STRUCTURE:

- launched new business unit Nestle Coffee Specialties NCS: because realized it was completely new type of business +
  operated very differently to Nestle’s existing businesses

- new unit would be able to move faster in seizing market opportunity in newly-created, individual-portion coffee
  category

- hired an outsider: infusion of talent from outside company will result in different thinking to help propel innovation to
  market

- separated from Nestlé to make it more agile, to establish credibility, so that it didn’t have to fight against company’s
  rules

- separated means largely avoided controversy that its parent company attracts

- business physically moved out of Nestlé headquarters (moved to its own office premises in Pully) to provide even higher
  degree of autonomy > more agile

- to avoid widespread scepticism within Nestlé > demonstrates resilience

- product doesn’t fit Nestle’s business model of selling FMCG through supermarkets (≠ Nespresso involves producing +
  selling coffee machines/capsules to machine owners)

- recruited outsider Jean-Paul Gaillard (former Philip Morris executive who catapulted Marlboro Classics clothing)

- company retains complete autonomy from Nescafé organization

- autonomous, globally managed business within Nestlé Group

- because Nespresso had developed a dedicated set of processes and culture that was completely different to Nescafé

- departure from most Nestlé lines of businesses targeted to mass market

- culture uniquely suited to affluent target segment that it aimed to serve > Nescafé: mass-market approach was much
  more like traditional FMCG company) > even degree of rivalry between the two

- to establish credibility because too different from day-to-day business of Nestle

- doesn’t have to fight against company’s rules

- because innovation in large corporation like Nestle is complex process > initially difficult to win support for Nespresso
  system within Nestle

- Nestlé had no experience in manufacturing/distributing non-food items (coffee-making appliance)

- need to bring someone from outside: Jean-Paul Gaillard with new ideas in 1988

SINCE OUTSIDER CAME IN:

- Focus shifted from offices to affluent households: repositioning as super-premium in-home coffee experience
  for espresso connoisseurs (household market)

- Build direct-to-consumer channel with high service standards

- Outsourcing machine side: held patents but licensed production

- Increasing degree of autonomy

CORE VALUES OF BRAND: Top Quality, Elegance, Aesthetics, Excellence, Simplicity, Innovation

- Nespresso System as the capsule-machine combination offered the consumer a refined quality and individualised cup
  of espresso coffee with speed and convenience at the push of a button

> created new growth segment

- iconic international brand

- unique business model

BUSINESS SYSTEM FIT:
NESPRESSO IS NEXT ITUNES:
similar to how Apple completely disrupted music industry with introduction of iTunes digital music store in 2001
• both companies created aura of premium brand: but easier with technology to keep it closed because you create
technology patents > but with coffee when patents expire, entire model can collapse
• Nespresso created ‘closed’ system where special Nespresso capsules required to brew espresso + online available online
or through flagship boutiques + not usable in any other coffee machine
• new idea of single-serve coffee market
• growing network of Nespresso boutiques
• Nespresso branding campaign centered around creating new ‘coffee culture’

GLOBAL EXPANSION: clusters of markets
• markets with pre-existing high consumption of barista-quality coffee (Switzerland, Austria, France, Spain)
• markets with less pure taster (UK, Germany, Australia, Scandinavia)
• other places where coffee consumption extremely high but still not well known (US, Canada, Latin American)
• markets where coffee consumption is not very high (Asia, China)
  new geographies and getting closer to coffee consumption habits in them

SWOT - EXTERNAL ANALYSIS
Opportunities:
• by early 1990s whole new ‘gold standard’ of coffee had emerged, based around stylish and romantic Italian espresso
  coffee experience (Starbucks and Lavazza, Illy)
• portioned-beverage market believed to grow as much as 10-fold by 2015 with predictions that one-fifth of all coffee made
  would be portioned capsules, pods, or pads by 2015
• coffee represents largest market by value, with 75% of coffee consumed at home
• packaged single portions of coffee still represented only 8% of total coffee market in terms of volume, and 25% in terms
  of value > one of the fastest growing segments in a coffee market
Threats:
• increasing competition
• competition from other soft drinks
• current trend for health: healthy drinks such as fruit juice, smoothies

SWOT - INTERNAL ANALYSIS
Strengths:
• personalised advice 24/7
• only machine able to deliver sufficient pressure to make true espresso
• capsules able to preserve all aromas of coffee + wide range of flavours
• special services for B2B: offices, hotels, restaurants, luxury goods stores, airlines
• Nespresso Club allows for direct marketing > to make customer feel privileged + has attention of firm
  gain a lot of customer insights through club
Weaknesses: