“Nespresso’s strategy: an idea of exclusiveness and personal touch”

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Abstract

This review examines the principal issues about Nespresso regarding its strategy. This company is a subsidiary of Nestlé and one of the worldwide leaders of coffee market. The brand became very famous thanks to the coffee maker based on capsules. More than a simple coffee, Nespresso managed to create literally a “Nespresso experience” by its innovative concept.

Keywords

Strategies, Swot, Positioning, Targeting

1. Introduction

The aim of Nespresso is to become the icon of the perfect coffee worldwide by establishing Nespresso as the Super-Premium brand. They designed a boutique characterized by the privileged world where meet the clients, showing them not only the product and the accessories but an experience of lifestyle, taste and pleasure. Regarding the product, the company changed the idea of coffee elevating into a luxury accessible product by personalizing the idea of coffee. The key elements of the brand are the Logotype/Shapes, the colours, the typography, the strapline, the testimonial, the tone of voice, the imagery and the overall layout.
2. Conceptual Maps

The following conceptual maps will explain different key elements that build up the strategy of Nespresso.

Figure 1: Logo of Nespresso
Source: Nespresso’s website

Figure 2: Nespresso Shop
Source: Nespresso’s Website
3. Analysis of the Strategy

The principal idea is to make Nespresso the Icon of the perfect coffee worldwide by establishing it as the Super-Premium brand. As we can see below, there are different ways in which the strategy will be developed.

“*The product* - The Nespresso’s products are voluntarily more expensive because of the image of the product. Nespresso wants to give a luxury and upscale image to his products and play on the design and on the quality to justify the price. The Nespresso’s products are products which are bought by wealthy customers. The customers are ready to pay a higher price in order to have a different and high quality product. They also want to receive a very good customer services and a personalized relation with the firm.

*Channels of distribution* – There are four different channels of distribution.

First the espresso machines are distributed in electrical goods shops. The potential customers can only buy a coffee machine in this kind of shops, the capsules and the accessories are not distributed in these shops.

The customers can also buy espresso machines, capsules and accessories in the 15 Nespresso shops. These shops are the base of the experiential marketing strategy developed by Nespresso. All has been designed so that the customers make themselves comfortable: the atmosphere is warm. The potential customers can taste the different flavours of coffee, try the espresso machines and listen to the advices of specialised salesmen. The aim is that the customers see the purchase as a pleasant experience which will make them want to come back in the shop and buy other Nespresso products. These shops are a real show window for the brand, to show the customers the “Nespresso’s drinker way of living”.

Finally, the coffee machines, the capsules and the accessories are also available on Internet and by phone thanks to the Nespresso services. However, these services are reserved to the members of the Nespresso club. Thus, the customers have to register trough the website and/or buy an espresso machine to enjoy Nespresso services and order capsules. Indeed, buying an espresso machines, the customer enters in the club which permits him to order capsules by phone and on Internet (the capsules are only distributed to the members of Nespresso club).

*Price*

The capsule’s coffee proposed by Nespresso is a luxury product. So the price of the capsule is very high (0,31 Euros) : we can indeed notice that the price of the product is the higher of the market, three times higher than the retailer’s brands that are invading the coffee’s market. But Nespresso is also widely more expensive than some famous brand like Jacques Vabre for example whose capsules are sold at 0,13 Euros.”
As shown in figure 4, the analysis of the main items of strategy of Nespresso shows:

- **The product**: it’s a very simple product hiding the complexity of a huge innovation process.
- **Channels of distribution**: Nespresso household machines are currently sold in more than 16,000 points of sale, predominantly large department stores. Thus, Nespresso machines can be found in such prestigious retailers as Harrods in Great Britain, Les Galleries Lafayette in France, Kaufhof in Germany, Bloomingdale’s in the U.S.A, and Ginza in Japan. Nespresso household machines and capsules are also available to customers through a growing number of Nespresso Boutiques in major European cities.
- **Price**: A cup of Nespresso coffee at home costs 31 cents. There exist still more expensive coffee capsules. A cup of Nespresso can be fifteen times more expensive than a cup of filter coffee. The high price is no obstacle to the commercial success of Nespresso, with an annual sales growth of 35%. Nespresso has developed a sophisticated marketing strategy, but also stresses on quality.

<table>
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<th>Promotion</th>
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<td>The direct marketing make between Nespresso and the customers: Nespresso makes a one to one relationship with every customer which is member of the club Nespresso. The first advertising campaign of Nespresso was on this club. Nespresso is doing direct marketing in order that the customer feels that he is a privileged and has all the attention of the firm. The service is come with a newsletter to inform the customer about the evolution of the firm (not advertising) and a reminder of order calculated on the frequency of purchase. This is possible because Nespresso has a lot of information about their customers and know what their habits are and what they like.</td>
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**Figure 5: Advertisement of Nespresso**

*Source: Nespresso’s Website*

I decided to treat the Promotion as a separate element, because I consider that it is a potential and very important issue for the company because it represents a clever way to develop the strategy and a direct link to objectives. It explains the huge investment that the company makes on it. The results are highly notables and they can be confirmed in the recorded sales.

Finally the strategy also takes into account the some key elements that help to achieve the established goals. As you can see in Figure 1, the logotype, with its elegant line, wants to create a very strong visual luxury identity. The brown coloured part wants to give stability and peace, while the white one is symbol of freshness, lightness and reflects a qualitative value. In Figure 2 we can see that there are two main shapes. The square part means stability, equality and honesty. The circle one means infinity, protectiveness and suggests something complete. Regarding the capsules, the variety of colours indicates the huge variety of coffee tastes. Figure 3 shows that the typography, which is mainly a handwritten style, wants to represent a personal touch which makes the difference. It also includes the idea of “reference” and translates the “star positioning”.

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4. Conclusions

Throughout this study case we try to explain the key elements of Nespresso’s strategy. The brand knew how to take the good opportunities to grow and develop itself by creating a real feeling of belonging and an important loyalty of its customers. This is a very good model. However, at these times of people awareness about global and environmental issues, the brand should maybe think more of others solution, these capsules being a real disaster for the environment. Even if they worked a lot on it, their solving is still not satisfying for a lot of people. At these times of fair trade and sustainable development, what could happen if a brand gives the image (wrong or right) to do not be very interested in the global issues.

5. Bibliography