Nespresso: Branding the "Ultimate Coffee Experience"

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Introduction

In December 2010, Nespresso, the world’s leading brand of premium-portioned coffee, opened a flagship boutique in Sydney’s Pitt Street Mall. This was Nespresso’s fifth boutique opening of 2010, after Brussels, Miami, Soho, and Munich. The Sydney debut coincided with the mall’s upmarket redevelopment, which explains Nespresso’s arrival in the city: strategic geographic expansion is key to the brand’s growth. Rather than being favoured by brands like McDonalds, KFC and Starbucks, Nespresso opts for iconic, prestigious locations. This strategy has been highly successful: since 2000 Nespresso has recorded year-on-year growth of 30 per cent. This has been achieved, moreover, despite a global financial downturn and an international coffee market replete with brand variety. In turn, Nespresso marks an evolution in the coffee market over the last decade.

The Nespresso Story

Founded in 1986, Nespresso is the fastest growing brand in the Nestlé Group. Its headquarters are in Lausanne, Switzerland, with over 7,000 employees worldwide. In 2012, Nespresso had 270 boutiques in 50 countries. The brand’s growth strategy involves three main components: premium coffee capsules, “mated” with specially designed machines, and accompanied by exceptional customer service through the Nespresso Club. Each component requires some explanation. Nespresso offers 16 varieties of Grand Cru coffee: 7 espresso blends, 3 pure origin espresso, 3 lungo coffees (for larger cups), and 3 lungo blends (for different effects). Each 5.5 grams of portioned coffee is cased in a hermetically sealed aluminium capsule, or pod, designed to preserve the complex, volatile aromas (between 800 and 900 per pod), and prevent oxidation. These capsules are designed to be used exclusively with Nespresso-branded machines, which are equipped with a patented high-pressure extraction system designed for optimum release of the coffee. These machines, of which there are 28 models, are developed with 6 machine partners, and Antoine Cahen, from Ateliers du Nord in Lausanne, designs most of them. For its consumers, members of the Nespresso Club, the capsules and machines guarantee perfect espresso coffee every time, within seconds and with minimum effort—what Nespresso calls the “ultimate coffee experience.”

The Nespresso Club promotes this experience as an everyday luxury, whereby café-quality coffee can be enjoyed in the privacy and comfort of Club members’ homes. This domestic focus is a relatively recent turn in its history. Nestlé patented some of its pod technology in 1976; the comparable machine, initially made in Switzerland by Turmix, were developed a decade later. Nespresso S. A. was set up as a subsidiary unit within the Nestlé Group with a view to target the office and fine restaurant sector. It was first test-marketed in Japan in 1986, and rolled out the same year in Switzerland, France and Italy. However, by 1988, low sales prompted Nespresso’s newly appointed CEO, Jean-Paul Gillard, to rethink the brand’s focus. Gillard subsequently repositioned Nespresso’s target market away from the commercial sector towards high-income households and individuals, and introduced a mail-order and distribution system; these elements became the hallmarks of the Nespresso Club (Markides 55).

The Nespresso Club was designed to give members who had purchased Nespresso machines 24-hour customer service, by mail, phone, fax, and email. By the end of 1999 there were some 250,000 Club members worldwide. The boom in domestic, user-friendly espresso machines from the early 1990s helped Nespresso’s growth in this period. The cumulative efforts by the main manufacturers—Krups, Bosch, Braun, Saeco and Delonghi—lowered the machines’ average price to around US $100 (“Espresso” 88; Purpura, “New” 116). This paralleled consumers’ growing sophistication, as they became increasingly familiar with café-quality espresso, cappuccino and latte—for reasons to be detailed below. Nespresso was primed to exploit this cultural shift in the market and forge a charismatic point of difference: an aspirational, luxury option within an increasingly accessible and familiar field.

Between 2000 and 2008, Nespresso sales more than doubled, prompting a second production factory to supplement the original plant in Avenches (Simionan). In 2008, Nespresso grew 20 times faster than the global coffee market (Reguly B1). As Nespresso sales exceeded $1.3 billion AU in 2009, with 4.8 billion capsules shipped out annually, and 5 million Club members worldwide, it became Nestlé’s fastest growing division (Canning 28). According to Nespresso’s Oceania market director, Renaud Tinel, the brand now represents 8 per cent of the total coffee market. Of Nespresso specifically, he reports that 10,000 cups (using one capsule per cup) were consumed worldwide each minute in 2009, and that increased to 12,300 cups per minute in 2010 (O’Brien 16). Given such growth in such a brief period, the atypical dynamic between the boutique, the Club and the Nespresso brand warrants closer consideration.

Nespresso opened its first boutique in Paris in 2000, on the Avenue des Champs-Élysées. It was a symbolic choice and signalled the brand’s preference for glamorous precincts in cosmopolitan cities. This has become the design template for all Nespresso boutiques, what the company calls “brand embassies” in its press releases. More like art galleries than like more traditional coffee shops, these boutiques perform three main functions: they showcase Nespresso coffees, machines and accessories (all elegantly displayed); they enable Club members to stock up on capsules; and they offer excellent customer service, which invariably equates to detailed production information. The brand’s revenue model reflects the boutique’s role in the broader business strategy: 50 per cent of Nespresso’s business is generated online, 30 per cent through the boutiques, and 20 per cent through call centres. Whatever floor space these boutiques dedicate to coffee consumption is—compared to the emphasis on exhibition and ambience—minimal and marginal. In turn, this tightly monitored, self-focused model inverts the conventional function of most commercial coffee sites.

For several hundred years, the café has fostered a convivial atmosphere, served consumers’ social inclinations, and overwhelmingly encouraged diverse, ecletic clientele. The Nespresso boutique is the antithesis to this, and instead actively limits interaction: the Club “community” does not meet as a community, and is united only in atomised allegiance to the Nespresso brand. In this respect, Nespresso stands in stark contrast to another coffee giant, Starbucks, which has been highly successful in recent years—Starbucks. Starbucks famously recreates the aesthetics, rhetoric and atmosphere of the café as a “third place”—a term popularised by urban sociologist Ray Oldenburg to describe non-work, non-domestic spaces where patrons congregate for respite or recreation. These liminal spaces (cafés, parks, hair salons, book stores and such locations) might be private, commercial sites, yet they provide opportunities for chance encounters, even therapeutic interactions. In this way, they aid sociability and civic life (Klemm 199).
Long before the term "third place" was coined, coffee houses were deemed exemplars of egalitarian social space. As Rudolf P. Gaudio notes, the early coffee houses of Western Europe, in Oxford and London in the mid-1600s, "were characterized as places where commoners and aristocrats could socialize and converse without regard to rank" (670). From this same perspective, they both informed and animated the modern public sphere. That is, and following Habermas, as a place where a mixed cohort of individuals could meet and discuss matters of public importance, and where politics intersected society, the eighteenth-century British coffee house both typified and strengthened the public sphere (Karababa and Ger 746). Moreover, and even from their early Ottoman origins (Karababa and Ger), there has been an historical correlation between the coffee house and the cosmopolitan, with the latter at least partly defined in terms of demographic breadth (Luckins).

Ironically, and insofar as Nespresso appeals to coffee-literate consumers, the brand owes much to Starbucks. In the two decades preceding Nespresso's arrival, Starbucks played a significant role in redefining coffee literacy among the American consumer, gauging mass-market trends, and stirring consumer distinction. For Nespresso, this constituted major preparatory work. By 1995, Starbucks was a transnational presence, as its strategy (and success) since the early 2000s presupposed the coffee market that Starbucks had helped cultivate. According to Nespresso's chief executive Richard O'Brien, Nespresso's expansion is a focus on particular cities and their coffee culture (Canning 28). In turn, it pays to take stock of how such cities developed a coffee culture amenable to Nespresso—and therein lays the brand's debt to Starbucks. Until the last few years, Starbucks vice chairman and ambassador George Clooney was enlisted in 2005, Nespresso’s marketing was driven primarily by Club members’ recommendations. At the same time, though, Nespresso insisted that Club members be "true" connoisseurs, whose knowledge and enjoyment of coffee exceeded conventional coffee offerings. In 2000, Henk Kwakman, one of Nestlé's Coffee Specialists, explained the need for portioned coffee in terms of guaranteed perfection, one that demanding consumers would expect. "In general", he reasoned, "people who really like espresso coffee are very much more quality driven. When you consider such an intense taste experience, the quality is very important. If the espresso is slightly off quality, the connoisseur notices this immediately" (quoted in Butler 50).

What matters here is how this corps of connoisseurs grew to a scale big enough to sustain and strengthen Nespresso system, in the absence of a robust marketing, by virtue of the Nespresso (until very recently). Put simply, the brand’s ascent was aided by Starbucks, specifically by the latter’s success in changing the mainstream coffee market during the 1990s. In establishing such a strong transnational presence, Starbucks confronted a strong transnational presence brands to define themselves with more clarity and conviction. Indeed, working with data that identified just 200 freestanding coffee houses in the US prior to 1990 compared to 14,000 in 2003, Kjeldgaard and Ostberg go so far as to state that: "Put simply, in 1995, there was no local coffee consumptionscape prior to Starbucks" (Kjeldgaard and Ostberg 176). Starbucks effectively redefined the coffee world for mainstream consumers in ways that were directly beneficial for Nespresso.

Starbucks: Coffee as Ambience, Experience, and Cultural Capital

While visitors to Nespresso boutiques can sample the coffee, with highly trained baristas and staff on site to explain the Nespresso system, in the main there are few concessions to the conventional café experience. Primarily, these boutiques function as material spaces for existing Club members to stock up on capsules, and therefore they complement the Nespresso system with a suitably streamlined space: efficient, stylish and conspicuously upmarket. Outside at least to a degree, for instance (Bondi junction, in the fashionable inner-Sydney), visitors enter through a club-style cordon, something usually associated with exclusive bars or hotels. This demarcates the boutique from neighbouring coffee chains, and signals Nespresso’s claim to non-privileged patrons. This strategy though, the cultivation of a particular customer group through aesthetic design and subtle flattery, is not unique. For decades, Starbucks also cultivated a "special" coffee experience. Moreover, while the Starbucks model strikes a very different sensorial chord to that of Nespresso (in terms of décor, target consumer and so on) it effectively groomed and prepped everyday coffee drinkers to a level of relative self-sufficiency and expertise—and therein is the link between the Starbucks's mass-marketed approach and Nespresso's timely arrival.

Starbucks opened its first store in 1971, in Seattle. Three partners founded it: Jerry Baldwin and Zev Siegl, both teachers, and Gordon Bowker, a writer. In 1982, as they opened their sixth Seattle store, they were joined by Howard Schultz. Schultz's trip to Italy the following year led to an entrepreneurial epiphany to which he now attributes Starbucks's success. Inspired by how people interacted with baristas, he decided to adapt the Italian concept of "home away from home." To this end, in 1994, Schultz enlisted interior design “mastermind” Wright Massey; within its team of 45 designers, Massey created the chain's "oasis for contemplation" (quoted in Scerrin 60). At the same time though, and second, Starbucks promoted a revisionist, airbrushed version of how the coffee was produced. Patrons could see and smell the freshly roasted beans, and read about their places of origin in the free pamphlets. In this way, Starbucks merged the exotic and the cosmopolitan. The global supply chain underwent an image makeover, helped by a "new" vocabulary that familiarised its coffee drinkers with the diversity and complexity of coffee, and such terms as aroma, acidity, body and flavour.

This strategy had a decisive impact on the coffee market, first in the US and then elsewhere: Starbucks oversaw a significant expansion in coffee consumption, both quantitatively and qualitatively. In the decades following the Second World War, coffee consumption in the US reached a plateau. Moreover, as Steven Topik points out, the rise of this type of coffee connoisseurship actually coincided with declining per capita consumption of coffee in the US—so the social status attributed to specialised knowledge of coffee “saved” the market: “Coffee’s rise as a sign of distinction and connoisseurship meant its appeal was no longer just its physiological role as a stimulant nor the democratic sociability of the coffee shop” (Topik 100). Starbucks’s singular triumph was to not only convert non-coffee drinkers, but also train them to a level of relative sophistication. The average “cup o’ Joe” thus gave way to the “cupping party” and the coffee connoisseur went chic, macchiato and more, and a world of coffee hitherto beyond (perhaps above) the average American consumer became both regular and routine. By 2003, Starbucks’s revenue was US $4.1 billion, and by 2012 there were almost 20,000 stores in 58 countries.

As an idealised "third place," Starbucks functioned as a welcoming haven that flattened out and muted the realities of global trade. The variety of beans on offer (Arabica, Latin American, specialty single origin and so on) bespoke a generous and bountiful modernity; while brochures schooled patrons in the nuances of terror, an appreciation for origin and distinctiveness that encoded cultural capital. This positioned Starbucks within a narrative of the coffee economy, and drew patrons into this story by flattering their consumer choices. Against the generic sameness of supermarket options, Starbucks promised distinction, in Pierre Bourdieu’s...
sense of the term, and diversity in its coffee offerings. For Greg Dickinson, the Starbucks experience—the scent of the beans, the sound of the grinders, the taste of the coffee—negated the abstractions of postmodern, global trade: by sensory seduction, patrons connected with something real, authentic and material. At the same time, Starbucks’ relentless commitment to the “third place” (Savitz), the corporate mantra that has morphed into virtual orthodoxy over the last fifteen years. This was hardly surprising; companies that trade in food and drink are typically grown in developing regions (coffee, tea, sugar) and杯 shoulders the “political-aesthetic problematication of food” (Sassatelli and Davolio). This saw increasingly cognisant consumers trying to reconcile the pleasures of consumption with environmental and human responsibilities.

The “third place” approach, which ostensibly promotes best business practice for people, profits and the planet, was folded into Starbucks’ marketing. The company heavily promoted its range of civic engagement, such as donations to nurses’ associations, literacy programmes, clean water programs, and fair dealings with its coffee growers in developing societies (Simon). This was critical to its target market. As Constance M. Ruch argues, in co-opting the language of ethical practice within an ultimately corporatist context, Starbucks only ever appealed to a modest form of altruism; not just in terms of the funds committed to worthy causes, but also to move thorny issues to “the most non-contentious middle-ground,” lest conservative customers felt alienated (Simon). Yet, having flagged itself as an ethical brand, Starbucks became an even bigger target for anti-corporatist sentiment, and the charge that, as a multinational giant, it remained complicit in (and one of the biggest benefactors of) a starkly inequitable and asymmetrical distribution of power. It remains a major presence in the world coffee market, and arguably the most famous of the coffee chains. Over the last decade though, the speed and intensity with which Nespresso has grown, coupled with its atypical approach to consumer engagement, suggests that, in terms of brand equity, it now offers a more compelling point of difference than Starbucks.

Brand “Me!”

Insofar as the Nespresso system depends on a consumer market versed in the intricacies of quality coffee, Starbucks can be at least partly credited for nurturing a cadre amongst everyday coffee drinkers. Yet while Starbucks courted the “average” consumer in its quest for market control, saturating the suburban landscape with thousands of virtually indistinguishable stores, Nespresso marks a very different sensibility. Put simply, Nespresso inverts the logic of a coffee house as a “third place,” and patrons are drawn not to socialise and relax but to pursue their own highly individualised interests. The difference with Starbucks could not be starker. One visitor to the Bloomingdale boutique (in New York’s fashionable Soho district) described it as having “the feel of Switzerland rather than Seattle. Instead of velvet sofas and comfy music, it has hand surfaces, bright colours and European hostesses” (Gapper 9).

By creating a system that narrows the gap between production and consumption, the Nespresso boutique in Latin America, for instance, was opened in Jardins, a wealthy suburb in Sao Paulo, Brazil. In Nespresso, Nestlé has popularised a coffee experience neatly suited to contemporary consumer capitalism, a hyper-individual experience for a hyper-modern age. By developing a global brand that is both luxurious and niche, Nespresso became “the Louis Vuitton of coffee” (Betts 14). Where Starbucks pursued retail ubiquity and presence in the more affluent, upmarket cities. As chief executive Richard Giradot put it, with no hint of embarrassment or apology: “If you take China, for example, we are not speaking about China, we are speaking about Shanghai, Hong Kong: because you will not find our concept in the middle of nowhere in China” (quoted in Canning 28). For this reason, while Europe accounts for 90 per cent of Nespresso sales (Betts 15), its forays into the Americas, Asia and Australasia invariably spotlights cities that are already iconic or emerging economic hubs. The first boutique in Latin America, for instance, was opened in Jardins, a wealthy suburb in Sao Paulo.
right—there are good and bad choices, better and worse choices. The kind of choice eventually made is the evidence of competence or its lack" (Bauman 43-44). Consumption here becomes an endless process of self-fashioning through commodities; a process Eva Illouz considers "all the more strenuous when the market recruits the consumer through the syphistic exercise of his/her freedom to choose who he/she is” (Illouz 392). In a status-based setting, the more finely graded the differences between commodities (various places of origin, blends, intensities, and so on), the harder the consumer works to stay ahead—which means to be sufficiently informed. Consumers are locked in a game of constant reassurance, to show upward mobility to both themselves and society.

For all that, and like Starbucks, Nespresso shows some signs of corporate social responsibility. In 2009, the company announced its "Ecolaboration" initiative, a series of eco-friendly targets for 2013. By then, Nespresso aims to: source 80 per cent of its coffee through Sustainable Quality Programs and Rainforest Alliance Certified farms; triple its capacity to recycle used capsules to 75 per cent; and reduce the overall carbon footprint required to produce each cup of Nespresso by 20 per cent (Nespresso). This information is conveyed through the brand’s website, press releases and brochures. However, since such endeavours are now de rigueur for many brands, it does not register as particularly innovative, progressive or challenging: it is an unexceptional (even expected) part of contemporary mainstream marketing.

Indeed, the use of actor George Clooney as Nespresso’s brand ambassador since 2005 shows shrewd appraisal of consumers’ political and cultural sensibilities. As a celebrity who splits his time between Hollywood and Lake Como in Italy, Clooney embodies the glamorous, cosmopolitan lifestyle that Nespresso signifies. However, as an actor famous for backing political and humanitarian causes (having raised awareness for crises in Darfur and Haiti, and backing calls for the legalisation of same-sex marriage), Clooney’s meanings extend beyond cinema: as a celebrity, he is multi-coded. Through its association with Clooney, and his fusion of star power and worldly sophistication, the brand is imbued with semantic latitude. Still, in the television commercials in which Clooney appears for Nespresso, his role as the Hollywood heartthrob invariably overshadows that of the political campaigner. These commercials actually pivot on Clooney’s romantic appeal, an appeal which is ironically upstaged in the commercials by something even more seductive: Nespresso coffee.

References


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