



How can a “purpose-led” approach become a winning strategy to drive revenue growth in an FMCG company?

Consulting Presentation

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Executive Summary

Background

- Surveys show the majority of employees (84%) and customers (60%) favoring companies with a clear purpose, while leaders often overlook the broader significance beyond profit.
- Misunderstandings about purpose-led concepts contribute to companies undervaluing their importance.
- Despite potential pitfalls, FMCGs show a 5x higher revenue growth with a purpose-led approach.

Industry Analysis

- Nestlé tops both revenue and purpose-led initiatives among the top three FMCG industry players, as per L-E-D metrics (purpose-led measures).

Case Study

- Nestlé faced slowing growth but overcame it by adopting a purpose-led strategy.
- Through the N-E-T strategy (Navigational, Efficient Operations, Tactical Excellence), a purpose-led approach, Nestlé witnessed a substantial rise in revenue in 2022.

Background

While 84% of employees and 60% of customers prioritize companies with a clear purpose, leaders often tend to overlook the broader purpose beyond mere profit...

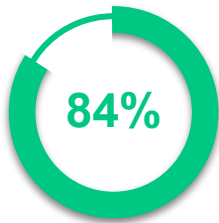
Economist Milton Friedman's pervasive shareholder theory stated that leaders often **overlook** company's purpose...



"Leaders often acted with **little or no regard** for the implications a business's actions had on **people and the planet.**"



... while in the contrary, 84% of employees prioritize purpose in choosing where to work...



of employees feel it's '**very important**' or '**important**' for them to work for an organisation that **positively impacts society.**



74% of Gen Z

72% of Millennials

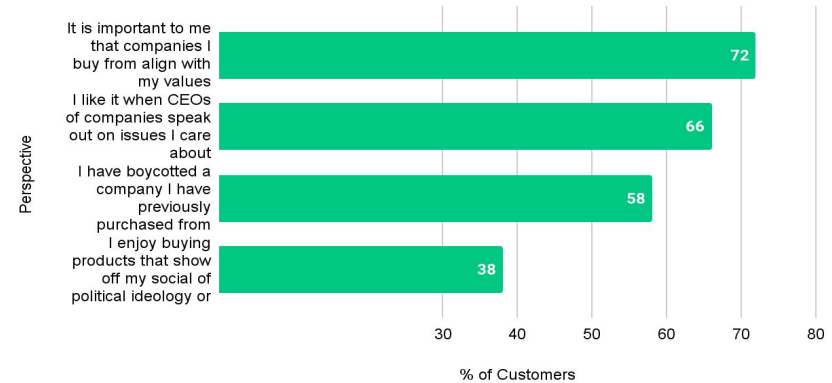
62% of Gen X



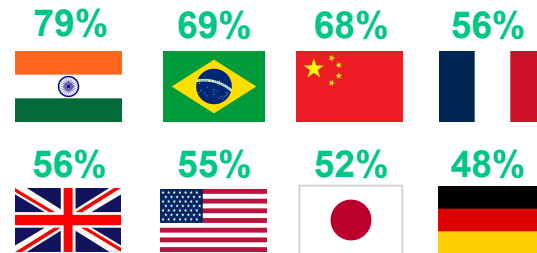
...are 'very likely' or 'likely' to **leave** their current employer for an organisation **whose purpose is more meaningful.**

Not only employees, companies' stance on global issues also push **customers' desire** to purchase...

Customers Perspective on Company's Purpose



% of customers in states



...agree to the necessity of seeing brands' values and purposes when purchasing.



Key Takeaway

60% of customers consider companies' values and positions.



unarticulated mission-led

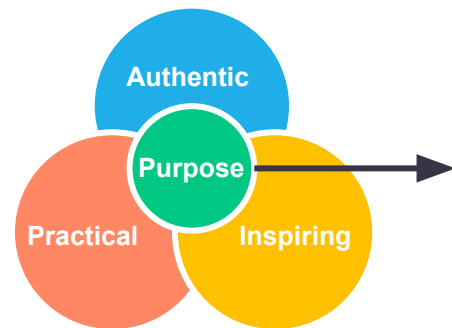


purpose-led

Misunderstandings surrounding the concept of purpose-led are among the factors contributing to companies overlooking their significance...

There are some **misunderstandings** surrounding the concept of being 'purpose-led'...

Myth 1	Purpose-led business is the same as CSR activity	Myth 4	Purpose-led is only a temporary PR strategy. Like many other, too shall pass
Myth 2	Being purpose-led is in direct opposition to commercial gain opportunities	Myth 5	Purpose is abstract and therefore difficult to measure
Myth 3	Purpose is only about the future and can just be created	Myth 6	Purpose leads to well-intended but disjointed action



Purpose Led

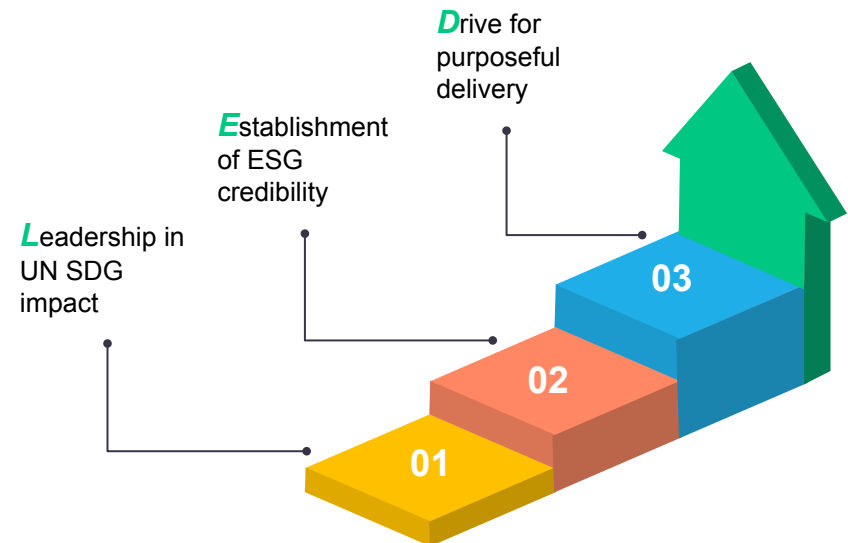
 an organisation that uses purpose as the **compass** to guide decision-making and deliver **wider stakeholder value**.

Metrics such as environmental, social and governance (ESG) value reporting are integrated in The UN SDGs...

“The blueprint to achieve a better and more sustainable future for all. They **address the global challenges** we face, including poverty, inequality, climate change, environmental degradation, peace and justice.”

The UN SDGs

Therefore, the following variables are to **measure** and ensure the implementation of purpose led - LED...



Despite potential pitfalls, FMCGs are proven to possess 5x higher revenue growth with purpose-led approach...

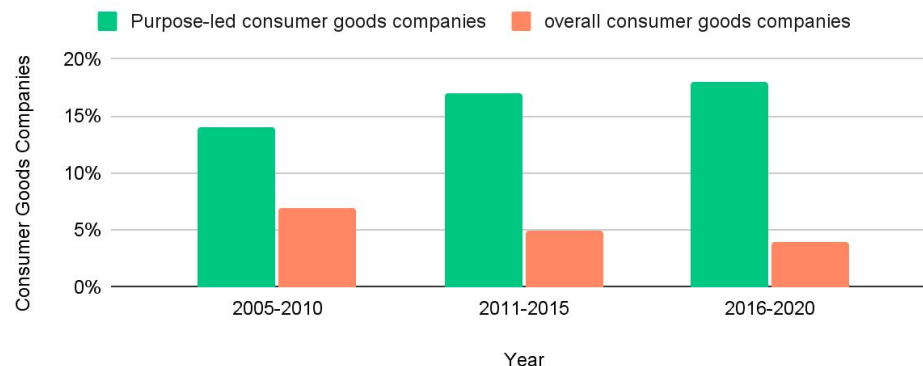
There are some **barriers** surrounding the concept of 'purpose-led' that need to be addressed...

	Consumers and Distribution	Retailers not yet to willing to support (9%)	
		Creating superior tasting/performance (14%)	
		Mainstream consumers not educated around sustainability (18%)	
		Maintaining differentiation vs incumbent brands as scale and competition increase (18%)	
	Supply Chain	Access to enough sustainable material (38%)	1
		Set up supply chain at reasonable cost (63%)	2
	Organization	Attracting like-minded capital providers (21%)	
		Attracting mission-driven talent , capable of growth and sustainability (21%)	
		Knowledge to scale the mission across countries (43%)	3



...but worry not, the success rate of purpose-led **consumer goods** companies **outpace** the index of all companies in the same domain, proven by this figure below...

% of Consumer Goods Companies that Reached €10M in Sales

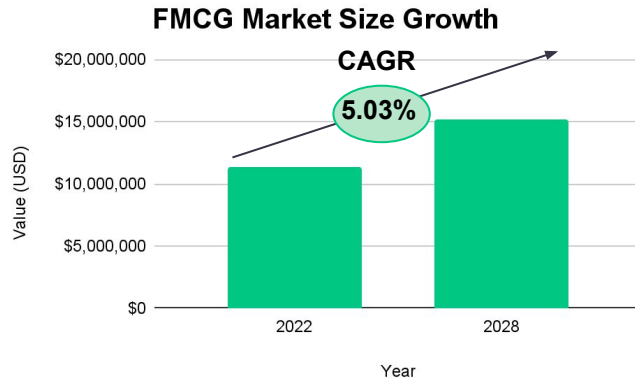


Key Takeaways

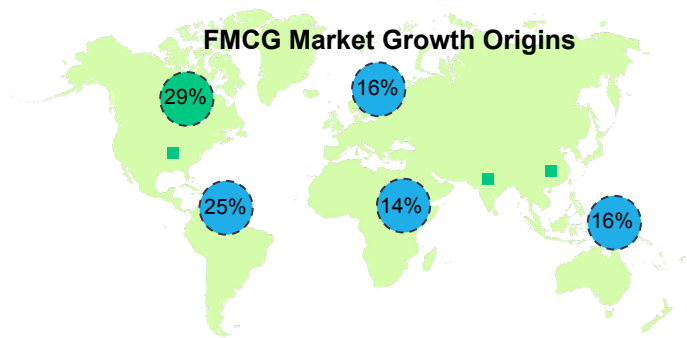
- Purpose-led FMCGs exhibit higher revenue, with a significant portion surpassing the €10 million threshold.
- Barriers with the highest agreement among respondents need immediate attention and resolution

Among the top three FMCG industry players, Nestlé leads in both revenue and purpose-led initiatives, according to L-E-D metrics...

Global Growth (Projection)



FMCG Market Growth Origins



Key Takeaways



2.52% estimation of YoY growth rate of 2022



29% of the growth will originate from **North America**



The market is **FRAGMENTED** with several **key players** occupying the market share



Key countries

- US
- China
- India

Key Players

Brand	1 	2 	3 
Data-Led Insight	Revenue by 2020 in USD		
	\$93 billion	\$71 billion	\$70.4 billion
L-E-D Metrics Compatibility	Leadership in UN SDG impact		
	85%	80%	75%
	Establishment of ESG credibility		
	90%	77.5%	87.5%
	Drive for purposeful delivery		
	82.5%	77.5%	82.5%
	Overall		
	85.8%	78.3%	83.3%

Ranked the **highest among FMCG companies** in terms of **revenue**, Nestlé also scores the **highest on its compatibility toward L-E-D metrics**.

However, Nestlé once encountered a challenge of slowing growth before ultimately embracing a purpose-led strategy...



Meet

Mr. Nestleton

Chief Strategy Officer of Nestlé SA



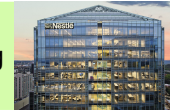
Currently, Nestlé is experiencing a **decline** in its revenue. Assistance is sought to **revitalize** the company.



Focus Target



Nestle SA is a Swiss multinational food and beverage company that has been in the market for over **150** years. The company has a portfolio of over **2000** brands, including Nescafe, KitKat, and Maggi, and has a presence in over **190** countries.



2015 (Before Purpose-Led)

Nestlé's sales were CHF 88.8 billion, showcasing a foreign exchange impact of **-7.4%**...

By principal markets

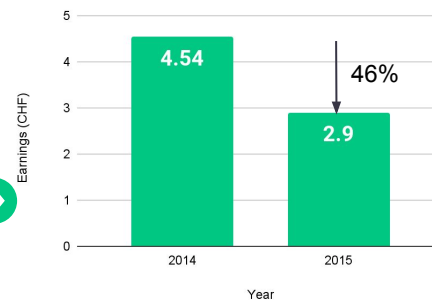
United States	+7.7%
Greater China Region	+6.4%
France	-12.0%
Brazil	-23.3%
United Kingdom	+0.6%
Germany	-12.3%
Mexico	-23.3%
Philippines	+6.2%
Italy	-11.4%
Canada	-5.9%
Spain	-10.1%
Switzerland	-1.0%
Australia	-7.6%
Japan	-3.5%
Russia	-23.1%
Rest of the World	-6.1%
Total	-3.1%

in CHF

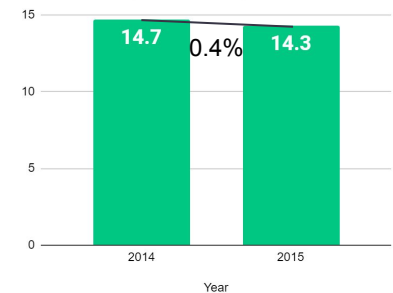
Nearly all countries are witnessing a decline in revenue.

...Nestlé also faced **earnings decline**, **share value dropped** from 4.54 to 2.9 CHF in 2015; **Operating cash flow stagnant** at 14.3 billion CHF...

Earnings per share
(in CHF)

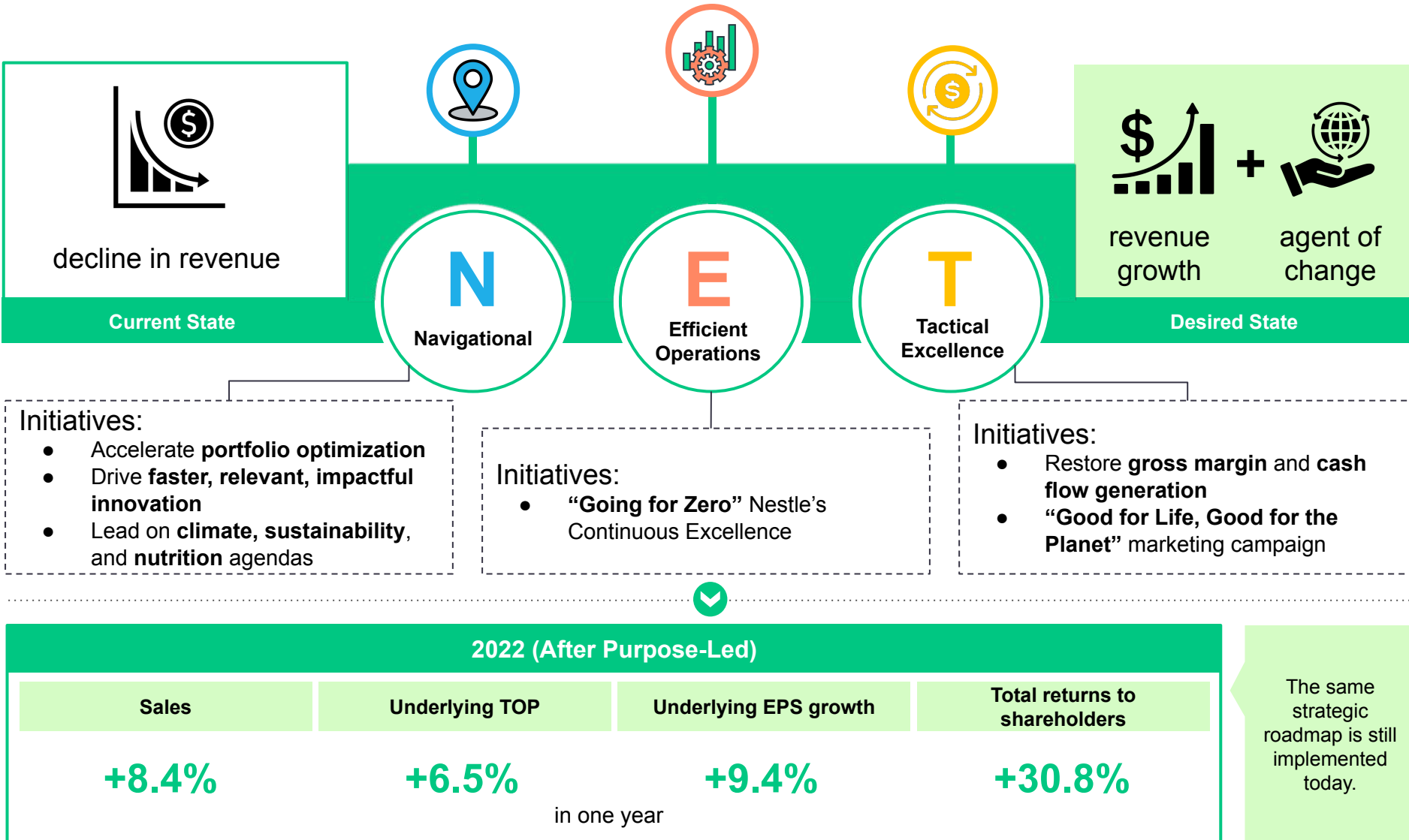


Operating cash flow
(in billions of CHF)

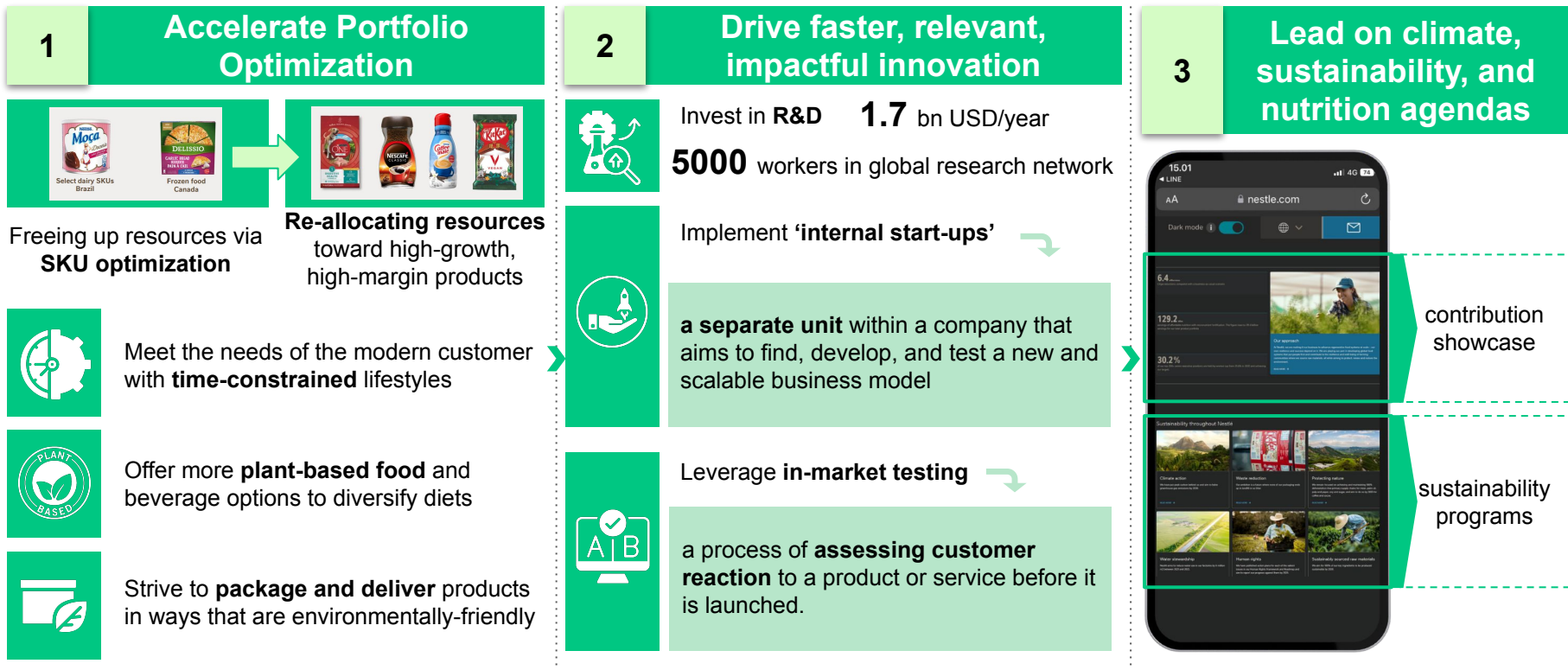


Overall, Nestlé's revenue growth was unfavorable.

By adopting a purpose-led approach and employing the N-E-T strategy, Nestlé experienced a substantial rise, evidenced by a significant increase in revenue in 2022...



Nestlé's primary focus is navigating its purpose-led approach, a strategy that drives sales growth...



Lead to these impacts...

E-commerce sales grew by... **9.2%**

Plant-based products generated sales of around... **CHF 1 bn**

Emerging markets sales grew by... **10%**

with sales for affordable, accessible, many nutrient fortified accounted for... **18%**

Therefore...

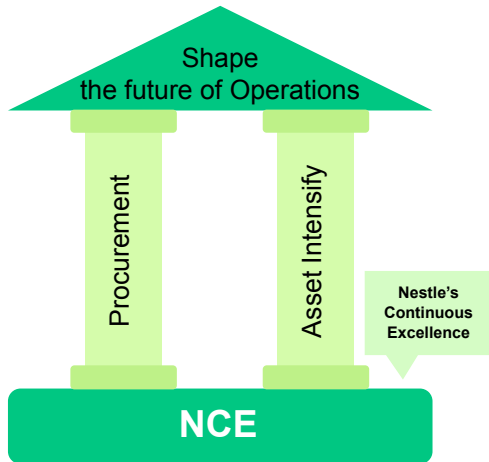
Purpose Led - Revenue Linearity



Yes, it shows linearity

Efficient operations under Nestlé's Continuous Excellence are a key pillar, aiming to yield CHF 1 bn in benefits over 3 years...

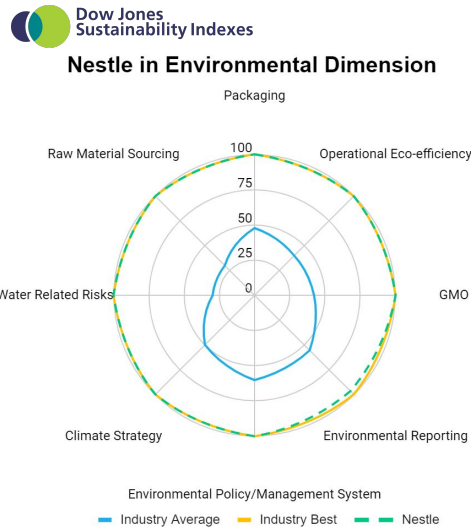
Nestlé ensures **sustainable operations** through the **commitment pillars** of NCE, strengthen by effective procurement and asset intensify...



...Nestlé embraces the NCE, 'Going for Zero' approach to minimize environmental impact...



...which led to several notable recognitions...



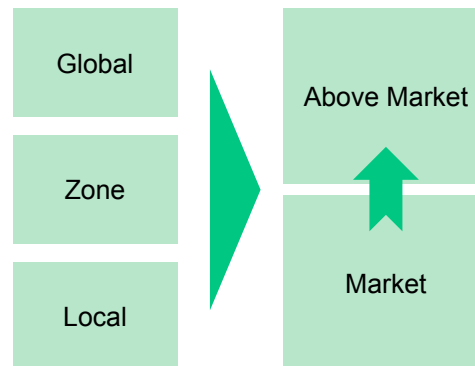
Current number of trained problem solvers **30,000**

Number of improvement initiatives per year **27,800**

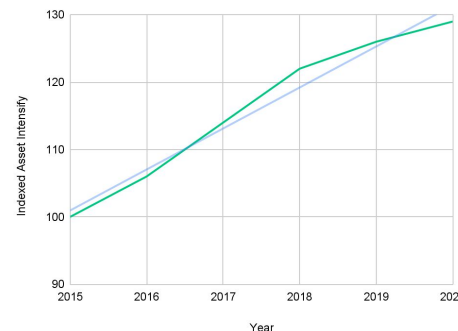
Procurement

Asset Intensify

Benefit over 3 years: CHF 0.5 billion

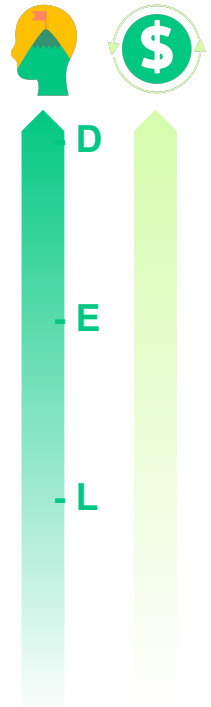


Benefit over 3 years: CHF 1 billion



Therefore...

Purpose-Led – Revenue Linearity



Yes, it shows linearity

Therefore, to complete the mission, a rational pricing strategy, coupled with a comprehensive 'Good Life, Good for the Planet' marketing campaign, is underway...

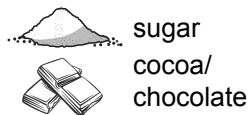
Restore gross margin and cash flow generation



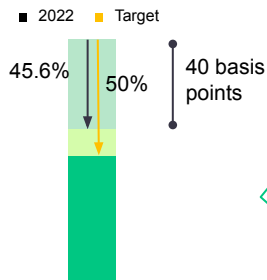
Rationalized pricings to cut stock-keeping units (SKUs) in favor of higher-margin items

SKU = accurate and efficient monitoring of stock levels and sales performance

Higher-margin items



...This rationalization led to Nestle's gross margin dropped 40 basis points in 2022...



Purpose Led - Revenue Linearity

L E D

Yes, it shows linearity



"It will turn positive, driven by a step-up in marketing investment."

CEO Mark Schneider

Step up marketing investments

"Good Life, Good for the Planet" campaign

Role	Trigger			Experience	Amplify
Phase	Awareness	Interest	Desire	Action	Advocacy
Message	Nestle seamlessly merges sustainability and well-being, offering products that enhance personal health and contribute to a healthier planet			Nestle products prioritize your well-being and contribute to a sustainable planet. Make every purchase count!	It's a commitment to a better future
Channels	Guerilla Marketing, Website, Instagram, TV Commercial Conventional				
Implementation	   				

Nestlé's purpose-led strategy plays as a safety 'NET' and serves as a blueprint for FMCG companies to drive revenue growth...

Main Issue

How can a “**purpose-led**” approach become a winning strategy to drive revenue growth in an FMCG company?



N

Navigational

E

Efficient Operations

T

Tactical Excellence

... which is proven can support ...

... e-commerce sales growth & emerging markets sales growth



Accelerate Portfolio Optimization

Drive faster, relevant, impactful innovation

Lead on climate, sustainability, and nutrition

9.2% e-commerce sales growth/year

10% emerging markets sales/year

... asset intensify



“Going for Zero” NCE

CHF 1 billion of benefit over 3 years



Restore gross margin and cash flow generation

“Good for Life, Good for the Planet” Campaign

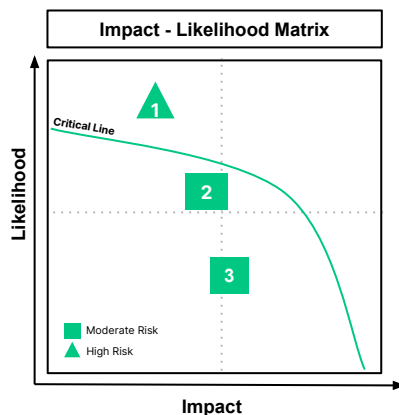


... overall revenue growth

+8.4% increase of sales/year

+30.8% increase of returns to shareholder/year

... and might as well back them up with these recommendations...



- Not enough access to sustainable material**
 Establish strategic **partnerships** with reliable suppliers, diversify **sourcing channels**, and invest in **research and development** to explore alternative sustainable materials.
- Supply chain is set up at unreasonable cost**
 Conduct a thorough **cost-benefit analysis** to identify inefficiencies, **negotiate favorable terms** with existing suppliers, explore competitive **bidding** for new contracts.
- Difficult to scale the mission across countries**
 Develop a flexible and adaptable framework that considers **local nuances and regulations**.

Comment:

These risks and mitigations, while derived from **common research**, may **vary** across companies.

Implementing **purpose led approach that is integrated to N.E.T** strategy might ensure an FMCG company to **successfully drive revenue growth**