Nespresso Competitors

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**Introduction**

Company and brand: Nestle – Nespresso

Product: Nespresso coffee capsules

In order to ensure that customers have a consistent coffee experience, original Nespresso Aluminium capsule interacts with genuine Nespresso machine. This consistency has placed Nespresso among the fastest growing global brands in food and beverages.

**History of Nespresso**

The story of Nespresso started with a simple idea, to make sure that everyone has a perfect cup of espresso coffee for himself. The brand was launched in 1986, the brand has shaped coffee culture all around the world. Company’s basic aim is to make sure that people continue enjoying their coffee cup after cup. Company targets business to business as well as business to consumer segments. There have been three major forces which have helped Nespresso to build its success. These include creation of highest quality coffee for the customers, creating relationship with customers that are long lasting and creating sustainable business growth. These drivers are further helped by the core competencies possessed by the company in the form of its ability to entertain customers with unsurpassed coffee quality and maintaining its deep coffee expertise. The company is always looking to innovate in all possible things. Whether it is in the distinctive design of the shops or research and development expertise. There is a feel of direct relationship with every customer which also shows that company is a part of passionate global community of brands. The business model used by Starbucks is unique in nature and company also provides exclusive high level of client services (Braun, Latham, & Cannatelli, 2019).

Nespresso is a starting point when we consider single- serve coffee sector and it is also a fast growing company in food and beverages sector. The company has dominated the European market of one serve coffee over the last 31 years. Coffee experience of millions of people has been changed by Nespresso Company (Pidun, 2019). The major aspect of company success relates to its pricing power. Major strategy of Nespresso relates to delivering high quality product and innovation is implemented in a sustainable way. Every aspect of supply chain is considered important by the company and it implements a value pricing strategy that goes well with company strategy. Nespresso has justified its higher prices by delivering other additional aspects to its customers. Brand value, quality and personalized service for individual customers are only some positive points related to company. There is a cyclical relationship between product differentiation, value creation and innovation. Machines used by company are easy to operate. Continuous innovation has helped the company to win competitive bots in many countries. Special editions are one way for companies to justify higher priced products. Nespresso has used this concept to justify its higher prices. There are special flavours offered by the company in the name of special edition for a certain period of time during the year. The limited editions are priced 20-25% higher than the original products. Another kind of special editions relate to a product named exploration which had a higher difference from the normal coffee price. These special editions initiate a sense of scarcity in the customers because these flavours are available for a short period of time. A special edition that is purchased very quickly by people will educate the company that needs of particular markets are changing and it will also have to bring appropriate changes to survive. The company has mastered the adoption of customer centric approach towards innovation. Company has launched channels that sell directly to customers and these channels help to gather valuable information from the customers. Company has rightly learnt that a customer is not buying a product or service but he is buying an experience. A customer is taken to tasting area to select from various flavours. This makes customer’s experience a personalized one and he does not remember coffee but the experience that he has taken from the business floor (Matzler, Bailom, Eichen, & Kohler, 2013). Unique marketing skills have helped the company to humanize its brand and get the customers to attach emotionally to it. A razor and blade purchase model has been followed by the company which relies on number of repeated purchases made by customers. Most of the companies in single serve coffee market work on this pricing model but there are not many companies whose customers do make regular purchases. Nespresso has been successfully following this pricing model and a large number of customers do make repetitive purchases from the company outlets. The major success factor for Nespresso against its competitors is that it has an aggregation to the overall strategy making and implementation. There is a sense of aggregation and coordination among all aspects. The excellent mental experience that converts normal customers to loyal ones goes well with higher prices. Similarly, the excellent customer experience also goes well with the pricing model that is based on repetitive purchases.

**Competitors of Nespresso**

Nespresso has been well ahead of the competition despite charging a price that is much higher as compared to the competitors. There is less variety of product offered by the company. The major difference between Nespresso and other companies is that other companies seem to be selling products while nespresso seems to be selling an experience that lasts long and changes the way people think about coffee. The unique selling proposition for Nespresso capsule is that they are rechargeable. Some of its competitors show eco-friendliness as their unique selling proposition but they are not very much successful in transferring feel of their unique selling proposition to their customers. The compatibility between strategies at all levels is the major factor that results in company success. All persons who are a part of this organisation are aware that they have to work for an outstanding customer experience. This integrated effort is not visible in any other competing company (Mederer, 2018).

**Maison Du Café** (L’Or),

This company was created in France in 1992 and is ambitioned to offer the best coffee in the world over a long period of time. In 2010, company went outside the borders of France by launching L’OR espresso with coffee beans compatible with Nespresso machines. The company provides Ristretto which is a very short espresso having very low water content. Espresso is also known by the name of tight coffee. This brand is available in many blends and each of these blends have their own taste and characteristics. The last variation offered by the company is called long coffee which uses twice the amount of water as compared to espresso. Using highest grade coffee beans is one of the strengths of this company. There has been loads of competition for the company to handle. This is especially true if company wants to set up independent operations in some international market. Company has placed its machines at some big malls and places having high foot traffic. One of the major threats is condition of weather that may affect coffee plantation. Another relevant threat is implementation of trade barriers between various countries which will affect the ability of company to have a continuous supply of raw materials. The company charges a price that is lower than Nespresso and offers more flavours than it does but it fails to capture the minds of its customers with help of a differentiated product. This aspect keeps this company far behind Nespresso and there is a minimal threat to Nespresso that this competitor will come any where close to competing it.

**Starbucks**

Starbucks Company was founded in 1971 by Jerry Baldwin, Zev Siegl and Gordon Bowker. The company not only produces high quality coffee but also tries to make the world a better place to live. The name showed the experiences shared by some old coffee traders travelling through the sea. Howard Schultz joined Starbucks Company in 1982 and he envisioned bringing the Italian coffee experience back to US coffee shops. He wanted to make a coffee shop a place where community members sit and discuss topics of their interests. A full coffee house experience is provided to the customers in addition to high quality coffee (Krishna, 2018). The company had adopted a strategy of increasing the number of stores in any given geographical area. There is a clear change in this strategy as the company has focused on reinventing the ultimate coffee house experience for the people. The major strengths of Starbucks is the fact that it is one of the strongest brands of the world. Loyal customers for the company have been growing at a steady rate (Gallaugher & Ransbotham, 2010). Strong supply chain is also a major strength for the company which is formed by a global network of suppliers who are carefully selected after thorough inspection. Company also takes initiatives to diversify its business by way of acquisitions or setting up subsidiaries. Diversifying to different product lines will mean that company is less prone to risks associated to a single product. The company charges higher price as compared to most of its competitors which helps it to maximize profitability but reduces affordability for its customers. There is a reduced market share for the company in areas where there are lower disposable incomes. This will also reduce attachment between company, culture and local target markets. There are small number of products offered by the company which are not imitable otherwise, there is a significance probability that any taste or flavour will be copied by competitors. Competitors gain power as a result of imitable products of company. Company revenues can be increased by expanding in developing markets. These markets will be away from the U.S. market. Company can go for partnerships or alliances with other companies as well as retailers and distributors. The major threat for the company is posed by the competitors who offer similar products at a lower price. Other major threat comes out of imitation aspect and it is even more dangerous in markets which are unknown to the company. Change in the industry with entry of independent coffee houses also poses considerable threat to company. Starbucks is one of the strongest competitors of Nespresso but it has not been able to adapt successfully to some of the international markets which keeps it behind Nespresso. There is a similarity in these two brands in their recognition at the global level. This is the only competitor that can threated Nespresso in some areas of concern but Nespresso’ integrated efforts towards strategy implementation will take lead.

**Ethical Coffee Company (Eco Coffee)**

The story of ethical coffee company is rooted strongly in place and purpose. The owners wanted to find a way that will ensure a better and more equitable way of working with coffee farmers (dietz, Chong, Grabs, & Killian, 2019). The major product sold by company is decaf coffee. The company claims that decaf coffee is free of any kind of chemicals. The process of decaffeination is completed by using water and specific pressure, temperature and flow. Decaffeinated beans are then sent to the major roaster in Vancouver. The decaffeination process occurs in Mexico and water is taken from glacier in some high mountain range. The taste of Decaf is said to be different from similar products offered by competitors. The company has pursued a strategy of growth over a period of time but this growth is restricted to the country of origin only. There is least presence of this company in countries other than its country of origin. Strengths of this company include the strong knowledge of local market. This knowledge also includes a comprehensive knowledge of tastes of people living there. Opportunities are presented to go in countries where other competitors are already working. Threats include the imitability of processes that may result in another company offering the same products. This company does not pose any significant threat to Nespresso. It will have to make sure that its operations are in line with its name, then over a longer period of time, it may improve its various aspects.

One of the indirect competitors of the company is McCafe that is a coffee brand launched by McDonalds. This product considers sustainability as one of the major concerns in the current business scenario. McDonalds has joined hands with coffee roasters to help increase sustainability in the whole supply chain (Dietz, Grabs, & Chong, 2019). This competitor is not threatening to Nespresso because it is not a major product of its company (Schmid & Gombert, 2018). However, the presence of a big giant at the back of this product may mean that it can be launched on huge scale but it will take considerable time for McCafe to reach the level of Nespresso.

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