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Nestlé’s Nurturing Care of Totole

Of Swiss origin, Nestlé started in 1866 with the opening of the first condensed milk factory in Europe, and grew to become the world’s largest food and beverage company, with almost 30 brands generating sales in excess of CHF1 billion each. Nestlé recorded sales of US$98 billion for the year ended 31 December 2012.

Nestlé re-entered China in 1987 (having entered originally in 1908) and established more than 10 entities, comprising of majority-owned joint ventures, and WFOEs. In 1999, Nestlé invested in a joint venture with Totole, a privately held company founded by Rong Yaozhong, who had himself developed Totole’s first chicken bouillon in 1984. Totole grew to become the largest chicken bouillon producer in China by the time of Nestlé’s investment. In 2009, during the 10th year of the joint venture, Totole launched the world’s largest bouillon factory in the presence of Nestlé’s CEO and the Swiss ambassador. In recollecting the first decade of the Totole joint venture, Rong characterized those years with Nestlé as “glorious,” and that Totole owed its success, and was grateful, to China’s economic opening, the Chinese consumer, and Nestlé for its support.

What can we learn from Nestlé’s nurturing care of Totole that saw it leap from Chinese No. 1 to world No. 1, as well as from Rong’s accolade that had the effect, intended or otherwise, of placing Nestlé’s contribution on par with those of China’s government (economic opening) and people (consumer)?
From feeding infants to combat rations

Peter Brabeck-Letmathe, current chairman of Nestlé, paid the following tribute to the man who founded his employer:

Henri Nestlé, himself an immigrant from Germany, was instrumental in turning his Company towards international expansion from the very start. We owe more than our name, our logo and our first infant-food product to our founder. Henri Nestlé embodied many of the key attitudes and values that form part and parcel of our corporate culture: pragmatism, flexibility, the willingness to learn, an open mind and respect for other people and cultures. (Nestlé corporate website)

Born out of a noble vision and a pragmatic merger

It all began in Vevey, Switzerland, with Henri Nestlé, a pharmacist, who was driven by the simple but noble vision of creating a product to alleviate high infant mortality due to malnutrition. That product was *Farine lactée*, an infant cereal made from a combination of cow’s milk, wheat flour and sugar. The first customer was a premature infant who recovered after being fed *Farine lactée* despite being given up as lost. The year was 1867.

One year on, in 1868, *Farine lactée* began selling, initially in Vevey and Lausanne in Switzerland, and Frankfurt am Main in Germany, and then in Paris and London. By 1873, *Farine lactée* had grown to be marketed in 16 countries outside Switzerland, selling half-a-million cans a year. In 1875, Henri Nestlé sold his business, as well as the exclusive use of his name, to a group of investors, who subsequently renamed the company “Farine Lactée Henri Nestlé.”

Credited as the founder, it is evident that Henri Nestlé still holds a special position in Nestlé to this day. However, Nestlé, the company, as distinct from the founder, actually has its corporate roots in another company: the Anglo-Swiss Condensed Milk Company, which opened the first European condensed milk factory in Cham, Switzerland, in 1866 and is regarded as the beginning of Nestlé’s corporate history. Owned by Americans Charles and George Page, Anglo-Swiss Condensed Milk Company became listed on the Swiss Stock Exchange in 1873, and was a fierce competitor of Farine Lactée Henri Nestlé until both companies merged in 1905 to establish the Nestlé and Anglo Swiss Milk Company. Indeed, even in those early days, the “key attributes and values” that Peter Brabeck-Letmathe referred to were already being brought to bear, albeit in a small way within a single country: two Swiss