

# Competition of coffee makers: nespresso vs keurig



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- Laura L. Gay

### **Abstract**

My paper will address the supply chain of Nespresso and its competitor Keurig to other coffee machines. Coffee is not just a drink but an addiction to some. The summary you will review provides a description of the companies along with some historical facts of interest. Specific details are provided for each companies supply chain and sustainability from products offered, purchasing of coffee beans, to interest in farming of the coffee plant for a quality product. My summation will give recommendations as to what Nespresso can do to improve their supply chain to be more in-line with Keurig, while increasing profitability.

### **The Competition of the Coffee Makers**

Coffee is not merely a drink, to many it becomes an addiction so much so they can't live without their daily dose. In 2011 up to over 400 million cups of coffee were consumed a day. The choice is to pay the prices of you elixir of choice at a barista or to purchase your own coffee machine making the brew of your craving. Though so many still get their choice of coffee at coffeehouses over 86 percent of Americans get their fix at home. Now comes the important part. What machine do you choose the simple coffee maker or a more complex model that will provide the ultimate barista coffee from Black & Decker, Bun, and West Bend to your more sophisticated electric machine Nespresso or Keurig? In my paper I will discuss the supply chain of Nespresso verses Keurig.

## **Organizational Profile**

In this section I will address the concept of the company along with their focus on business. I will also provide information on where the corporate headquarters are located, number of locations along with the number of employees it counts among the business. The roadmap of the sustainability will show how key it is to growth of the organization.

### **Profile of the Organization**

Nespresso began in 1986 on the concept to enable anyone to create their own perfect cup of espresso coffee. The company created a product to revolutionize the way people enjoy their coffee shaping global culture. Their focus is on delivery quality coffees with consumers having the ultimate experience. Nespresso competes on the business-to-consumer and business-to-business segments. The concept is to allow consumers to enjoy coffee at the highest quality at home recreating the barista experience. The Nespresso system is designed to insure consistent quality in the portioned coffee sector as one of the fastest growing global beverage brands.

The production of the Nespresso capsule is produced in one of two state-of-the-art centers in Switzerland. The company is a globally managed business of the Nestle Group. The corporate headquarters is located in Lausanne, Switzerland, in almost 60 countries and counts for over 9, 500 employees worldwide.

### **Business Strategy and Structure**

Nespresso business strategy is the driver for the companies innovation, quality and consumer demand. Their passion for quality and exceeding consumer expectations is the driving force for their continued growth. Their <https://assignbuster.com/competition-of-coffee-makers-nespresso-vs-keurig/>

business model masters the quality of coffees from the farmer to the consumer. The company has three Key Growth Drivers: creating highest quality Grand Cru coffees, creating long-lasting consumer relationships and creating sustainable business success.

The quality of beans is of the finest selection. Only an estimated 1-2% of the coffee grown meets the Nespresso specific taste and aroma profiles. The innovation of the Nespresso systems deliver a balance of water temperature, quantity, speed and pressure while producing consistently exceptional coffee for their consumers. The company is constantly in touch with its consumers developing interactions that allow them to evolve and anticipate consumer needs. Over 70% of Nespresso employees in the markets are in direct contact with the consumers. Building on Nestlé's "Creating Shared Value" principles allowed the development of the Ecolaboration consolidating all the company's efforts into one framework for partnerships and innovation. Recognizing their responsibility to the environment the company balances economic, environmental and social impact launching the Nespresso AAA Sustainability Quality Program.

## **Supply Chain**

The supply chain in our book refers to the process that moves information and materials to and from the manufacturing and services processes of the company. Including the supply chain is the process of the products to the consumer. We will discuss how the company promotes sustainability, performance and patterns of change.

**Current Supply Chain Performance**

Nespresso reaches its goal for 2013 with meeting its goals the company seeks to further enhance supply chain performance but continuing to focus on key inputs. The company has set new goals for 2020 with expanding its farmer training program in Africa; expand its capacity for collection of aluminum capsules for its coffee pods, and increasing agroforestry program that was rolled out in the supply chain. To support this the company will source 80% of its coffee from AAA certified farms, offer 75% for collection capacity supporting recycling and reducing 20% of its carbon footprint for each cup of coffee.

**Patterns of Change in the Supply Chain**

Recently announced Nespresso invested about \$500 million in Ghana and many other countries in Africa to boost the production of coffee. The investment is to be broken down over a seven-year period. As part of the supply chain performance the company has launched its AAA program to improve the well-being of farmers while increasing the quality of the product. This opportunity will increase quality beans for coffee production by further increasing sales for the companies coffee machines. The forward thinking will help to acknowledge the growing taste America has for coffee along with the increasing elixir choices.

**Key Issues in the Supply Chain**

One key issue for Nespresso machines as a single-serving coffee pod is the company is no longer alone in the market. Keurig Green Mountain a key competitor is now the dominant player with an estimated 130 competing

coffee pod makers with over 50 of them designed to fit the Nespresso Machines. With the NE SN. VX + 0. 22% for Nespresso and GMCR +1. 33% you can see the impact Keurig has to Nespresso's profitability. In order to combat the competition the company has expanded its sales of the machine in new markets and is keeping its pods competitive. Another key issue is rivals have alleged the company has set unfair hurdles.

## **Competitor Analysis**

Now that we have completed the analysis of Nespresso we will review several key competitors. The top three competitors will be Keurig, West Bend and Bun. I will provide a brief organizational profile that will reflect the history of the companies. In review of the companies we will address their supply chain performance and their similarities.

### **Key Competitors**

Keurig was founded in 1981 has more than 6, 000 employees, 460 engineers and scientist, over 8 production facilities in America and offers over 250 beverage varieties for their customers. The company believes all consumers deserve to drink for themselves, enable consumers to self-create high quality beverage that will suit their own needs. The company value " Our purpose create the ultimate beverage experience in every life we touch from source to cup transforming the way the world understands business." A powerful statement for the transforming the way the world sees business.

West Bend is a leader in electric kitchen appliances and has been in business since 1911. The company offers a variety of products delivering performance, quality and value to consumers. Founded in West Bend,

Wisconsin the company strives to make kitchen activities easier. It is a privately held company by Focus Product Group International, LLC. The company offers a multitude of coffee machines from commercial to single cup.

Bun founded in 1957 developed the first coffee maker for commercial use. They offer both commercial and home coffee makers. The company's headquarters are in Springfield, IL founded on the core values of honesty, integrity and courtesy. The " My Café" model the company's first single cup coffee debuted in 2005. The company continues to design and manufacture brewers such as the Phase Brew which heats and only releases water at optimal temperatures developed in 2010.

### **Competitor Supply Chain Performance**

In review of the similarities of the key competitors they all focus on key initiatives such as quality and innovation. Companies such as West Bend and Bun focus on various electric kitchen products designed for consumer performance and ease. Unlike companies such as Nespresso and Keurig that focus strictly on coffee machines, coffee and tea for consumers as specialty items. The performance for these companies has proven competitive.

Keurig the key competitor with Nespresso continues to advance building a resilient supply chain. They support fair trade, building relationships with their suppliers, and track issues driven to impact the company's business and communities around the world. The company focuses on fair trade that helps to build their supply chain ensuring a stable supply of high quality coffee. Keurig much like Nespresso is at the heart of their fair trade model

with a target date of 2020 to improve farmer living under Keurig's Resilient Supply Chain model.

## **Strategic Considerations and Recommendations**

In this section we will address the alternative solutions proposed to increase supply chain performance for Nespresso. We will discuss alternative solutions the company can use to enhance profitability. One item of interest in the news we will address is the lawsuit against Nespresso, the lawsuit address unfair changing of the capsule to eliminate competition.

### **Alternate Solutions Proposed**

One key issue I found upon researching the companies is that Keurig applies research technology for addressing the Rust Leaf problem that impacts coffee bean plants. While Nespresso focused on further education of its farmers to insure quality they should also consider the disease problem that affects the coffee plant. Nespresso is on track with their commitment and goals set for 2020 deadlines.

The second key issue is to focus on product offerings such as that of Keurig giving consumers more options for elixirs and broaden its tea products. The company also may want to focus more on consumer feedback like Keurig to gather their interest, what is their likes and dislikes focusing on improvement in these areas. The limited offering of 22 coffees for enjoyment does not address the broader range of coffee coinsures.

A solution to Nespresso lawsuit is to meet it head on. The company offers a machine with Pods that are easily duplicated allowing competitors to infringe on the company's profit margin. Due to the ability of 50 other competitors

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offering similar products Nespresso decided to change the pod 4 times in one year and then decided to discontinue the warranty on their product if found consumers were not using their pods. With the multiple changes to the pod and the discontinuation of the warranty they not only upset their buyers but the competition.

## **Recommended Solution**

My recommended solution for the company is to develop a newer more innovative model like Keurig where the ability to copy the pod is near to impossible while phasing out prior models slowly to not have a dramatic impact on its consumers. They need an innovative way of advertising the company's new offering with the addition of more coffee offerings. The constant changing of the pods has to be costing the company money. Recognize the error in the changes and focus more on your product availability. Addressing a new innovative model, stepping up to address the lawsuit and offering more to your consumer based on feedback will help to improve the brand name along with the company's profitability.

## **Conclusion**

A company needs to look for solutions to their supply chain utilizing information with its competitors recognizing what works best. The consumer's opinion has a valuable impact on your business; making negative changes to help incur your profitability may not be in your best interest. Promoting recycling of the Pod from Nespresso will help members understand the sustainability of the product noting its ability to be reused and the material aluminum is to help preserve the taste of the product.

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