

# Risk Management @ Nestlé



Risk management at company level  
*Taking responsibility for product safety*

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## Presentation of:

- Cross-functional Nestlé organisation in charge of counterfeiting;
- Example of counterfeiting potentially impacting product safety.

# Nestlé at a glance: Key figures



- CHF 109.9bn sales in 2008
- Over 283,000 employees
- 456 factories
- Operations in 84 countries

## 1. Risk management at Nestlé

*'... risks are not obvious but their effects are, hence the need for Best practice to avoid failure...'*

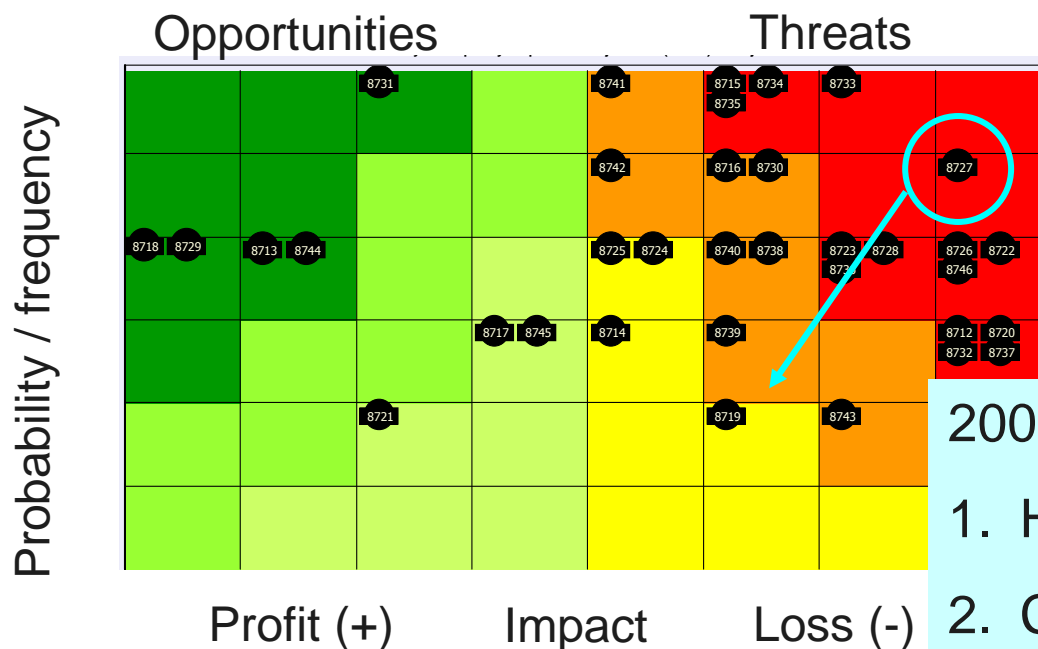
## 2. Cross-functional Nestlé organisation in charge of counterfeiting

## 3. Example of counterfeiting potentially impacting product safety

# Risk identification & quantification: A simple way to present outcome

## Key steps:

- Priorities: define plans, responsible, due dates;
- Mandatory actions to reduce high risk exposure (red zone).
- Objective: high threats must be mitigated adequately



2009 counterfeits challenges for Nestlé:

1. Health & Safety for the consumers
2. Corporate & Brand reputation
3. Impact on sales

1. Risk management at Nestlé
2. Cross-functional Nestlé organisation in charge of counterfeiting

*‘...how can we improve our organization to become more efficient...’*

3. Example of counterfeiting potentially impacting product safety

## Establish cross-functional organization:

- Legal / IP functional leadership, legal/regulatory advisor;
- Sales visual trade monitoring;
- Security internet watch, coordination with investigator;
- Technical increasing counterfeiting hurdles (packaging);
- Logistic monitor ocean transports;
- Quality provide analysis capability (regional labs), etc.

1. Risk management at Nestlé
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*‘...what can be achieved if a structured process is in place...’*

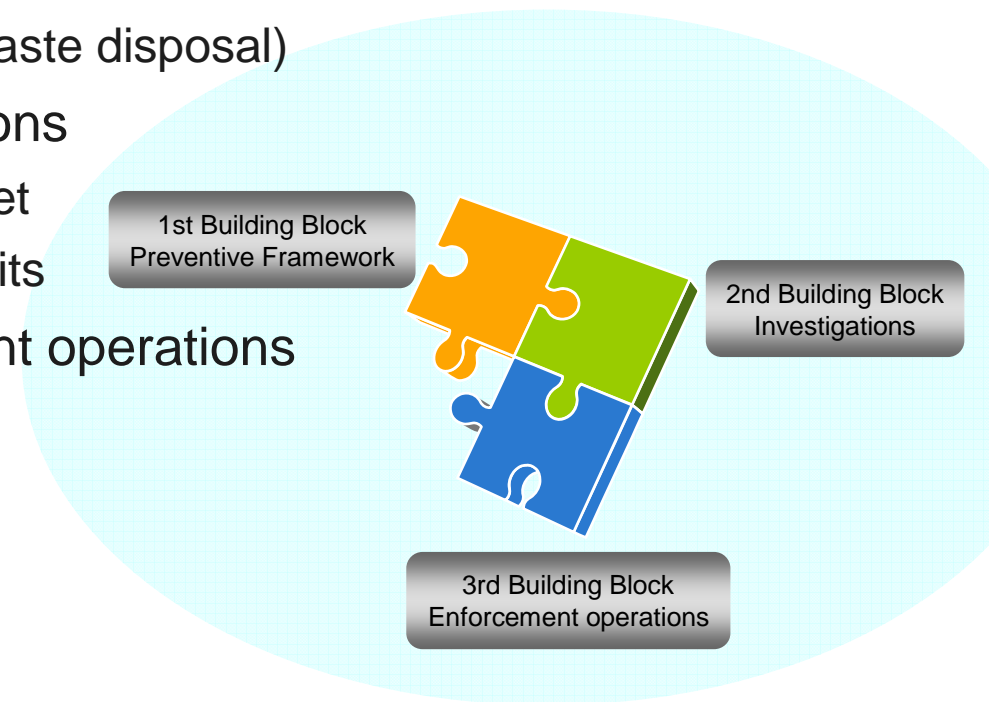


# Brand Protection Protocol



Nestlé Brand Enforcement strategy based on 3 three building blocks:

- 1st building block - Counterfeiting prevention framework
  - Cooperation with customers
  - Market knowledge
  - Monitoring and reporting
  - Security features (packaging, waste disposal)
- 2nd building block - Investigations
  - Counterfeits affecting one Market
  - Complex trafficking of counterfeits
- 3rd building block - Enforcement operations
  - Inspections
  - Raids
  - Legal actions.



# Western Africa

## Maggi Cube case (1/5)



- Demand for Maggi Cube higher than actual capacity
- Detection of Maggi Cube counterfeits in several Western African countries in 2007
- Initial internal investigations
- Sensitize local management
- Blocked counterfeits, but no destruction order by local authorities
- No public investigation
- Not sufficient evidence to get strong support from local authorities
- Not enough perseverance in establishing collaboration with local authorities

# Western Africa Maggi Cube case (2/5)

Fake product

Original Maggi Cube



# Western Africa

## Maggi Cube case (3/5)



- Define specific action plan and get management support:
  - Focus on entering points (Togo, Benin)
  - **Establish close contact with local authorities**
  - Nominate local Intellectual Property manager
  - Increased marketing / supply chain effort in both countries
  - Apply structured approach (Nestlé Brand Protection Protocol)
  - **Detection and blockage** of large new quantities of counterfeits
  - **Destruction orders** of infringing products
- Counterfeiter changed packaging and brand name...!
- Regular monitoring, cycles with new counterfeits (smaller quantities)

# Western Africa Maggi Cube case (4/5)

## Destruction of counterfeits



# Western Africa Maggi Cube case (5/5)

## Imitations recently found on the market



- Clearly define objectives and action plans
  - Follow-up process and key outcome
  - Be flexible and adapt to any deviation from plan
- ⇒ If the commitment to improve a situation is well there, sufficiently large perseverance and support from general management ensured, one can move mountains, even if they are very high...