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How can we tackle Nestlé Switzerland current issue regarding the shelf space reduction and generate value for Swiss consumers by focusing and building on the advantages of the digital dimension?

Our analysis

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- Industry overview and influences
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- Demand determinants
- Profitability drivers

2 **Internal analysis**

- VRIO Analysis
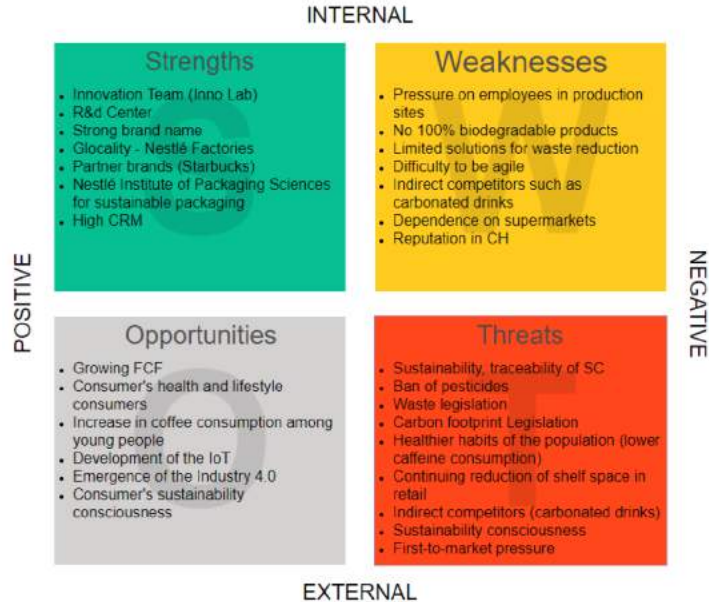- Technology assessment
- Consumer profile
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3 **Questionnaire**

- Microsoft forms
- Coffee consumers
- Switzerland
- 247 participants

SWOT Analysis

INTERNAL

POSITIVE · NEGATIVE

Strengths
- Innovation Team (Inno Lab)
- R&d Center
- Strong brand name
- Glocality - Nestlé Factories
- Partner brands (Starbucks)
- Nestlé Institute of Packaging Sciences for sustainable packaging
- High CRM

Weaknesses
- Pressure on employees in production sites
- No 100% biodegradable products
- Limited solutions for waste reduction
- Difficulty to be agile
- Indirect competitors such as carbonated drinks
- Dependence on supermarkets
- Reputation in CH

Opportunities
- Growing FCF
- Consumer's health and lifestyle consumers
- Increase in coffee consumption among young people
- Development of the IoT
- Emergence of the Industry 4.0
- Consumer's sustainability consciousness

Threats
- Sustainability, traceability of SC
- Ban of pesticides
- Waste legislation
- Carbon footprint Legislation
- Healthier habits of the population (lower caffeine consumption)
- Continuing reduction of shelf space in retail
- Indirect competitors (carbonated drinks)
- Sustainability consciousness
- First-to-market pressure

EXTERNAL

TOWS Analysis

	Strengths (S)	Weaknesses (W)
Opportunities (O)	**S-O strategies** - "Dash replenishment" system - Less sugary, fat and more natural products - Increase the interest and sales among younger consumers - Application connected with coffee machine (preferences, offers, chat)	**W-O strategies** - More convenient ways of working in the factories (support of employees with digital tools) - More transparency concerning traceability - More profit margin for the beginning of the chain (farmers)
Threats (T)	**S-T strategies** - Develop 100% recyclable capsules and packagings - Develop decaffeinated products to answer new needs of consumers - Introduce a "dash replenishment" system - Brand partnerships (new customer segment)	**W-T strategies** - Automatic online order of coffee from a intelligent coffee machine - Nearer coffee plantation with better-paid farmers

The solution

How do we approach value creation for the consumer and
problem solving for Nestlé's pressing issue ?

Is "lean" the answer?

Starting Idea

- Smart coffee machine, with a screen and an online connection to an e-commerce platform.

- The machine can track the number of coffee capsules the user has, and can place automatic orders.

- Information is gathered based on the consumer preferences, then the machine offers what that consumer prefers.

- The screen displays an application interface which the user can utilise to make the orders and see what is available.

Questionnaire scrutiny
The Lean approach to test our idea

Would you be willing to use this product/service?

Those who don't use coffee capsule machines at home

Yes
9.7%

No
90.3%

Those who use coffee capsules at home and already order online

No
47.8%

Yes
52.2%
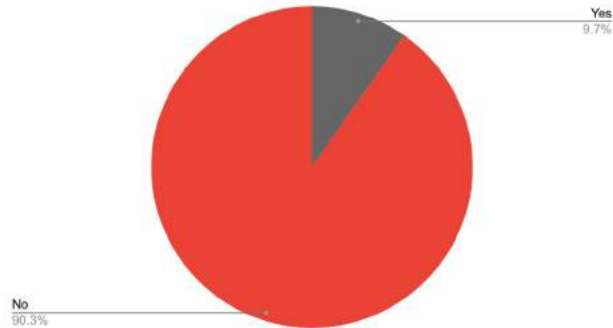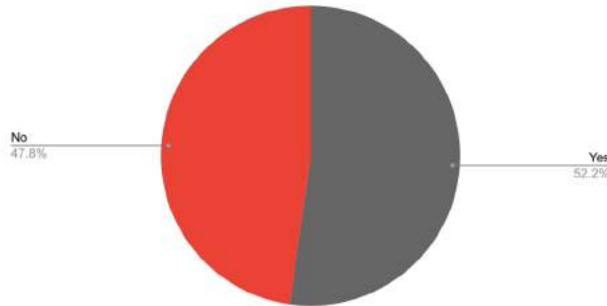
Most frequent reasons:

- Ability to buy capsules on their own from supermarkets
- Do not like the idea of depending on machines for security reasons.
- Would limit them to one product
- Complicated and expensive

Questionnaire scrutiny
The Lean approach to test our idea

What do people care about the most when it comes to coffee?

- Three top characteristics:
  - Coffee Quality
  - Experience
  - Option

- Least important characteristics:
  - Coffee brand
  - Price
  - Machine design (aesthetics)

- We also found a strong affiliation towards the coffee drinking experience (enjoying the taste/having a break).

5. Why do you drink coffee?

Plus de détails

●	To stay awake	84
●	To enjoy the taste	143
●	Out of habit	57
●	For social gathering	62
●	To have a break	84
●	To calm the nerves	20
●	To stay focused	43
●	To relieve summer heat (iced c...	33
●	To end a good meal	57
●	You feel the lack of caffeine	18
●	It goes well with other food (s...	46
●	Autre	4

Revised idea

Hardware:

- A capsule storing box or drawer.

- Has smart capabilities, able to track contents and communicate with other devices.

- This is the cheaper option for both the customer and Nestlé.

- Allows a higher flexibility to the offer thanks to an a smartphone application.

- No functionality loss, exactly the same offering in a more compact and cheaper solution.

Application interface

What our revised idea addresses

EXPERIENCE

Seamless hardware & software experience that makes the coffee experience even better.

SECURITY

Encrypted consumer details, Nestlé can see only delivery address, other info. is codified.

VARIETY

Catalogs of new coffee types and tastes never tried before by the consumer (unique to consumers).

FACILITY

Application is extremely easy to use and very intuitive, appeals to a wide range of consumers.

AVAILABILITY

The product doesn't require compatibility, all those who already have a coffee machine can purchase one.

COST EFFICIENCY

Size and practicality, savings possible to both, the consumer and Nestlé.

Consumer Groups

JAMES

COFFEE IS DRINK

LIKES COFFEE

AGE
25-55 years old

NATIONALITY
Swiss

OCCUPATION
Employee

KATHY

COFFEE IS DRINK

LIKES COFFEE

AGE
18-25 years old

NATIONALITY
Swiss

OCCUPATION
Student
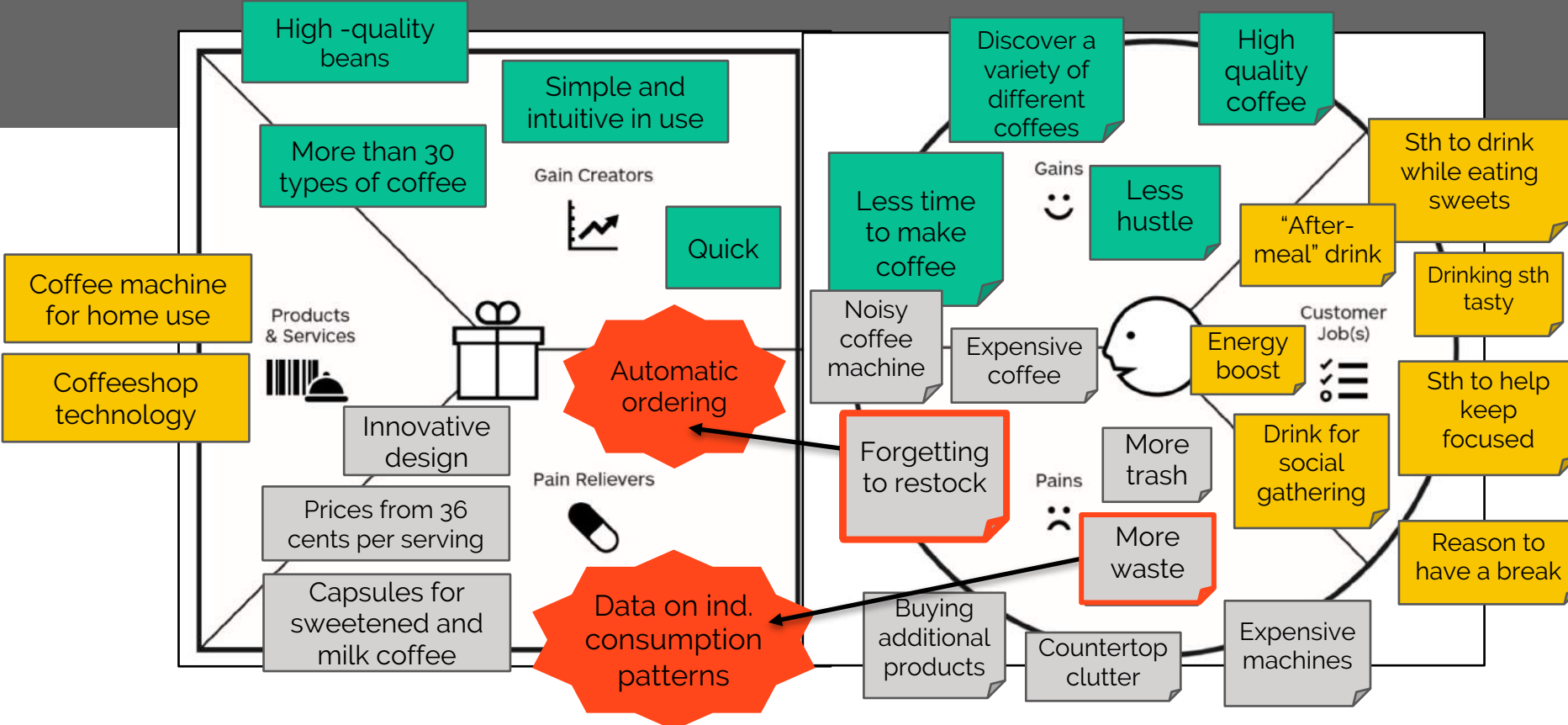
Value Proposition

High -quality beans

Simple and intuitive in use

Discover a variety of different coffees

High quality coffee

Gain Creators

More than 30 types of coffee

Less time to make coffee

Less hustle

Sth to drink while eating sweets

Quick

"After-meal" drink

Drinking sth tasty

Coffee machine for home use

Products & Services

Automatic ordering

Gains

Energy boost

Customer Job(s)

Coffeeshop technology

Innovative design

Noisy coffee machine

Expensive coffee

Forgetting to restock

Sth to help keep focused

Drink for social gathering

Reason to have a break

Pain Relievers

Prices from 36 cents per serving

More trash

Pains

Capsules for sweetened and milk coffee

Data on ind. consumption patterns

Buying additional products

More waste

Countertop clutter

Expensive machines

Value Curve

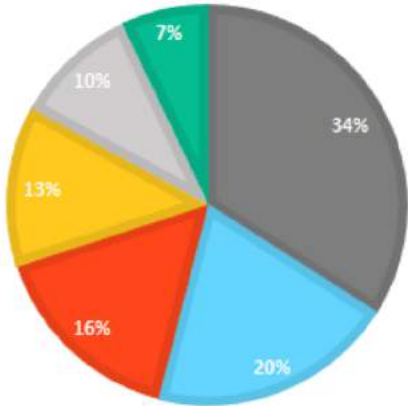Improved performance and superiority over the key competitor
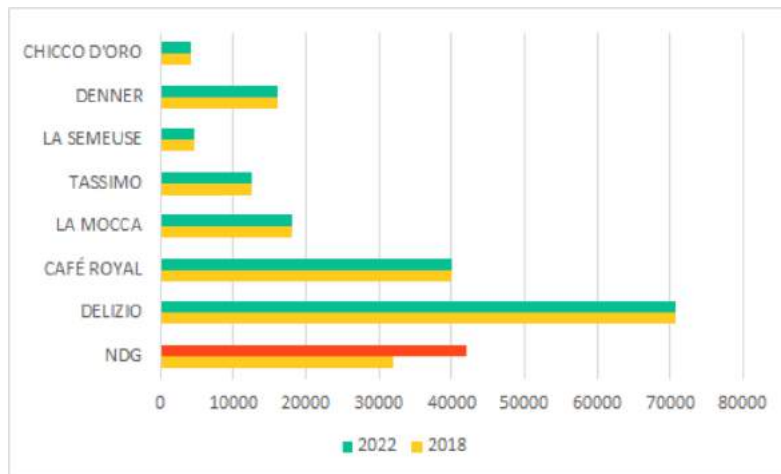
Market share

NDG can differentiate itself and stand out from its current competitors
NDG would certainly be copied, but the innovation can leverage the brand's position in the market
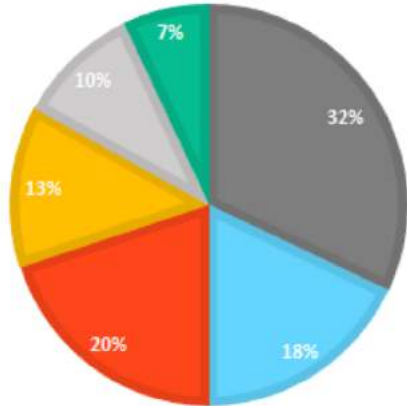
Value Sales SKUs

Loss of shelf space at the retailers' supermarkets
More online orders will also drive down the sales of SKUs in the Swiss supermarkets such as Coop or Denner
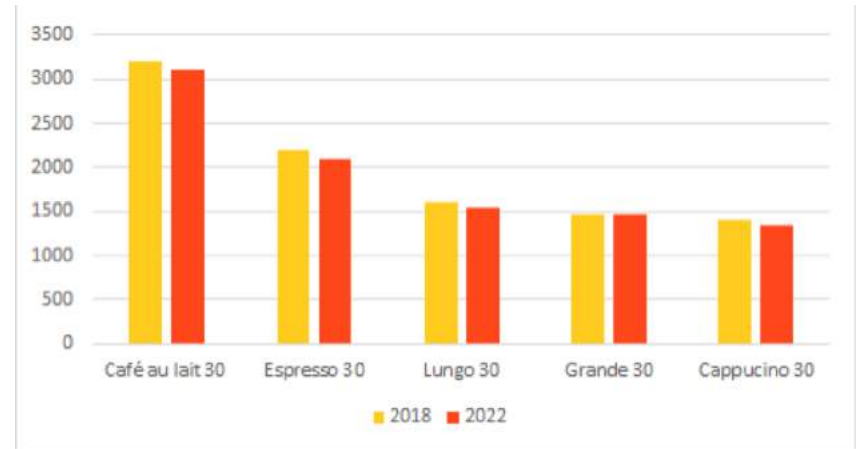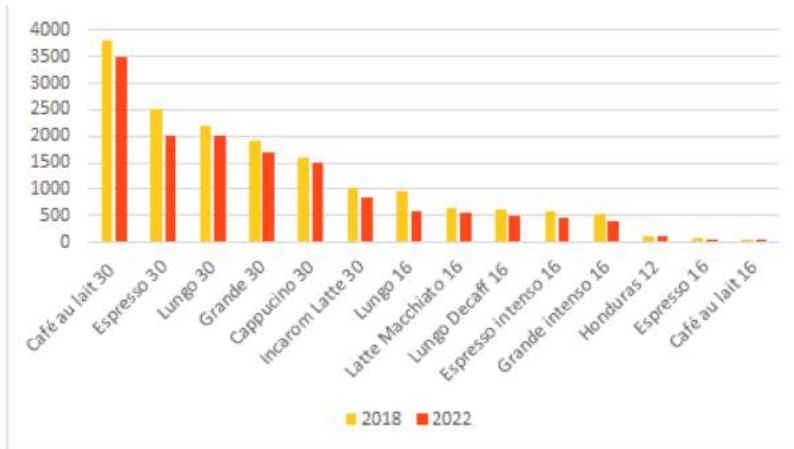
*SKU= Stock Keeping Units

Potential for extending our innovation into other markets

Why extend this innovation into other Markets?

- To increase competitive advantage
- To follow the trends
- To make economic growth

Potential Product Market

- Tea Market
  - Data from our survey
  - Same system as coffee (easier to implement)

20. What other product(s) would you like to be able to automatically reorder through a connected device?

20	anonymous	français	Thé, en sachet ou en vrac
35	anonymous	français	Thé en capsule
44	anonymous	français	Thé
4	anonymous	français	The
26	anonymous	Deutsch	Tee
30	anonymous	English (United States)	Tee
67	anonymous	English (United States)	tee

Potential for extending our innovation into other markets

Potential Coffee Market

★ **Finland**

- Highest per capita coffee consumption rates in the world
- GDP per capita in 2019 was 48,880$ per year
- 88% In-Home consumption
- Interest in variety
- 6th most innovative country in 2019

★ **China**

- Coffee consumption rates are growing at 30% a year
- Potential to become a major coffee-consuming country
- Between 2008 and 2018, coffee consumption increased by 1032%
- Growing coffee trend driven by young people
- China revenue in the Coffee amounts to US$8,214m in 2019
- 14th most innovative country in 2019

Top 5 Coffee Consuming Nations

Rank	Country	Coffee Consumption (Kg per Person Per Year)
1	Finland	12.0
2	Norway	9.9
3	Iceland	9.0
4	Denmark	8.7
5	Netherlands	8.4

Coffee Market: Growth Rate (%), Coffee Pods and Capsules, China, 2019-2024

CAGR: 9.1%

2019 2020 2021 2022 2023 2024
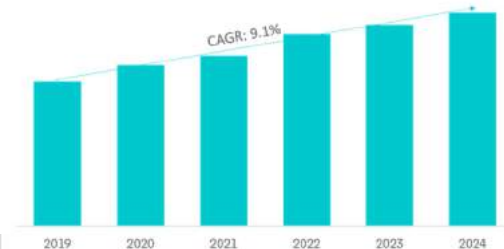
Business Model

Distribution Channels

-
- E-commerces

Cost Structure

- Chip Manufacturing
- Box Manufacturing
- Implementation on machines
- After Sale service
- App Design and Launch

Revenue Model

Main Revenue:
- Repetitive sales of capsules
- Customer locked-in

Small Revenue:
- Machines
- Box with the chip
- Machines with the box

Conclusion

Suggestions and implications

Questionnaire scrutiny

9. Why don't you have a capsule coffee machine?

Plus de détails

- It generates too much waste — 59
- The machines are too expensive — 14
- The capsules are too expensive — 44
- You don't like the taste of the ... — 32
- It takes too much time to prep... — 2
- The machine is complicated in... — 0
- The machine is expensive in m... — 4
- The capsules are harmful for t... — 50
- It takes a lot of countertop sp... — 10
- It makes a lot of noise — 6
- You think the coffee is of low ... — 31
- You'd never remember to buy ... — 8
- You're afraid you'd run out of ... — 13
- Autre — 10
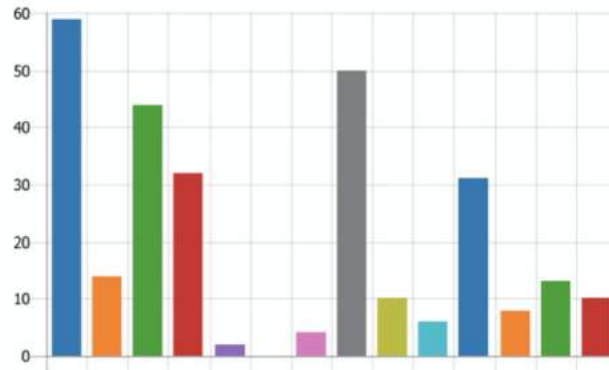
When shopping, does the environmental impact of a product's packaging affect your purchasing decisions?

UK 68%
FRANCE 69%
ITALY 75%
TURKEY 75%
GERMANY 75%
POLAND 77%
SPAIN 81%

TOTAL 75%

Dolce Gusto current solution

- Non recyclable capsules
- Recycle program
  - Collecting bags
  - Drop-off locations

PODS TURN INTO...

garden seats

The Institute of Packaging Sciences

"The new Institute of Packaging Sciences will enable us to accelerate the redesign of our packaging solutions"

Stefan Palzer
Nestlé CTO

Our Innovation Team

Project Manager	Creativity Manager	Design Manager	Resource Manager	Layout Manager	Analytics Manager
Waleed Omer	Klaudia Dzieciol	Volha Balnikava	Estelle Hain	Joya Richert	Stéphane Garcia

♥ IN COFFEE WE TRUST

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Backup slides

The problem

How can we tackle Nestlé Switzerland current issue regarding the shelf space reduction and generate value for Swiss consumers by focusing and building on the advantages of the digital dimension?

The identified problem

The shelf space that Nestlé Switzerland has at its disposal in retail stores is being reduced and there is a need for the company to lower its dependency on supermarkets to display products to the consumers. Today, the digital transformation widens the field of possibilities and opportunities for "big" companies such as Nestlé and also diversifies the consumer groups Nestlé's brands can now target.

Following the first part of our research related to this challenge Nestlé is currently facing, the internal and external analysis of the Nescafé Dolce Gusto and the coffee category, we now focus on the strategic and innovative solution we have thought of for Nestlé's Switzerland coffee category and more specifically for the Nescafé Dolce Gusto brand.

The last step of our internal and external analysis of Nestlé Switzerland's coffee category, the SWOT analysis, has allowed us to assess what the company and more specifically Nescafé Dolce Gusto have at their disposal to tackle the issue there are facing, but also the opportunities and threats surrounding them.

The next step we have taken to find out what is the best solution to answer the problem Nestlé Switzerland is currently facing is a TOWS analysis and we are now able to suggest a strategic and innovative solution for Nescafé Dolce Gusto by taking into account the digital dimension and the feedback from the customer data we gathered through a questionnaire as well.

SWOT Analysis

Before moving on to establishing an innovative idea and strategy for Nestlé Switzerland and more precisely its brand Nescafé Dolce Gusto, it was important that we had a close look to the brands internal strengths and weaknesses (VRIO analysis, consumer profile) as well as the opportunities and threats lying in its external environment (industry analysis, PESTN-Analysis, demand and profitability drivers).

The SWOT analysis allowed us to highlight mainly the facts that Nestlé Switzerland has resources to innovate (Inno Lab, R&D Center, Nestlé Institute of Packaging), but is not as fast as will be a young start-up in the innovation process as it has to deal with more bureaucracy until the launch of an innovative product or service. Another weakness we found (and which was also confirmed by the questionnaire we sent out to coffee consumers, is that the NDG products generate too much waste.

By doing the SWOT, we could come up with different innovative ideas already, but it is especially by highlighting the opportunities (trend 4.0, increase of coffee consumption among young people) and threats (sustainability issue, new legislation, continuous reduction of shelf space in supermarkets, first-to-market pressure) that our idea became more concrete before being then integrated in a TOWS analysis coming as a next step.
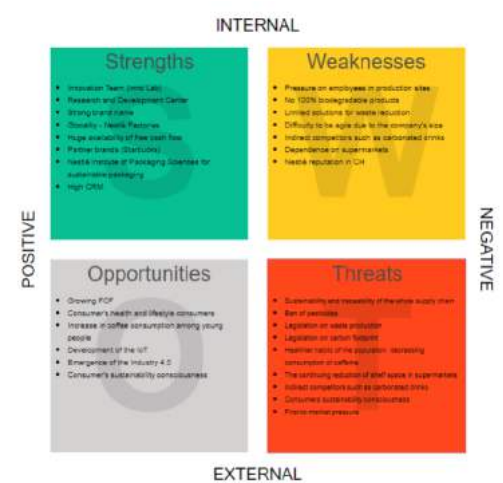
TOWS Analysis

How to use the internal strengths to make optimum use of the external opportunities?

Based on our analysis, we are convinced that one of the major strengths of Nestlé Switzerland, and therefore of Nescafé Dolce Gusto in terms of coffee, is to be part of Nestlé global, a company that can support the Swiss market in terms of financial and personnel resources.

The Swiss market already has an "Inno lab" that supports and encourages the innovation processes and benefits from the research results being carried out by their R&D centre and the packaging centre of excellence also located in Switzerland.

The **"Maxi-maxi" strategy** we would suggest here is the development of innovative products that meet consumer preferences but also a system that allows the Swiss market to innovate from a consumer experience perspective as well. Therefore, our suggestion would be the creation of a system that automatically suggests the consumers to reorder their capsules.

	Strengths (S)	Weaknesses (W)
Opportunities (O)	**S-O strategies** • "Dash replenishment" system • Less sugary, fat and more natural products • Increase the interest and sales among younger consumers • Application connected with coffee machine (preferences, offers, chat)	**W-O strategies** • More convenient ways of working in the factories (support of employees with digital tools) • More transparency concerning traceability • More profit margin for the beginning of the chain (farmers)
Threats (T)	**S-T strategies** • Develop 100% recyclable capsules and packagings • Develop decaffeinated products to answer new needs of consumers • Introduce a "dash replenishment" system • Brand partnerships (new customer segment)	**W-T strategies** • Automatic online order of coffee from a intelligent coffee machine • Nearer coffee plantation with better-paid farmers

TOWS Analysis

How to use the internal strengths to minimize the external threats?

Nestlé Switzerland, like many major players in the food industry, is currently threatened by the expectations of consumers and governments in terms of sustainability. Indeed, it is imperative for Nestlé Switzerland to develop biodegradable and ecological solutions so that the market can maintain the trust that consumers place in their favourite brands.

Therefore, we would suggest as the main **"Maxi-Mini" strategy**, that Nescafé Dolce Gusto develops more ecological solutions for its capsules. Through the analysis of the consumer data we gathered by sending out a questionnaire to Swiss coffee consumers, we could confirm that the non-recyclable side of the capsules is indeed an issue for many coffee consumers.

	Strengths (S)	Weaknesses (W)
Opportunities (O)	**S-O strategies** • "Dash replenishment" system • Less sugary, fat and more natural products • Increase the interest and sales among younger consumers • Application connected with coffee machine (preferences, offers, chat)	**W-O strategies** • More convenient ways of working in the factories (support of employees with digital tools) • More transparency concerning traceability • More profit margin for the beginning of the chain (farmers)
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TOWS Analysis

How to minimize the internal weaknesses by maximizing the external opportunities?

We have the feeling that the current ecological trend can be seen as a threat but also as an opportunity for Nestlé Switzerland.

Therefore, we are convinced that concrete measures to reduce waste and carbon footprint are a good strategy. The **"Mini-Maxi" strategy** that we would consider here would therefore be similar to the "Maxi-Mini" strategy mentioned above, i.e. the creation of an alternative to the Dolce Gusto Nescafé capsules which are not fully recyclable yet.

	Strengths (S)	**Weaknesses (W)**
Opportunities (O)	**S-O strategies** • "Dash replenishment" system • Less sugary, fat and more natural products • Increase the interest and sales among younger consumers • Application connected with coffee machine (preferences, offers, chat)	**W-O strategies** • More convenient ways of working in the factories (support of employees with digital tools) • More transparency concerning traceability • More profit margin for the beginning of the chain (farmers)
Threats (T)	**S-T strategies** • Develop 100% recyclable capsules and packagings • Develop decaffeinated products to answer new needs of consumers • Introduce a "dash replenishment" system • Brand partnerships (new customer segment)	**W-T strategies** • Automatic online order of coffee from a intelligent coffee machine • Nearer coffee plantation with better-paid farmers

TOWS Analysis

How to minimize the internal weaknesses and minimize the external threats?

When we think of Nestlé Switzerland's weaknesses, we not only think of the size of the company that can hinder the market's agility, but also of Nestlé Switzerland's current dependency on large distributors such as Coop and Migros.

	Strengths (S)	Weaknesses (W)
Opportunities (O)	**S-O strategies** • "Dash replenishment" system • Less sugary, fat and more natural products • Increase the interest and sales among younger consumers • Application connected with coffee machine (preferences, offers, chat)	**W-O strategies** • More convenient ways of working in the factories (support of employees with digital tools) • More transparency concerning traceability • More profit margin for the beginning of the chain (farmers)
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This internal issue as we consider it, is of course linked to a major threat that plagues Nestlé in addition to the new ecological requirements coming from consumers and governments: the reduction of space on the shelves of supermarkets and in physical stores.

As an effective **"Mini-mini" strategy,** we would like to suggest the implementation of an intelligent system like an "intelligent box" that would automatically record what capsules are inside. On one hand, this would enable the consumer to control his coffee consumption and not need to make orders by him or herself, and it would allow Nescafé Dolce Gusto to make suggestions to consumers according to the number of capsules they purchased, their overall consumption and also their preferences.

THE SOLUTION

How do we approach value creation for the consumer and

problem solving for Nestlé's pressing issue ?

Is "lean" the answer?

STARTING SOLUTION

- Smart coffee machine, with a screen and an online connection to an e-commerce platform.

- The machine can track the number of coffee pods left by the owner, and can place automatic orders.

- Information is gathered based on the consumer preferences, then the machine offers what that consumer prefers.

- The screen displays an application interface which the user can utilise to make the orders and see what is available.

STARTING SOLUTION

Benefits of this solution to Nestlé:

- A totally new channel with which dependency on supermarkets could no longer be an issue.

- More accurate representation of consumers' needs in terms of product popularity.

- Based on the previous point, Nestlé could personalise the offering to consumers, so that each consumer gets a unique product, hence diversifying consumer experience.

- Accurate forecast data with which Nestlé could predict which product will need to be restocked and which needs to be reduced in production: essential need when trying to cut the annual costs.

QUESTIONNAIRE SCRUTINY
THE LEAN APPROACH TO TEST OUR IDEA

Questionnaire Scrutiny:

We have approached this idea with a lean model perspective; Build, Measure then learn. Since a prototype isn't possible in our case, we use the target consumer's imagination to validate our idea. We have created a questionnaire asking a combination of both specific and general questions.

The questionnaire had 23 questions and took around 5 minutes to fill. We have received 247 responses which we use as an estimation for the public that consumes coffee. We were able to carry out only one cycle, but it was sufficient for us to draw many different changes to initial solution.

Testing the idea it self:

The questionnaire had branches, meaning that we were able to ask people who answered certain questions in a certain way more specific questions towards them to get a more accurate insight. Thanks to this filtering mechanism, we've gathered interesting data regarding the idea.
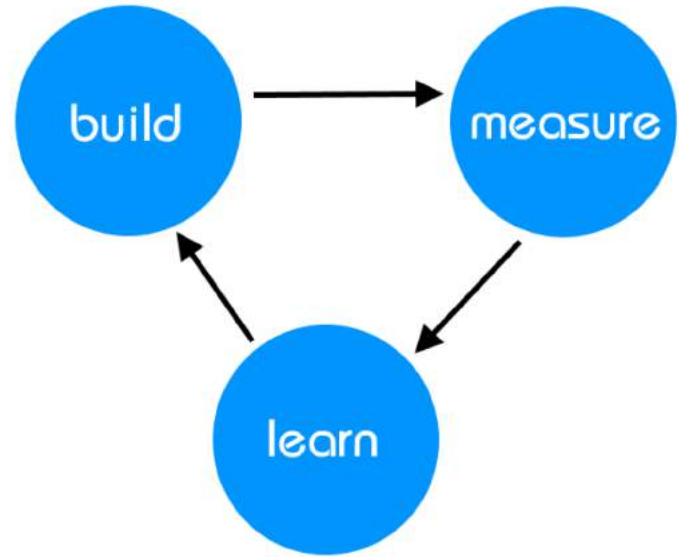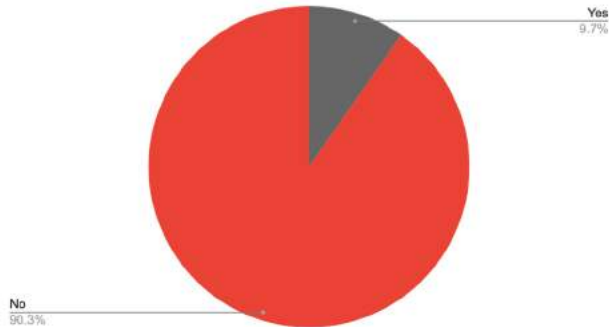
QUESTIONNAIRE SCRUTINY
THE LEAN APPROACH TO TEST OUR IDEA

For the individuals that do not use coffee capsules at home, we asked if they'd be willing to opt in for a machine if they could benefit from an automated re-ordering service of their favourite products. Exactly 90% weren't willing to opt in.
For all those that use coffee capsules at home, the same question was asked and the response was an almost 50-50 split.

Those who don't use coffee capsule machines at home

Yes
9.7%

No
90.3%

Those who use coffee capsules at home and already order online

No
47.8%

Yes
52.2%

QUESTIONNAIRE SCRUTINY
THE LEAN APPROACH TO TEST OUR IDEA

Those who said no had a chance to elaborate and we've receives the following responses most frequently:

- I can buy them from the shop.
- I like to discover new experiences, not necessarily one type of coffee capsule.
- I like the shopping experience.
- Sounds complicated and probably expensive.
- Do not like dependency on connected devices.

Therefore it seems clear to us that consumers are not keen on such a service. To further confirm this finding, we looked back at other questions we asked the consumer about their general habits with coffee.
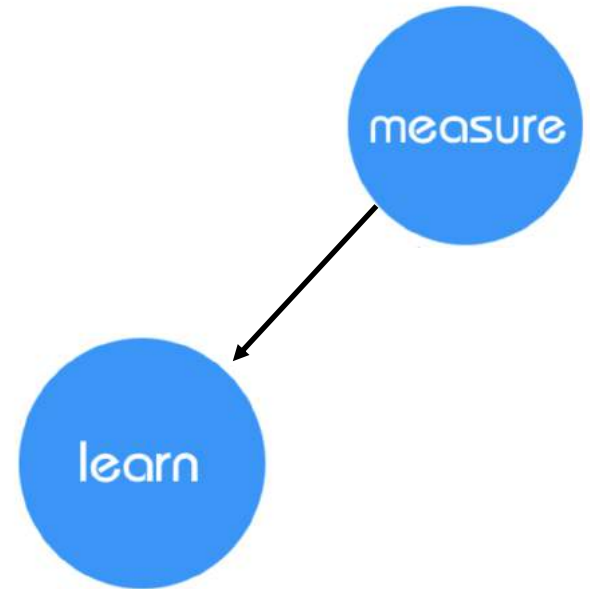
QUESTIONNAIRE SCRUTINY
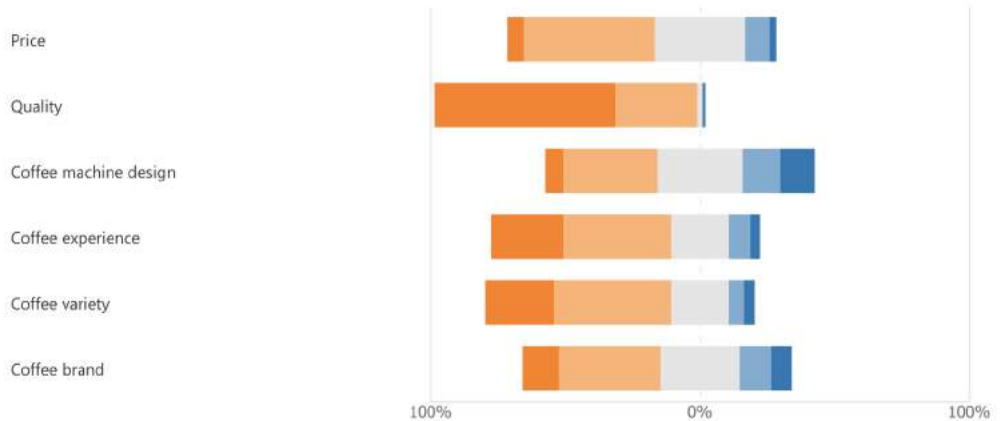## THE LEAN APPROACH TO TEST OUR IDEA

We firstly started with what Consumer value most in their coffee:

Coffee quality is the undisputed characteristic of coffee that consumers value. In fact we think it is the coffee quality that trumps the importance of price or how that coffee is prepared. Following on, we see that coffee experience and variety come after the quality.

4. What is important to you as a coffee consumer?

Plus de détails

■ Very important   ■ Somewhat important   □ Neutral   ■ Somewhat not important   ■ Not important

Price

Quality

Coffee machine design

Coffee experience

Coffee variety

Coffee brand

100%   0%   100%

QUESTIONNAIRE SCRUTINY
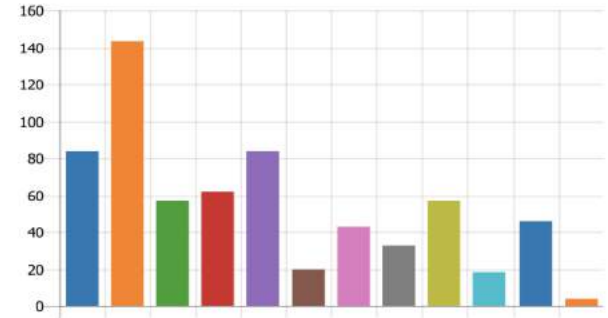## THE LEAN APPROACH TO TEST OUR IDEA

Luckily we had another question that highlighted the importance of coffee experience:

Responders were able to choose multiple choices in this question, regardless of that, coffee enjoyment and having a break took the top two places, then to stay awake placed third. This highlights that coffee is mostly consumed for experience rather than function.

5. Why do you drink coffee?

Plus de détails

|	
To stay awake	84
To enjoy the taste	143
Out of habit	57
For social gathering	62
To have a break	84
To calm the nerves	20
To stay focused	43
To relieve summer heat (iced c...	33
To end a good meal	57
You feel the lack of caffeine	18
It goes well with other food (s...	46
Autre	4

QUESTIONNAIRE SCRUTINY
THE LEAN APPROACH TO TEST OUR IDEA

For the individuals that use coffee capsules at home and already use online orders:

would you use the service/product?

Yes
44.3%

No
55.7%
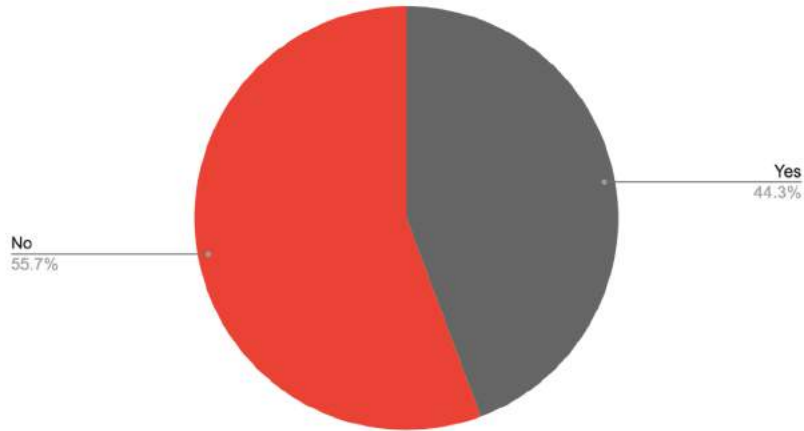
would you have any security concerns using this product/service?

Yes
32.8%

No
67.2%
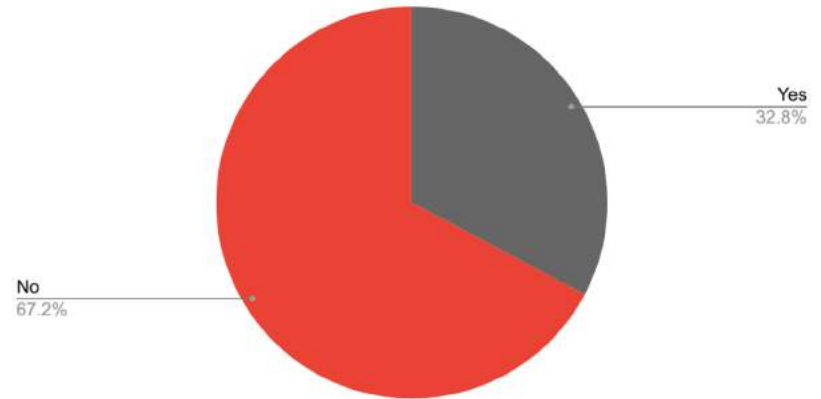
QUESTIONNAIRE SCRUTINY
THE LEAN APPROACH TO TEST OUR IDEA

With this insight, we confirmed that we needed to pivot our idea. For that our new approach needed to provide an appealing value on coffee experience, and address the following concerns mentioned before:

- I can buy them from the shop.
- I like to discover new experiences, not necessarily one type of coffee capsule.
- I like the shopping experience.
- Sounds complicated and probably expensive.
- Do not like dependency on connected devices.

Further ideas of how our innovation can offer a seamless and secure coffee experience?

- Totally encrypted data communication between involved devices (Box & phone application). Coupled with an anonymous approach to how Nestlé treats the data with which corporate cannot find out personal details of consumers but at the same time be able to get the needed insights for forecasts and supply chain control.
- An easy and practical way to never run out high quality coffee capsules. The box offers the automatic service as specified before. This can be customized to customers liking through the mobile application.
- Within the application, there is a catalog that the consumer gets to choose the coffee from. Since many customers like the choice and diversity, it is important to give them that freedom.
- Suggestions on coffee recipes, creative ways to prepare coffee using the machine. Also giving customers extra additive ideas to make their coffee more interesting.

build

learn
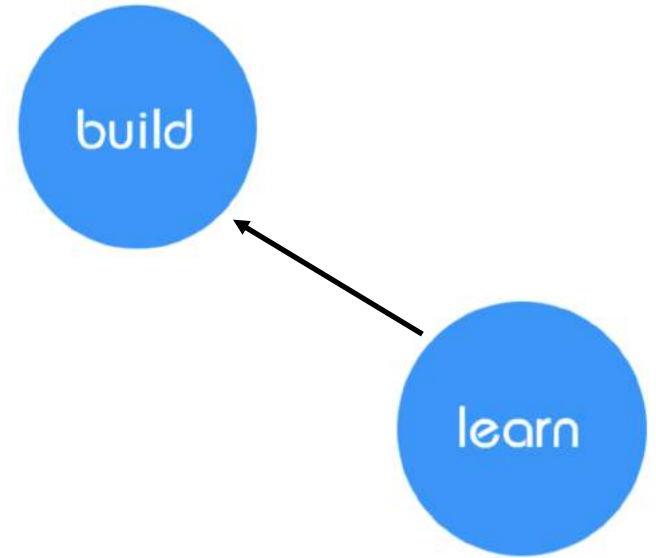
Hardware:

We've switched the idea from a smart machine to a box/drawer that stores the coffee pods. Using the internet of things (IoT) we imagined this storage unit with smart capabilities; mainly an ability to track the number of capsules within it and communicate that to the consumer through our software solution. By changing this aspect of the solution we see the following benefits in contrast with the precedent:

- The offer becomes available to the majority of consumers as they wouldn't need to buy a new coffee machine and those already with coffee machines could also benefit.
- It is a cheaper option to both the consumer and Nestlé.
- Allows more flexibility to the offer as a whole.
- No functionality loss, exactly the same offering in a more compact and cheaper solution.

OUR REVISED SOLUTION
THE LEAN APPROACH TO TEST OUR IDEA

Software:
We've decided to include an application along with the offering too. This will allow us to address the concerns regarding experiences and control.
Coffee Experience: this turns out the most important aspect of the offering to consumers (Insight from the questionnaire). It includes many different aspects within it; Quality, diversity of offering and choice, the full experience (shopping to preparation) ect..

- **Coffee quality:** Dolce Gusto is known for the quality it provides to its consumers. Therefore, It won't be difficult to convince consumers of the quality. If they buy Dolce Gusto, they know they are getting good quality. However, this needs to be communicated continuously.
- **Diversity:** Through the questionnaire, we discover that most who consume coffee like to have diversity and freedom of choice between a variety of coffee tastes and types. They would avoid using the service because they think it would only reorder a certain type and not give them enough freedom to try out new types. Therefore, the product should offer a diverse catalog of coffee types and encourage consumers to try out new types of capsules.
- **Control:** It seems that consumers like to have control over their personal lives to a certain extent. Completely automating the service could do more harm than good. Therefore, the offering should give control over the process to consumers where they get to choose and validate their purchases.

For that we propose the following:
- The application offers a catalog with a variety of offers.
- An option for an order with mixed coffee types and tasties to deliver new experiences to the consumer.
- Complete control over the application and order functionalities but with an extremely easy to use and intuitive interface to reduce friction.

REVISED SOLUTION

Software:

- A phone application through which the user can monitor, select and order according to their preferences.

- Offers a catalog with a variety of coffee types and tastes.

- Option for a surprise box with randomly selected coffee types to diversify consumer experience.

- The user would have complete control over the application and order functionalities, but with an extremely easy to use and intuitive interface to reduce friction.

OUR REVISED SOLUTION
THE LEAN APPROACH TO TEST OUR IDEA

Open the application

Order the capsules
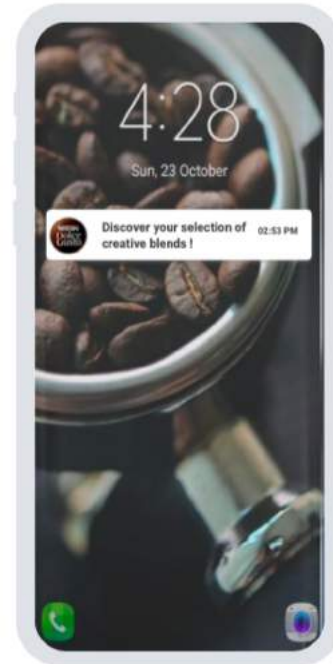
Value Curve

Improved performance and superiority over the key competitor

	Nescafe Dolce Gusto	Delizio	Customer's score*
Price	~39 cents per capsule	~40 cents per capsule	2,48
Quality	15 bars pressure, high quality arabica beans, bio origin	19 bars pressure, High quality arabica beans	3,62
Design	6 different models in 3-7 colors selection	2 models in 2-3 colors	2,09

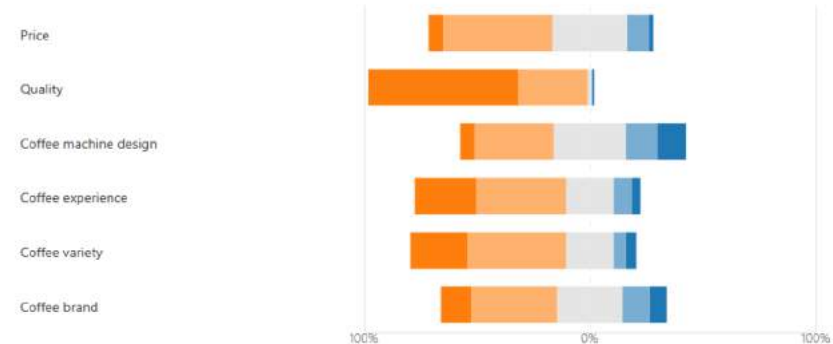|			
Experience	strong coffee aroma, heavy taste	strong coffee aroma, heavy taste	2,78
Variety	Over 30 different kinds, limited editions, non-automatic water dosage	25 varieties	2,81
Brand	Belongs to Nestle, Facebook page @NESCAFE.Dolce.Gusto.CH (29 000 likes); Instagram (911 followers);	Facebook page (9,8 k followers), Youtube (196 subscribers)	2,38

Value Curve

Improved performance and superiority over the key competitor

Customers view	Very important	Somewhat important	Neutral	Somewhat not important	Not important
Weight	4	3	2	1	0
Price	0,065	0,486	0,332	0,093	0,023
Quality	0,668	0,304	0,019	0	0.09
Design	0,065	0,35	0,318		
Experience	0,271	0,397	0,215		
Variety	0,257	0,435	0,21		
Brand	0,136	0,379	0,29		

4. What is important to you as a coffee consumer?

■ Very important   ■ Somewhat important   Neutral   ■ Somewhat not important   ■ Not important

Price

Quality

Coffee machine design

Coffee experience

Coffee variety

Coffee brand

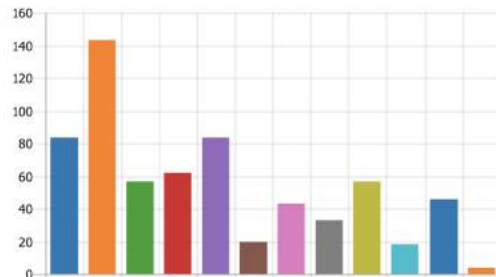100%   0%   100%

Value Proposition

5. Why do you drink coffee?

Plus de détails

- To stay awake — 84
- To enjoy the taste — 143
- Out of habit — 57
- For social gathering — 62
- To have a break — 84
- To calm the nerves — 20
- To stay focused — 43
- To relieve summer heat (iced c... — 33
- To end a good meal — 57
- You feel the lack of caffeine — 18
- It goes well with other food (s... — 46
- Autre — 4

6. What bothers you in preparing coffee at home?

- The time it takes to make coffee — 27
- The additional products need... — 20
- The additional equipment nee... — 16
- The taste of the coffee is not ... — 27
- The machine was expensive — 34
- The machine is complicated in... — 14
- The machine is expensive in m... — 14
- The coffee/beans/capsules are... — 32
- The selection of beverages to ... — 13
- It takes a lot of countertop sp... — 28
- It makes a lot of noise — 38
- You need to remember to buy... — 37
- The quality of the coffee is low — 19
- Nothing — 46
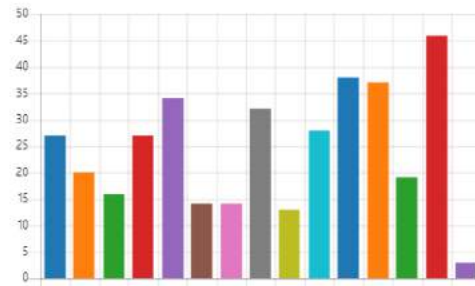
Implementation

Innovation forecast and value assessment

Impact of the innovation for the business

NESCAFÉ Dolce Gusto

Key Partners

- coffee machine makers

Key Activities

- Production
- Marketing
- Logistics
- R&D

Key Resources

- The production plants
- Patents and Intellectual property
- Branding

Key Propositions

- milk-based beverages
- speciality drinks: hot and cold
- machines: unique and attractive design, technologically innovative

Customer Relationships

- Loyalty programm
- Call center-client assistance
- AE to enhance the reletionship by offering personalised selection

Channels

– www.dolce-gusto.ch
– e-commerces

Customer Segments

Current Consumer Segment
Entire Switzerland
25-55y with kids
- Likes high quality coffee
- Large variety of types
- Drinks coffee for the kickstart in the morning
- Meal "for the soul"
- Out of habit

New Consumer Segment
Entire Switzerland
18-25y with kids
- Likes variety of milky types
- Lazy Economy aspect
- Drinks coffee to stay focus
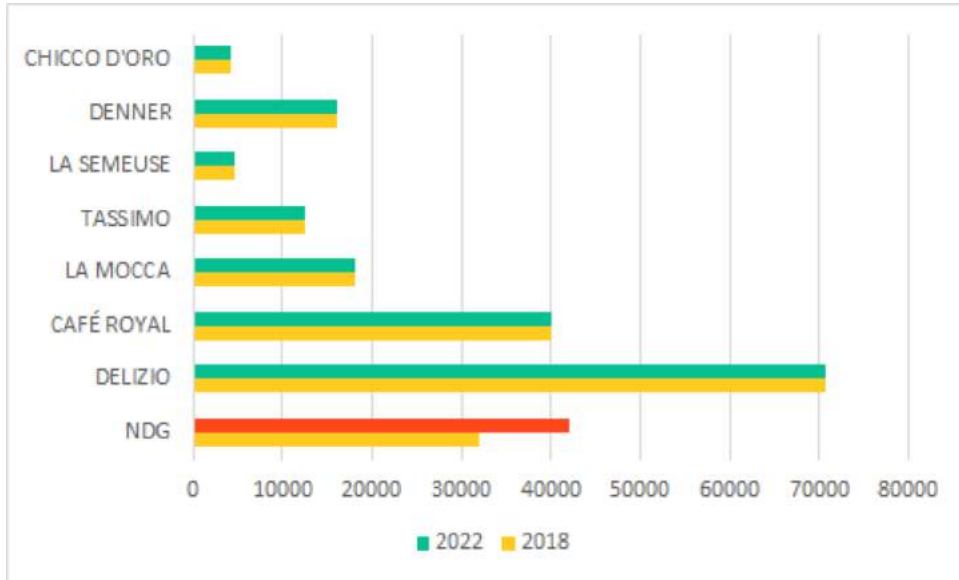- Social Gathering
- Out of fashion

Cost Structure

- Chip manufacturing
- Box manufacturing
- Implementation on machines
- After Sale service
- App Design and Launch

Revenue Streams

- Main revenue: Repetitive sales of Capsules, Customers locked in
- Small revenue: Machines, Automated order box, Machines with automated order box

miro

Value Sales NDG

First of all, by being creative and thinking out of the box with this idea, Nestlé Switzerland's coffee category can for sure secure a sustainable competitive advantage compared to its main competitors on the Swiss market who will need to find other, trendy ideas to keep up with Nescafé Dolce Gusto.

Looking at the 2018 results (W8) of NDG compared to its main competition, we foresee that NDG will be able to even devance CAFÉ ROYAL by 2022 (without taking into account their potential innovative idea they might launch by then).

# Total spending per Swiss household (in CH)
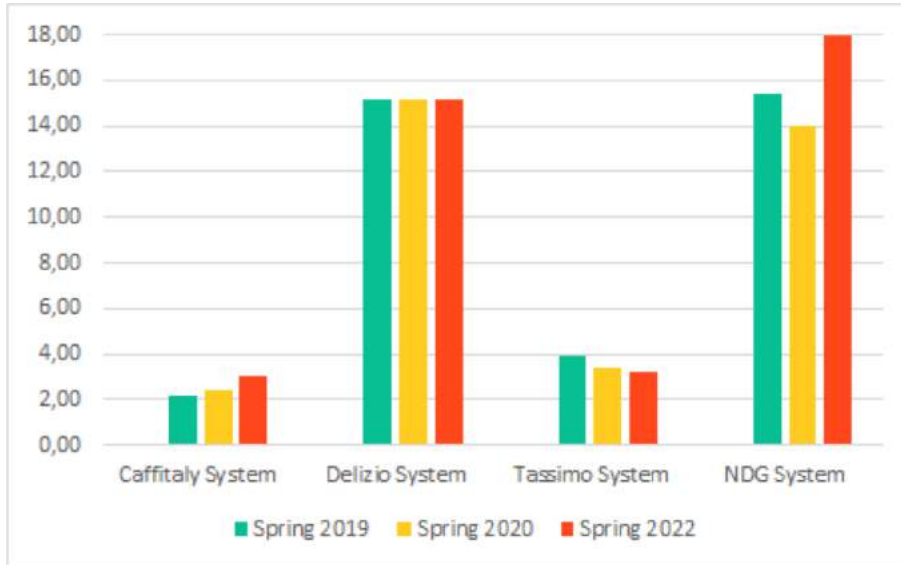
We are taking into account the fact that this new device targets a new group of customers that did not order from NDG on a current basis before. Our innovation make it possible for NDG to open up a new target group. In addition to this, we are convinced that the new system introduced by NDG will increase the spending in Switzerland of each household as the existing and new customers will be better informed about the new products and have more opportunities to reorder their favorite capsules and buy a machine that fits their needs and preferences:
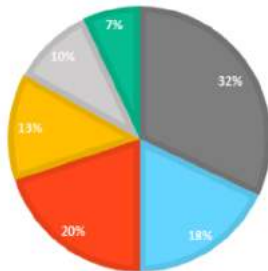
Market share
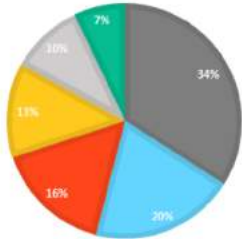
The direct threat to Nescafé Dolce Gusto is posed by new market participants who enter the market with an innovative business model or the same business model (capsule system) at a lower price which is already the case right now for Nescafé Dolce Gusto and its main competitors.

By being innovative and offer a completely new device to its customers, Nescafé Dolce Gusto can differentiate itself and stand out from its current competitors on the existing market. Even though we suppose that the brand will be soon copied, we expect that the innovation can leverage NDG's position in the market and increase its market share by 2022.

Value Sales SKUs
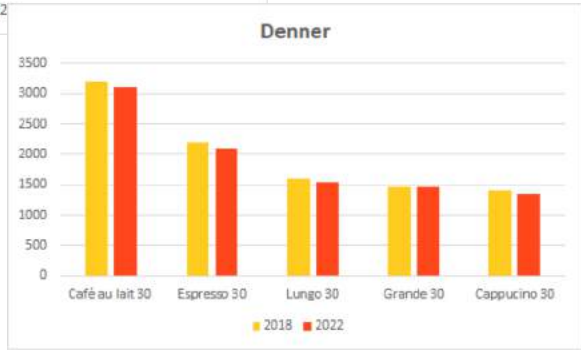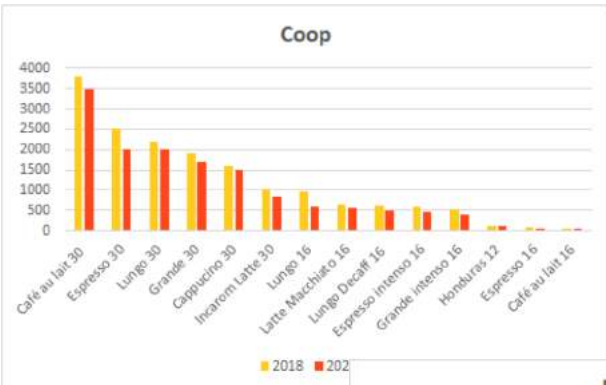
The main problem that Nestlé is facing right now is that the product mix of Distributer Owned Products (DOP) is changing and increasing. Therefore, manufacturer such as Nestlé are losing shelf space at the retailers' supermarkets. In addition to that, the implementation of our innovative system should encourage NDG coffee consumers to order their capsules online and will obviously also drive down the sales of SKUs in the Swiss supermarkets such as Coop or Denner for example.

Value of the innovation for Nestlé Switzerland and Nescafé Dolce Gusto

All in all, we think that the innovative device we are suggesting for NDG could not only help Nestlé Switzerland to tackle the main issue they are facing regarding the shelf space reduction, but also add value for its current customers who will order more of their favorite NDG products and find a brand that offers them what they are looking for in terms of product and service features:

We are convinced that this innovation can also differentiate NDG from its competitors on the market and install a new customer relation type between the brand and its customers which can only be beneficial for both sides as the brand will be able to know its customers always more and create products and services that target their needs even better, and the customer will have access to a better customer experience with their favorite coffee brand.

Potential for extending our innovation into other Markets

20. What other product(s) would you like to be able to automatically reorder through a connected device?

| 20 | anonymous | français | Thé, en sachet ou en vrac |
35	anonymous	français	Thé en capsule
44	anonymous	français	Thé
4	anonymous	français	The
26	anonymous	Deutsch	Tee
30	anonymous	English (United States)	Tee
67	anonymous	English (United States)	tee

Potential for extending our innovation into other Markets

Top 5 Coffee Consuming Nations

Rank	Country	Coffee Consumption (Kg per Person Per Year)
1	Finland	12.0
2	Norway	9.9
3	Iceland	9.0
4	Denmark	8.7
5	Netherlands	8.4

Potential for extending our innovation into other Markets

Coffee Market: Growth Rate (%), Coffee Pods and Capsules, China, 2019-2024

CAGR: 9.1%

2019   2020   2021   2022   2023   2024
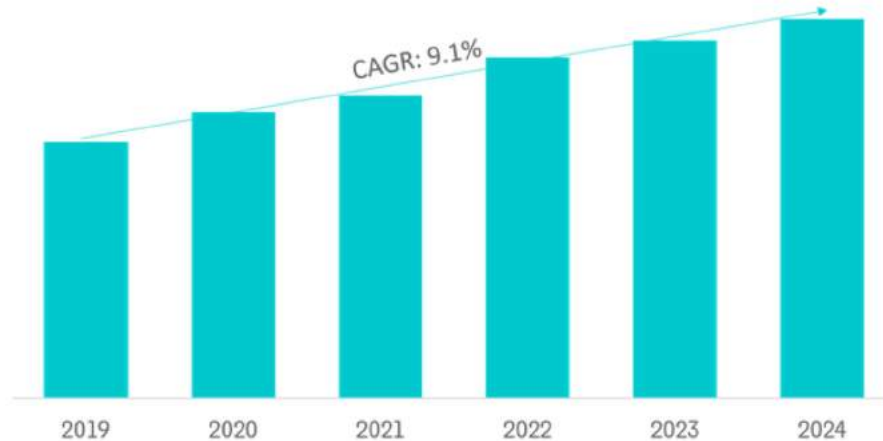
Source: Mordor Intelligence

Potential for extending our innovation into other Markets

Global Innovation Index 2019 rankings

Country/Economy	Score (0–100)	Rank	Income	Rank	Region	Rank	Median 33.86
Switzerland	67.24	1	HI	1	EUR	1	
Sweden	63.65	2	HI	2	EUR	2	
United States of America	61.73	3	HI	3	NAC	1	
Netherlands	61.44	4	HI	4	EUR	3	
United Kingdom	61.30	5	HI	5	EUR	4	
Finland	59.83	6	HI	6	EUR	5	
Denmark	58.44	7	HI	7	EUR	6	
Singapore	58.37	8	HI	8	SEAO	1	
Germany	58.19	9	HI	9	EUR	7	
Israel	57.43	10	HI	10	NAWA	1	
Republic of Korea	56.55	11	HI	11	SEAO	2	
Ireland	56.10	12	HI	12	EUR	8	
Hong Kong, China	55.54	13	HI	13	SEAO	3	
China	54.82	14	UM	1	SEAO	4	
Japan	54.68	15	HI	14	SEAO	5	
France	54.25	16	HI	15	EUR	9	
Canada	53.88	17	HI	16	NAC	2	
Luxembourg	53.47	18	HI	17	EUR	10	
Norway	51.87	19	HI	18	EUR	11	
Iceland	51.53	20	HI	19	EUR	12	