

MKTG 3003

Brand Critique

Nespresso

Executive Summary

This report critically evaluates the management of Nestle's premium portioned coffee brand, Nespresso, on the basis of consumer based brand equity. To do this a brand overview is provided followed by an analysis of brand equity and marketing program and the provision of recommendations to combat identified threats to brand equity.

After examining the basic segmentation variables, the report defines Nespresso's target market as high income frequent coffee drinkers who seek quality and convenience. Further evaluation of Nespresso's marketing program identifies that the most significant elements of the marketing mix relate to the design of the coffee system; the Nespresso Club services; a premium pricing strategy; and celebrity endorsement; and an exclusive distribution strategy.

The report identifies the sources of Nespresso's brand equity as brand awareness and image, which are reinforced through the repetition of previously identified brand elements. Threats to these sources of brand equity include Nescafe's brand extension into portioned coffee and increased competition.

Consequently, the report recommends that the future management of the brand focuses on strengthening the brand's existing position

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1. Introduction

The purpose of this report is to critically evaluate the management of Nestle's premium portioned coffee brand, Nespresso, on the basis of brand equity. The analysis will focus on the Nespresso brand in relation to coffee capsules. A brand overview will be provided, including a summary of brand elements, and Nestle's brand portfolio. The relevant sources of brand equity will be identified and evaluated. An evaluation of Nespresso's marketing program and target market will also be undertaken to determine their effectiveness in contributing to brand equity. Based on this, key brand related attributes will be highlighted. Finally, the report will examine potential threats to Nespresso's brand equity and make recommendations.

2. Brand Overview

2.1 Brand Portfolio

Nestle adopt a multi branding strategy, which means they create and develop many different brands that belong to a variety of product categories (Armstrong, Adam, Denize & Kotler, 2012). For example, Nestle Australia have a variety of brands that belong to 10 different product categories (Appendix A). However, for the purpose of this report the focus will be in relation to Nestle's Australian coffee brands (Figure A).



Figure A: Nestle Australia Coffee Brand Portfolio
 Source: (Nestle Australia, 2016a).

2.2 Brand Elements

2.2.1 Brand Name

For the purpose of this report, relevant brand elements have been identified as brand name, packaging, logo, slogan. The name, “Nespresso”, has become synonymous with quality and luxury through the brand’s commitment to providing coffee experiences (Nestle Nespresso, 2016c).

2.2.2 Packaging

The main form of packaging of Nespresso coffee capsules consists of thin, long boxes, which have a minimalist design (Figure B).

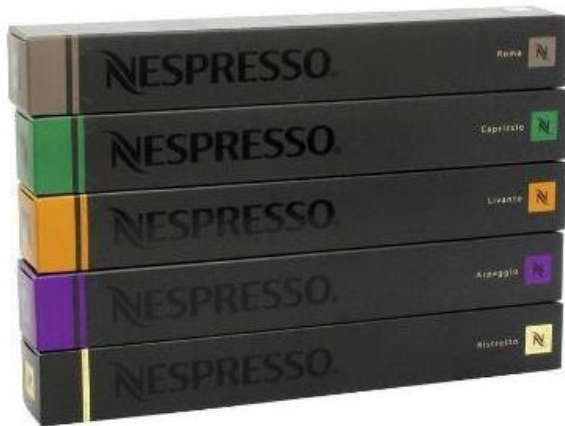


Figure B: Standard Packaging Capsule
Source: (Nespresso, 2016c).

2.2.3 Logo & Symbol

The Nespresso brand is visually represented through the use of a logo and symbol, which are often displayed together. This combination positively impacts brand performance through aiding recognition and recall (Park, Eisingerich, Pol & Park, 2013). For example, the symbol consists of the unique design of the letter 'N', which is also used to make up the logo 'Nespresso' (Figure C).



Figure C: Combined Logo and Symbol
Source: (Nestle Australia, 2016b).

2.2.4 Slogan

The brand's slogan, "Nespresso. What else?" suggests that there is no alternative that offers the same level quality as Nespresso. It also implies that the Nespresso brand is incomparable in their approach to delivering a sensual experience, not just a drink (Nestle Nespresso, 2016c).

3. Sources of Brand Equity

3.1 Brand Awareness

The repetition of Nespresso's slogan assists with building awareness by consistently reminding consumers that only Nespresso can provide an ultimate coffee experience (Hoyer & Brown, 1990; Khamis, 2012). This focus on incomparability aids recall by attempting to ensure Nespresso is the only brand that consumers will retrieve when they think of portioned coffee.

This has established a dominant position within the market, which aides recall. It's clear that brand name, slogan and symbol and logo are important brand elements to the contribution of brand awareness.

3.2 Brand Image

The brand image of Nespresso relates to associations linked to premium coffee (Nestle Nespresso, 2016c). For example, a significant association many consumers have with Nespresso is the provision of sensual and quality coffee experiences (Khamis, 2012). This means, the brand name 'Nespresso' plays an important role in reinforcing the association because of their superior coffee expertise and ability to source the high quality coffee (Nestle Nespresso, 2016c).

Other significant associations include luxury and exclusivity. Nespresso reinforce these associations through the provision of premium product cues on their packaging (Mugge et al., 2014). This highlights that the brand name, slogan and packaging represent key brand elements to the formation of Nespresso's brand image.

4. Marketing Program

4.1 Target Market

Nespresso's coffee appeals to an international consumer market, however, due to its premium nature they target more affluent geographical areas, such as Sydney (Khamis, 2012). This means that income levels are a significant demographic variable in defining Nespresso's target market.

Consequently, Nespresso's target market can be defined as high income, frequent coffee drinkers that seek a premium and convenient coffee experience (Figure D).

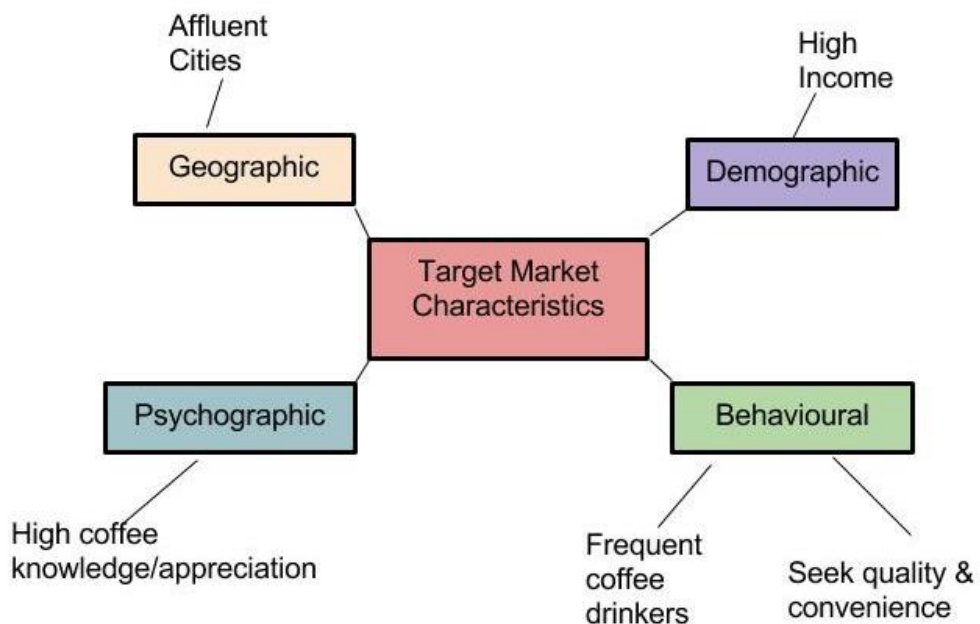


Figure D: Segmentation Variables

Source: (Butler, 2000; Khamis, 2012; Markides, 1999).

4.2 Marketing Mix

4.2.1 Product

The core benefit of Nespresso's coffee capsules is satisfying the physiological need for caffeine. Nespresso's actual product consists of the innovative and convenient system of delivering high quality coffee. This product offering satisfies consumers' needs without having to sacrifice quality for speed (Keinert, 2012).

4.2.2 Price

Nespresso leverage the positive relationship between price and perceived quality to add value to their brand equity through a premium pricing strategy (Brucks, Zeithaml & Naylor, 2000; Nespresso, 2016a). For example, Nespresso charges \$0.68 to \$0.93 per capsule, whereas other brands charge \$0.49 to \$0.55 per capsule (Primo, 2013).

4.2.3 Promotion

The most significant aspect of Nespresso's promotional activities includes the use of George Clooney as the brand ambassador to leverage secondary associations. For example, Clooney's qualities of sophistication and charisma enhance likeability, which transfers onto the brand, adding to brand image (Khamis, 2012). The consistent and repeated exposure of Clooney with Nespresso's brand elements, such as the logo and tagline, enhance awareness by aiding recognition and strengthening recall (Seno & Luka, 2007). For example, when consumers become exposed to advertisements containing Clooney consumers recognize the brand name and

recall the product category (Figure E). That is, celebrity endorsement has created a clear link with the brand and built global awareness.



Figure E: Nespresso Print Advertisements
Source: (McCann Paris, 2007a, 2007b).

4.2.4 Place

Nespresso adopt an exclusive distribution strategy for their coffee capsules because they are only available directly from Nespresso either through their online store or boutiques (Armstrong et al., 2012; Nestle Nespresso, 2016b).

5. Brand Attributes

From the above analysis, the key brand related attributes include:

- Luxury
- Exclusivity
- Quality

6. Threats to Brand Equity

6.1 Nescafe Extension

Nescafe also has a coffee capsule system, and threatens Nespresso's brand awareness by impacting consumers' ability to recall Nespresso's brand name. This is compounded from the similar pronunciation and focus on quality of both brands, which means they are both likely to appear in the consumer's evoked set, when the product category is presented.

6.2 Increased Competition

The maturation of the portioned coffee market and expiration of Nespresso capsule patents has led to an increase in competitors, such as Nespresso compatible pods (Heron, 2013). These competitors suggest to consumers that high quality portioned coffee is now more accessible,

which potentially threatens Nespresso's brand image by weakening associations of exclusivity and luxury (Keller, 2009).

7. Recommendations

7.1 Leverage Coffee Expertise

Nespresso have an extensive history in developing portioned coffee, which forms the basis of their coffee expertise. To combat threats to brand equity, Nespresso could reinforce this extensive amount of expertise. For example, 2016 represents Nespresso's 30th anniversary, in conjunction with this, a campaign could be developed to celebrate and reinforce their expertise to customers (Nestle Nespresso, 2016d). This campaign may involve the creation of a 30th anniversary limited edition capsule, combined with a tagline that emphasizes experience, such as "Nespresso. Creating quality coffee experiences for 30 years".

7.2 Emphasize Coffee Experiences

To maintain a premium image and strengthen associations of luxury and exclusivity Nespresso could further emphasize that they create luxurious sensual experiences. This may be achieved through a supporting marketing program that emphasizes the ‘Nespresso Club’ membership. For example, a promotional campaign that highlights the benefits of being a club member could be developed to reinforce luxury.

8. Conclusion

This report has critiqued the management of the Nespresso brand on the basis of brand equity. Significant elements of the marketing mix include innovative product design, premium pricing, celebrity endorsement and exclusive distribution. Potential threats to source equity were identified as Nescafe’s brand extension into portioned coffee and increased competition. It was recommended that a focus is placed on strengthening the brand through emphasizing coffee expertise or reinforcing the creation of experiences.

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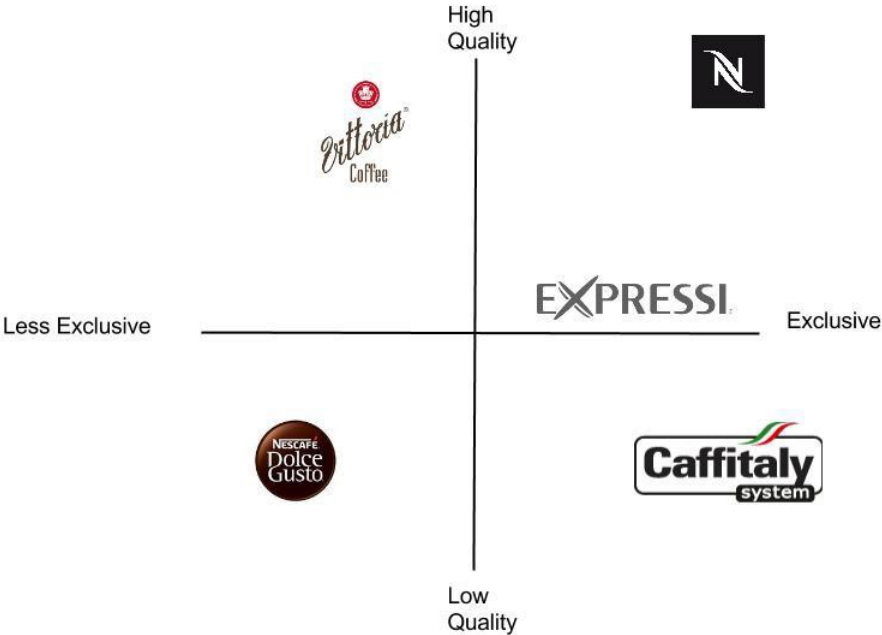
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Appendix A: Nestle Australia Brand Portfolio

Drinks	Cereals	Chocolate & Confectionary	Lozenges	Recipe Bases	Noodles	Cooking Ingredients	Cooking Milks	Baby & Toddler Health
<ul style="list-style-type: none"> - Nesquik - Milo - Nestle Hot Chocolate - Alpen Blend - Caro Extra 	<ul style="list-style-type: none"> - Milo - Nesquik Uncle Tobys - Oats - O & G Chereios - Oat Crisp - PLUS - Natural Style - Oat Flakes - Shredded Wheat - VitaBrits - Weeties 	<ul style="list-style-type: none"> - Allens - KitKat - MilkyBar - WhiteKnight - Aero - Smarties - Lifesavers - Crunch - Peppermint Crisp - Chokito - Violet - Crumble - ROLO - XXX 	<ul style="list-style-type: none"> - Quick-Eze - Butter Menthol - Anticol - Soothers 	<ul style="list-style-type: none"> - Maggi - Thomy - Crosse & Blackwell 	<ul style="list-style-type: none"> - Maggi 	<ul style="list-style-type: none"> - Baker's Choice - Plaistowe 	<ul style="list-style-type: none"> - Carnation - Sunshine 	<ul style="list-style-type: none"> - NAN - CERELAC

Source: Nestle Australia, (2016a).

Appendix B: Perceived Positioning



Appendix C: Expressi Logo Compariosn



Source: Aldi Australia, (2016); Nespresso, (2016b).