

Big Food, Big Problems: The Ethical Implications of Nestlé's Impact on Public Health in Brazil



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Introduction

As multinational food companies face stalled growth in Western countries, they are increasingly looking to developing economies to grow their sales. Unfortunately, in order to do this, these companies end up shifting large parts of traditional diets to so-called “problem foods” that are empirically connected to long-term health issues. Traditional long-established food systems and dietary patterns are being displaced in Brazil by ultra-processed products made by transnational food corporations, commonly referred to in public health literature as “Big Food” or “Big Snack” (Monteiro and Cannon, 2012). What results in these targeted markets is a war between two food systems: a traditional diet of real food produced by local farmers and cheap, ultra-processed, often-addictive food designed to be over-consumed (Jacobs and Richtel, 2017). One stark example of this is Nestlé's impact on public health in Brazil through their women-only direct sales team.

Nestlé's Door-to-Door Sales Model

According to Nestlé's website, their direct sales team in Brazil operates as follows: “The door-to-door distribution and sales model used in Brazil is a traditional approach to getting foods and beverages to more remote areas of the country. . . The vast majority of what is sold off a typical cart is dairy-based yogurt, milk and biscuits. . . We currently have 200 micro-distributors and 7,000 saleswomen across Brazil, selling fortified Nestlé products to around 700,000 lower income consumers each month” (Nestlé, 2017).

Mark Schneider, chief executive of Nestlé, recently told investors, “We create shared value by creating micro-entrepreneurs — people that can build their own businesses. A company like Nestlé can bolster the well-being of entire communities by actually sending positive messages around nutrition” (Jacobs and Richtel, 2017). This business model has been economically successful in two major ways. First, unlike most food retailers, Nestlé gives customers a full month to pay for their purchases. They can do this because of the personal relationships developed by the local women on their sales team. Second, these saleswomen know when their customers receive *Bolsa Família*, a monthly government subsidy for low-income households (Jacobs and Richtel, 2017).

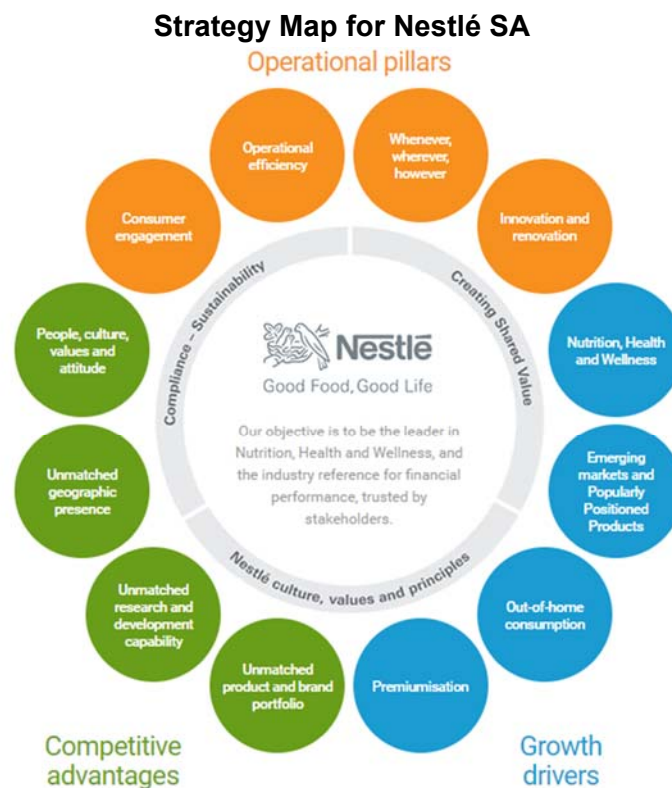
Nestlé Brazil

Globally, Swiss multinational company Nestlé SA is the #1 food and drinks company in terms of sales, operating in over 190 countries (D&B Hoovers, 2018). Nestlé Brasil Ltda, a subsidiary of Nestlé SA, is a manufacturer and distributor of food and beverage products. The company

offers products such as water, baby food, soy-based foods, chocolates, cereals, drinks, yogurt and spices, along with milk, biscuits [cookies], coffee, ice cream, nutrition products, pet care products and supplements (MarketLine, 2017). As of 2007, Nestlé Brasil was responsible for 5% of total revenue and 10% of production volume for Nestlé SA. Research shows that 95% of Brazilian households consume at least one Nestlé product every day (Adese, 2007).

Nestlé Brazil is a prime example of the “Think Global, Act Local” transnational strategy employed by Nestlé SA. Their brands owned and operated within Brazil include Acqua Panna, Alpino, Bliss, Bono, Calipso, Chambinho, Chamyto, Chandelle, Charge, Chokito, Classic, Combina, Corn Flakes, Crunch, Diplomata, Sollis, Sorvetes Nestle, Suffair, and Tostines (MarketLine, 2017).

Regionalization is a big part of Nestlé’s strategy in Brazil, with flavors tweaked in each market. “In our country, there are 30 million people too poor to be considered consumers, and we have come to the conclusion that regionalization will speed up our competitiveness in terms of costs and greater operational efficiency,” said Ivan Zurita, president of Nestlé Brazil. “Anyone who tries to operate in Brazil with a single consumer profile is not going to run into many opportunities” (Adese, 2007).



Source: Nestlé Website (Nestlé, 2018)

Within Brazil, Nestlé has 3 major competitors in the multinational food and beverage conglomerates category, including Mondelez International, Unilever Brasil Ltda, and Danone

Brazil. In 2016, each of the companies' market data values for the "Food" category were as follows (in millions USD): Nestlé - \$7,380, Unilever - \$7,255, Danone Brazil - \$3,824, and Mondelez International, Inc. - \$2,109.64 (MarketLine, 2016), making Nestlé the segment leader.

Porter's Five Forces model of competition for Nestlé Brazil



Brazil

Economic Environment

Though Brazil became a strong global economic contender after the 2008 Great Recession, it is still reeling from its own 2015-2016 economic crisis, where 1.5 million jobs were lost (Biller, 2016). Within Brazil, food and beverage conglomerates are responsible for 10% of the nation's economic output (Jacobs and Richtel, 2017).

Sociocultural Environment

Within Brazil, there are over 210 languages spoken, with Portuguese and English as the main languages in education and business. The Brazilian culture is one of the world's most diverse since it is a melting pot of nationalities. This culture is shaped by indigenous tradition as well as centuries of European domination and the customs brought by African slaves (Meyer, 2010).

Political-Legal Environment

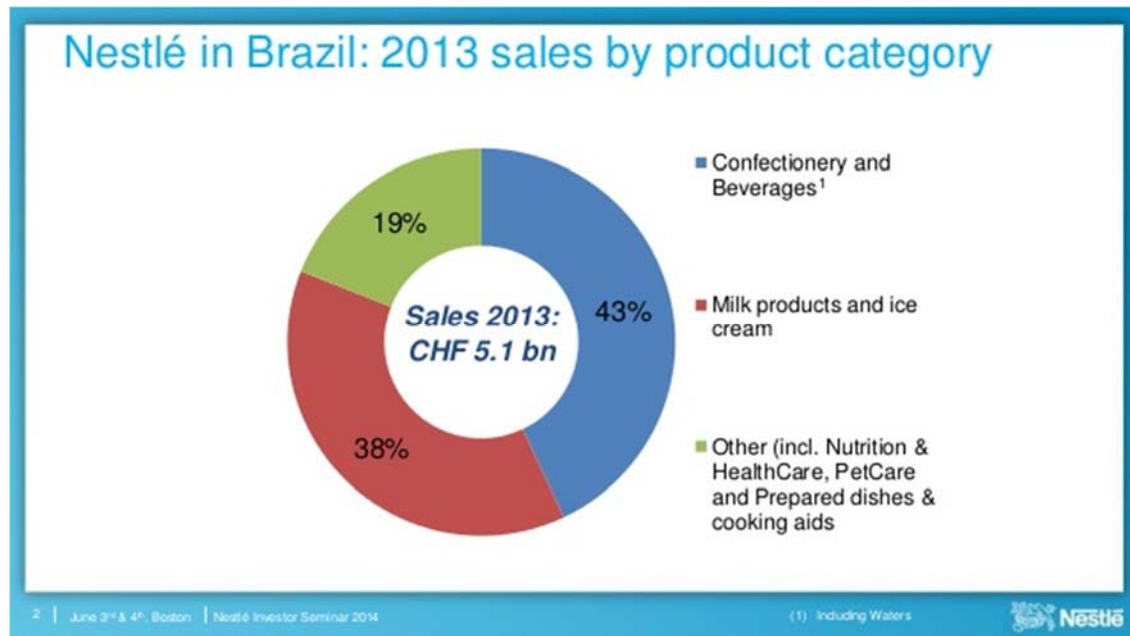
In recent years, Brazil, a democratic republic, has faced historically low confidence levels due to the government's austerity measures, more stringent access to credit, high inflation, and corruption scandals (Alonso, 2015).

The Ethical Issue of Problem Foods

Globally, more people are now obese than underweight. There are multiple factors affecting the rise in obesity rates, including genetics, urbanization, growing incomes and more sedentary lifestyles due to increases in productive technology (Jacobs and Richtel, 2017). Nestlé executives have said that their products have helped alleviate hunger and provided crucial nutrients. Additionally, they add that the company has squeezed salt, fat and sugar from thousands of items to make them healthier (Jacobs and Richtel, 2017). So, are multinational "big food" companies like Nestlé really to blame to the rise in public health issues in Brazil?

While executives at Nestlé are adamant that processed foods such as theirs deliver valuable nutrients and positive nutrition-related messages to developing economies, it is also undeniable that they significantly increase the number of goods consumed that are linked to chronic health issues. Even Sean Westcott, head of food research and development at Nestlé, conceded that obesity has been an unexpected side effect of making inexpensive processed food more widely available (Jacobs and Richtel, 2017).

These are what are known as the "problem foods." "...supermarkets, and transnational food companies more generally, have been observed to increase the availability of 'problem foods' which are low cost, energy dense, nutrient poor and highly processed. These foods are linked to negative health outcomes (obesity, diabetes, cardiovascular disease, and some cancers) of the nutrition transition that accompanies socio-economic development in most LMICs" (Kelly, Seubsman, and Banwell, 2015). While in Western economies new styles of marketing now tout these foods as treats to be enjoyed on special occasions, cookies, chocolates, and other unhealthy products are being sold in Brazil as a part of a daily diet. They made up 43% of sales in 2013:



This graph was presented as a part of the 2014 Investor Seminar for Nestlé in Brazil (Marroquín, 2014).

Additionally, the Brazilian population tends to consume larger serving sizes than those provided on labels, which is another factor playing into the public health concerns within this demographic (Kraemer, 2015). According to a recent study by the Institute for Health Metrics and Evaluation at the University of Washington, nearly 9% of Brazilian children were obese in 2015, which was more than a 270% increase since 1980. Compare that to the United States, where 12.7% of children were obese in that same year (Jacobs and Richtel, 2017). This leads to another ethical issue of big food. Despite Nestlé saying it does not market directly to children under the age of 6, food marketing is still shown to decrease the autonomy of children (Raley, 2006). From the recent New York Times article critiquing multinational food companies' role in Brazil, one customer is quoted in the following: "She is aware of the connection between her diet and her persistent health problems, but insists that her children are well nourished, gesturing to the Nestlé products in her living room. Being a Nestlé vendor has another advantage: the cookies, chocolate and puddings that often sustain her family are bought wholesale" (Jacobs and Richtel, 2017). This is a double-edged sword for children, as they face the constraints of both their parent(s)' attitude(s) as well as any advertising they may be exposed to.

Conclusion

When looking at the connections between public health in Brazil and multinational food companies like Nestlé, there are some obvious ethical concerns for managers to consider. While the company has made strides to fortify their products with vitamins and reduce sugar/fats in many of their offerings, the confectionary nature of their main offerings remains the same. The question of how Nestlé can best meet their own business needs while still dealing ethically with the public health crisis they are helping enable is a question that its business leaders continue to wrestle with.

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