



Influential Factors on Customer Value Creation among Nestle Malaysia Customers

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ABSTRACT

This study aims to investigate the influential factors on value creation of Nestle Malaysia company. First we take a look at the meaning of customer value offered by different scholars, including Customer Value definition, customer value creation through Value Chain, and some latest models such as Value Creation Box (VCB). Nestle Malaysia company profile and key products were reviewed, and later questionnaire was designed by using emotional and functional value Roig et al. (2006), Sanchez et al. (2006). Later questionnaires were distributed among 50 Nestle customers in Malaysia. Data were analyzed using SPSS, and according to the data analysis customer value elements in Nestle Malaysia were ranked for overall products, and coffee products as key product of Nestle; Quality, product differentiation and price and, Quality, Package, and healthiness were top 3 factors of coffee products.

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INTRODUCTION

Based on Customers Management IQ Glossary, Customer value is simply the difference between what customers perceive and want, and what they receive from an organization. In other words, value creation process for customers happens when they receive a useful product or service (O'Malley, 1998). Customer Value model is a set of critical criteria or attributes of the product or service experience that define the customer's perception of value received (Albercht, 2000).

In the recent years various scholars have looked at customer value and customer value creations through new perspectives. As an instance, Ngo and O'Cass (2008) offered a new Customer Value Model, which is called Customer Value Box. VCB consists of three stages, which are value creation architecture, value creation engineering, and finally Value box. The first stage looks at the strategic orientation of the organization towards value creation. In this stage organizations decide what values there are looking for and how they are going to achieve them. The next stage looks more in depth at the three dimensions of value creation; marketing, innovation, and production.

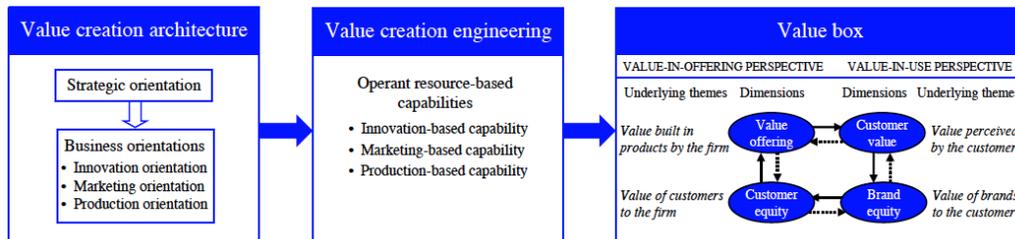


Fig. 1: Value Creation Box (Ngo and O'Cass, 2008).

Different scholars offered different dimensions of Customer Value. In one example, Albrecht (2003) looks at customer value through seven dimensions, which are Environmental, Sensory, Interpersonal, Procedural, Deliverable, Informational, and Financial. Figure 2, below shows the Customer Value Package offers by Albrecht in his book *The Northbound Train: Finding the Purpose, Setting the Direction, Shaping the Destiny of Your Organization* (2003).

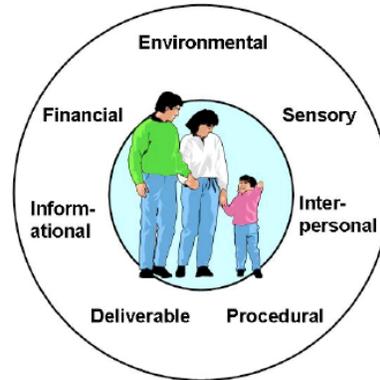


Fig. 2: Customer Value Dimensions (Albrecht, 2003).

- **Environmental:** this dimension looks at the environment in which customer experiences the product or service. It can be the place design, and physical attributes of the place if customer goes to the shop. In case of distant or online shopping, environmental customer value comes from customer's own premises.
- **Sensory:** this dimension includes all the senses of customer through the experience, such as what he sees, what he hears, physical contact, joy, pain, emotions, feeling the product, and the psychological experience.
- **Interpersonal:** this dimension looks at the interactions between customer and salespeople, shop employees, or service provider. It also can be the interaction between one customer with another customer. Examples of interpersonal factor are kindness of salesperson, helpfulness of staff, and their physical appearance.
- **Procedural:** this dimension includes all the procedures staff may ask customers in order to receive the service, such as waiting in the queue, filling out the forms, asking for their simple information, asking his needs and asking to go to certain places.
- **Deliverable:** this dimension includes all the physical items customer receives during the shopping or service experience. Deliverable items can be gifts, beverages, documents, forms, and the merchandises.
- **Informational:** this aspect includes all the information customer receives through the experience. It can be information about products, services, insurance, guarantee, delivery, exchange, and proper use of the goods bought.
- **Financial:** this dimension consists of the payments made to receive the product or service, such as merchandise's price, additional insurance, plans, and complimentary products.

MATERIALS AND METHODS

Nestle Group:

Established in 1866 by Henri Nestle, in Vevey Switzerland, with over 1 million product sales every day, Nestle is the largest food manufacturer in the world. Henri Nestlé adopted his coat-of-arms as a trademark in 1867. Nestlé, which means "little nest" is universally understood to represent warmth, security, nourishment, family togetherness, nurturing and caring values.

Today, Nestle group consists of 440 factories worldwide with over 328,000 employees. Company's attention to new product development and R&D have been that high that Nestle Group possesses the biggest nutrition research labs in Switzerland and over 30 R&D centers worldwide. In 2011, Nestle was the top competitor in confectionery, foods and beverages, with an overall sales of over 100\$ billion.

Nestle Malaysia Berhad:

Nestlé's commitment to providing quality products to Malaysians dates back more than 90 years ago. Nestlé began in Malaysia in 1912 as the Anglo-Swiss Condensed Milk Company in Penang and later, growth and expansion made a move to Kuala Lumpur necessary in 1939.

Since 1962, with its first factory in Petaling Jaya, Nestlé Malaysia now manufactures its products in 7 factories and operates from its head office in Mutiara Damansara, and 6 sales offices nationwide.

The Company was publicly listed on the KLSE on 13 December 1989. Today, the Company employs 5000 people and manufactures as well as markets more than 300 Halal products in Malaysia. Its brand name such as MILO, NESCAFÉ, MAGGI, NESPRAY and KIT KAT have become trusted household names and enjoyed for generations.

Nowadays, with over 5000 employees and 500 halal products, Nestle Malaysia is the biggest halal producer in the Nestle group worldwide.

Products and Services:

Nestle has more 8000 products and brands in general. It is possible to categorize Nestle products into 9 sectors; beverages, water, milk products, ice-cream, nutrition, prepared food and cooking aids, confectionery, pet care, and pharmaceuticals. In each sector, Nestle has key products and sub brands. For example, in beverages Nestlé's Nescafe, Milo, and Nesquick, Nestea, and Nespresso are well known. In fact, beverages made more than 19 billion dollars of Nestlé's revenue in 2009. The only competitor of beverages is a Milk and dairy product, which also are responsible for almost the same annual revenue of Nestle. For this research, we chose Nestlé's coffee products and in particular Nescafe as one of the most famous and oldest products offered by this company.

Table below shows the famous brands of Nestle under each category.

Table 1: Nestlé's sub categories and their sales in 2009.

Category	Total sales in 2009 (in billion dollars)	Most well-known products
Beverages	19.2	Nescafe, Milo, Nesquick, Nespresso, Nestea
Dairies	19.5	Nido, Carnation, Coffeemate, Nestle Ice-cream - Dreyer's, Edy's
Instant food	17.2	Maggi, Buitoni, Stouffer's, Herta, Hot Pockets, Lean Cuisine
Petcare	12.93	Purina, Dog Chow, Friskies
Confectionery	11.79	Kit Kat
Nutrition	9.9	Nan, Gerber
Water	9.06	Nestle Pure water
Pharmatecular	7.8	Alcon, Galderma

Myths say that coffee beans were first realized by Ethiopians when saw their sheep get excited after eating coffee beans. African tribes made energizing foods by adding coffee beans with oils. A Belgian first introduced instant coffee in 1906. Today, coffee is one of the most popular merchandises around the world. Nescafe is one of the most popular coffee brands in the world. Nestle offers this a vast variety of coffee tastes and richness under this brand. Nescafe was first appeared in 1930s in Brazil, when Nestle tried to offer something new and easy to use. While at that time making coffee was hard due to the complexity and time-consuming ways of traditional coffee, Nestle offered a rich flavored instant coffee that was easy to prepare yet taste as good as fresh coffee made from coffee beans. The innovation of Nescafe came from Nestlé's previous successful experience of making milk powders. By using the similar technologies and ideas, Nestle group offered a soluble coffee that became popular very fast. Nescafe was officially launched in Switzerland in 1938, and as soon as it was launched, the products became highly popular not only inside Europe, but also in the U.S. the first exports of Nescafe were to France, the U.K., and the U.S. the famous Nescafe Gold, was offered in 1965 and the product had much better taste due to freeze-dried coffee technology. Today, Nescafe is a well-known brand that is available in every corner of this planet. In some cases, the people of country call instant coffee simply Nescafe.

Research Objectives:

The objectives of this research are as following:

- To investigate the overall satisfaction of customers of Nestle Malaysia in terms of quality, package, product differentiation, availability, healthiness, promotion, and price.
- To investigate customer's ranking of these 7 factors chosen.
- To find the most important factors related to customer's satisfaction

Questionnaire:

Questions were designed based on the research objectives; therefore they were categorized into 5 sections and a total of 30 questions. All the sections, except section E, are multiple choices. Among multiple choice questions, except for section a, all the other question are in a 5 choices design.

The first section has 4 questions and looks at the demographic information of the participants, such as their gender, age, and race. The second section looks at the overall estimation of customers towards Nestle products and services. This section asks for customer's satisfaction in terms of quality of products, their price and packaging, the availability of products, promotions, the differentiation of products available from Nestle, and finally their perception towards healthiness of Nestle products.

The third and forth section each with 7 questions try to gather information about a certain series of Nestle products; Nescafe. The third section asks for customers' opinion about the quality, price, packaging, availability, promotion, product differentiation, and healthiness of Nescafe products.

7 questions of the forth section are designed to understand the customer’s perception towards the importance of each of these values. At this section, participants are asked to rate each of the customer values (quality, price, package, availability, promotion, product differentiation, and healthiness) from very important to very unimportant.

Finally, the last section has 5 open-ended questions that are choose to cover the limitations of the other sections. For example, one question asks about any other customer value that is not listed in the previous questions. It also asks for any suggestions for improving Nestle products in general and Nescafe in particular. The questionnaire is available at the end of this document.

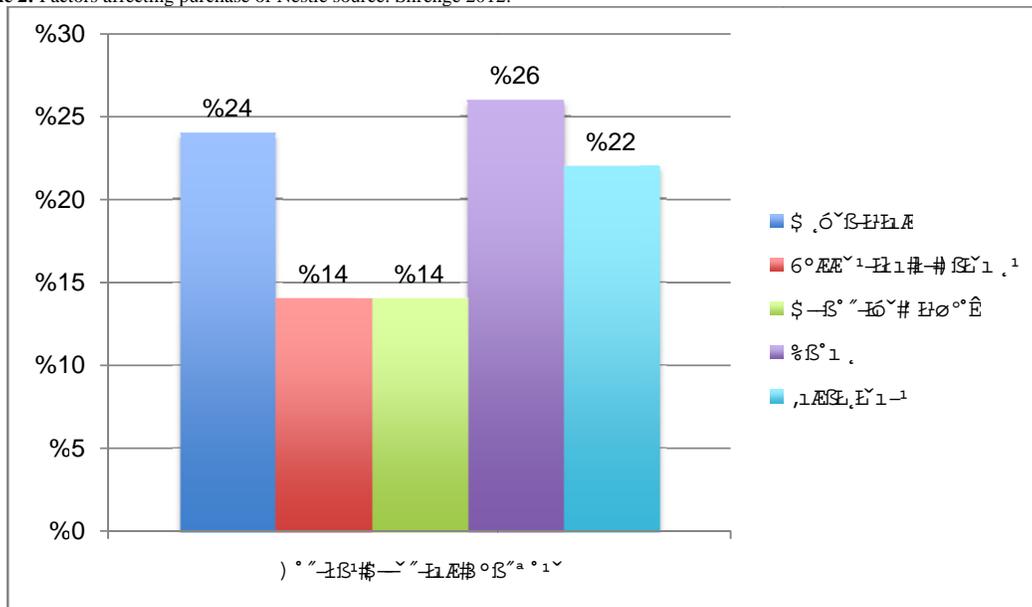
Administration of Questionnaire:

The questionnaires were distributed among 55 people, which were randomly chosen at Midvalley Megamall on November 20, 2012. The overall data collection took about 6 hours, started from 10 a.m. until 1 p.m., and followed by after a short 1 hour break for lunch from 2 p.m. until 5 p.m. altogether, 55 questionnaires were distributed that only 53 were collected. From those 53-collected questionnaires, 3 were incomplete in one or more questions; therefore 50 completed questionnaires were used for the aims of this research.

Past Research Review:

In a recent study, Dr. Shendge (2012) investigated two brands of Nestle and Cadbury among 50 people, 56% female and 44% male. In his study, Shendge tried to compare chocolates of Cadbury and Nestle. In one part of this study, he investigated the factors that affected customers’ choice of brand. The results of this study are shown in table below. It can be seen that brand is the most significant factor in customers’ purchase, which is closely followed by advertisement and ingredients.

Table 2: Factors affecting purchase of Nestle source: Shreng 2012.



Their study also showed that Television is the most popular and most effective medium in customer’s view with 54%, which stands at significantly higher level than next effective medium free samples at 16%. This study also showed that once customers choose a certain brand they prefer to stick with it, as 38% of the respondents stated that they would not change their brand under any occasion.

Results:

The analysis of data was done by Excel’s Statistics add-in package. At the first step, the demographic data was analyzed. Based on the analysis, 60% of the participants were women, whereas 40% were men. 10% of participants were between 13-17 years old, 30% were between 18-24 years old, 36% were between 25-34 years old, 20% were between 35-44 years old, and 4% were 44 years old and above. 40% of the participants were Chinese, 26% Malay, 22% Indian, and 12% other races.

At the first stage, an ANOVA test was performed to check the overall opinion of customers of Nestle products in general. Based on the findings, there is significant difference between the 7 factors.

Overall Nestle products

Analysis of Variance (One-Way)						
Summary						
<i>Groups</i>	<i>Sample size</i>	<i>Sum</i>	<i>Mean</i>	<i>Variance</i>		
Question1 -Quality	50	188.	3.76	0.55347		
Question2-Package	50	154.	3.08	0.64653		
Question3-Price	50	171.	3.42	0.53429		
Question4-Promotion	50	160.	3.2	0.36735		
Question5-Availability	50	169.	3.38	1.09755		
Question6-Product differentiation	50	174.	3.48	0.62204		
Question7-Healthiness	50	164.	3.28	0.94041		
ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>p-level</i>	<i>F crit</i>
Between Groups	14.39429	6	2.39905	3.5268	0.00212	2.54616
Within Groups	233.32	343	0.68023			
<i>Total</i>	247.71429	349				

It can be seen that quality has highest mean with 3.76, which means that customers were satisfied with quality of the Nestle products. the second satisfaction factor is product differentiation with mean of 3.48, which is unsurprising according to the various product options of Nestle. The third place is price with 3.42, fourth factor is product availability 3.38, fifth place is product healthiness 3.28, fifth place is promotion 3.2, and finally is package 3.08.

It can be seen that customers were overall satisfied with Nestle products, and only healthiness, promotion and package were the lowest satisfaction scores.

At the next step a regression of customer's perception of Nestle coffee and their desired values in product was done. For doing this analysis, for each participant the average of the satisfaction scores of 7 factors were obtained (from section C in the questionnaire). Later these averages were used as dependent variable in the regression model, and independent variables were customers' ranking of 7 factors importance obtained from section D in questionnaire. Below is the regression analysis result:

Linear Regression							
Regression Statistics							
<i>R</i>	0.67499						
<i>R Square</i>	0.45561						
<i>Adjusted R Square</i>	0.36488						
<i>Standard Error</i>	0.32447						
<i>Total Number Of Cases</i>	50						
satisfaction = 1.8157 - 0.1718 * Quality + 0.1475 * Package + 0.0890 * Price + 0.2280 * Promotion + 0.0074 * Availability + 0.1446 * Product Differentiation + 0.0364 * Healthiness							
ANOVA							
	<i>d.f.</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>p-level</i>		
<i>Regression</i>	7.	3.70067	0.52867	5.02152	0.00034		
<i>Residual</i>	42.	4.42178	0.10528				
<i>Total</i>	49.	8.12245					
	<i>Coefficients</i>	<i>Standard Error</i>	<i>LCL</i>	<i>UCL</i>	<i>t Stat</i>	<i>p-level</i>	<i>H0 (2%) rejected?</i>
Intercept	1.81573	1.86281	-2.68943	6.32088	0.97472	0.33528	No
Quality	-0.17181	0.34438	-1.00468	0.66106	-0.4989	0.62045	No
Package	0.14752	0.05243	0.02071	0.27433	2.81349	0.00742	Yes
Price	0.08901	0.08132	-0.10767	0.28569	1.09449	0.27998	No
Promotion	0.22804	0.0647	0.07157	0.38452	3.52465	0.00104	Yes
Availability	0.00735	0.07429	-0.17231	0.18701	0.09898	0.92162	No
Product Differentiation	0.14464	0.05872	0.00263	0.28666	2.4632	0.01795	Yes
Healthiness	0.03637	0.0575	-0.10268	0.17543	0.63261	0.53042	No
<i>T (2%)</i>	2.41847						
<i>LCL - Lower value of a reliable interval (LCL)</i>							
<i>UCL - Upper value of a reliable interval (UCL)</i>							

It can be seen that the final regression model is:

$$\text{Satisfaction} = + 0.1475 * \text{Package} + 0.2280 * \text{Promotion} + 0.1446 * \text{Product Differentiation}$$

It can be seen that according to customer's perception, package, promotion, and product differentiation were linked to customer's satisfaction of Nestle coffee. Between these three variables, promotion was the most important factor, whereas package was slightly more important than product differentiation.

Discussion:

Based on this research analysis, Nestle customers ranked the 7 factors for overall Nestle products as following:

3.76, which means that customers were satisfied with quality of the Nestle products. the second satisfaction factor is product differentiation with mean of 3.48, which is unsurprising according to the various product options of Nestle. The third place is price with 3.42, fourth factor is product availability 3.38, fifth place is promotion 3.2, and finally is package 3.08.

Table 3: Ranking of 7 factors for overall Nestle Brands and Products.

Rank	Factor	Mean
1	Quality	3.76
2	Product differentiation	3.48
3	Price	3.42
4	Product Availability	3.38
5	Healthiness	3.28
6	Promotion	3.2
7	Package	3.08

Table 4: Ranking of 7 factors for Nestle Coffee products.

Rank	Factor	Mean
1	Quality	4.98
2	Package	4.68
3	Healthiness	4.48
4	Promotion	3.82
5	Product differentiation	3.56
6	Product availability	3.46
7	Price	3.08

Therefore, it can be said that in terms of overall Nestle brand, company should focus more on promotion and its products packaging to improve the these areas. It also can be seen that customer's are in overall satisfied with Nestle products quality, and product differentiation.

In terms of Nestle Coffee product, it seems that customers are looking for more promotion options, new and better packaging, and more product differentiation and new product options.

The findings of the open-ended questions section (E) also strengthen the above results, as 44% of the participants mentioned that Nestlé's coffee products need improved packaging to make the use of them more convenient.

Recommendations:

This study showed that 36% of the customers suggested that Nestle should spend and focus more on advertisement. Based on previous researches done, it seems that TV commercials are the most effective types of the advertisement. Therefore we suggest that Nestle work more on this aspect.

Data analysis also showed that customers prefer free gifts above any other promotion offers. We suggest that Nestle offer more promotions in terms of free gifts rather than other types. Package of the products was the next factor that customers suggested that Nestle should improve its current designs as they are not fully convenient or attractive. Quality and price were the most important customer value factors in opinion of participants of this study.

Moreover, we suggest that Nestle offer new coffee products, in new packages that are durable and easy to use. Beautifully designed packages that give the customers' the option of keeping the product in the package and use them are ideal.

Our last suggestion to Nestle is improving its products healthiness by offering new healthy products. at the moment, many of the Nestle products contain high level of sugar, and fat. By decreasing these elements, and offering healthier options, Nestle can defiantly benefit form this emerging market and desire for healthier products.

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