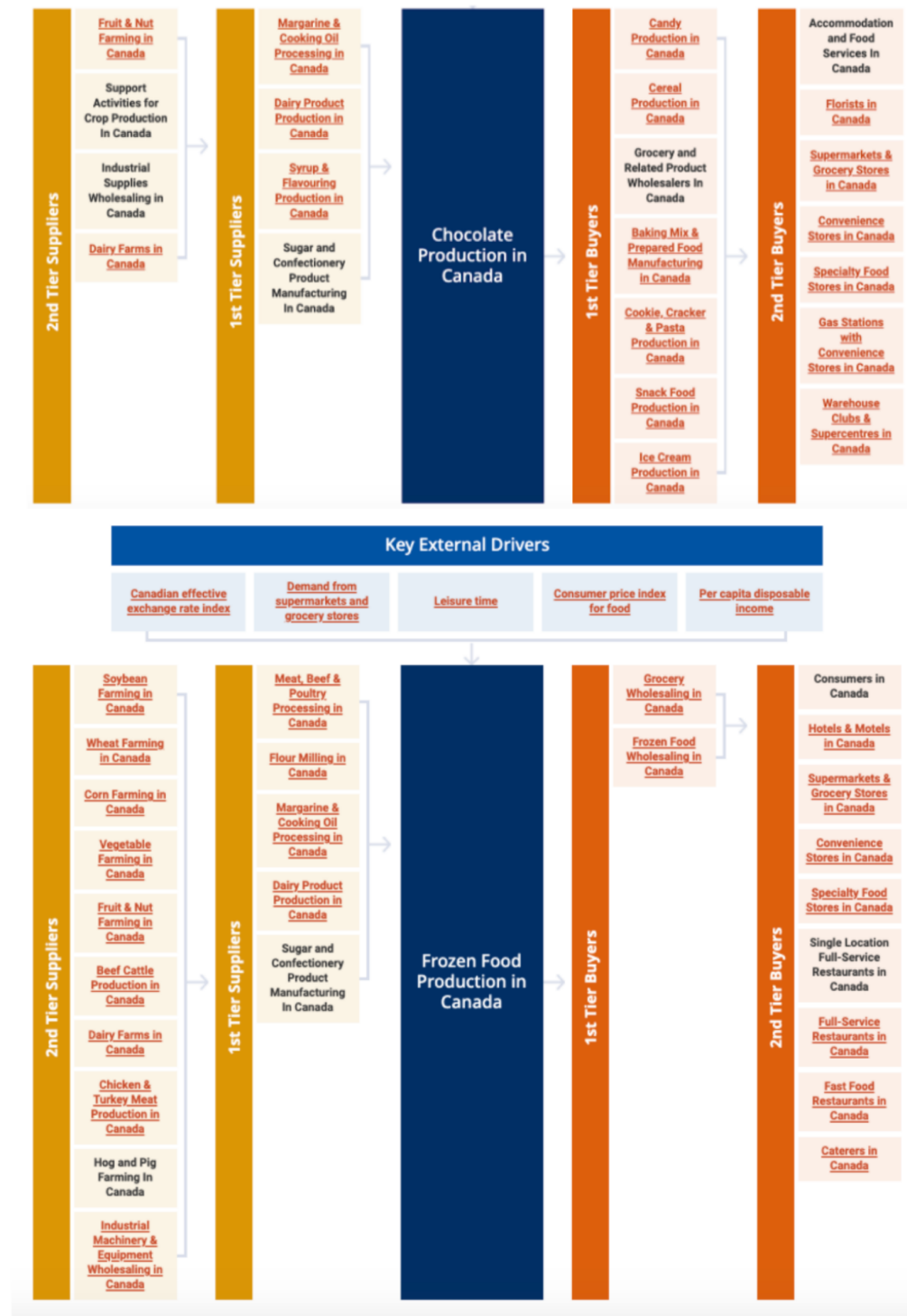
Exhibit D: Nestlé's Global Financial Performance in 2020 by Region⁴⁴

Sales by geographic areas

	Differences 2020/2019 (in %)		
	in CHF	in local currency	in CHF millions
By principal markets			2020
United States	-9.8%	-4.4%	26 014
Greater China Region	-13.4%	-8.5%	5 986
France	-10.8%	-7.3%	3 946
United Kingdom	-1.2%	+4.3%	2 883
Brazil	-23.5%	+5.7%	2 790
Philippines	+4.8%	+6.2%	2 769
Mexico	-12.6%	+2.6%	2 564
Germany	-7.1%	-3.4%	2 445
Canada	-2.8%	+4.3%	2 122
Japan	-11.5%	-8.0%	1 607
India	-3.7%	+7.2%	1 605
Russia	-8.7%	+8.6%	1 555
Italy	-9.9%	-6.4%	1 508
Spain	-6.8%	-3.2%	1 409
Australia	-5.0%	+1.8%	1 394
Switzerland	-2.6%	-2.6%	1 134
Rest of the world	-7.5%	(a)	22 612
Total	-8.9%	(a)	84 343

⁴⁴ <https://www.nestle.com/supply-chain-disclosure>

Exhibit E: Supply Chain in Confectionery and Frozen Goods Industry⁴⁵



⁴⁵ <https://my-ibisworld.com.libproxy.wlu.ca/en/industry/31135ca/about>

Exhibit F: 2021 Industry Trends for Confectionery and Frozen Goods⁴⁶

	Confectionery	Frozen Goods
Regulation & Policy	Medium / Increasing	Medium / Steady
Technology Change	Medium	Medium
Competition	Medium / Increasing	High / Increasing
Industry Globalization	High / Increasing	High / Increasing

Exhibit G: Shifts of Consumer Reasoning for Shopping Online⁴⁷

The Top Reasons Consumers Prefer to Shop Online

Reasons Consumers Prefer to Shop Online — Ranked:

Q1 2021

1. Free shipping
2. Lower prices
3. Convenience
4. Price comparison
5. More product options
6. Discounts
7. Search for certain brand
8. Fast shipping
9. Safety (avoid public places)
10. See reviews from other customers
11. Products only sold online
12. Find new brands

Q4 2020

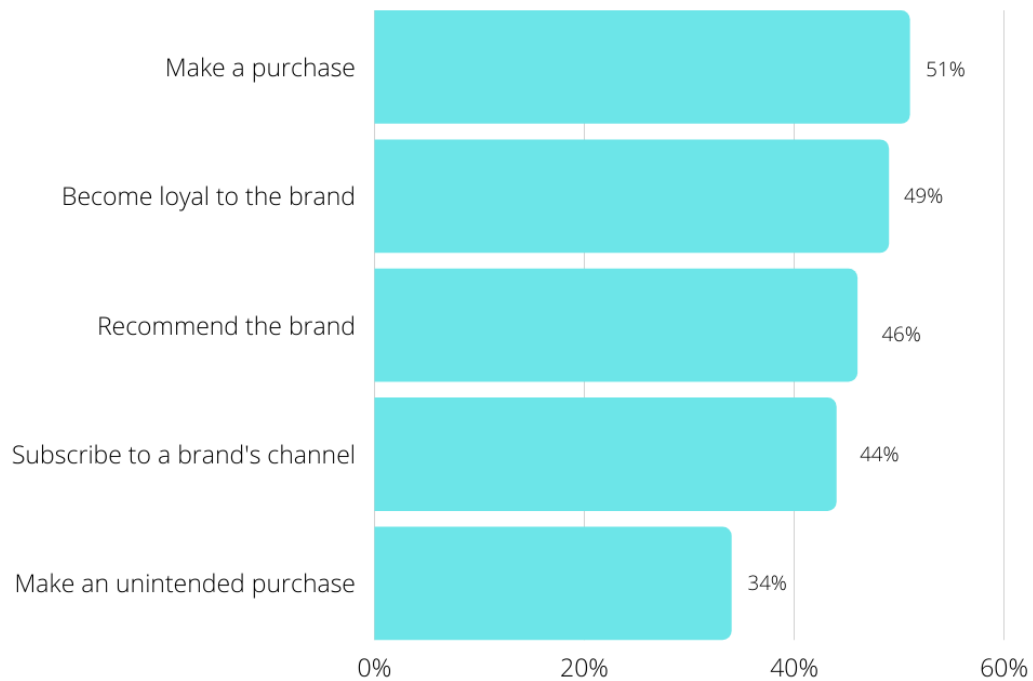
1. Convenience
2. More product options
3. Search for certain brand
4. Free shipping
5. Safety (avoid public places)
6. Lower prices
7. Fast shipping
8. Discounts
9. Find new brands
10. Products only sold online
11. Price comparison
12. See reviews from other customers

⁴⁶ <https://my-ibisworld.com.libproxy.wlu.ca/ca/en/industry/31135ca/about>

⁴⁷ <https://www.junglescout.com/blog/reasons-consumers-shop-online/#:~:text=Consumers%20want%20to%20easily%20compare,shop%20online%20for%20greater%20variety>

Exhibit H: Personalization Driving Consumer Engagement⁴⁸

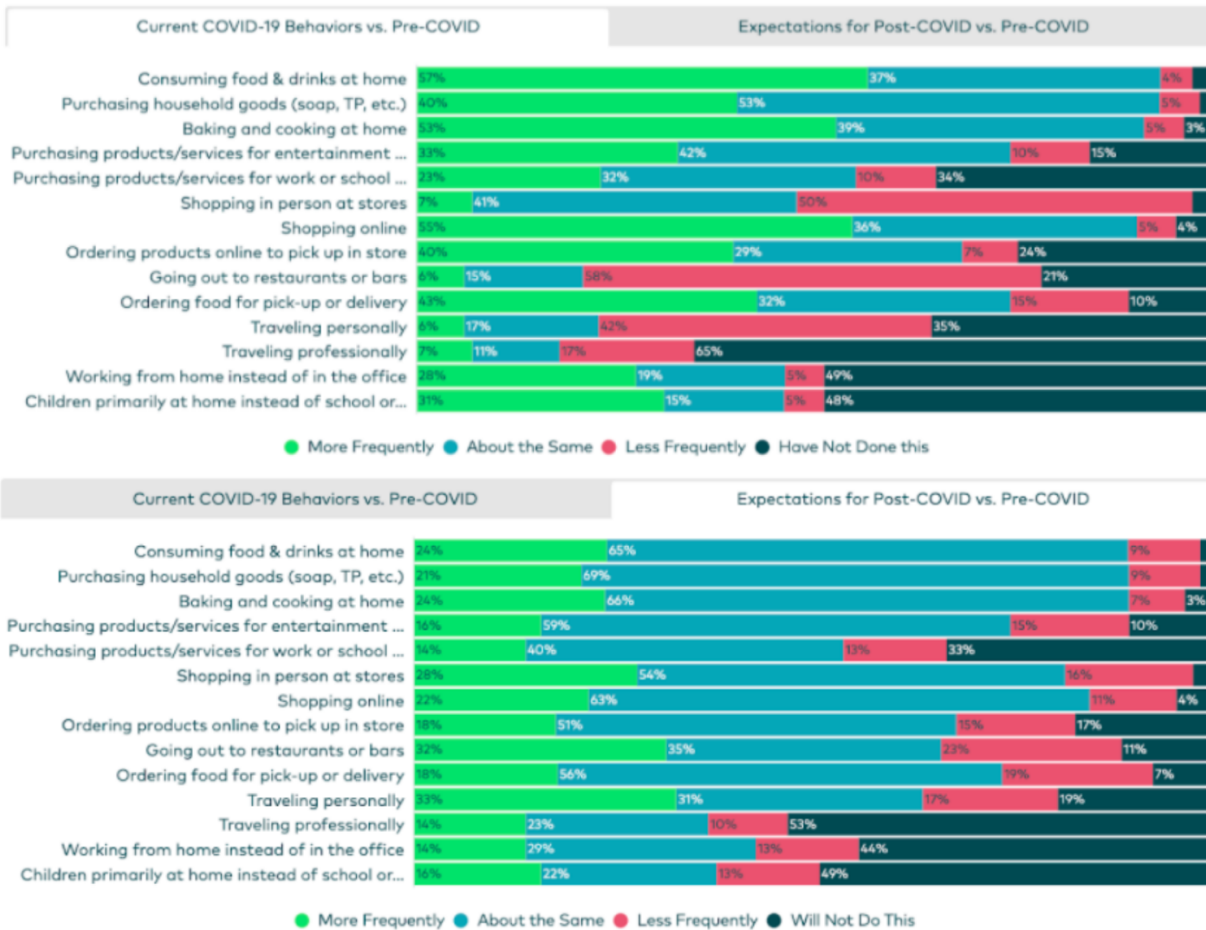
Personalization is a Proven Tactic: Consumers are Likely to Purchase or Become Loyal



⁴⁸ <https://tinuiti.com/blog/ecommerce/cpg-industry-trends/>

Exhibit I: Projections For Behavioural Shift Post-COVID⁴⁹

COVID-19 Behavioural Shifts



Source: Numerator COVID Sentiment Survey, Wave 18 (01/25/2021) n=936



⁴⁹ <https://www.numerator.com/resources/blog/impact-covid-19-consumer-behavior>

Exhibit J: Breakdown of Nestlé Confectionery, Frozen Desserts & Frozen Food Products⁵⁰

	Products	Known For	Sales Globally for products
Confectionery	Aero, Big Turk, Coffee Crisp, KitKat, Smarties, After Eight, Nestlé Assorted, Quality Street, Rolo, Turtles, Mackintosh, Crunch, Mirage, L'Atelier	Nut-free Halloween variety pack	7.0B CHF ⁵¹ , 8.3% of Global Sales - Chocolate = 75.5% - Sugar = 8.4% - Biscuits/Snacks = 16.1%
Ice Cream	Drumstick, Haagen Dazs, Confectionery-Branded (Kitkat, Maynards, Oreo, Rolo, Smarties), Del Monte, Good North, Parlour, Real Dairy	Premium, high-quality taste of Haagen Dazs	11.0B CHF, 13.0% of Global Sales - Ice cream = 8.4% - Milk products = 91.6%
Foods	Meals - Lean Cuisine, Stouffer's, Pizza – Delissio	Quick to eat meals that can be healthier (Lean Cuisine)	11.5B CHF, 13.7% of Global Sales - Frozen = 49.4% - Culinary/Other = 50.6%

⁵⁰ <https://www.nestle.com/investors/annual-report>

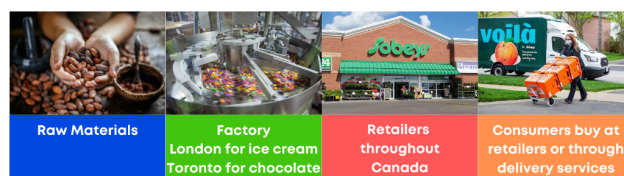
⁵¹ CHF = Swiss Franc

Exhibit K: Raw Ingredient Sourcing⁵²

Ingredient	Country Predominantly Sourced From
Cocoa	<ul style="list-style-type: none"> • Brazil • Côte D'Ivoire • Ghana, Ecuador • Venezuela • Mexico
Dairy	<ul style="list-style-type: none"> • Canada • USA
Hazelnuts	<ul style="list-style-type: none"> • Spain • Turkey • Italy
Palm Oil	<ul style="list-style-type: none"> • Indonesia • Malaysia
Soya	<ul style="list-style-type: none"> • Predominantly: <ul style="list-style-type: none"> ○ Brazil ○ Argentina ○ USA • Minimal <ul style="list-style-type: none"> ○ Nigeria ○ Italy ○ Russia ○ Serbia
Sugar	<ul style="list-style-type: none"> • A variety of places • USA

Exhibit L: Nestlé's E-Commerce Supply Chain

Nestlé Online supply chain



⁵² <https://www.nestle.com/supply-chain-disclosure>

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