

Nestlé's PPP strategy

Global context

As the world's leading nutrition, health and wellness company, Nestlé has a responsibility to provide consumers with high-quality, nutritious products, regardless of where we sell them and the price point at which we sell them. Therefore, we have developed a specific business model called "Popularly Positioned Products" (PPPs) which focuses on the specific needs of around 3 billion lower-income consumers worldwide. PPPs offer these consumers the opportunity to consume high-quality food products that provide nutritional value at an affordable cost and appropriate format. PPPs are defined as one of Nestlé's main growth drivers for the years to come.

Key facts

- PPPs are affordably priced, nutritionally enhanced, appropriately formatted and easily accessible for emerging consumers.
- In 2009, PPPs accounted for around 8% of Nestlé's annual sales, which equates to USD 8 billion.
- With 12.7% organic growth in 2009, PPPs grew substantially faster than the rest of the Nestlé Group.
- Nestlé's PPP range stretches from culinary products to beverages, dairy and confectionery and entails 3950 different products overall.
- Nestlé produces PPP versions of major global brands including *Maggi*, *Nido* and *Nescafé*.
- The PPP strategy relies on local sourcing, local manufacture and local distribution to minimize costs.

Nutrition

- Nestlé applies the same vigorous quality and safety standards on its PPPs than on any other products. Food safety and quality are non-negotiable.
- With a large proportion of the world's emerging consumers suffering the consequences of deficiencies in key micronutrients such as iron, zinc, iodine and vitamin A, fortifying our PPPs with micronutrients can help to address deficiencies among lower-income consumers.
- Iodine is the most widespread deficient micronutrient in the world affecting 2 billion people. Nestlé sold 600, 000 tonnes of iodine-enriched *MAGGI* products (bouillons, seasonings and noodles) in 2009.

Distribution

- With a range of locally adapted distribution methods, including street markets, mobile street vendors and door-to-door distributors, PPPs are a source of income for street traders and individual distributors and contribute to the creation of local jobs.

Business opportunities

- Our presence in emerging markets is both highly developed, with USD 33 billion of sales in 2009, and rich with opportunity as these markets continue to grow dynamically. Our businesses in these markets grew faster than the rest of the Group and there is still huge potential: the population in emerging markets is expected to increase by 3.3bn (2000-2050). More specifically, we estimate that there will be one billion additional consumers entering into the cash economy within the next ten years.
- We also sell PPPs in developed markets, mainly in Europe. With our diverse product and brand portfolio, we are able to cover all income levels and provide solutions to the changing purchasing patterns of the current environment, adapting to consumer requirements. Our portfolio is broad based (cheap and expensive versions of the same product category). Nestlé offers the possibility to trade up and trade down without trading out of its products.

Role of R&D Singapore in implementing Nestle's PPP strategy

- Nestle R&D in Singapore is part of a network of Research Centers, Product Technology Centers and Application groups in over 50 countries who is committed to discovering new ways to delight consumers and contribute to good health.
- Nestle R&D in Singapore operates in the developing world where micronutrient malnutrition is a common risk factor for disease. As such, the center takes leadership role in developing affordable and tasty products fortified with micronutrients such as iron, Vitamin A and iodine, in order to address local needs.