

**APPLICATION OF KAIZEN CONCEPTS IN MANUFACTURING  
ENTERPRISES WITH A SPECIAL REFERENCE TO NESTLE  
INDIA LTD.**

**PROJECT REPORT**

*Submitted to Mahatma Gandhi University in partial fulfillment  
of the requirements for the award of the Degree of  
**MASTER OF BUSINESS ADMINISTRATION***

Submitted by

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**Accredited by NAAC with 'A' Grade**

**DEPARTMENT OF MANAGEMENT STUDIES**

**MAR ATHANASIOS COLLEGE FOR ADVANCED STUDIES TIRUVALLA**

**2021**



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## CERTIFICATE

*This is to certify that the project report entitled “APPLICATION OF KAIZEN CONCEPTS IN MANUFACTURING ENTERPRISES WITH A SPECIAL REFERENCE TO NESTLE INDIA LTD.” is a bonafide report of the project work undertaken by **Senmon Jose**, fourth semester MBA student of our college during a period of 8 weeks commencing from 1 st April to 31 st May,2021.*

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I hereby declare that this project report entitled “**APPLICATION OF KAIZEN CONCEPTS IN MANUFACTURING ENTERPRISES WITH A SPECIAL REFERENCE TO NESTLE INDIA LTD.**” is a bonafide report of the study undertaken by me, under the guidance of **Dr. Neethu Ann Georgie**, Department of Management Studies, MACFAST, Tiruvalla.

I also declare that this project report has not been submitted to any other University or Institute for the award of any degree or diploma.

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DATE : 01/06/2021



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## **ABBREVIATIONS**

- FMCG: Fast Moving Consumer Goods
- MSMEs: Ministry of Micro, Small and Medium Enterprises
- BOGOF: Buy One Get One Free
- TQC: Total Quality Control
- TPM: Total Productive Maintenance
- VSM: Value Stream Mapping
- PDCA: plan-do-check-act cycle

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**CHAPTER – 1**  
**INTRODUCTION**

## **1.1 BACKGROUND OF THE STUDY**

In today's world, manufacturing companies are focusing not only on producing value added products and services, but also on sustainability and efficiency in terms of cost, waste, environment, society etc. Nestle has similar aims of improvement through which it desires to acquire customer value and environment friendly production. Designing and implementing sustainability projects and products help gain these benefits. Among the many brands of nutrition and general health, Nestle is one of the leading names which are famous for the production of a variety of products. Nestle owns about 70 brands including many famous names such as Kit Kat, Nescafe and Shreddies. Besides these food products, it also owns water brands like Nestle Pure Life. As of 2011, Nestle owns 450 factories, around 328,000 employees and operates in 86 countries. This makes it one of the biggest companies in the world. Nestle company was started by Henri Nestle in 1867. Since then, Nestle has not only been taking care of its business but also the environment and society that affect a business. It has established sustainability with long term growth perspective. Nestlé's dedication to this sustainability and balance of socio-economic as well as environmental factors is evident from all its operations. Since its establishment, Nestle has earned name for its quality and safety of its products. It also has been famous for being a responsible as well as sustainable manufacturer. Nestle has introduced its lean production process by the name of Nestle Continuous Excellence (NCE). This program started at Nestle in 2008. This excellence program has helped Nestle in its success by increasing its efficiency and by saving various resources throughout its value chain. In order to reduce the waste, nestle used lean production. In this approach, waste is evaluated with time, cost and quantity spent during production process. If these elements are reduced the productivity increases. Main aim of lean production is to reduce the usage of resources during production of goods. Production process typically involves space, labour, machinery, supplies, materials and time etc. Lean production uses these resources more efficiently.

Kaizen is based on the concept of continuous progress. In this way, it supports the idea of lean production. Kaizen involves every person who is a part of the production process. It gives responsibility of improvement to all these people. In this way, enhancing capacity and efficiency does not remain to be a one-time process. Kaizen approach strongly agrees that every improvement should be taken in to consideration, be it large or small. The reason is that even small developments can help in saving the resources.

## **1.2 STATEMENT OF THE PROBLEM**

The problem in this study is related to how kaizen has helped nestle in their operations and has achieved continuous improvement to achieve overall success for the company. Many companies successfully use Kaizen and Lean principles to inspire continuous improvement around the facility. Kaizen help companies around the world to cut down on wastes and streamline processes.

Nestlé is the biggest food company in the world and a company that uses Lean principles, specifically Kaizen. Nestlé Waters used a tool often associated with Kaizen called value stream mapping. They mapped out a new bottling plant to ensure processes were as efficient as possible. Overall, Nestlé has been working to make continuous improvements in order to reduce waste and lower the time and materials that can be wasted in their processes.

## **1.3 RELEVANCE & SCOPE OF THE STUDY**

The study is intended to know the application of kaizen concept in manufacturing enterprise of Nestle company. Kaizen is a term that refers to on-going or continuous improvement. The definition of kaizen comes from two Japanese words: 'kai' meaning 'change' and 'zen' meaning 'good'. The Japanese philosophy was first introduced by Toyota back in the 1980s and has since been adopted by thousands of companies around the globe. This lean transformation encourages an improvement culture that gradually increases quality, efficiency, and profitability.

In today's world kaizen is an important feature in every operational sector. So the benefit of kaizen is, it approaches the beneficial for a wide variety of business models and operational philosophies. It can improve work processes, eliminate waste, improves quality and increases the profitability of your company. Although it's not a quick-fix, implementing Kaizen can lead to consistent and long-term growth. Let's look at some of the ways that Kaizen can improve the workplace and overall business results.

## **1.4 OBJECTIVES OF THE STUDY**

- To get an overview regarding application of kaizen in manufacturing industry.
- To get an overview regarding kaizen
- To get an awareness regarding process of implementation of kaizen with reference to Nestle.
- To analyse benefits and limitations of kaizen with reference to Nestle.
- To analyse the changes in Nestle after the implementation of kaizen.

## **1.5 LIMITATION OF STUDY**

The Covid-19 pandemic has affected the conducting of project by visiting the company. The data collected for the study are using internet and other secondary sources. This was the major limitation of this study.

## **1.6 CHAPTERIZATION**

CHAPTER 1 – Mentions about the Scope and Objectives of the study.

CHAPTER 2 – Goes through the earlier studies done and uniqueness of our study.

CHAPTER 3 – Mentions the Methodology, Data collected, Tools used, etc. for the study.

CHAPTER 4 - Includes the Data analysis and inference of the study.

CHAPTER 5 – Includes Findings and conclusion of the study.

CHAPTER 6 – Contains Appendix and Bibliography used in the study.

CHAPTER 7 - Conclusions

**CHAPTER-2**  
**INDUSTRY PROFILE**  
**&**  
**COMPANY PROFILE**

## 2.1 INDUSTRY PROFILE

Products which have a quick turnover, and relatively low cost are known as Fast Moving Consumer Goods (F.M.C.G.). Between 1950 and 1980, there was limited investment in the FMCG sector. Local people had lower purchasing power, which meant that people opted for necessity products rather than premium products. Indian government was inclined towards Favours the local shops and retailers. Between 1980 and 1990, people wanted more variety of products which encouraged FMCG companies to increase the availability of products. FMCG Industry started getting traction and other companies started entering the industry. Media industry in India also boomed during the same time which gave new companies even more incentive to make their business profitable. Prior to 1991, when globalization and liberalisation occurred in India, western apparels and foreign food products were not available to local customers. Common people weren't very aware of brand recognition. After 1991, FMCG industry was inspired by the international companies which also allowed government intervention to incentivise foreign FMCG companies to operate in India. The Indian FMCG industry generates massive employment opportunities and currently employs more than 3 million people. Departmental stores, grocery stores, and super markets are the places where consumers buy the necessary products for daily consumption. In the 21st century, people don't want to move across different stores to acquire the common household goods. Hence, the introduction of supermarkets, where customers have variety of choices for different household products, into localities are proving to be extremely convenient to the customers. Some of the most common stores in India are: Reliance Retail, Big Bazaar, D-Mart, Easy day, MORE, Spencer's, Spar, Hyper City, and Star Bazaar. Although the operations of supermarkets are profitable, local grocery stores are suffering due to lack of variety of products. Unlike other emerging FMCG industry around the world, FMCG sector in India is still quite conventional. Despite street markets are still one of the most visited places for shopping in urban and rural settings, online platforms are leading the way to buy FMCG products. F.M.C.G. products are those that get replaced within a year. Examples of F.M.C.G. generally include a wide range of frequently purchased consumer products such as toiletries, soap, cosmetics, tooth cleaning products, shaving products and detergents, as well as other nondurables such as glassware, bulbs, batteries, paper products, and plastic goods. F.M.C.G. may also include pharmaceuticals, consumer electronics, packaged food products, soft drinks, tissue paper, and chocolate bars. India's F.M.C.G. sector is the fourth largest sector in the economy and creates employment for more than three million people in downstream activities. Its principal constituents are Household Care, Personal Care and Food & Beverages. The total F.M.C.G. market is in excess of. 85,000 Crores. It is currently growing at double digit growth rate and is expected to maintain a high growth rate. F.M.C.G. Industry is characterized

by a well-established distribution network, low penetration levels, low operating cost, lower per capita consumption and intense competition between the organized and unorganized segments. Fast-moving consumer goods (FMCG) sector is the 4th largest sector in the Indian economy with Household and Personal Care accounting for 50 per cent of FMCG sales in India. Growing awareness, easier access and changing lifestyles have been the key growth drivers for the sector. The urban segment (accounts for a revenue share of around 55 per cent) is the largest contributor to the overall revenue generated by the FMCG sector in India. However, in the last few years, the FMCG market has grown at a faster pace in rural India compared with urban India. Semi-urban and rural segments are growing at a rapid pace and FMCG products account for 50 per cent of total rural spending. In India, companies like ITC, H.U.L., Colgate, Cadbury and Nestle have been a dominant force in the F.M.C.G. sector well supported by relatively less competition and high entry barriers (import duty was high). These companies were, therefore, able to charge a premium for their products. In this context, the margins were also on the higher side. With the gradual opening up of the economy over the last decade, F.M.C.G. companies have been forced to fight for a market share. In the process, margins have been compromised.

### **Industry Analysis**

Companies in the food processing industry deal with the transformation of finished food products from raw agricultural ingredients, lengthening the shelf life of products in compliance with hygiene and health standards (SHARP). Food processing industries include the following: cannery, meat processing, food packaging etc. These foods are often sold to wholesalers or retailers for distribution to consumers. The industry is characterized by intense competition, with the most reliable firms, such as Nestle, performing well by focusing on efficiency in terms of fast processing and distribution. More often than not, the most successful companies within the food and beverage industry (such as Nestle, Kraft and Mars, Inc.) implement a diversification competitive strategy where they spread out and add related or similar products to its existing core business. Economically speaking, the effect of the global economic meltdown has had a less impact in food processing industry than in other industries due to its rising demand for convenience food and ready to serve products. However, one of the challenges that all food processing companies face today is the rising price of raw ingredients such as corn, wheat and dairy. Other factors that affect demand for processed food are issues concerning dieting and obesity, allergens, and increased interest in the use of quality ingredients. One major key segment in the food processing industry is the increasing growing market for organic food and health products. The Organic Trade Association reports that sales of organic food grew to over \$28.6 billion, making up 4% of total food sales. Sales growth was strongest for organic meat, dairy, fruits and vegetables, and bread and grains (US Organic Trade Association). Companies that wish to find success in the food



processing industry must adhere to these factors, as they have an undoubtedly major effect on the industry.

As the largest food company in the world in virtually any way that can be measured, Nestle is the food processing industry's undisputed leader. In fact, Nestle currently has over 29 brands that independently earn revenue upwards to a billion Swiss francs every year (DuBois). Additionally, with only 42% of its food and beverage sales coming from the United States, Nestle solidifies itself as the most geographically diverse of all major food and beverage companies. For the company, it's all about creating long-term value and catering to customer's wants and needs by employing a decentralized approach to its market (DuBois). Although Nestle derives much of its success from superior marketing and strategy, former vice president, Allan McIntosh, asserts that its true competitor advantage is due to its manufacturing operations. All manufacturing of Nestle products take place in its own plants "to better control all aspects of value creation, from marketing and supply chain factors to technology and plant processes (Sperber)". In response to the current trend in the food processing industry, Nestle has focused its core competencies toward advancing health and nutrition. Illustrated by its tagline, Good Food Good Life, Nestlé's stated goal is to be recognized globally as the leader in nutrition, health, and wellness. This is accomplished by Nestlé's attempt to promote its nutritional value in its products and to expand into new areas of nutritional food- and food-based products. Nestlé's creation of the Nestle Health Science Company further demonstrates its commitment to nutrition, health, and pharmaceutical foods (Nestle Health Science). This wholly-owned subsidiary operates under the objective to bridge the gap between pharmaceuticals and food and untangling the accessibility of food, drugs, and disease. The main driver in the food processing industry is technological innovation. In addition, in order to maintain its leading global position, Nestle has a notably huge R&D budget of \$2 billion which is invested in new food technologies for chilling, dehydrating, and freeze-drying (DuBois). In sum, Nestle has a clear competitive advantage over its competitors, allowing the company to be an impressive leader in the industry and to dominate markets.

## **2.2 BUSINESS PROCESS OF THE INDUSTRY**

The basic business processes involved primary and supporting business processes.

1. Primary Business Process
  - Outbound Sales Logistics
  - Operations
  - Marketing
  - Service

## 2. Supporting Business Process

- Procurement
- Human Resources
- Technology Department
- Firm Infrastructure

For over the centuries, Nestle has expanded their business rapidly all over the globe. It is very popular among the consumers as the product has been giving out positive feedback.

## **PRIMARY BUSINESS PROCESSES OF NESTLE**

### 1. OUTBOND SALES LOGISTICS

- Distributing products and services to customers.
- Nestle prefers distributing their products by servicing in land transportation rather than rail train or short sea shipping because the possibilities of their product to deliver in good shape is higher.
- Use big lorries that can load more products to avoid empty runs.
- Send the stock to each Nestle branch around India
- Distribution are made with many kind of grocery shops' such as Tesco and Giant.

### 2. OPERATIONS

- Transforming inputs into products or services.
- Nestle have a lot of types of food which includes junior foods, milk, breakfast cereals, hot cereals, creamer, beverages, coffee, culinary products, chilled dairy, ice cream, confectionery & chocolate and many more.
- For each product that they have, it will have its own ingredients and raw materials that they need. For instance, manufacturing of chocolate.
- The input are the raw materials needed such as cocoa, milk and many more.
- The process which will be done by the machine such as whipping of the ingredients then froze the ready-made chocolate in chiller.
- Finally, the outputs are the chocolates that have been packaged in their own brand which is Nestle.

### 3. MARKETING

- Helping customers to buy the products or services of the firm.

- The most important thing to do with food business in Malaysia is that the foods must be based with Halal materials and is approved by higher authorities that it is officially Halal where the Muslims can consume it peacefully.
- All ingredients that contained in the product are all labelled accurately on the container of the food.
- Running a food based business is not an easy task as many advertising need to be done.
- However, Nestle is brilliant in attracting their potential customers and also existing customers.
- Many types of advertisement that is made by Nestle such as through television commercials and flyers that is passed around at the shopping mall and many more.

#### 4. SERVICE

- Post sale support provided to customers such as repairs and maintenance function.
- Nestle provides its official website for the consumers to review its products.
- It is very helpful as all functions and purposes of product are stated clearly and are a satisfactory.
- The website has a very welcoming vision.
- Make people that consume the product feels healthy, happier and prevent from getting diseases because if the good nutrition in their food and beverages products.
- Sugar content in Nestle product has been reduced to 34% and salt level has been reduced to 75%.

### **SUPPORTING BUSINESS PROCESS OF NESTLE**

#### 1. PROCUREMENT

- Buying the resources needed to carry out the entity is the primary activities.
- Finding potential supplier.
- Nestle have a lot of supplier around the world to keep them always available with raw materials needed to manufacture products.

#### 2. HUMAN RESOURCES

- Recruiting and hiring new employees.
- Training, paying salary and employee benefits.
- Nestle is not only good in producing nutritional products, they are good in attracting people to join their company.

- Nestle have given many job opportunities to the public with many different positions.
- Advertising of job in website and newspaper.
- Nestle have also given useful information in the website for the one who is interested to work with them.
- Nestle is also known as one of the companies that took care of their employees' rights and duties.

### 3. TECHNOLOGY DEVELOPMENT

- Activity to improve company's product or services.
- Nestle have a department of 'Research and Development' to make sure that they are always up to requirements of the public.
- It is a costly thing to do for company but it pays back the cost with double profit.
- Having the department of 'Research and Development' helps Nestle a lot in healthy competition aspect.
- Nestle also use solar panels in warehouse as energy consumption.
- Nestle is a very economically friendly company.

### 3. FIRM INFRASTRUCTURE

Nestle has a very stable infrastructure. It is all planned properly by expertise and high education people who have a lot of experience in the nutrition field. It has its own accountant, lawyers, administrative and other officers to do their significant job that has been assigned. Below are the members in the board of director and is assigned to its own job.

## **2.3 MARKET DEMAND & SUPPLY – CONTRIBUTION TO GDP – REVENUE GENERATION**

Fast moving consumer goods (FMCG) are the fourth largest sector in the Indian economy. There are three main segments in the sector – food and beverages which accounts for 19 per cent of the sector, healthcare which accounts for 31 per cent and household and personal care which accounts for the remaining 50 per cent. The FMCG sector has grown from ₹2,20,852.4 crore (US\$ 31.6 billion) in 2011 to 3,68,669.75 crores (US\$ 52.75 billion) in 2017-18. The sector is further expected to grow at a Compound Annual Growth Rate (CAGR) of 27.86 per cent to reach 7,24,759.3 crore (US\$ 103.7 billion) by 2020. FMCG market is expected to grow at 9-10 per cent in 2020. FMCG urban segment

witnessed growth rate of 8 per cent whereas rural segment grew at 5 per cent in quarter ended in September 2019; supported by moderate inflation, increase in private consumption and rural income.

Accounting for a revenue share of around 45 per cent, rural segment is a large contributor to the overall revenue generated by the FMCG sector in India. Demand for quality goods and services have been going up in rural areas of India, on the back of improved distribution channels of manufacturing and FMCG companies. Urban segment accounted for a revenue share of 55 per cent in the overall revenues recorded by FMCG sector in India. FMCG Companies are looking to invest in energy efficient plants to benefit the society and lower costs in the long term. Patanjali will spend ₹5,197.85 crores (US\$ 743.72 million) in various food parks in Maharashtra, Madhya Pradesh, Assam, Andhra Pradesh and Uttar Pradesh. Dabur is planning to invest ₹250-300 crore (US\$ 38.79-46.55 million) in FY19 for capacity expansion and is also looking for acquisitions in the domestic market. Investment intentions, related to FMCG sector, arising from paper pulp, sugar, fermentation, food processing, vegetable oils and Vanaspati, soaps, cosmetics and toiletries industries, worth ₹19,846 crores (US\$ 2.84 billion) were implemented up to November 2019.

Growing awareness, easier access, and changing lifestyles are the key growth drivers for the consumer market. The focus on agriculture, MSMEs, education, healthcare, infrastructure and tax rebate under the Union Budget 2019-20 is expected to directly impact the FMCG sector. These initiatives are expected to increase the disposable income. Favourable demand drivers such as rising income levels and growing urbanization, among others, have recently encouraged major and diverse investments in the FMCG sector. While top FMCG companies are expanding their capacity to feed the growing domestic demand, home-grown brands have ventured into international markets. The consumer products industry has been growing at a brisk pace in the past few years backed by robust economic growth and rising rural income. Growth drivers such as premiumization, rapid urbanization, evolving consumer lifestyles and emergence of modern trade have shielded the industry from the slowdown. The consumer products or the Fast Moving Consumer goods (FMCG) sector is valued at ₹1.6 trillion. The industry is urban-centric with 66% share of the goods being consumed by urban India. Metropolitan cities & small towns have been driving the FMCG consumption in urban India since 2002. In fact, middle India, comprising of the small towns and consuming 20% of overall FMCG sales, has been growing the fastest across rural and urban segment.

The FMCG market size of middle India is set to expand from ₹287 billion in 2010 to over ₹4 trillion by 2026. Rural India, where 70% of the population resides but only 34% consume FMCG goods, presents the biggest market potential for the industry. Backed by low unit packs and aggressive distribution reach, rural market size has expanded four times to ₹564 billion since 2002. Companies

such as Nestle, Hindustan Unilever and Dabur which derive nearly half their sales from rural India have been increasing their reach. FMCG goods are retailed through two primary sales channels - General Trade and Modern Trade. General Trade, comprising of the ubiquitous kirana stores, is the largest sales channel forming 95% of overall retail sales. However, growth of consumer goods retailed through Modern Trade channel is outpacing the growth of FMCG products in General Trade. Factors such as a comfortable and modern store experience, access to a wide variety of categories and brands under a single roof and compelling value-for-money deals are attracting consumers to organized retail in a big way.

The FMCG sector is the fourth largest industry in India contributing nearly 20% to the Gross Domestic Product. FMCG, or fast-moving customer goods, sector refers to three main categories of products: Personal care, housing, and food. This sector witnessed growth through leaps and bounds in its early years of development; however, in the last few years, its growth has flat-lined. This is mainly due to government policy and changes in the overall marketplace. Surprisingly, these changes have turned favourable for the sector starting from this year. The FMCG sector is predicted to undergo the highest level of growth in its history in India. It is expected to grow at higher single-digit and even lower double digit levels in the October-December Quarter of FY2018. FMCG sector is set to grow at a compound annual growth rate of 20.36% up to the year 2020 and set to grow by as much as \$100 billion. India is a very diverse market, therefore when it comes to the growth and development of any industry; there are always a multitude of factors which play a role in this development. FMCG is no exception. There are a variety of factors which can potentially promote its growth. Until recently, there was a massive gap between the rural and urban households, with the urban area having a greater competitive edge. Yet as witnessed over the last few years of government implementation of programs for the upliftment of the rural population, specifically, doubling the farmer's incomes have brought about a notable shift. According to recent reports, 50% of the demand for FMCG retail comes from the rural areas. Retailers have recognized this increased demand and made every effort possible to meet it. With the help of technological advancements and its vast reach, retailers have easily been able to this meet this huge part of the potential demand in the rural areas. The FMCG sector is one of the major industries in the Indian market. Such an industry flat-lining in growth is not a pretty sight for the economy. Favourable government policies and a conscious management have managed to bring FMCG back to one of the fastest growing sectors in the market. Such a huge sector plays a huge role in GDP and employment, indicating a positive sign for India's future. The Gross Domestic Product popularly known as GDP of an economy requires contribution from major industries to be healthy. India is largely an agrarian economy; so agriculture makes the major contribution to the GDP. Role of major industries in India GDP is important as based on this only the total GDP is calculated. In terms

of US Dollar exchange rate India's economy is the twelfth largest. Despite witnessing a slowdown, due to the global recession, India's economy has huge potential of expansion. As far as the economic scenario is concerned India is surely on a roll. The country now stands only after Brazil as far as GDP ranking is concerned. India has replaced Russia and grabbed the second position in the global forefront mostly due to the strategic planning and huge amount of expenditures on education in India. India is expected to cross the 8 percent mark and move to 9 percent GDP growth rate. India is the second largest populated country in the world sheltering over one billion people. Although India has not had a striking 10 percent year over year economic growth as its neighbour China it has still managed to grow at a nominal rate. India's GDP growth has been slow but careful. According to trade pundits India will take the third position as far as GDP growth is concerned by 2020 replacing Germany, the UK, and Japan. Only United States and China will be ahead of it. All the important sectors in India have shown positive signs of growth from the last five years. Let us have a close look at the sector wise growth rate in India from the period 2010 to 2011. Indian exports increased by 26.8 per cent (y-o-y) and touched US\$ 18.9 billion in November 2010 (The period April 2010 to November 2010 exports in the country grew by 26.7 per cent to US\$ 140.3 billion. On the other hand, imports increased to US\$ 222 billion.). This rapid growth in the exports from India urged the Indian Government to conclude that the total shipments in 2010-11 might go up to US\$ 215 billion. FMCG companies have been wary of taking up product prices on account of this inflation. In the fourth quarter of the 2011-12 financial years, for instance, while volume growth was 09 to 15 per cent for most FMCG companies, price-led growth was five to 10 per cent only. The trend was no different for the first three quarters of the 2011-12 year, with price-led growth in the region of five to 10 per cent, as companies focused on volumes. Analysts say a good rainfall this year will be critical in keeping this volume-sales momentum going.

Revenue from operations is a measure of how much revenue a company is generating from its core business. Revenue from operations does not include income from non-operating activities such as sales of assets, sale of subsidiaries, income from investments made etc. Revenue from operations/share measures how much revenue a company is generating from its core business on per share basis. Nestle India's Revenue from Operations/Share in 2012 was ₹864.4 per share while in 2016b it improved to ₹. 956.63 per share. Almost 45% of the company's revenue comes from the milk and nutrition segment. The second highest contributor to company's revenue is the prepared dishes and cooking aids segment. One of the top contributors of revenue in this segment is Magi brand. This segment of the company contributes 29% to the revenue of Nestle India. The third category is the chocolate and confectionery business which includes brands like Munch and Kit Kat. Almost 13% of company's revenue comes from this segment. Similarly, beverages segment which includes, brand like Nestea and Nescafe also contributes 13% to the total revenue of the company.

## **2.4 LEVELS AND TYPES OF COMPETITION – FIRMS OPERATING IN THE INDUSTRY**

India's huge population has always been a significant factor for the growth of FMCG sector in the country. Between 1950 and 1980, the consumption of FMCG products was relatively low due to the low per capita income. The post-liberalization era in India has witnessed a massive growth in the selling of products in the domestic market. The Indian market also imported loads of products from overseas markets which made increased the competition. The easing of the trade barriers encouraged the MNCs to invest in the Indian market to cater to the needs of the consumers. The living standards rose in the urban sector due to high disposable income along with the rise in the purchasing power of the rural families which increased the sales volume of various manufacturers of the FMCG products in India. On the contrary to this, Nestle has always targeted the market of urban India and focuses largely upon the value added products for the elite class or upper middle class population. Like any other business, the strong sophisticated growth of consumption and customer demand for FMCGs charge this industrial sector with fierce rivalry among different competitors. Factors like new firms setting up and threatening to become potential competition and products being substituted by similar ones further contribute to market saturation. Everyone wants to increase their market share while retaining existing customers.

Last but not the least, the bargaining powers of both suppliers as well as buyers is additional forces to reckon with. The major competitive drivers focused upon in this article are the market, cost, and quality of the products. The market of FMCG is very competitive and manufacturers are coming forward with the latest ideas and techniques to beat the competition and remain on the top. A recent boon the market of FMCG is very wide and the demand of FMCG products will increase in the coming future. Companies plan competitive strategies in order to attract and connect to the potential customers. The goal of designing a competitive strategy is to provide better service to the consumer at low price and stand ahead of the competitor.

Five main competitive strategies are:

- Overall low cost leadership strategy
- Best cost provider's strategy
- Broad differentiation strategy
- Focused low cost strategy
- Focused differentiation strategy

In the FMCG sector has made it highly competitive.



FMCG is an industry where the competition goes on for years. There are so many tactics to fight competition in FMCG, that the companies do not back off and from time to time they keep introducing new measures to ward off competitors. Furthermore, this industry is pockmarked with unorganized competition wherein small and medium manufacturers also give tough competition to established companies. Companies which have been in competition with each other for years. Nestle Kitkat, Nestle Munch, Alpino, Classic Nestle, Milky bar, Eclairs and polo are some of the top products which come in the chocolate brands for Nestle. All of these products are widely in demand in the market. And they sell in huge volumes. However, Nestle products just challengers to the market leader – Dairy milk and Cadbury from Kraft foods. Dairy milk is one of the most marketed and most liked chocolates across India. At the same time, Cadbury celebrations are a popular gifting product and targets occasions and festivals with an emotional touch. In this rivalry, Nestle is quite far behind but has always been the thorn in an otherwise flawless leadership by Cadbury. Where Nestle has Kitkat, Cadbury has Perk. Similarly, Cadbury has its own version of Eclairs. Thus, these FMCG rivals are set to be rivals for the coming years. Though, it can be forecasted that Nestle will remain the challenger and Cadbury the market leader.

## **2.5 PRICING STRATEGIES IN THE INDUSTRY**

### **➤ PREMIUM PRICING**

Use a high price where there is a uniqueness about the product or service. This approach is used where a substantial competitive advantage exists. Such high prices are charge for luxuries such as Cunard Cruises, Savoy Hotel rooms, and Concorde flights.

### **➤ PENETRATION PRICING**

The price charged for products and services is set artificially low in order to gain market share. Once this is achieved, the price is increased.

### **➤ ECONOMY PRICING**

This is a no frills low price. The cost of marketing and manufacture are kept at a minimum. Supermarkets often have economy brands for soups, spaghetti, etc.

### **➤ PRICE SKIMMING**

Charge a high price because you have a substantial competitive advantage. However, the advantage is not sustainable. The high price tends to attract new competitors into the market, and the price inevitably falls due to increased supply. Manufacturers of digital watches used a skimming approach in the 1970s. Once other manufacturers were tempted into the market and the watches were produced at a lower unit

cost, other marketing strategies and pricing approaches are implemented. Premium pricing, penetration pricing, economy pricing, and price skimming are the four main pricing policies/strategies. They form the bases for the exercise. However, there are other important approaches to pricing.

➤ **PSYCHOLOGICAL PRICING**

This approach is used when the marketer wants the consumer to respond on an emotional, rather than rational basis. For example, 'price point perspective' 99 cents not one dollar.

➤ **PRODUCT LINE PRICING**

Where there is a range of product or services the pricing reflects the benefits of parts of the range. For example, car washes. Basic wash could be \$2, wash and wax \$4, and the whole package \$6.

➤ **OPTIONAL PRODUCT PRICING**

Companies will attempt to increase the amount customer spend once they start to buy. Optional 'extras' increase the overall price of the product or service. For example, airlines will charge for optional extras such as guaranteeing a window seat or reserving a row of seats next to each other.

➤ **CAPTIVE PRODUCT PRICING**

Where products have complements; companies will charge a premium price where the consumer is captured. For example, a razor manufacturer will charge a low price and recoup its margin (and more) from the sale of the only design of blades which fit the razor.

➤ **PRODUCT BUNDLE PRICING**

Here sellers combine several products in the same package. This also serves to move old stock. Videos and CDs are often sold using the bundle approach.

➤ **PROMOTIONAL PRICING**

Pricing to promote a product is a very common application. There are many examples of promotional pricing including approaches such as BOGOF (Buy One Get One Free).

➤ **GEOGRAPHICAL PRICING**

Geographical pricing is evident where there are variations in price in different parts of the world. For example, rarity value, or where shipping costs increase price.

### ➤ VALUE PRICING

This approach is used where external factors such as recession or increased competition force companies to provide 'value' products and services to retain sales.

### ➤ PREDATOR PRICING

(Also known as destroyer pricing) is the practice of a firm selling a product at very low price with the intent of driving competitors out of the market, or create a barrier to entry into the market for potential new competitors. If the other firms cannot sustain equal or lower prices without losing money, they go out of business. The predatory price then has fewer competitors or even a monopoly, allowing it to raise prices above what the market would otherwise bear. In many countries, including the United States, predatory pricing is considered anti-competitive and is illegal under antitrust laws. However, it is usually difficult to prove that a drop in prices is due to predatory pricing rather than normal competition, and predatory pricing claims are difficult to prove due to high legal hurdles designed to protect legitimate price competition.

### ➤ LIMIT PRICING

A Limit Price is the price set by a monopolist to discourage economic entry into a market, and is illegal in many countries. The limit price is the price that the entrant would face upon entering as long as the incumbent firm did not decrease output. The limit price is often lower than the average cost of production or just low enough to make entering not profitable.

### ➤ LOSE LEADER

In marketing, a loss leader (also called a key value item in the United Kingdom) is a type of pricing strategy where an item is sold below cost in an effort to stimulate other, profitable sales. It is a kind of sales promotion.

## 5 COMMON WAYS FMCG MESS UP PRICING AND PAY THE PRICE

### 1. Consumer price based on Product Cost only

Make a product for \$1 and sell it for \$1.50 (50% mark -up) based on some internal guideline. This is more common with less sophisticated organisations and they end up Pricing Too Low resulting in lost profit, or Pricing too high which results in lower sales units. Either way, it is a lottery, though the only saving grace is that the product does not make a loss.

## 2. Issue Price Guidelines without limits on percentage of units sold on Promotional Prices

This is more common than many would like to believe. Sales and Marketing teams issue these types of guidelines in larger organisations. At times they do not place a limit on the percentage of units that can be sold at promotional prices, or simply do not communicate them clearly or install checks in the system. Sales teams tend to oversell at the lower promotional prices, which then erodes profitability.

## 3. Do not align Pricing with Brand Positioning

In some organizations Marketing finalizes the Brand Positioning and suggests Pricing at an overall level while Category Management or Trade Marketing own the detailed pricing strategies and tactics. This can be detrimental unless there is very close alignment between sales and marketing. Price is probably the most important Positioning tool in the marketer's armoury. Think about your quality and features perception of two cars without knowing anything else about them. One is for \$20,000 and the other is for \$120,000. Which one will most consumers believe to have better quality with many value added features etc. Misaligned Pricing with Positioning results in diffused consumer perceptions and sub-optimal sales and market share.

## 4. Decide Pricing without understanding the Category and Competition pricing

Sometimes in smaller, less sophisticated organisations management does not spend the bare minimum money to buy category and competition data. A walk down to the supermarket and pricing is decided. They do not recognize how sophisticated brands use deep pricing at times to drive trial without adversely impacting brand equity over a large period of time. And occasionally in large global multi-nationals there are stark errors in the analysis, not because they don't have the data (in fact many such large organisations have been sold excessive and irrelevant data by their data/analytics/research providers but more due to internal tunnel visioning (biases) which tends to disregard critical metrics and sometimes even ends up looking at an irrelevant competitive set (market segment).

## 5. Do not have a working P&L to evaluate various Price Levels & Unit Sales mix

While this appears to be elementary, you will be surprised how many organizations run large and complex spreadsheet based models which only a specific analyst can drive to extract relevant metrics. Every Brand Manager and Sales Manager must have a simple spreadsheet to evaluate various pricing scenarios by simply changing a few of the variables. Such a spreadsheet does come free with the Pricing Strategy Course launched by FMCG Academy (see link and detail below).

## **2.6 PROSPECTS AND CHALLENGES OF THE INDUSTRY**

### **Biggest Challenges in FMCG**

Here are some of the most interesting Trends and challenges in FMCG Industry.

#### **1. Environment & Sustainability**

Organizations that can demonstrate sustainability across their total ecosystem will benefit from stronger consumer bonding scores. However, the ability to charge a premium to cover increased costs will remain limited as consumers will increasingly see sustainability as a given rather than a perk to be afforded by few. The Tesla of the FMCG world is still to be created – using new innovations and technologies.

#### **2. Big Data**

Data explosion is underway as the ability to acquire, store, and process data continues to improve exponentially. The FMCG world already had weekly consumer sales, brand tracking, consumer panels, shopper data from friendly and well-compensated retailers and another few hundred metrics depending on which data/analytics organization you talk to. 95% of the data being generated and sold to eager marketers and analysts is useless. The smarter organizations will buy only the relevant data (manage information costs), deduce the correct linkages to consumer behaviour and use it effectively to develop products, manage trade and communicate effectively to consumers.

#### **3. Social Media**

Information now moves at a rapid speed. A tweet, FB post or a YouTube video can go viral in hours. No longer can an organization sell a product that was unsalable in a developed market due to health concerns in another less developed market as regulations had not caught up. Regulations will take the time to catch up but consumer information is just a Google search away. Information dissemination will be rapid and with no place to hide. Smarter brands will employ innovative methods to use this effectively to reach globally while limiting brand communication costs.

#### **4. Online Grocery Shopping**

This is growing rapidly in most developed markets albeit off a small base. While most major brick and mortar retailers now offer online shopping and delivery, the birth of smaller online retailers with tight product lines and deeper prices will begin to emerge. And when some of this tight range online retailer grow big, brands which grew on the strength of adding a new flavour or fragrance every quarter will

struggle as category and range management for a 500 SKU business will be easier, but brutal for brand owners.

## 5. Ageing

How different would a supermarket product range look if everyone shopping there was 50+? Filled with fresh foods, fish (salmon), wholegrain and few premium sweet offerings along with a large aisle of health supplements. This demographic has more money and will place a higher value on food quality. The challenge will be for brands to appear relevant to this aging demographic while being 'cool' enough to attract the younger consumers.

### **Prospectus of FMCG**

#### ➤ Market research

Market research is the key. Without the necessary information, it becomes difficult to understand the requirements of the customers. It provides critical information and direction. It identifies market needs and wants, product features, pricing, decision makers, distribution channels, motivation to buy. They're all critical to the decision process.

#### ➤ Timing

Are elements of the process coordinated? Is production on the same time schedule as the promotion? Will the product be ready when you announce it? Set a time frame for the rollout, and stick to it. Many products need to be timed to critical points in the business cycle. There are marketing tales galore about companies making new product announcements and then having to re-announce when the product lags behind in manufacturing. The result is loss of credibility, loss of sales, and another failure.

#### ➤ Capacity

If the new product or service is successful, do you have the personnel and manufacturing capacity to cope with the success? Extended lead times for new products can be just as deadly as bad timing.

#### ➤ Testing

Test market the new product. Be sure it has the features the customer wants. Be sure the customer will pay the price being asked. Be sure the distributor and sales organization are comfortable selling it. You may need to test your advertising and promotion as well.

### ➤ Distribution

Who's going to sell the product? Can you use the same distribution channels you currently use? Can you use the same independent representatives or sales force? Is there sufficient sales potential in the new product to convince a distributor, retailer, or agent to take on the new line? There are significant up-front selling costs involved in introducing new products. Everyone in the channel wants some assurance that the investment of time and money will be recovered.

### ➤ Training

The sales organization involved in the marketing/selling, inside employees, and distribution channels will need to be trained about the new product. If the product is sufficiently complex, face-to-face training needs to be provided. Or perhaps some type of multimedia program will do the job. If the product is not that complex, literature may work. Again, timing is critical. Train before the product hits the shelves, not after.

### ➤ Promotion

The promotional program to support the introduction: advertising, trade shows, promotional literature, technical literature, samples, incentives, Web site, seminars, public relations. Time it all with production, inventory, shipments, and training. The new product will simply sit in the warehouse without the right support materials. Research, timing, and planning can all help increase the probability of success.

## **2.7 KEY DRIVERS OF THE INDUSTRY**

### ➤ Pure Innovation

Demand for new product type is the most common idea of innovation. Consumers want totally new products. This means not only new packaging, nor changes in existing formulas but new ideas and new concepts. FMCG companies launch many new products each year considering new trends; 2014 was high in Greek yogurts naturally flavoured products, whole grain trend, gluten-free obsession or coconut mania. For manufacturers, this is the most demanding kind of innovation. It costs a lot and ROI is not guaranteed. Marketing, R&D, quality, business and suppliers have to collaborate efficiently to optimize the NPD process.

### ➤ Green or clean products

Greener or cleaner products are a fluctuating trend. Consumers are concerned by what they eat and drink and cleaner products market place usually offer better margin than standard food one. Origins,

certifications, compliances with regulations etc. is a growing part in NPD. Quality department is more involved than ever in production process. Having a tool providing documents and data attached to a specific product or batch save time, energy and money while auditing or managing claims.

➤ Pressure to reduce time to market

In processed foods, innovation is important to increase growth and profits. Companies are racing to be first to market. Being the first on a niche or the first providing a product responding to customers' needs is the best way to ensure high margin and future leadership. Those getting later on the marketplace have to compete on a price-base and suffer of poor returns on R&D investments. Innovation concerns not only the product itself and its formulation but also packaging, certification, co-branding, etc. Consequently, reducing time to market involves formulation process, quality compliance, marketing concerns, suppliers' collaboration etc.

➤ Compliance with regulations

Companies must be able to effectively manage the risk attached to NPD. Risks are all along the new product development process but certification compliance and quality ones are the most important. Global and local regulations become tighter. The new INCO regulations recently adopted in Europe goes far beyond simple packaging changes. As, regulations apply to final products, semi-finished products and ingredients, the final manufacturer is responsible for its suppliers' products and depends on the reliability of the product information he is been given.

➤ Low Cost

Having a tool assisting teams in NPD process is a good means to lower costs. Then, margins can be higher and / or prices can be more attractive to consumers and contribute to enhance market share.

- Demand for complete new product type
- Demand for “green” or “clean” products
- First to market
- Compliance with regulation



## 2.8 COMPANY PROFILE

Nestlé India is a subsidiary of Nestle S.A. of Switzerland. With seven factories and a large number of co-packers, Nestlé India is a vibrant Company that provides consumers in India with products of global standards and is committed to long-term sustainable growth and shareholder satisfaction.

The Company insists on honesty, integrity and fairness in all aspects of its business and expects the same in its relationships. This has earned it the trust and respect of every strata of society that it comes in contact with and is acknowledged amongst India's 'Most Respected Companies' and amongst the 'Top Wealth Creators of India'.



### History

Nestlé was founded in 1867 on the shores of Lake Geneva in Vevey, Switzerland and its first product was “Farine Lactée Nestlé”, an infant cereal specially formulated by Henri Nestlé to provide and improve infant nutrition. From its first historic merger with the Anglo-Swiss Condensed Milk Company in 1905, Nestlé has grown to become the world’s largest and most diversified food Company, and is about twice the size of its nearest competitor in the food and beverages sector. Nestlé’s trademark of birds in a nest, derived from Henri Nestlé’s personal coat of arms, evokes the values upon which he founded his Company. Namely, the values of security, maternity and affection, nature and nourishment, family and tradition. Today, it is not only the central element of Nestlé’s corporate identity but serves to define the Company’s products, responsibilities, business practices, ethics and goals.

In 2004, Nestlé had around 247,000 employees worldwide, operated 500 factories in approx. 100 countries and offered over 8,000 products to millions of consumers universally. The Company's transparent business practices, pioneering environment policy and respect for the fundamental values of different cultures have earned it an enviable place in the countries it operates in. Nestlé's activities contribute to and nurture the sustainable economic development of people, communities and nations. Nestlé's relationship with India dates back to 1912, when it began trading as The Nestlé Anglo-Swiss Condensed Milk Company (Export) Limited, importing and selling finished products in the Indian market.

After India's independence in 1947, the economic policies of the Indian Government emphasised the need for local production. Nestlé responded to India's aspirations by forming a company in India and set up its first factory in 1961 at Moga, Punjab, where the Government wanted Nestlé to develop the milk economy. Progress in Moga required the introduction of Nestlé's Agricultural Services to educate, advise and help the farmer in a variety of aspects. From increasing the milk yield of their cows through improved dairy farming methods, to irrigation, scientific crop management practices and helping with the procurement of bank loans. Nestlé set up milk collection centres that would not only ensure prompt collection and pay fair prices, but also instil amongst the community, a confidence in the dairy business. Progress involved the creation of prosperity on an on-going and sustainable basis that has resulted in not just the transformation of Moga into a prosperous and vibrant milk district today, but a thriving hub of industrial activity, as well. For more on Nestlé Agricultural Services.

## **Operations**

Nestlé has been a partner in India's growth for over nine decades now and has built a very special relationship of trust and commitment with the people of India. The Company's activities in India have facilitated direct and indirect employment and provides livelihood to about one million people including farmers, suppliers of packaging materials, services and other goods. The Company continuously focuses its efforts to better understand the changing lifestyles of India and anticipate consumer needs in order to provide Taste, Nutrition, Health and Wellness through its product offerings. The culture of innovation and renovation within the Company and access to the Nestlé Group's proprietary technology/Brands expertise and the extensive centralized Research and Development facilities gives it a distinct advantage in these efforts. It helps the Company to create value that can be sustained over the long term by offering consumers a wide variety of high quality, safe food products at affordable prices.

Nestlé India manufactures products of truly international quality under internationally famous brand names such as NESCAFÉ, MAGGI, MILKYBAR, MILO, KIT KAT, BAR-ONE, MILKMAID and

NESTEA and in recent years the Company has also introduced products of daily consumption and use such as NESTLÉ Milk, NESTLÉ SLIM Milk, NESTLÉ Fresh 'n' Natural Dahi and NESTLÉ Jeera Raita. Nestlé India is a responsible organization and facilitates initiatives that help to improve the quality of life in the communities where it operates.

### **Presence in India**

Beginning with its first investment in Moga in 1961, Nestlé's regular and substantial investments established that it was here to stay. In 1967, Nestlé set up its next factory at Choladi (Tamil Nadu) as a pilot plant to process the tea grown in the area into soluble tea. The Nanjangud factory (Karnataka), became operational in 1989, the Samalkha factory (Haryana), in 1993 and in 1995 and 1997, Nestlé commissioned two factories in Goa at Ponda and Bicholim respectively. Nestlé India has commissioned in 2006 its 7th factory at Pant Nagar in Uttarakhand.

### **Brands**

#### ➤ MILK PRODUCTS AND NUTRITION

- EVERYDAY DAIRY WHITENER
- EVERYDAY GHEE
- MILK
- SLIM MILK
- SILM MILK
- NEVISTA PRO-HEART MILK
- FRESH 'n' NATURAL DAHI
- FREAH 'n' NATURAL SLIM DAHI
- JEERA RAITA
- NESVITA DAHI
- MILKMAID FRUIT YOGHURT
- MILKMAID
- MILKMAID FUNSHAKES
- NIDO

#### ➤ BEVERAGES

- NESCAFE CLASSIC
- SUNRISE PREMIUM
- SUNRISE SPECIAL
- CAPPUCINO

- MILO SMART PLUS READY –TO- DRINK
- ICED TEA WITH GREEN TEA
- NESTEA ICED TEA
- PREPARED DISHES AND COOKING AIDS
  - MAGGI 2 MINUTE NOODLES
  - VEG ATTA NOODLES
  - RICE NOODLES MANIA
  - CUPPA MANIA
  - SAUCES
  - PICHKOO
  - PIZZA MAZZA
  - MAGIC CUBES
  - BHUNA MASALA
  - COCONUT MILK POWDER
  - HEALTHY SOUPS
  - HEALTHY SOUP-SANJEEVNI
- CHOCOLATES AND CONFECTIONERY
  - KIT-KAT
  - KIT-KAT CHUNKY
  - MUNCH
  - MUNCH POP CHOC
  - MILKYBAR
  - MILKYBAR CHOO
  - BAR-ONE
  - MILK CHOCOLATE
  - POLO
  - ECLAIRS

**CHAPTER -3**  
**REVIEW OF LITERATURE**

### **3.1 BRIEF THEORETICAL CONSTRUCT RELEATED TO THE PROBLEM**

Kaizen is a Japanese term meaning "change for the better" or "continuous improvement." It is a Japanese business philosophy regarding the processes that continuously improve operations and involve all employees. Kaizen sees improvement in productivity as a gradual and methodical process. The concept of kaizen encompasses a wide range of ideas. It involves making the work environment more efficient and effective by creating a team atmosphere, improving everyday procedures, ensuring employee engagement, and making a job more fulfilling, less tiring, and safer.

Some of the key objectives of the kaizen philosophy include quality control, just-in-time delivery, standardized work, the use of efficient equipment, and the elimination of waste. The overall goal of kaizen is to make small changes over a period of time to create improvements within a company. That doesn't mean alterations happen slowly; it simply recognizes that small changes now can have huge impacts in the future. Improvements can come from any employee at any time. The idea is that everyone has a stake in the company's success and everyone should strive, at all times, to help make the business model better. Many companies have adopted the kaizen concept. Most notably, Toyota employs the kaizen philosophy within its organization and has esteemed it as one of its core values. Within its production system, Toyota encourages and empowers all employees to identify areas of potential improvement and create viable solutions.

Traditional Japanese ideas of kaizen follow five basic tenets: teamwork, personal discipline, improved morale, quality, and suggestions for improvement. These five tenets lead to three major outcomes: elimination of waste (also referred to as economic efficiency), good housekeeping, and standardization. Ideally, kaizen becomes so ingrained in a company's culture that it eventually becomes natural to employees. The kaizen concept posits that there is no perfect end and that everything can be improved upon. People must strive to evolve and innovate constantly. The basic principle of kaizen is that people who perform certain tasks and activities are the most knowledgeable about that task/activity; including them to effect change is the best strategy for improvement.

#### **Benefits of Kaizen**

Beyond the obvious benefit of improving processes; Kaizen engenders teamwork and ownership. Teams take responsibility for their work and are able to make improvements to enhance their own working experience. Most people want to be successful and proud of the work that they do and Kaizen helps them to achieve this while benefitting the organization.

A Gallup poll of US workers in 2015 showed that just 32% of employees were engaged. A majority of employees (50.8%) were “not engaged”, while 17.2% were “actively disengaged”. One of the main benefits of Kaizen is getting employees actively involved and engaged with the company. Having more engaged workers leads to more efficient processes, lower turnover, and higher rates of innovation. Engaged employees feel that they have an impact on the company’s performance and are more likely to try out new ideas. Additionally, organizations with more engaged employees can achieve higher competitiveness, enhance customer satisfaction, and have an improvement culture of solving problems through teamwork.

### The Kaizen Process

The continuous cycle of Kaizen activity has six phases:

1. Identify a problem or opportunity
2. Analyse the process
3. Develop an optimal solution
4. Implement the solution
5. Study the results and adjust
6. Standardize the solution

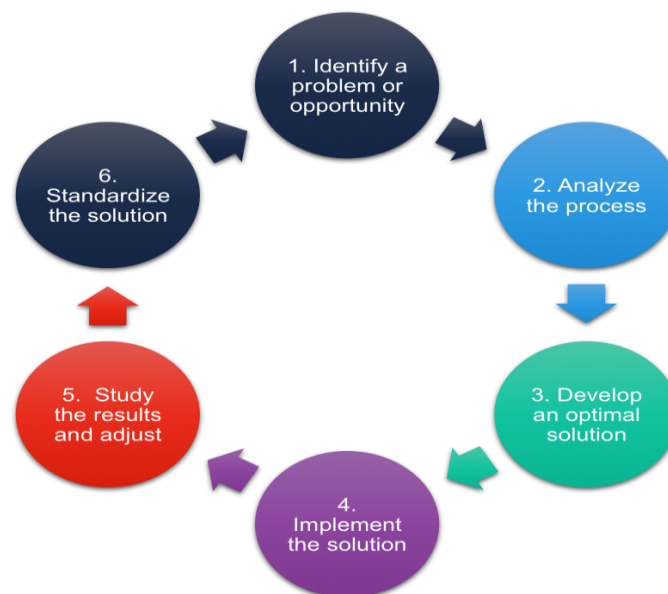


Fig: 3.1

Kaizen starts with a problem, more precisely the recognition that a problem exists and that there are opportunities for improvement. Once problems are identified, the organization needs to enlist the cross-functional personnel to understand the underlying cause of it. The proposed solution is then tested on a small-scale. Using data, the team makes adjustments to the solution. And finally, the results are spread across the organization and the solution is standardized.

### **3.2 AN OVERVIEW OF EARLIER STUDIES**

- Nestle: Quality Control Management, Published: 20/04/2017 in Commerce

Nestlé wants to be known as a ‘Respected, Trustworthy, Food, Nutrition, Health and Wellness Company’. All the actions are guided by a series of business principles. Market research showed that customers of Nestlé have a genuine and growing interest in information about its brands. In particular, consumers want more information about what they eat and drink. They felt this information should be supplied as part of the product and they have the right to know it. So, in this assignment, we will discuss about the quality management of nestle. Quality management can be divided into three components: quality control, quality assurance and quality improvement. In nestle, quality is the number one priority. Other than that, they also continuously improving their product, known as kaizen. The important of quality management to Nestle is to win customer trust and preferences, it everybody’s commitment, strive for zero defects and no waste, guarantee food safety and full compliance.

In Nestlé group, they prioritized quality. There are over ten million people throughout the world enjoying Nestlé’s products each and every day. Nestlé conducts business on a global scale; everyone pays careful attention to the cultural bias and personal tastes of each country, because each food culture is based on the distinct characteristics of that particular region. However, it will not be going to be too far in the pursuit of food safety and quality management. Nestlé has attained a world-class level by applying “Nestlé Quality Management System” to all their products. Nestlé respects to all relevant laws and regulations of each country, but also implements their own independent high standards of total quality management throughout every aspect of the manufacturing process, from raw materials to end products, in order to consistently bring safe and quality products to consumers around the globe.

Furthermore, they are continuously “improving” their products (KAIZEN) in the global network, which the headquarters of the quality management department in Switzerland, and through the performance of regular inspections that ensure their quality management system is functioning at the highest level.



Nestlé strives to create value that can be sustained over the long term by meeting consumer needs for nutrition, enjoyment and Quality they can trust. Every day, millions of people all over the world show their confidence in us by choosing Nestlé products and brands. This confidence is based on our Quality image and a reputation for high standards that has been built up over many years. Every product on the shelf, every service and every customer helps to shape this image. A Nestlé brand name on a product is a promise to the customer that it is safe to consume, that it complies with all relevant laws and regulations and that it constantly meets high standards of Quality. Each and every Nestlé employee is involved in and dedicated to achieving high Quality standards for our customers and consumers.

- Kaizen in the Food Manufacturing Industry, Published: 20/04/2010

Despite the origins of Kaizen in automotive manufacturing, the ideas behind what is both a philosophical and practical approach to continuous improvement have become part of manufacturing across a diverse range of industries. In food manufacturing, Kaizen is beginning to take hold among companies large and small as a strong framework for driving improvement projects. Although Kaizen is beginning to take hold, many food manufacturing companies have already employed Lean Six Sigma strategies to reduce wasted product and inefficiency.

The concept of Six Sigma dates back to the 1920s, when Walter Shewhart identified three sigma from the mean as the point where correction is needed in a process. In the mid-1980s, the Motorola chairman Bob Galvin developed the Six Sigma measurement system. This became both a standard to measure productivity as well as a cultural change.

Since the 1980s, Six Sigma has been adopted by companies worldwide. It's often used closely with Lean, which seeks to create more value for end-customers while using fewer resources along the way. Lean was born out of the Toyota Production System, a philosophy developed by Toyota leaders from 1948 through 1975. The goal is to reduce costs and save time, thereby delivering greater value to the customer. TPS achieves this goal by targeting the elimination of three areas: overburden (muri), inconsistency (mura), and waste (muda). TPS is further grounded in two pillars: just in time delivery and judoka, translated as "automation with a human touch." One of the central principles of TPS is Kaizen, the idea of striving for daily, continuous improvement. Today, Kaizen has been widely adapted as the basis of Lean manufacturing. More food manufacturers are discovering the value of cultivating a mind-set among all employees to search for problems as a way to drive ongoing improvements.

Ongoing innovation is critical in keeping Swiss company Nestlé S.A. in its place as the largest food company in the world. As it turns out a Kaizen culture helps to drive much of that innovation. In an interview with

The Leadership Network, Faith Burndred, Nestlé Continuous Excellence Champion at Nestlé Product Technology Centre York, commented that one of the biggest challenges to successful Kaizen implementation is putting a “too-heavy focus on tools instead of developing the mind-set.”

It’s for this reason that the food manufacturing company focuses on giving corporate Leaders the skills and confidence to serve as role models in Lean behaviours. As Burndred puts it, “If the Leaders consistently demonstrate its importance and role model the right behaviours themselves, this naturally drives the culture change.” This demonstration includes ongoing support and encouragement of employees, as well as ongoing challenges to push improvements in operational processes.

- Nestlé in Continuous Improvement, Published: 24/08/2018, Written by Faith Burndred, Nestlé Continuous Excellence Champion, Nestlé.

Nestlé’s Product Technology Centre (PTC) in York is at the forefront of Confectionery Research and Development, translating scientific discoveries into marketable products by putting commercial focus on ‘blue-sky’ ideas. York’s focused research centre serves as a means of accelerating the speed and agility of the company's global innovation. Hear from the people driving innovation and continuous improvement within the facility. Jas Scott de Martinsville - the Global R&D Lead for Confectionery at Nestlé - and Faith Burndred - Nestlé Continuous Excellence Champion at Nestlé Product Technology Centre York – sat down with The Leadership Network to give an exclusive insight into how they drive innovation and operational excellence at Nestlé Confectionery division.

A culture where we are not only to be proud to do our work, but also where we are proud to improve our work – for the benefit of the business, its customers, and our teams One very important thing is to reflect on the progress that we have made. It’s very easy to be critical of our current state, but by looking back we can also see how far we’ve come, and use this to feel proud and also motivated to do more. A great way to do this is to network and share, either with other parts of the business or externally – by doing so you will naturally review and celebrate your progress. One of our current focus areas is Lean Leadership – helping our Leaders have the skills and confidence to role model lean behaviours – so that they can support, challenge and encourage their team members in their continuous improvement endeavours. A second focus area is speed of innovation – how can we get our new products and technologies to market faster, through working on the right things, increasing the efficiency of the way we work, and solving our technical challenges in a structured and sustainable manner. A few things can make it difficult, including a too-heavy focus on tools instead of developing the mind-set; too much rigidity of approach making people feel like it is ‘done to them’, and reverting to old behaviours when the pressure is on. The biggest factor in making it part of our culture is strong

Leadership drive and support. If the Leaders consistently demonstrate its importance and role model the right behaviours themselves, this naturally drives the culture change. In addition to that, if methods and tools are used pragmatically and we empower teams to use what genuinely works for them, this also creates buy-in. We do of course have non-negotiable standards, such as those relating to safety and food safety. Some of our processes and work activities are in place to help us achieve these standards. However, it is always possible to challenge the efficiency of these processes, as often they have evolved over the years to be complex and slow. Using Lean methods, we can improve them, with the aim of making them simple yet error-proof by design.

The goals of our continuous excellence programme are primarily driven by the changes that we know we need to make, in order to meet the needs of our business. We regularly review what could block us from delivering, and ensure that we have a plan in place to remove these blockers. This creates a pull for the ongoing development of the mind-set and methods of continuous improvement. There are various metrics which can indicate how successful we are. Firstly, if we consider the customers of our innovation within our business, they are looking for faster speed to market, and innovation that delivers better sales growth, that is delivered on time with a right-first-time factory start-up. Our Lean programme impacts all of these metrics. But also we must consider how our employees feel, and for this we can measure factors such as employee engagement.

- In the literature that mentions kaizen is often emphasized small group activity such as quality circles and suggestions made by individual workers.

Ohno (1978), which explains kaizen methods are useful to increase the productivity and product quality.

Suzaki (1987), explains that Kaizen is a philosophy widely practiced in belief that, that there is no end to make a process better. Each small improvement consists of many levels of development. Mainly used for improving manufacturing processes.

Teian (1992) describes that, Kaizen is much more than just a means of improvement, since it speak to the day by day obstacles happening in the work environment and the way in which these obstacles are succeed. Kaizen can be applied to where on need of improvement.

Deniels (1995) describes that the best approach to accomplish principal change on the shop floor is to empower operators to create their own particular measures, to adjust business procedures and to utilize them to drive their Kaizen exercises. The author clarifies that operators are the specialists and once

they understand that they are the one, who is going tackle the obstacles, and afterward everything they need is some direction.

Womack and Jones (1996), refer to Kaizen as a lean thinking and lay out a systematic approach to help organizations systematically to reduce waste. They describe waste as any human activity that absorbs resources but creates or adds no value to the process. Most employees could identify muda in their workplace, but unfortunately the waste that they identify is only the tip of the iceberg. The authors state that until these employees have been taught the essentials of lean thinking, they are unable to perceive the waste actually present in their environment.

### **3.3 UNIQUENESS OF RESEARCH STUDY**

Kaizen is a Japanese word that refers to continuous improvement (CI). This word includes two parts: "Kai" means "change" and "Zen means "good or for the better" (Palmer, 2001, p. 55). In the field of management, the earliest continuous improvement program started in the 1800s when some companies encouraged their employees to introduce valuable ideas to help their teams or organizations improve work efficiency (Schroeder and Robinson, 1991). At that time, most of these companies used scientific methods to analyse the production process and tried their best to find solutions for the problems they encountered. At the beginning of Kaizen study, a lot of researchers from Japan and other countries proposed definitions of Kaizen from different perspectives, and they tried to explain the concept of Kaizen and designed a series of conceptual models. Alongside the development of Kaizen management practices, many different Kaizen methods developed by both scholars and practitioners could be used in management process.

The uniqueness of the study is to understand the Application of kaizen concepts in manufacturing enterprises with a special reference to Nestle India Ltd. Nestlé is a Swiss transnational food and beverage company headquartered in Vevey, Vaud, Switzerland. It is the largest food company in the world measured by revenues, and ranked #72 on the Fortune Global 500 in 2014. Its products include baby food, medical food, bottled water, breakfast cereals, coffee and tea, confectionery, dairy products, ice cream, frozen food, pet foods, and snacks. As lean production is paramount in Nestle's constant mission of reducing waste in all manners, so is kaizen as a support of the idea of continuous improvement. Kaizen as a concept in Nestle makes sure that improvement is the responsibility of everyone involved. The improvement of efficiency becomes a constant process since kaizen implies that even the smallest improvements should be made as they can eventually lead to big savings. For example: Nestlé Waters uses various techniques to see where the current factory could be made more efficient, techniques such as Value Stream Mapping (VSM) that illustrates the flow of materials and

information required to bring the finished product to the consumer. A process like this helps plant new bottling plants to ensure that their processes are as efficient as possible.

In general, the process of Kaizen management can be described as follows: "select target process, create team, set project goal and plan, observe the process, analyse the process, create implementation, implementation and make presentation". In details, as Imai (1986) mentioned in his book, many practical methods and tools could be applied for example, TQC (Total Quality Control), QC Circles, Suggestion System, Automation, TPM (Total Productive Maintenance), Kanban System, 5-S (5 Steps), Just-in-Time Management and some statistical tools.

**CHAPTER – 4**  
**METHODOLOGY OF THE STUDY**

## 4.1 RESEARCH APPROACH

**Title:** “Application of kaizen concepts in manufacturing enterprises with a special reference to Nestle India Ltd.”

**Duration:** This study was carried out for duration of 1 month.

Research is defined as human activity based on intellectual application in the investigation of matter. The primary aim for applied research is discovering, interpreting, and the development of methods and systems for the advancement of human knowledge on a wide variety of scientific matters of our world and the universe. Research methodology is a way to systematically solve the research problem.

Research Approach is regarded as the procedures and the plans for the research that spans steps from the broad assumption to the detailed method of data collection, analysis and interpretation. It undertakes the different decisions through which study can be carried out in the most appropriate form. Here, Secondary data is used therefore analysis and interpretation are not carried out. Further, two form of research approach are present that involves inductive and deductive.

In the inductive approach the research starts when investigator collects data that is fruitful for the study. In this form of approach, the patterns in the information is searched that is most effective in the development of theory and helps in explaining the patterns. This form of approach generally takes place with the set of observations and mainly the results move from specific to general. Inductive approach has link with generation of the new theory emerging from the information (Mackey and Gass, 2015). The main motive of this form of approach is to explore the new sort of phenomena or the previous one is also undertaken. In short, this approach is associated with the qualitative study and it relies on the main findings that are derived from the literature review.

On the other hand, deductive approach is somehow different where it has link with the development of hypothesis on the basis of existing theory and in turn research strategy is developed so as to test the hypothesis. This form of approach can be explained through the hypothesis that is mainly derived from proposition of the theory. In this approach the research flows from general to specific. This approach contributes a lot in development of the theory and it ends with confirmation.

The research approach is a plan and procedure that consists of the steps of broad assumptions to detailed methods of data collection, analysis, and interpretation. It is, therefore, based on the

nature of the research problem being addressed. The research approach is essentially divided into two categories:

1. The approach of data collection
2. The approach of data analysis or reasoning
3. Research Design

## **4.2 RESEARCH DESIGN**

Research Design is considered to be blueprint of the study and it is somehow the framework of the research so as to answer the key research questions of the research. With the assistance of the research design it is possible to know about the real techniques that are undertaken in the research.

In descriptive design main focus is on providing description of the topic that is selected for the research. It assists a lot in understanding about the topic in the most appropriate manner and through this the overall research is carried out in the proper manner. Descriptive design mainly involves interaction with certain group of people and it usually takes place with the help of survey. Three main methods are present through which the descriptive study is carried out and it undertakes survey, observational and case study.

In exploratory research main stress is on exploring the new ideas that are linked with the study. This type of design is considered to be highly effective in case of exploring the new form of ideas and it benefits the entire research in the best possible manner.

The function of a research design is to ensure that the evidence obtained enables you to effectively address the research problem as unambiguously as possible. In social sciences research, obtaining evidence relevant to the research problem generally entails specifying the type of evidence needed to test a theory, to evaluate a program, or to accurately describe a phenomenon. However, researchers can often begin their investigations far too early, before they have thought critically about what information is required to answer the study's research questions. Without attending to these design issues beforehand, the conclusions drawn risk being weak and unconvincing and, consequently, will fail to adequately address the overall research problem. Research design is defined as a framework of methods and techniques chosen by a researcher to combine various components of research in a reasonably logical manner so that the research problem is efficiently handled. It provides insights about “how” to conduct research using a particular methodology. Every researcher has a list of research questions which need to be assessed – this can be done with research design.



The design of a research topic is used to explain the type of research (experimental, survey, correlational, semi-experimental, review) and also its sub-type (experimental design, research problem, and descriptive case-study). There are three main sections of research design: Data collection, measurement, and analysis.

The type of research problem an organization is facing will determine the research design and not vice-versa. Variables, designated tools to gather information, how will the tools be used to collect and analyse data and other factors are decided in research design on the basis of a research technique is decided.

As a result of COVID pandemic the data's were collected from secondary sources, which is the only source available. The research is to identify the importance of kaizen and how it is used to improve in the nestle industry.

### **4.3 SOURCES OF ONLINE DATA**

#### **SECONDARY DATA:**

Secondary data are obtained from information collected through online tax records, internet searches, online libraries, and online reports. It can also be obtained from E-Journals, websites.

Sources of online data in this study are:

- **Company website**

Company website means all web sites owned operated or hosted by an acquired company or through which an acquired company conducts the Business. A corporate website contains information about the company, the product or/and services offered by them. Creating website can help a company reach customer all over the world, thus making it the best way to promote a brand.

- **Thesis**

A thesis, or dissertation is a document submitted in support of candidature for an academic degree or professional qualification presenting the author's research and findings. In some contexts, the word "thesis" or a cognate is used for part of a bachelor's or master's course, while "dissertation" is normally applied to a doctorate, while in other contexts, the reverse is true. The term graduate thesis is sometimes used to refer to both master's theses and doctoral dissertations. The required complexity or quality of research of a thesis or dissertation can vary by country, university, or program, and the required minimum study period may thus vary significantly in duration. The word "dissertation" can at times be used to describe a treatise without relation to obtaining an academic degree. The term "thesis" is also used to refer to the general claim of an essay or similar work.

- **E-journals**

Electronic journals, also known as e-journals, and electronic serials, are scholarly journals or intellectual magazines that can be accessed via electronic transmission. It is a periodical publication which is published in electronic format, usually on the Internet. Online journal articles are a specialized form of electronic document and they have the purpose of providing material for academic research and study, and they are formatted approximately like journal articles in traditional printed journals.

E-journals used for this study are:

- **Wikipedia**

Wikipedia is a multilingual online encyclopaedia created and maintained as an open collaboration project by a community of volunteer editors, using a wiki-based editing system. It is the largest and most popular general reference work on the World Wide Web, and is one of the 20 most popular websites ranked by Alexa, as of March 2020. It features exclusively free content and no commercial ads and is owned and supported by the Wikimedia Foundation, a non-profit organization funded primarily through donations.

- **Blogs**

A blog is a discussion or informational website published on the World Wide Web consisting of discrete, often informal diary-style text entries (posts). Posts are typically displayed in reverse chronological order, so that the most recent post appears first, at the top of the web page. Until 2009, blogs were usually the work of a single individual, [citation needed] occasionally of a small group, and often covered a single subject or topic. In the 2010s, "multi-author blogs" (MABs) emerged, featuring the writing of multiple authors and sometimes professionally edited. MABs from newspapers, other media outlets, universities, think tanks, advocacy groups, and similar institutions account for an increasing quantity of blog traffic. The rise of Twitter and other "microblogging" systems helps integrate MABs and single-author blogs into the news media. Blog can also be used as a verb, meaning to maintain or add content to a blog.

## **4.4 REPORT STRUCTURE**

CHAPTER 1 – Mentions about the Scope and Objectives of the study.

CHAPTER 2 – Goes through the earlier studies done and uniqueness of our study.

CHAPTER 3 – Mentions the Methodology, Data collected, Tools used, etc. for the study.

CHAPTER 4 - Includes the Data analysis and inference of the study.

CHAPTER 5 – Includes Findings and conclusion of the study.

CHAPTER 6 – Contains Appendix and Bibliography used in the study.

CHAPTER 7 – Conclusions

#### **4.5 LIMITATIONS OF THE STUDY**

The Covid-19 pandemic has affected the conducting of project by visiting the company. The data collected for the study are using internet and other secondary sources. This was the major limitation of this study.

**CHAPTER – 5**  
**DISCUSSIONS**

## 5.1 OBSERVATIONS BY CANDIDATE FROM LITERATURE REVIEW & COMPARISON

AUTHER	PAPER TITLE / JOURNAL	KEY FINDINGS
<p>A. O. Jain (Automobile Engineering Department, GIDC Degree Engineering College, Abrama-Navsari)</p> <p>A. B. Lad (Mechanical Engineering Department, GIDC Degree Engineering College, Abrama-Navsari)</p>	<p>The Kaizen Philosophy for Industries A Review Paper</p>	<p>Now-a-days the ultimate goal of all industries is to enhance productivity through simplified system and incremental improvements by applying some modern available techniques. “Kaizen” is one of the most recognized techniques of continuous improvement. An application of effective Kaizen will lead to success and growth of an organization. This paper discusses various literatures and presents a Concept &amp; Methodology of Kaizen which will helpful to new research in different fields. Besides this, one representative “Kaizen Idea Suggestion Form” is presented in this paper which may be useful to different kinds of Industries and this will helpful to the Kaizen users and researchers.</p>
<p>Reissa Sousa Silva David Barbosa de Alencar</p>	<p>Kaizen Philosophy Application as Production Standardization and Process Optimization</p>	<p>Market competitiveness has increased and companies are increasingly looking for methodologies that enable them to have higher productivity and organization at work, at low cost. More flexible and innovative processes and products are key to the survival and success of many</p>

		<p>companies. The importance of a study of Kaizen philosophy is due to the fact that it is based on continuous efforts to improve the system. Therefore, the present study aims to clarify the process of continuous improvement through the implementation of the Kaizen tool so that it can guide the productive improvement of companies in the Manaus (AM) industrial hub. This scientific article was elaborated, based on the bibliographic research resulting from an analysis, which considered the two-axis cross perspective - Kaizen philosophy and continuous improvement. This article demonstrates the Kaizen continuous improvement tool as it emerged and the benefits generated in environments that encourage learning and cooperation among individuals, working on human resource development so that improvement initiatives are truly continuous.</p>
<p>José Ángel Miguel-Dávila, Ph.D. (Associate Professor, Department of Management and Economy, Universidad de León, Spain).</p>	<p>Kaizen: An Ancient Operational Innovation Strategy for Organizations Of The XXI Century</p>	<p>The management approach is recognized as an improvement strategy capable of ensuring excellence and operational innovation. The Kaizen philosophy approach has been present in the management arena for several years, even in the field of organizations at the practical level such as philosophy, technique and event. Within this context, it is</p>

		<p>necessary to deepen the knowledge of what is happening in organizations with the practice of Kaizen. The purpose of this special issue has a twofold justification. First, it is to clarify the term Kaizen compared to other managerial practices like Total Quality Management, Small Circle Activities, Lean Thinking and Six Sigma. Second, it is to understand in depth this philosophy, its particular characteristics, its implementation and even the sustainability of this practice over time.</p>
Palermo, Ma. Bernadette	A Nestle Kaizen Paper	<p>This paper aims to implement waste reduction strategies that will allow Nestle operating costs low while helping preserve the environment. Waste reduction strategies do not need to be costly or time-consuming. In addition, it can help Nestle in establishing their company's image, in the minds of clients and customers, as a good corporate citizen. Waste is a resource which can lead to greater business productivity if managed correctly.</p>
Mark Katanani	KAIZEN: How does it aid in Continuous Improvement projects	<p>Kaizen can be called Good Change, not only because that is the exact translation to the Japanese name "Kai" Good, and "Zen" Change. Regardless of the name, the spirit of Kaizen implies its Japanese property, as it is the notion of changing the current</p>

		state of operations to a new future state. Kaizen is not only philosophy and set of tools; it's a process with key deliverables and activities that span before, during and after the Continual Process Improvement effort.
G Cwikla, A Gwiazda	Assessment of the efficiency of the continuous improvement system based on Kaizen in an example company	The article presents an attempt to show how the continuous improvement system based on the Kaizen philosophy works and how to evaluate the effectiveness of the system in an example of a production enterprise in Poland. It describes the principles of the Kaizen system and the methods available to allow for the assessment of its effectiveness. The evaluation of the effectiveness of the Kaizen system was based on available economic data, but, due to confidentiality or the inaccessibility of most of the data that could directly demonstrate the efficiency of this system, it was decided to also conduct surveys among workers and low- or mid-level managers. Research has shown, among other things, that the main motivator for employees to undertake activities related to continuous improvement are financial factors (bonuses, financial rewards) and a willingness to show themselves in a good light in front of their superiors, which is not consistent with the original assumptions of the



		<p>creators of the Kaizen philosophy.</p> <p>Despite these differences, the application of the continuous improvement system in the company studied can be considered effective in light of the economic benefits and quality improvement.</p>
<p>Manjunath Shettar (Manipal Academy of Higher Education)</p> <p>Pavan Hiremath (Manipal Academy of Higher Education)</p>	<p>KAIZEN – A case study</p>	<p>The ultimate objective of manufacturing industries is to increase productivity with high quality. At present, many manufacturing companies are facing problems such as high quality rejection, high inventories, high lead time, high costs of production, and inability to cope with customer orders. By implementing and practicing the lean production system many problems can be solved without employing high-tech and high-touch approaches but by involving people on the shop floor in Kaizen activities. Kaizen is one of the powerful tools of lean manufacturing. Kaizen refers to continuous improvement in performance, cost and quality. Kaizen ensures that manufacturing processes become leaner and fitter, but eliminate waste (problem) where value is added. The main objective of this paper is to provide a background on kaizen, present an overview of kaizen concepts that are used to transform a company into a high performing lean</p>

		enterprise. A case study of implementation of Kaizen's has been discussed.
Dr. Davinder Sharma Associate Professor BCIPS (Affiliated to GGSIP University, Delhi)	Kaizen In The Indian Context-A Case Study	Quality has become a prerequisite for success of any organization. It is being increasingly recognized that a high quality of products and services and their associated customer satisfaction are the key to survival for any enterprise. Quality consciousness of the customer and competitors has forced the manufacturers and service providers to search for more effective ways to achieve quality as defined by ultimate end users. In today's turbulent and market driven economy, only those companies will survive who will adopt such practices, programs or methods which help in considerable and continuous improvement in products and services offered by them. Total quality management (TQM) is widely accepted philosophy for achieving continuous quality improvements in all aspects of business. Kaizen, a philosophy, a strategy, a programme & an inherent part of the TQM process, helps to improve quality of goods & services of an organization. Continuous improvement or kaizen) is the philosophy of continually seeking ways to improve operations. It transforms the drive towards quality

		<p>into a never-ending journey. Kaizen means improvement &amp; ongoing - continuous &amp; never ending improvement involving everyone in work life. This has been one of the key concepts in success of Japanese industries. Kaizen is built on the premise that the knowledge of how to improve the work place should come from the work place itself and not to be imposed from Outside. This paper Illustrates the concept, principles of kaizen with a structured approach for its implementation. This paper also presents an insight into the kaizen system in a large petrochemical plant based at Surat, Gujarat. India. Areas for improvement of the system in this organization are also presented which helps to continuously improve quality and productivity of work process of the organization and thereby helping the organization setting and reaching higher and higher standards of performance.</p>
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Table: 5.1

## **5.2 LOGICAL CONCLUSIONS RELATED TO THE BUSINESS PROBLEM**

Nestlé is a Swiss transnational food and beverage company headquartered in Vevey, Vaud, Switzerland. It is the largest food company in the world measured by revenues, and ranked #72 on the Fortune Global 500 in 2014. Its products include baby food, medical food, bottled water, breakfast cereals, coffee and tea, confectionery, dairy products, ice cream, frozen food, pet foods, and snacks. As lean production is paramount in Nestlé's constant mission of reducing waste in all manners, so is kaizen as a support of the idea of continuous improvement. Kaizen as a concept in Nestlé makes sure that improvement is the responsibility of everyone involved. The improvement of efficiency becomes a constant process since kaizen implies that even the smallest improvements should be made as they can eventually lead to big savings. Nestlé uses various techniques to see where the current factory could be made more efficient, techniques such as Value Stream Mapping (VSM) that illustrates the flow of materials and information required to bring the finished product to the consumer. A process like this helps plant new bottling plants to ensure that their processes are as efficient as possible. Nestlé wants to be known as a 'Respected, Trustworthy, Food, Nutrition, Health and Wellness Company'. All the actions are guided by a series of business principles. Market research showed that customers of Nestlé have a genuine and growing interest in information about its brands. In particular, consumers want more information about what they eat and drink. They felt this information should be supplied as part of the product and they have the right to know it.

The success of Kaizen lies in the involvement of all employees at every level of a company. Rather than a top-down or bottom-up approach, every person is encouraged to share suggestions for improvements. Through the collective individual efforts of an entire organisation, small improvements can be actioned across every area of the business to achieve incremental innovation – over time, making a significant overall impact. What's more, empowering employees to have a say on changes in the workplace boosts morale which, in turn, leads to higher productivity levels.

### **Importance**

Kaizen (Japanese for "improvement" or "change for the better") refers to practices on continuous improvement of processes in manufacturing, engineering, supporting business processes, and management. It also applies to processes, such as purchasing and logistics that crosses organizational boundaries into the supply chain. By improving standardized activities and processes, kaizen aims to get rid of waste. After the Second World War, Kaizen was first implemented in several Japanese businesses influenced in part by American business and quality management teachers who visited the country. And now, it has spread throughout the around world. Kaizen approach helps Nestlé to achieve better operational excellence and improve their productivity through:

1. Discovering problems at their source and solving them at their source;
2. Decreasing the waste in some areas;
3. Better use of production capacity, capital and employee retention.
4. Elimination or transformation of existing procedures
5. Concentrating on creative investments and small improvements to get immediate results.

So Kaizen approach is Making the appropriate and correct use of skills of your employees to further improve the competitiveness. It can greatly contribute towards the growth of your business; standardize the working culture and measure all possible metrics to attain the best market result.

### **Strategy**

Nestlé's objectives are to be recognized as the world leader in Nutrition, Health, and Wellness, trusted by all its stakeholders, and to be the reference for financial performance in its industry. They believe that leadership is not just about size, it is also about their behaviour. They recognize trust is earned only over a long periods of time by consistently delivering on their promises. These objectives and behaviour are encapsulated in the simple phrase "Good Food, Good Life", that sums up their corporate ambition. The Nestle roadmap is intended to create alignment for their people behind a cohesive set of strategic priorities that will accelerate the achievement of their objectives. These objectives demand from their people a blend of long term inspiration needed to build for the future and short-term entrepreneurial actions, delivering the necessary level of performance. They are seeking to achieve leadership and earn that trust by satisfying the expectations of consumers, whose daily choices drive the performance of shareholders, of the communities in which they operate and of society as a whole. They believe that it is only possible to create long term sustainable value for their shareholders if their behaviours, strategies, and operations are also creating value for the communities where they operate for their businesses and for their consumers, and they this Creating Shared Value. They are now investing for the future to ensure the financial and environmental sustainability of their actions and operations in capacity, technology, capabilities, in people, in Brands, in R & D. their aims to meet today's needs without compromising the ability of the future generations to meet their needs, and to do so in a way which will ensure profitable growth year after year and a high level of returns for their shareholders and society at a large over the long-term. Nestle describes itself as a food, nutrition, health, and wellness company. They believe their strengthening their leadership in this market is the key element of their corporate strategy. This market is characterized as one in which the consumers' primary motivation for a purchase is the claims made by the product based on nutritional content. In order to reinforce their competitive advantage, Nestle created Nutrition as an autonomous global

business unit within the organization. and charge it with the operational and profit and loss responsibility for the claim- based business performance by offering consumers trusted, science based Nutrition products and services. The Corporate Wellness Unit was designed to integrated nutritional value-added in their food and beverage industries. This unit will drive the nutrition, health, and wellness organization across all their food and beverage businesses. It encompasses a major communication effort, both internally and externally, and strives to closely align Nestlé's scientific and R & D expertise with consumer benefits. This unit is responsible for coordinating horizontal, cross-business project that address current customer concerns as well as anticipating future consumer trends. Nestle business level strategy is integrated cost leadership or differentiation with wide range of products and low cost operators. Nestle strategic leadership is to force the business to become more efficient, to create a regional manufacturing network, integrate the company's business on a global scale and to reduce marketing expenditures by exploiting the synergies between brands. Their strategy to develop R & D network by improving existing products and creating tomorrow's nourishments, two third of company's R & D activities are dedicated to renovating existing products, the remaining third is reserved for radical product innovations, improve on operational level and a number of organizational changes.

### **Apply Kaizen**

Kaizen initiatives should be simple and easy to implement. An effective way to achieve this is to follow the PDCA (plan-do-check-act) cycle:



Fig: 5.2

**Plan:** Establish objectives and processes required to deliver the desired results.

**Do:** Carry out the objectives from the previous step.

**Check:** During the check phase, the data and results gathered from the do phase are evaluated. Data is compared to the expected outcomes to see any similarities and differences. The testing process is also evaluated to see if there were any changes from the original test created during the planning phase. If the data is placed in a chart it can make it easier to see any trends if the PDCA cycle is conducted multiple times. This helps to see what changes work better than others, and if said changes can be improved as well.

**Act:** Also called "Adjust", this act phase is where a process is improved. Records from the "do" and "check" phases help identify issues with the process. These issues may include problems, non-conformities, opportunities for improvement, inefficiencies and other issues that result in outcomes that are evidently less-than-optimal. Root causes of such issues are investigated, found and eliminated by modifying the process. Risk is re-evaluated. At the end of the actions in this phase, the process has better instructions, standards or goals. Planning for the next cycle can proceed with a better base-line. Work in the next do phase should not create recurrence of the identified issues; if it does, then the action was not effective.

**CHAPTER – 6**  
**FINDINGS AND SUGGESTIONS**



## **FINDINGS OF THE STUDY**

- Kaizen as a method of improvement is not only beneficial to the business. In Nestle it is also beneficial to employees, customers and the organization as a whole. This management theory is applicable to most types of businesses. Kaizen recognizes and rewards the efforts of employees, Worthy targets.
- One of the major finding is improved teamwork. In Nestle, Kaizen is a quality improvement tool driven by teamwork. It does not benefit only a selected few, but everyone involved in the business process. As the kaizen team solves problems together, they develop a bond and build team spirit.
- In Nestle Kaizen improvements boost the quality of services. It helps businesses implement new process improvements, boost efficiency and enhance time management.
- Ensured incremental but continuous improvement in quality productivity safety. clearness and machine utilization.
- Implementing changes during kaizen results to a new and improved Standard Work Document. Standard Work Document, also called standardized work, is a tool that forms the foundation of kaizen improvements. It contains the current best practice guiding a business.
- Nestle has provided opportunities for innovation by using kaizen in the company.
- Improvement sense of ownership in Nestle by using Kaizen.
- In Nestle Kaizen improves employee satisfaction. Kaizen involves the employees when implementing changes for improvements. Employees can make suggestions and creative input for changes through a suggestion system like team meetings. When employees are involved in decision making, it gives them a sense of belonging and worth. They are eager to implement changes and think of new ways to improve the processes.
- Kaizen system works well in slow-growth economy.
- Safety is improved when businesses implement ideas that clean up and organize workspace. By so doing, employees have better control of business process equipment. Employees are also encouraged to make suggestions to improve safety on the work floor. This helps to minimize accidents and other related injuries.
- In Nestle Kaizen reduces wastes in business processes. Kaizen is the responsibility of everyone. Therefore, management and staff are responsible for identifying areas that constitute waste in the business process. By implementing constant changes, they can determine the root cause of wastage and fix them.

## SUGGESTIONS

From the findings of the study we can see that adopting Kaizen has many benefits that improve productively, safety, and the satisfaction of both employees and customers. Each of these, in turn, helps reduce costs and increase profit without large, capital-intensive improvement projects.

Following areas are the suggestions for making the Kaizen more effective:

- Kaizen are at present evaluated by a team of technical personnel, holding high positions in their respective discipline. Evaluation by a dedicated team, instead comprising of member belonging to various cadres may be considered prior to evaluation by in -charges of individual departments.
- Name of personnel should not be disclosed in order to eliminate subjectivity associate with evaluation. Loss of motivation for some personnel can be eliminated this way. Also, the practice of total transparency will help maintaining a healthy environment.
- For kaizen that are rejected, proposer should be given an opportunity to present kaizen, so that clarity can be improved.
- As a part of motivating people, eliminate the system with targets. instead other method like public recognition may be improved.
- Every accepted kaizen should be linked to daily job planning or to a shutdown job planning Their number of kaizen that await implementation can be brought down.
- The committee should release the status of implementation every month, clearly stating reason for pending, and the same should be projected to the senior management.
- Continuous training of employees in their life function can help them contribute better o improvement front. Also, employee need to be guided in proposal writing of kaizen.
- To improve the level of motivation of the service discipline personnel, it is necessary to have a different criterion for evaluation of their kaizen
- Contract manpower carryout most of the field work. It is really surprising.to see that there is no system in place to tap the potential of this work force. To enable this, top management should adopt a system, where a contractor can also contribute to the company's improvement. Methodology for evaluation should be the different.
- Regular audits on the effectiveness of kaizen system should be conduct, Viewpoints of employees can be obtained by a questionnaire/survey.
- Senior managers can focus on improving system, i.e. in their own functional areas.

**CHAPTER – 7**  
**CONCLUSION**

## **CONCLUSION**

For a company that will turn one hundred in a decade, Nestle has almost tried all of the strategies there can be. Nestle company has expanded internationally, helped countries' economies grow, be environmentally conscious and create joint ventures with other companies in which enhanced Nestlé's and these companies' performance positively. The theory based framework and models might be very useful but the application in practice might be achieved very hard. It will also depend on the execution skills of the companies and the organizational culture. Nestle company is an international company which came to the stage it is today by gaining superior competitive advantage over its rivals. The focus product differentiation strategy has been very successful although it may not work for other firms. The company is able to create and deliver value not only by offering distinguished products but also gaining effectiveness and efficiency by reengineering its business process. By doing all recommendations and follow all these steps of adapting Kaizen, Nestle will do better in the future than its competitors and might be trend setter in some criteria and also gain its above average returns to their company.

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