Risk management at company level
Taking responsibility for product safety

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Objectives

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
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

2. Cross-functional Nestlé organisation in charge of counterfeiting

3. Example of counterfeiting potentially impacting product safety

‘...what can be achieved if a structured process is in place...’
Nestlé Brand Enforcement strategy based on 3 three building blocks:

1. **1st building block - Counterfeiting prevention framework**
   - Cooperation with customers
   - Market knowledge
   - Monitoring and reporting
   - Security features (packaging, waste disposal)

2. **2nd building block - Investigations**
   - Counterfeits affecting one Market
   - Complex trafficking of counterfeits

3. **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

4.5 cm

Original Maggi Cube

5.5 cm

- chicken head cut
- Whole chicken head

- Different wrapping material
  - paper and plastic film
  - Aluminium foil
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
Conclusions

- 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...