
Teaching Note: Case 1: Nestlé in Mexico: The Good Food Versus The Good Life Dilemma

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Case Synopsis

Nestlé, the largest food company in the world, built on the slogan “good food for good life”, has been under scrutiny especially in emerging markets for presumably utilising unethical marketing strategies. In 2014, Nestlé was fined in Mexico for promoting heavily calorific products during TV programs targeted at children. In contrast, Nestlé is the main sponsor for various interventions aiming to reduce the obesity epidemic in Mexico. For instance, Nestlé is the main sponsor of “Unidos por Niños Saludables” (United for Healthy Children), a national information campaign initiated by the Mexican Health Department, which seeks to educate parents about better diets for their offspring.

Seventy percent of the entire population and a third of the children in Mexico are obese or overweight, thus making Mexico the country with the world’s highest obesity rate. Various actors with different strategic objectives are joining forces to fight obesity, in particular its infantile form. The Mexican Government introduced a junk food and fizzy drink tax. Food service operators, such as Nestlé, are joining various national initiatives aimed at encouraging consumers to develop healthier eating habits.

This case addresses the fine balancing act that Nestlé had to perform when managing the expectations of its stakeholders. On one hand, the company had to answer the calls addressed by its secondary stakeholders—such as non-governmental organizations and activist groups—and make addressing childhood obesity one of its main corporate communication messages. Simultaneously, Nestlé had to continue to promote sales of its high calorific products and satisfy its primary stakeholders, such as its stockholders or current consumers. This case study explores the dilemma that Nestlé was confronted with when choosing how to

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answer the pressures and expectations of these distinct groups. The intricate intertwining of potentially non-overlapping goals, strategies and ethical conflicts are explored, with a focus on the company's marketing communication strategy.

Pedagogy of the Case Study

This case is written for strategic marketing and general marketing management courses at MBA, masters programs and corporate training programs incorporating marketing dilemmas. Focusing on the role of the emerging markets in driving growth for many multinational companies, the case examines the social implication of consumption driven marketing strategies in Latin America. It can therefore be used at graduate level courses in the ethical implications of strategic marketing in addition to MBA level courses. Using the central theme of Nestlé as a food major operating in the Latin American market of Mexico, the case can be used to develop problem-solving and decision-making skill sets of graduate level students. By focusing on a well-known food processing company, students are introduced to the process of making difficult decisions about complex human and corporate operational dilemmas.

Prerequisites

Students are expected to have a wider knowledge of issues in business ethics, corporate social responsibility, and dilemmas of multinational companies engaging in differentiating their offerings in emerging markets as well as the different aspects of marketing across borders.

Case Teaching Objectives

The case outlines the dilemma faced by the global company in managing shareholder expectations, stakeholder expectations and the wider implications of its actions on developing a coherent and ethical marketing and communication strategy.

Students can recognise and critically evaluate the role of multinational companies in using consumption led marketing strategies in emerging economies to drive growth.

The case examines the dilemma of various stakeholders in the management of the obesity epidemic in emerging economies—a result of changing food consumption patterns and the marketing of high calorific foods.

Suggested Teaching Approach

This case study and the accompanying discussion questions have been designed to facilitate teaching of a strategic marketing dilemma in emerging economies. The operations of Nestlé in Mexico is used as a pivot to introduce how food majors face challenges from both consumers, as well as from the regulatory aspect of government policies and decisions. The rise in obesity and a corresponding link to growing disposable income in many emerging economies is explored through several lenses. The first lens is that of a company seeking to expand its market and revenue base by exploiting a growing segment of consumers who demand processed food products. The second lens is that of the society in which the company operates and the associated cost of health, disease management and other related problems. The latter are explored using the context of obesity epidemic, a direct result of processed food consumption. The next lens is that of the role of the government and other stakeholders in increasing awareness of health issues and the regulatory mechanism by which food majors like Nestlé are being controlled. Each of these lenses is integrated into the context of changing consumer demands and expectations from companies and other market actors. Two learning approaches may be used to guide the teaching and learning process.

- A. The instructor may use this case as part of teaching session incorporating a lecture and discussion of this case study. In this approach, a total of 90–120 min may be devoted to this approach. The first 60 min could be in the form of a lecture introducing the background theoretical context on ethics, marketing strategies, the global business environment, consumer demand in emerging markets and the regulatory mechanisms in emerging economies. This could then lead to a discussion on each of the questions at the end of the case study. Students may then be facilitated to lead discussions on analysing the context of each questions in the background of the theoretical knowledge provided by the lecture as well as their own background reading.
- B. The second approach envisages the case study being used in a tutorial or seminar setting as an independent learning objective. In this approach a total of 30 min may be allocated. Students may be divided into groups and asked to lead discussions based on the questions at the end of the case study. The instructor can contribute by adding theoretical knowledge as appropriate.

In both approaches, the instructor may introduce the case study by providing an overview of the key learning objectives and the aspects of the case that are important to the learning approach chosen. The additional reading material provided in the case study teaching notes can be used by students to formulate their own perspectives regarding each of these discussion questions.

Suggested Discussion Questions

1. Describe how the obesity epidemic in Latin America can be attributed to the marketing strategies deployed by global food majors.
2. Why did the consumption patterns change in Mexico? Do you believe that this is a consequence of the economic progress that Mexico experienced in the last decades? Is there a linkage between economic growth in emerging economies and the increased consumption of high calorific food products?
3. Is Mexico is a challenging market for Nestlé? Analyse your response in the context of the changing regulatory environment for the production of food items. What can Nestlé do in order to retain its customers under the new market conditions, following the regulations imposed by the Mexican authorities?
4. Do you believe that companies should be legally obliged to behave in a responsible and sustainable fashion vis-à-vis their vulnerable customers? Undertake some online research and try to identify specific health related interventions initiated and implemented by food operators such as Nestlé, Cadbury, Mars, etc. Search for information regarding the results of these interventions. How would you evaluate their efficiency?

Suggested Answers for Discussion Questions

1. Students can start by examining the global obesity epidemic in the first instance by examining advanced economies. Macro-level analysis can then be introduced by comparing the rate of the epidemic in advanced economies to that of emerging economies. For a wider discussion of the obesity epidemic, students can access the World Health Organisation (WHO) database. This can lead to class discussions on multiple scenarios of the impact of the obesity epidemic across regions, countries and specific demographic segments. Trend analysis, as well as the relation to changing economic growth patterns across emerging economies can be used as a springboard to sensitise students to the business implications of marketing strategies that indirectly and directly contribute to this epidemic. Instructors can then link this further to the broader ethical implications of global food majors as they increase revenues from emerging economies.

The Latin American context can be introduced into the discussion using data from the case showing that per capita consumption in the region is growing. Rising income and the increase in the consumption of processed food can also be brought into the context. This will then set the scene for the instructor to introduce the impact of the obesity epidemic on the region. The rise in obesity linked diseases and deaths, the higher rates of child obesity and the social cost of managing the disease can be articulated as part of the discussion. Comparative scenarios across emerging markets can be examined using indicators from the World Bank, as well as the World Health Organisation databases.

The last context of the discussion could focus on how increased food processing has created opportunities for many global food majors. Nestlé

could be used as an example of a company that has exploited the commercial advantages of the huge growth in this industrial sector. Integrated marketing strategy of Nestlé can be used to introduce the dilemma faced by companies in managing growth as well as responding to the wider corporate social responsibility agenda.

2. The size of Nestlé's operations in Mexico could be a starting point for discussion of this question. Details can be examined from this case study as well as from the Nestlé Mexico micro site. Students can be introduced to the traditional food habits of Mexico starting with the traditional food base of corn, beans and chilli pepper. A discussion on the nature of Mexico's food and agriculture statistics can start with reading from the FAO profile page on Mexico (<http://www.fao.org/countryprofiles/index/en/?iso3=MEX>). Various social indicators like the demographics of the population, the size of the household, rising income and the increasing purchasing power of children can be used to introduce how consumption patterns have changed in Mexico due to rising economic progress.

A comparative analysis of other emerging economies as well as advanced economies can be examined using databases the World Health Organisation. This can serve as a discussion point to introduce the linkage between consumption of high calorific food products, the contributing factors from the social indicators and how increased marketing activities of food majors have led to the creation of new consumption patterns. Mexico can be used as a micro case to illustrate the change in consumption especially from the consumer viewpoint.

3. Discussion of this question can start with a reference to the previous questions where the obesity epidemic and change in consumption patterns across Latin America have been discussed. Students can then engage in a brief discussion on each of the key stakeholders; consumers, government and regulators, the media and activist groups. This will set the scene for introducing the regulatory environment of Mexico and how Nestlé is managing the challenges of government policies and changing consumer demand.

The regulatory environment of Mexico should be cross-referenced to the ethical dilemma faced by food majors in producing processed food. The role of the food industry, the choices made by the consumer at the individual level and the wider role of the society in promoting or dissuading processed food consumption may be linked to the regulatory environment of Mexico. The challenges of managing each of these actors in the industry may be viewed in light of Nestlé's communication strategy across the country. The impact of regulatory government and societal pressures on Nestlé's financial performance needs to be examined in this context.

The role of economic factors and social pressures on consumers making choices on the type of food products they consume could be another scenario to debate the customer retention strategy of Nestlé. Figure 2 in the case study can be used to examine this dilemma and possibly other scenarios set by students.

Nestlé's response to the changing regulatory environment as indicated by Table 2 of the case study could be a starting point for a class discussion on different marketing scenarios. The instructor may want to focus on any one of

Nestlé's intervention and discuss alternative scenarios, thereby involving the whole class in debating its dilemma. This could then be extended to comparative geographic and economic regions.

4. Table 2 of the case study can represent the starting point to discuss how companies are legally obliged to respond to specific regulatory pressures. Students can commence by understanding the World Health Organisation (WHO) global targets on child nutrition. This may be linked back to individual research using online resources on how each food major like Nestlé manages their individual food products to conform to this targets. Marketing strategies of firms like Nestlé can be used to compare the corporate sustainability targets of other food major.

Using individual research from specific health related interventions, students can develop their own understanding of how companies should respond to customers preference for high calorific food products. Instructors may wish to use this research information to stimulate discussion on the wider business ethics agenda of food majors, the ethics agenda as practiced in other industries, the relationship between sustainability and corporate social responsibility to the bottom line of multinational companies, as well as the challenges each emerging economy presents to a global food major like Nestlé.

Using examples of non-governmental organisations (NGOs) and activist groups, students can be introduced to the role of these stakeholders in managing consumer demand as well as a regulating the business strategy of these large corporations.

Suggested Additional Reading

- Students can understand more about Nestlé and its operations in Mexico from the global site of Nestlé (www.Nestle.com) as well as the Mexico micro-site (<https://www.nestle.com.mx/>)
- The World Health Organisation (WHO) nutrition Department has developed and is maintaining some databases. This can be accessed at <http://www.who.int/nutrition/databases/en/>
- The food and agriculture organisation of the United Nations (FAO) maintains a Mexico specific database at <http://www.fao.org/countryprofiles/index/en/?iso3=MEX>. This can be used for background reading on the food and agriculture profile of Mexico.
- The OECD obesity update (<http://www.oecd.org/health/Obesity-Update-2014.pdf>) can be useful reading in understanding obesity and its effect on both emerging economies and the advanced economies.
- WHO's Member States have endorsed global targets for improving maternal, infant and young child nutrition and are committed to monitoring progress. The targets are vital for identifying priority areas for action and catalysing global change. These targets can be accessed on <http://www.who.int/nutrition/global-target-2025/en/>