

Research Article

Analysis of Internal Factor Evaluation Matrix, External Factor Evaluation Matrix, Threats-Opportunities-Weaknesses-Strengths Matrix, and Quantitative Strategic Planning Matrix on Milk Products and Nutrition Segment of Nestlé India

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Abstract: A lot of Indians started moving towards healthy lifestyle. Nestle is one of the largest multinational food companies in India. Most of its income comes from Milk Products and Nutrition (MPN) sales. Nestle has to maintain or even improve the quality of their nutritious products, in order to be able to secure their market share in India. The purpose of this study is to determine the strategic alternatives for this segment. Secondary data such as annual reports, news articles, and analysis on trusted websites were used to conduct this study. The data was processed by using IFE, EFE, TOWS, and QSPM matrices. This study aims to identify external and internal indicators affecting MPN sales performance, to present the strategies that could be implemented based on those indicators, and to determine the priority strategy to execute the plan. The result shows that Nestle India should prioritize to apply product development strategy first, then related diversification strategy.

Keywords: milk products and nutrition, strategic planning, strategic management, IFE, EFE, TOWS, QSPM.

1. INTRODUCTION

More than fifty percent of the global population lives in Asia, with China and India being the most populated countries in the world, each having 1.4 billion and 1.3 billion respectively (www.un.org/en). Nowadays, a lot of people especially millennials started to shift away from meat, and opt for healthier or more nutritious food. When purchasing foods, they take the food source, animal welfare, and environmental impacts into consideration before reaching any decisions (www.forbes.com, 2018). This trend also happens in India, where millennials make up sixty five percent of the population (www.posist.com). Not only millennials, people in general who live in urban India like Kolkata, Pune, and Delhi reportedly starting to move towards healthy lifestyle which is shown through their use of fitness application HealthifyMe (www.hindustantimes.com). The Food Safety and Standards Authority of India (FSSAI) also launched 'Eat Right Movement' which is supported by food companies around the country (www.economicstimes.indiatimes.com).

Nestle is one of multinational food companies that operate in India. It was established in 1866 and has commitment to improving quality of life and contributing to a healthier future. The headquarter is located in Switzerland, and is one of the largest food and beverage companies in the world (www.forbes.com, 2018). Nestle has sixteen principal markets which are United States, Greater China Region, France, Brazil, United Kingdom, Mexico, Germany, Philippines, Canada, Italy, Japan, Russia, Spain, Australia, India, and Switzerland (www.nestle.com, 2018). In India, Nestle has Milk Products and Nutrition (MPN), Prepared Dishes and Cooking Aids (PDCA), Powdered and Liquid Beverages (PLB), and Confectionery as its product groups (www.nestle.in, 2018). The PDCA products are sold the most in 2018, but the highest income comes from the MPN products sale (see figure 1). As explained above, customers' demand towards nutritious foods is increasing each day. Therefore, Nestle has to maintain the quality of their MPN products, considering the threat that comes from

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local competitor, Anand Milk Union Limited (Amul), which is the biggest dairy cooperative and retail chain

in India (<https://qz.com>).

Product groups	Year ended 31 December 2018	
	Quantity (MT)	Amount ⁽¹⁾ (₹ in million)
Milk Products and Nutrition (includes dairy whitener, condensed milk, UHT milk, yoghurt, maternal and infant formula, baby food, health care nutrition)	137,066	51,876.3
Prepared dishes and cooking aids (includes noodles, sauces, seasonings, pasta, cereals)	240,879	31,052.5
Powdered and Liquid Beverages (includes instant coffee, instant tea, ready to drink beverage)	27,013	15,226.1
Confectionery (includes bar countlines, tablets, sugar confectionery)	42,197	14,007.4
Total Sales	447,155	112,162.3

Figure 1. Details of Product Sales (Nestlé India annual report, 2018)

Strategic planning is a critical mean to help companies to reach their goals. It is a part and a key to successful strategic management (Gurel, E., & Tat, M. 2017). Studer implies that strategic management is a set of managerial decisions and actions that determine the company’s performance over the long term (Widiatama, *et al.*, 2018; Studer, S. 2016). Formulating a good set of strategies will improve the performance sale, vice versa. Hence, SWOT analysis was conducted to find solutions to maintain the MPN products sales performance. SWOT Analysis is a tool used for building organizational strategy and competitive strategy (Gurel, E., & Tat, M. 2017). It consists of “Strengths”, “Weaknesses”, “Opportunities”, and “Threats”. Strengths and weaknesses are the internal factors that can be found from within the company, and opportunities and threats are the external factors that affect the company’s performance. After analyzing the SWOT, Internal Factor Evaluation (IFE) matrix, External Factor Evaluation (EFE) matrix, Threats-Opportunities-Weaknesses-Strengths (TOWS) matrix, and Quantitative Strategic Planning Matrix (QSPM) were conducted to find strategic alternatives for Nestle India’s MPN segment. The purposes of this study are to identify external and internal indicators affecting MPN sales performance, to present the strategies that could be implemented based on those indicators, and to determine the priority strategy to execute the plan.

2. Literature Review

2.1 Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) Matrix

IFE and EFE are part of the input stage of strategy-formulation. Making small decisions in the input matrices regarding the relative importance of external and internal factors allows strategists to more effectively generate and evaluate alternative strategies (David, F. R. 2011). According to David (2011), after listing all the identified internal and external factors derived from the SWOT analysis, a weight that ranges from 0.0 (not important) to 1.0 (all-important) is assigned to each indicator. The percentage form can also be used instead of the decimal form. The weight is

used to measure the importance of a given indicator to the company’s industry. And then, ratings from 1-4 should be assigned to represent the value of response, where 1 is *major weakness* (IFE) or *poor response* (EFE), 2 is *minor weakness* (IFE) or *average response* (EFE), 3 is *minor strength* (IFE) or *above average response* (EFE), and 4 is *major strength* (IFE) or *superior response* (EFE). Afterward, multiply each indicator’s weight by its rating to determine weighted scores for variables. The weighted scores must be summed to get the total weighted scores.

2.2 Threats-Opportunities-Weaknesses-Strengths (TOWS) Matrix

TOWS matrix is a part of the matching stage of strategy-formulation. Weihrich states that a lot of experts suggest a company to use its strengths to take advantage of opportunities, but then they ignore other important relationships, such as the challenges of overcoming weaknesses to exploit opportunities (Puri, P. 2017). This matrix was first introduced by him in 1982 by pairing the external factors (threats and opportunities) with the company’s internal factors (weaknesses and strengths) (Weihrich, H. 1982). It consists of four types of strategies which are (David, F. R. 2011):

- *S-O strategies*, that use a company’s internal strengths to take advantage of external opportunities,
- *W-O strategies*, that aim to improve internal weaknesses by taking advantage of external opportunities,
- *S-T strategies*, that use a company’s strengths to avoid or reduce the impact of external threats, and
- *W-T strategies*, which are defensive tactics directed at reducing internal weakness and avoiding external threats.

2.3 Quantitative Strategic Planning Matrix (QSPM)

QSPM falls within the final stage of strategy-formulation, which is the decision stage. Indicators are derived from the previous internal and external factors. This is used to determine or rank the best alternative strategies for the business. According to Abratt and also Dibb (in David, *et al.*), QSPM determines the relative attractiveness of various strategies based on the extent to which the alternative strategies will enable the firm to capitalize upon strengths and opportunities, improve upon weaknesses, and avoid or mitigate external threats (Abratt, R. 1993; Dibb, S. 1995; David, M. E. 2016). It requires subjective decisions, where making decisions throughout the process increasing the likelihood that the final strategy decision for the organization (Zulkarnain, A. 2019). New additional components for QSPM are Attractiveness Scores (AS), Total Attractiveness Scores (TAS), and the Sum of TAS.

3. RESEARCH METHOD

3.1 Research Approach

The type of data that is used in this study is secondary data, which are annual report, news articles, and writings or analysis found on trusted websites. Descriptive method was used to present the problems with the aim to find proper strategies for the company.

3.2 Data Analysis Techniques

This study uses three matrices for data processing, which are IFE and EFE matrices (the input stage), TOWS matrix (the matching stage), and QSPM (the decision stage). Final decision was made by using QSPM.

4. RESEARCH FINDINGS

The result of IFE analysis was obtained through a number of indicators of strengths and weaknesses. The ratings in this matrix refer to the strong or weak level of each factor. The ratings range from 4 to 1, where 4 means a major strength, 3 – minor strength, 2 – minor weakness and 1 – major weakness. Strengths can only receive ratings 3 & 4, while weaknesses – 2 & 1.

Table1. Internal Factor Evaluation (IFE) Matrix

Key Factors	Weight	Ratings	Weighted Scores
Strengths			
<i>Product Innovation</i>	12%	4	0.48
<i>Business Expansion</i>	12%	4	0.48
<i>Strong Brand Image and Brand Value</i>	10%	4	0.4
<i>Premium and Natural Raw Material</i>	10%	4	0.4
<i>Recycle-able packaging and Waste Free-Product</i>	8%	3	0.24
<i>Nutrition improvement</i>	12%	4	0.48
<i>Excellent Financial Performance</i>	6%	3	0.18
Weaknesses			
<i>Mislabeled Ads and Nutrition Information on baby formula</i>	10%	1	0.1
<i>The management is slow to provide solutions for customer complaints</i>	10%	1	0.1
<i>The Stakeholders and Shareholders started to doubt about the integrity and consistency of information of existing products</i>	10%	1	0.1
Total	100%		2,96

The result of EFE analysis was obtained through a number of indicators of opportunities and threats. The ratings range from 4 to 1, where 4 means a superior response, 3 – above average response, 2 – average response and 1 – poor response.

Table 2. External Factor Evaluation (EFE) Matrix

Key Factors	Weight	Ratings	Weighted Scores
Opportunities			
<i>Fast-changing trend among the customers in India</i>	10%	4	0.4
<i>Customers started to think of the importance of healthy food that have proper nutrition in it</i>	10%	4	0.4
<i>Modern technology</i>	8%	4	0.32
<i>The existence of eco-friendly movement in India, which is about keeping the environment safe and healthy.</i>	7%	4	0.28
<i>The vegan community crave for vegan products and caterings in India</i>	7%	4	0.28
<i>Millennials are adopting fast, practical, and instant lifestyle</i>	10%	4	0.4
Threats			
<i>Fierce competition with other competitors that have similar products like Nestle India</i>	10%	4	0.4
<i>Water Scarcity.</i>	10%	4	0.4
<i>Nutrition inspections on products sold by food companies are required in accordance to government rules and regulation</i>	10%	4	0.4
<i>Most people with lactose intolerance can't comfortably consume some dairy food, but still need calcium in their nutrition.</i>	8%	3	0.24
<i>People started realizing that breastfeeding is the best nutrition source for babies.</i>	10%	3	0.3
Total	100%		3,82

Table3. TOWS Matrix

<p style="text-align: center;">TOWS Matrix</p>	<p style="text-align: center;"><u>Strengths</u></p> <ul style="list-style-type: none"> • Product innovation • Business expansion • Strong brand image and brand value • Premium and natural raw material • Recycle-able packaging and waste-free product • Nutrition improvement • Excellent financial performance 	<p style="text-align: center;"><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Mislabeled ads and nutrition information on baby formula • The management is slow to provide solutions for customer complaints • The stakeholders and shareholders started asking about the integrity and consistency of information of existing products
<p style="text-align: center;"><u>Opportunities</u></p> <ul style="list-style-type: none"> • Fast-changing trend among the customers in India • Customers started to think of the importance of healthy food that have proper nutrition in it • The existence of eco-friendly movement in India, which is about keeping the environment safe and healthy. • The vegan community crave for vegan products and caterings in India • Millennials are adopting fast, practical, and instant lifestyle • Modern technology 	<p style="text-align: center;"><u>S-O Strategies</u></p> <ul style="list-style-type: none"> • Product innovation and expansion can be done in the matter of keeping up with changes in customers' perception and lifestyle (S1, S2, S6, O1, O2, O3, O4, O5, O6) • Utilize the eco-friendly packaging and products to support the eco-friendly movement in India, which can also contribute to the improvement of company's brand image (S3, S5, O4) 	<p style="text-align: center;"><u>W-O Strategies</u></p> <ul style="list-style-type: none"> • Paying attention to nutrition facts label is important given the fact that a lot of customers started to opt for nutritious foods (W1, O2) • Utilize the technology to deal with customer complaints (W2, O3)
<p style="text-align: center;"><u>Threats</u></p> <ul style="list-style-type: none"> • Fierce competition with other competitors that have similar products like Nestle India • Water scarcity • Nutrition inspections on products sold by food companies are required in accordance to government rules and regulation • Most people with lactose intolerance can't comfortably consume some dairy food, but still need calcium in their nutrition. • People started realizing that breastfeeding is the best nutrition source for babies. 	<p style="text-align: center;"><u>S-T Strategies</u></p> <ul style="list-style-type: none"> • In coping up with industry competition, innovation and business expansion are very critical to add more value to the products (S1, S2, S6, T1, T4, T5) • Trying to create products that are lactose intolerance-friendly for general customers and nutritious for babies (S6, T4, T5) 	<p style="text-align: center;"><u>W-T Strategies</u></p> <ul style="list-style-type: none"> • Mislabeled nutrition information must be avoided in order to retain the customers, and to prevent violation of rules and regulation in the future (W1, T1, T3) • Customer service is an essential factor of keeping the customers loyal to the brand. Hence, it must be improved. (W2, T1)

QSPM (Quantitative Strategic Planning Matrix) is the final method, where the data is derived from IFE, EFE, and TOWS (Threats-Opportunities-Weaknesses-Strengths) Matrix.

Table4. QSPM Matrix

Key Factors	Weight	STRATEGIC ALTERNATIVES			
		1 Product Development		2 Related Diversification	
		AS	TAS	AS	TAS
Opportunities					
Fast-changing trend among the customers in India	10%	4	0.4	4	0.4
Customers started to think of the importance of healthy food that have proper nutrition in it	10%	4	0.4	4	0.4
Modern technology	8%	4	0.32	4	0.32
The existence of eco-friendly movement in India, which is about keeping the environment safe and healthy.	7%	3	0.21	2	0.14
The vegan community craves for vegan products and caterings in India	7%	3	0.21	4	0.28
Millennials are adopting fast, practical, and instant lifestyle	10%	3	0.3	4	0.4
Threats					
Fierce competition with other competitors that have similar products like Nestle India	10%	4	0.4	4	0.4
Water scarcity	10%	3	0.3	2	0.2
Nutrition inspections on products sold by food companies are required in accordance to government rules and regulation	10%	4	0.4	2	0.2
Most people with lactose intolerance can't comfortably consume some dairy food, but still need calcium in their nutrition	8%	3	0.32	2	0.16
People started realizing that breastfeeding is the best nutrition source for babies	10%	3	0.3	2	0.2
Strengths					
Product innovation	12%	4	0.48	4	0.48
Business expansion	12%	4	0.48	4	0.48
Strong brand image and brand value	10%	4	0.4	4	0.4
Premium and natural raw material	10%	4	0.4	4	0.4
Recycle-able packaging and waste-free product	8%	3	0.32	1	0.08
Nutrition improvement	12%	4	0.48	4	0.48
Excellent financial performance	6%	3	0.18	4	0.24
Weaknesses					
Mislabeled ads and nutrition information on baby formula	10%	4	0.4	1	0.1
The management is slow to provide solutions for customer complaints	10%	3	0.3	3	0.3
The stakeholders and shareholders started asking about the integrity and consistency of existing products	10%	2	0.2	2	0.2
Total			7.2		6.26
Priority			1		2

5. DISCUSSION AND CONCLUSION

The alternative strategies were generated from IFE, EFE, TOWS, and QSPM Matrix. All of these matrices helped to determine the right solution for every case. These alternatives are matched with vision, mission, goals, and objectives of the Nestle India, especially on Milk Products and Nutrition segment. Structured strategic priorities are: (1) Product Development, (2) Related Diversification. The company is suggested to implement the product development strategy first, then related diversification strategy. These strategies below are suggested for this business line:

1. Product development

To keep up with instant and fast-changing of customer lifestyle, and also the threats that come from competitors, Nestle India can implement product innovation and brand expansion strategies to increase sales performance. Suggestion for this strategy will be

as follow: (1). the company can combine nutrition products with confectionery products by creating a snack bar that contains nutrients. For example, Kit Kat with one of its nutrition products, which is Resource (for individuals that has diabetes). The sugar level in Kit Kat also needs to be decreased. Indians in general and millennials can get their nutrition through snacks. This can dismiss the unhealthy image of Nestle's confectionery. (2) To execute this, the company can provide training and development programs for the employees. This activity allows the employees to contribute their ideas about the innovation and also to enrich their skills to do the product development. (3) Nestle is known as one of the market leaders in Milk Products and Nutrition in India. By having this advantage, they don't have to hesitate to develop and release new products to the market because they already have customers' trust and loyalty. For example, they can create a yoghurt product with Indian traditional recipe.

2. Related Diversification

By improving the nutrition products, maintaining the quality of premium and natural raw materials, and having strong and powerful brand image and value, Nestle India may add new product line or services that's still related to existing products. Modern technology can be used for quality improvement and also like its slogan, "to help the customers to live a good life with Nestle India". Suggestion for this strategy will be as follow: (1) Create a new smartphone application that is able to scan and analyze the level of lactose, protein, and vitamin in customers' body. This app can help the customers to choose which Nestle's dairy and nutrition product is the best for their bodies. This program can be named "Ask Nestle Doc" and it will help the company to collect customer data by conducting surveys through their registered email regularly. (2) Create a new product line for cereal breakfast which is focused on local Indian taste. For example, it can be named as "Muskurao" which means Smile in local language. It will be made of Indian spices or Indian traditional recipe. With this line, the company can strive to put a smile on customers' face in the morning by allowing them to have some breakfast with local taste. (3) The company can do research and test regularly to combine the taste of traditional recipe with existing product which is milk and nutrition product. This effort can help Nestle to keep innovating and improving their products so they can keep up with their competitors in India, without eliminating the local taste.

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