

NESPRESSO

Group 4

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AGENDA OVERVIEW

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**EXISTING STRATEGY &
BUSINESS MODEL**

2

PEST & PORTER 5 FORCES

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STRATEGY



POSITION

High-priced specialty coffee

Partnerships with airlines, hotels, and other channels.

Emphasizing high quality taste in coffee capsules.

Located in areas adjacent to global luxury boutiques.

BUSINESS MODEL

They first use coffee machines to grab market share, and then use coffee capsules to make profits.

1

Revenue Streams

- Primary source of revenue comes from coffee capsules.
- Coffee machines are another significant source of revenue.
- Once customers own a Nespresso machine, they are more likely to continue purchasing Nespresso coffee capsules regularly.

2

Customer Segments

- Coffee enthusiasts and home coffee consumers.

3

Value Proposition

- High quality coffee that can be easily enjoyed at home.

POLITICAL

- EU to ban single-use plastic in deal on new green packaging rules
- Brazilian Environmental Policies and the New European Union Regulation for Deforestation-Free

SOCIAL

- Changes in Lifestyle and Fast-paced Living
- Increasing Health Awareness
- Increasing Awareness of Sustainability and Environmental Protection

PEST

- The High Cost of Global Economic Fragmentation
- Switzerland's Growth of the real GDP from 2018 to 2028

ECONOMIC

- E-commerce & Online Presence
- Use of Biodegradable Packaging Methods

TECHNOLOGICAL

PORTER 5 FORCES

Threat of New Entrants

Relatively High

The barrier to enter this industry is low with only initial setup costs, and technical standards to comply, it is easy to enter the market.

Competitive Rivalry

Relatively High

The quality, efficiency, and diverse choices in using coffee capsules is a major factor driving the coffee capsules market.

Bargaining power of Buyers

Relatively Low

- The buyers have few choices
- The switching cost is not high.

Bargaining Power of Suppliers

Relatively Low

All the coffee capsule manufacturers are giant companies such as Nestle and Keurig. The extensive size and the customer base of these companies make suppliers highly dependent on them.

Threat of Substitute

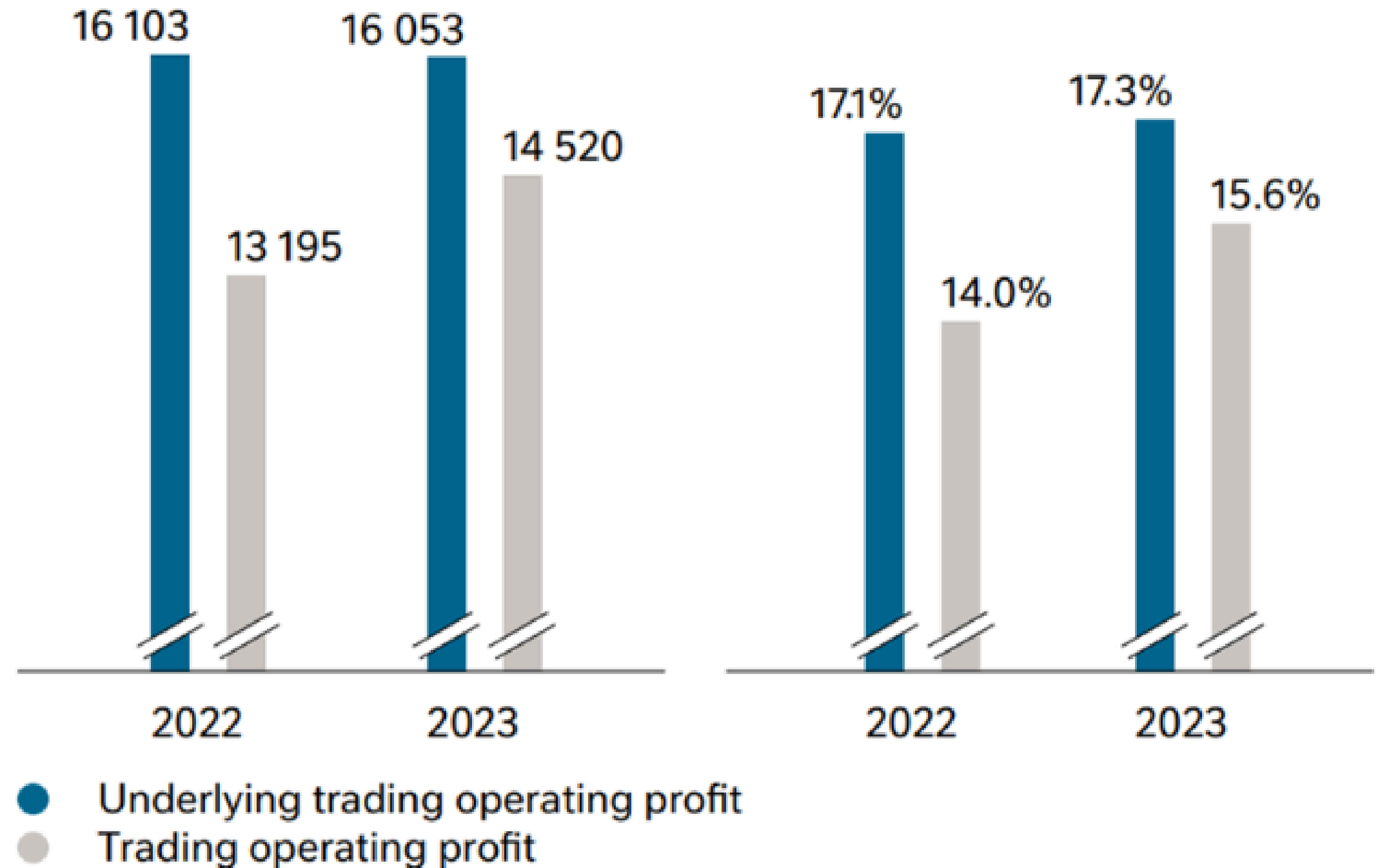
Relatively High

There are many substitutes for the capsule coffee industry, and that the average price of capsule coffee is higher than its substitutes but the difference is small.

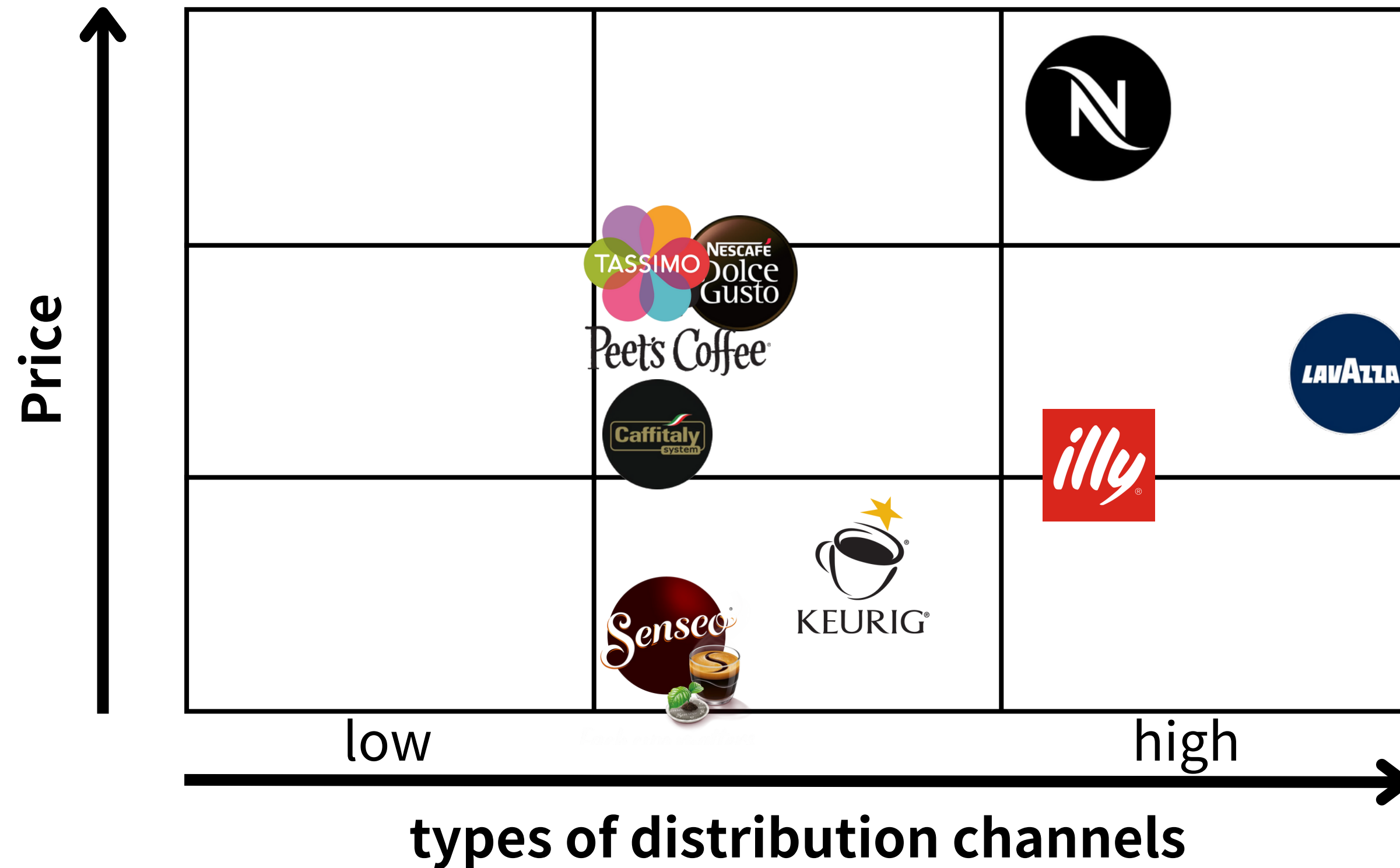
IS NESPRESSO PROFITABLE?

The company's underlying trading operating profit in 2023 amounted to 16,053 million CHF, while the trading operating profit was 14,520 million CHF. Therefore, it can be concluded that the **company is profitable**.

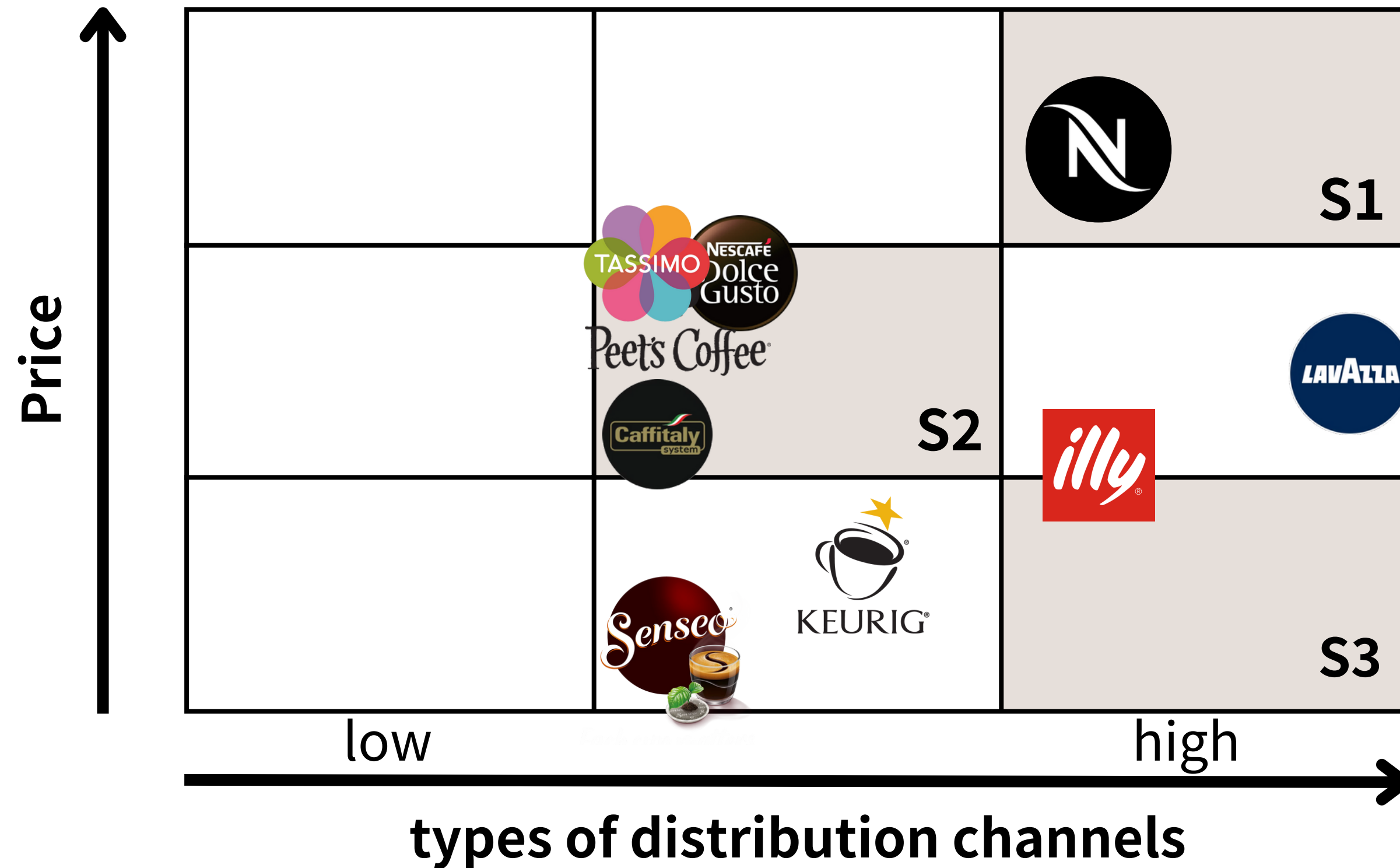
Underlying trading operating profit and Trading operating profit
In millions of CHF In % of sales



MARKET SEGMENTATION



MARKET SEGMENTATION



SEGMENTS



S1: High price, High channels

- High Market Growth Potential Medium to Small Market Size.
- Higher Costs: premium quality of products, investment in brand building, and maintaining high distribution standards.

S2: Medium price, Medium channels

- Medium to High Market Growth Potential Large Market Size.
- Moderate Costs:balancing between product quality and affordability, with investments required in branding and marketing to maintain competitiveness.

S3: Low price, High channels

- Medium Growth potential and Medium to Large Market size.
- High Associated cost if act : advertising cost, facility cost.

STRATEGIC ALTERNATIVES



SA1

- **Enhance CRM** : It can increase customer loyalty and maintain long-term profits.
- **Develop higher-quality products** : Expanding the specialty coffee market, which is now growing rapidly.

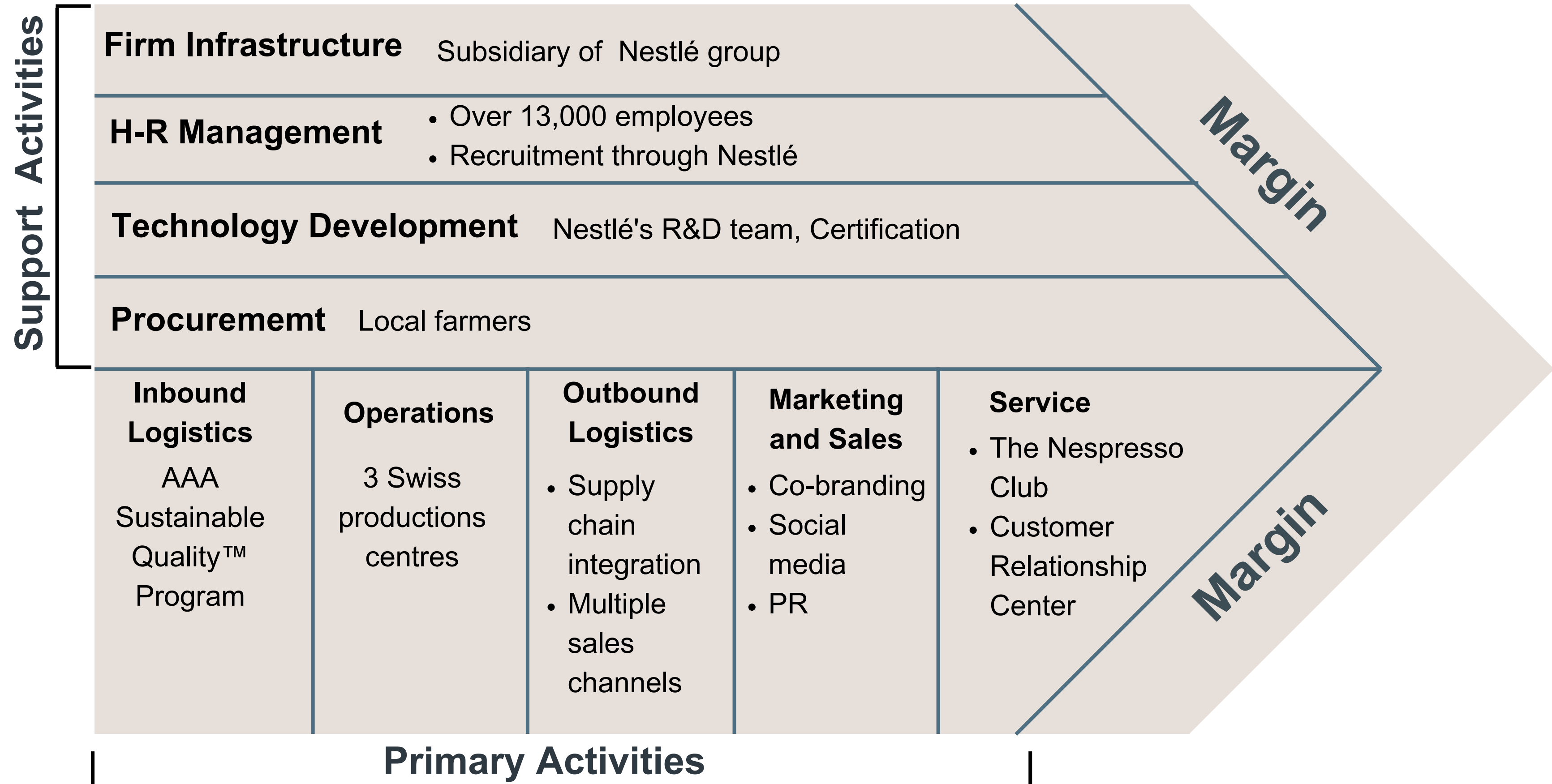
SA2

- **Simplify packaging costs** : It cause cost reduction and can reduce product prices.
- **Reducing customer service costs** : It cause cost reduction and can reduce product prices.

SA3

- **Expand the low-priced product line** : Increasing product diversity to expand the low-price market customer base.
- **Publicity and promotions** : Regular publicity and promotions can increase brand exposure and compete with low-priced brands.

Value Chain



RESOURCE&CAPABILITIES



Resource

R1:PARTNERSHIPS

- Co-branding
- Official coffee partner of the MICHELIN Guide

R2:SUPPLIERS

Global partners with local farmers

R3:SOCIAL MEDIA

- 7 million Facebook Fans
- 2 million Instagram Fans

R4:R&D

- Nestlé's R&D team
- One team per factory

R5:SALES CHANNELS

Boutiques, official websites, customer relationship center, retailers, coffee shop

Capability

C1:CRM

- The Nespresso Club
- Customer Relationship Center
- Nespresso chatbot

C2:SUSTAINABILITY

- AAA Sustainable Quality™ Program
- The Positive Cup

C3:SUPPLY CHAIN TRANSPARENCY

OpenSC's technology for digital supply chain tracking

C4:INNOVATION

Product variety



Nespresso's Key Success Factors

KSF 1

Strong R&D Team from Nestlé

KSF 2

Multiple Sales Channels

KSF 3

Competitive CRM with big customer data

Nespresso's Key Success Factors

KSF 1

Strong R&D Team from Nestlé

Compared with its competitors,

Inimitable

- **Owens Nestlé's R&D knowledge from cross-category products**
- **Provides local needs due to local R&D team**

Valuable

- **Various product portfolios**
- **Fast iteration**

Nespresso's Key Success Factors

KSF 2

Multiple Sales Channels

Compared with its competitors,

Inimitable

Valuable

- **Channels across 81 countries around the world, with a network of 802 boutiques in 515 cities**
- **Exclusive boutiques provides personalized services**

Nespresso's Key Success Factors

KSF 3

Competitive CRM with big customer data

Compared with its competitors,

Valuable

- **Provides customized products and services with apps and applies large consumer data analysis, especially memberships**
- **Intergrates online and offline channel data to enhance customer journey.**

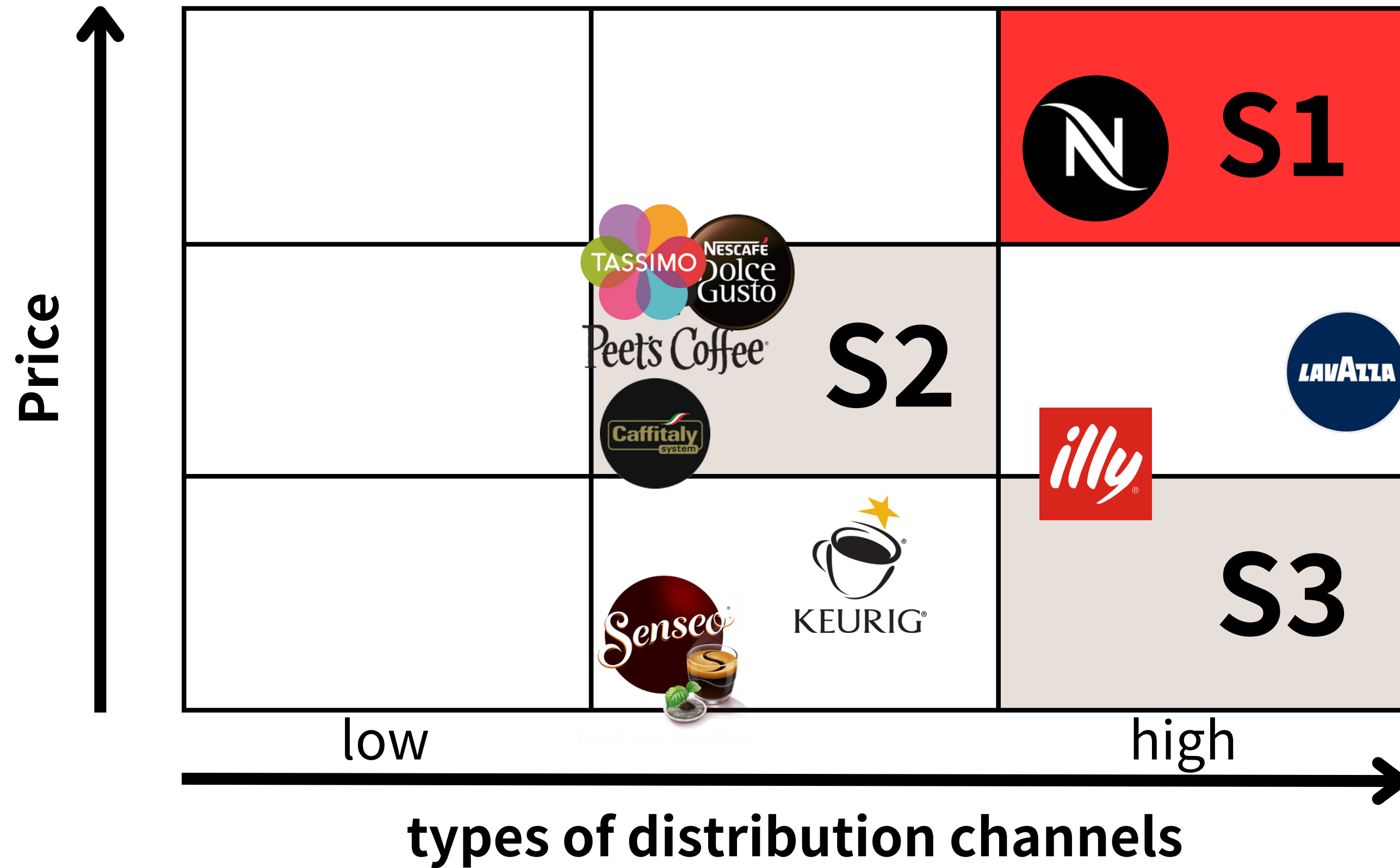
Segments and R&C Analysis

		Segments					
		S1: high price, high channels		S2: medium price, medium channels		S3: low price, high channels	
R&C	RC1:R&D	K.S.F Importance	Market Size				
		RC Strength	Market Potential				
	RC2: Sales channel						
	RC3:CRM						

We choose to stay in High Price & High Channel Types Segment

Nespresso KSFs have stronger advantages on **High Price & High Channel Types** Segments:

		Segments					
		S1: high price, high channels		S2: medium price, medium channels		S3: low price, high channels	
R&C	RC1:R&D	K.S.F Importance	Market Size				
		RC Strength	Market Potential				
	RC2: Sales channel						
	RC3:CRM						



Why we choose it ...

High Price & High Channel Types Segments have **growth potential and medium market size**

**KSF1
R&D**

Strong
Provide high-end costumers with higher-quality products

		Segments	
		S1: high price, high channels	
R&C	RC1:R&D	K.S.F Importance	Market Size
		RC Strength	Market Potential
	RC2: Sales channel		
	RC3:CRM		

Why we choose it ...

High Price & High Channel Types Segments have **growth potential and medium market size**

**KSF2
Channels**

Medium

Lower competitive but helpful when choose channels for new products release.

		Segments	
		S1: high price, high channels	
R&C	RC1:R&D	K.S.F Importance	Market Size
		RC Strength	Market Potential
	RC2: Sales channel		
	RC3:CRM		

Why we choose it ...

High Price & High Channel Types Segments have **growth potential and medium market size**

KSF3

CRM

Strong

Helpful to boost product value for high-end customers who pursue better consumption experience

		Segments	
		S1: high price, high channels	
R&C	RC1:R&D	K.S.F Importance	Market Size
		RC Strength	Market Potential
	RC2: Sales channel		
	RC3:CRM		

Our Strategy for High Price & High Channel Types Market

Strong R&D

Develop higher-quality products

Increase

- **Consumer surplus**
- **Profit Margin**

Strong CRM

**Increase
customer loyalty**

Increase

Consumer surplus

How to Implement Strategies

Target: Develop higher-quality products

Health Beverages

- Develop capsules with health ingredients to meet different customer needs.

Functional Beverages

- Introduce various capsules with specific functions.

Plant-based Capsules

- Using sustainable materials, ensuring the coffee's flavor remains unaffected.

Create a healthier tomorrow.



How to Implement Strategies

Target: Enhance CRM

Coffee Social Platform

- Customers can share their coffee experiences or some feedback

Personalized System

- Analyze customers' purchase history, providing personalized recommendations.
- Customize exclusive coffee blends based on customers' taste preferences.

Green Membership Plan

- Focus on environmental protection and sustainable development.
- Members can earn rewards by recycling capsule.

Conclusion & Recommendation

Pursuit Strategic Alternative: Enhance CRM

Target Segmentation

- Coffee drinkers 25-50 years old
- Seek quality, easy coffees for home/office use
- Coffee drinkers value coffee as indulgence

Target market S1(High Price, High Channels)

Luxury brand, Coffee enthusiasts, High-income classes, Corporate clients

CRM Tools

Current Strategy:
Nespresso Club

New CRM Strategies:

- Coffee Social Platform
- Personalized Recommendation System
- Green Membership Plan

Conclusion & Recommendation

Pursuit Strategic Alternative: Develop High Quality Products

Strong R&D

- Nestlé's R&D team
- Certification in the Industry: ISO 22000、ISO 14001、OHSAS
- The Positive Cup Commitment

Company Policies

Coffee and Heath, Sustainable Coffee Farming, Tackling Climate Change

Develop High Quality Products

New R&D Strategies:

- Heath Beverages
- Functional Beverages
- Green Membership Plans



Timmerman Industries

THANK YOU

02 May, 2024

Why not choose S2 and S3?

High Competition

Draws a significant consumer base, competition among companies intensifies.

Many Substitutes

Allowing consumers to easily find other brands or products with similar function and price.

Low Customer Loyalty

Leading consumers to easily switch brands, resulting in a high customer attrition rate.