



**NESPRESSO**<sup>®</sup>

Innovation  
and commitment  
to highest quality  
as key corner stones  
for sustainable growth

H.-Joachim Richter  
Director Corporate Communications  
Nestlé Nespresso SA

**Working at Nestlé April 1st, 2008**



## Disclaimer

This presentation contains forward-looking statements which reflect Management's current views and estimates. The forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.



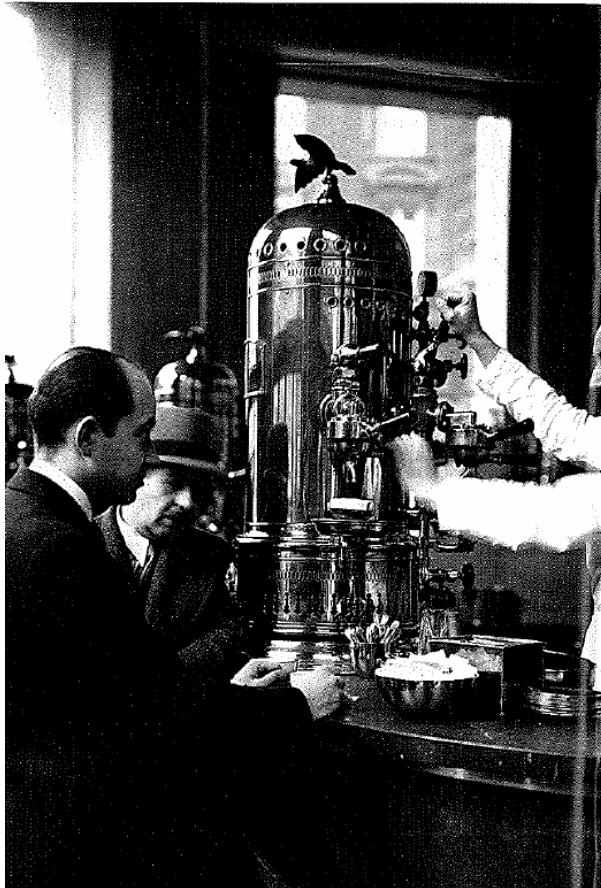
# Overview

- Vision & Ambition
- Nespresso Trilogy
- Building the Brand
- Performance





## What Was the Starting Point?



- **Nespresso Concept Idea:** to offer espresso just like the best Italian coffee bars do, but directly in homes and work places. After years of research at Nestlé R&D on the technological development, including many patents, the project was completed in the mid **1980s**.
- **The result:** the **Nespresso system**; an espresso machine using unique, pre-measured ground coffee capsules that protects coffee from the damaging effects of light, air and moisture and allowed easy preparation with guaranteed, consistent highest quality.



## Our Vision & Ambition







# Nestlé Nespresso Integration within the Nestlé Group

## **N Nespresso is a globally managed business**

- ✓ its own global P&L
- ✓ its own global decision-making process
- ✓ its own business model
- ✓ its own global manufacturing centre
- ✓ its own route to market

## **N What are the benefits?**

- ✓ Global business focus (independent from local priorities/P&L)
- ✓ Faster decision making (speed to market)
- ✓ Maintains consistency of super premium global brand
- ✓ One centre of competence (coffee, design, technology, CRM)





## *The Nespresso Team in 2007*



- **22 subsidiaries and 4 hubs**
- **Present in more than 50 countries**
- **2'500 employees**
  - HQ: 260
  - Production Centre Orbe: 280
  - 11 Relationship Centre: 700
  - 117 Boutiques & BIS : 850
- **Architects of Perfection:**  
*Nespresso employees are dedicated to delivering the highest level of quality throughout every step of the value chain, from tree to cup*



# Managing the Value Chain

Highest quality in all we do...  
from the coffee tree to the cup

**Best  
in-cup  
quality**

**48 hours delivery**

**24/7 service**

**Exclusive boutique network**

**Super premium POS concept**

**State-of-the-art machines, &  
innovative design**

**Great variety, convenience,  
guaranteed freshness**

**Superior capsules and quality**

**Unmatched experts for  
roasting & grinding**

**Highest quality green coffee based  
on sustainable practices**







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# The Unique *Nespresso* Trilogy

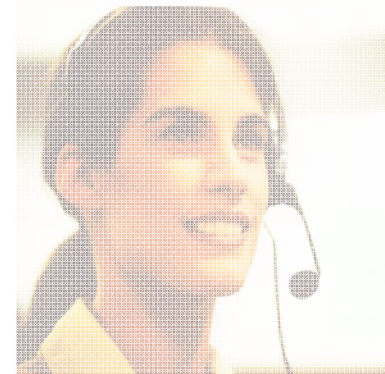
***Nespresso* embodies the most sophisticated espresso coffee concept ever developed**



**Perfectly portioned  
highest quality  
Grands Crus coffees**



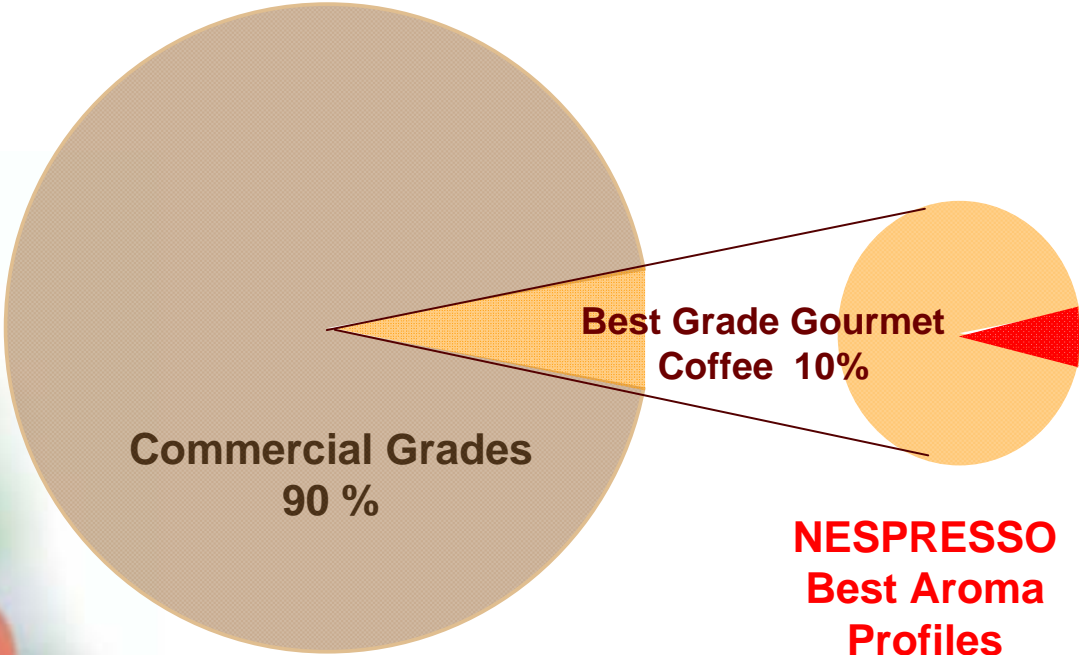
**Smart and easy  
to use machines**



**Personalised service**



# Only the Best Beans Make It !



**NESPRESSO**  
**Best Aroma**  
**Profiles**  
**10 – 20 %**







# Everybody Benefits from Quality



Ensure the long-term supply of highest quality green coffee through sustainable practices, economic viability, environmental stewardship and social equity to ensure that farmers benefit from their commitment to highest quality





# The AAA Sustainable Quality™ Key Points

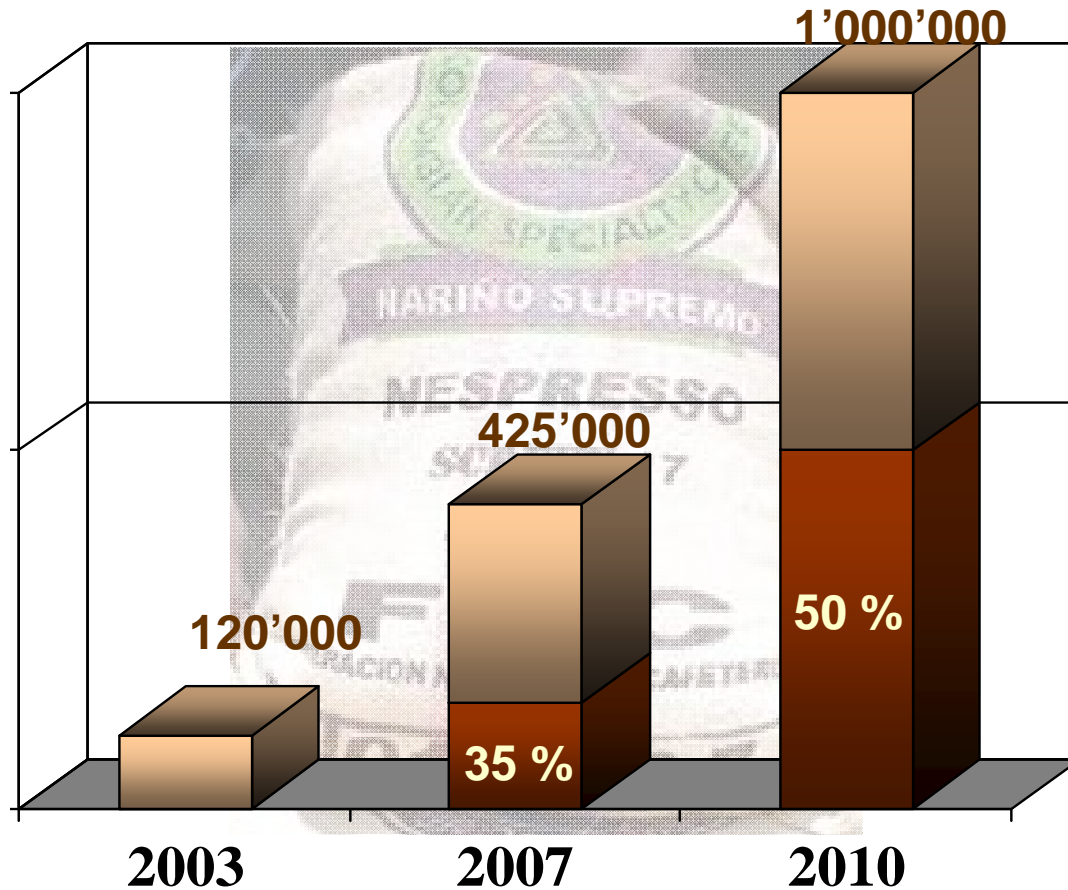
- AAA is not just a short-term price deal. It is a **unique combination of quality and sustainability** fully integrated into the Nespresso business model
- AAA is not charity – it's about **helping coffee farmers to help themselves**, driven by the commitment to highest quality
- AAA is **caring about** the present and the **future**
- AAA is **built on long-term partnerships** between Nestlé Nespresso, NGOs, green coffee suppliers and farmers/communities
- AAA Program **part of the brand DNA** – not a one-off PR exercise
- AAA is **best practices** in terms of Nestlé “**Shared Value**” CSR strategy





# Nespresso AAA Sustainable Quality™ Program

Purchased Green Coffee in Bags (60 kg):



■ AA	Highest Quality
■ A	Sustainability
■ AAA	Sustainable Quality™

**Nespresso AAA 100% Sustainable Quality™ Coffee, independently verified by**







# The Art of Blending, Grinding & Roasting

- ☞ Rigorous quality management (we check every single bag)
- ☞ Exact blending to create the specific aroma profiles of our Grands Crus coffees
- ☞ Extreme care in the drying, roasting (split roasting)
- ☞ Grinding process requires greatest care to manage all parameters (flow time, bitterness)





# Nespresso Grands Crus Coffees



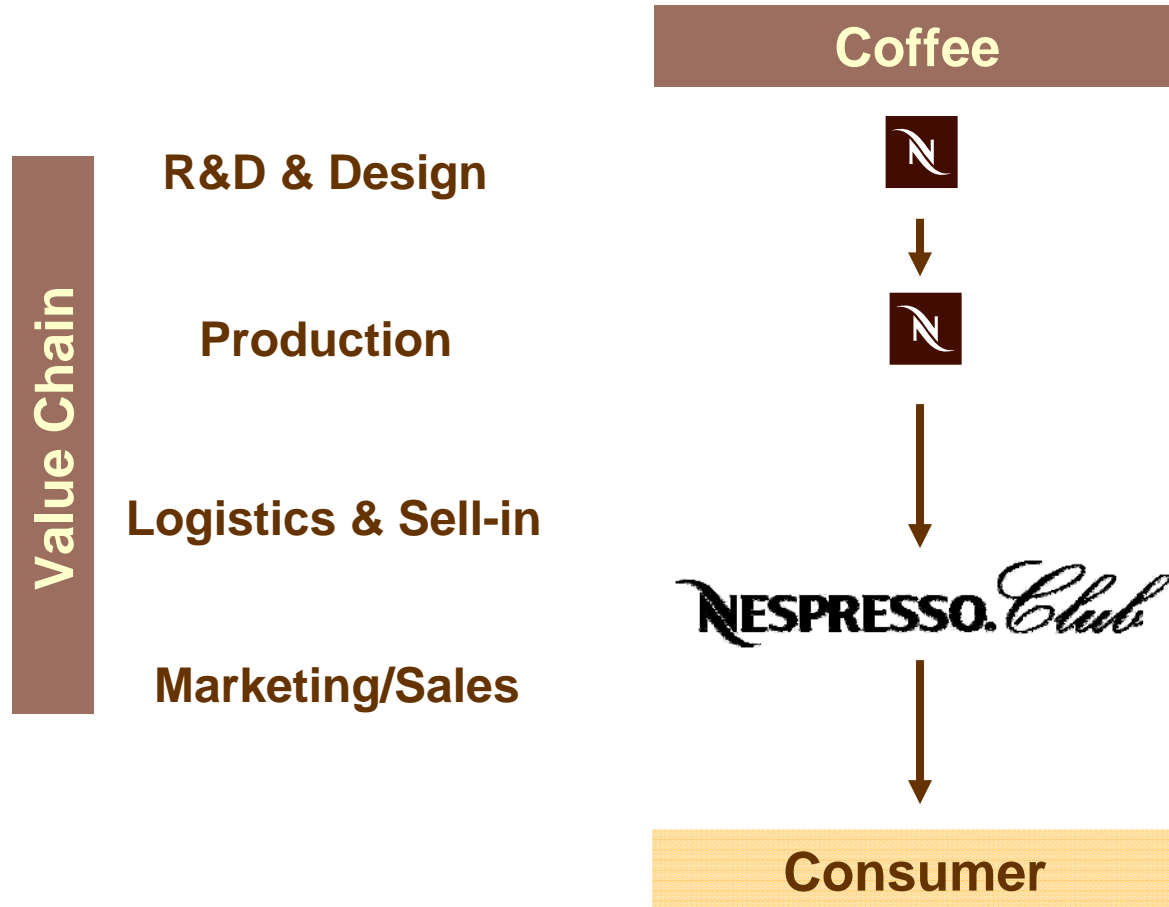
- 12 varieties, each unique, and each a perfect combination of crema, body and taste.
- With distinct individual aromas and flavor notes to appeal to every personal taste preference
- Packaged in hermetically sealed iconic aluminum capsules designed to conserve the exact proportion







# Unique *Nespresso* Business Model





# The Unique *Nespresso* Trilogy

***Nespresso* embodies the most sophisticated espresso coffee concept ever developed**



**Perfectly portioned  
highest quality  
Grand Cru coffees**



**Smart and easy  
to use machines**



**Personalised service**



# Our Smart and Stylish Coffee Machines



**Nespresso's deeply rooted culture of creativity and innovation drives the development of:**

- smartly designed and
- easy-to-use machines
- developed to enhance the aroma, crema and flavor
- creating the perfect cup every time.





# Reinventing Espresso Coffee Machines

*Nespresso offers a full range of coffee machines to cater to different consumer needs in terms of design and functionality*

- Integration of Function with Form
- Simplicity and Style
- High-end Functionality and High-end Style







# Integrating Function with Form

The revolutionary Essenza compact espresso coffee system integrates innovative technology and contemporary design



- 3 Million machines sold since launch (12/2007)
- 2005 Red dot award : 'best of the best'





## Simplicity & Style



■ With Le Cube, *Nespresso* has set new standards for both machine innovation and design

■ The unique “cube-like” shape encompasses

- advanced functionality
- automatic flow stop
- easy capsule insertion and injection lever



LE  
CU  
BE



reddot





## Lattissima – One-Touch Cappuccino/Latte Macchiato

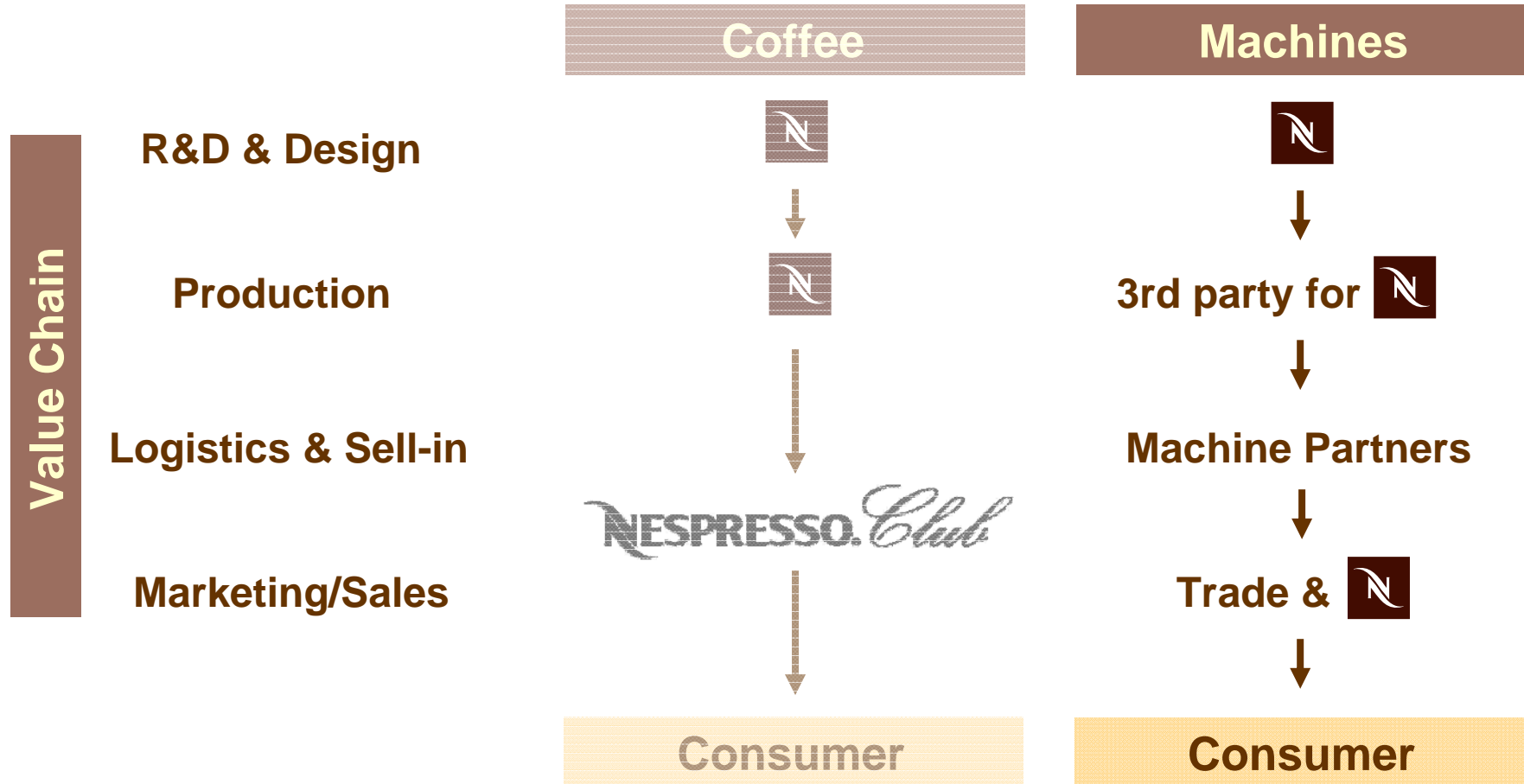


- Over **200'000 machines** sold in 2007
- With the **Lattissima, Nespresso has set** new standards for lovers of milk-based coffee drinks. Not only does the Lattissima prepare perfect Espresso, Latte Macchiato or Cappuccino – with fresh milk at the touch of a button.





# Unique Nespresso Business Model







## *Nespresso Corners at Points of Sale*





# Nespresso B-2-B - Business Coffee Solutions

## Providing solutions for B-2-B channels:

High-end restaurants; hotels and cafes; premium event caterers; customer care and other luxury retail; first class travel; and offices



Gemini's revolutionary double-head brewing system for Espressos, Lungos and fresh milk-based coffee recipes







# B-2-B Presence: Prestigious Business Partners



**Heston Blumenthal**  
**“The Fat Duck”**  
**UK**



**Tetsuya Wakuda**  
**“Tetsuya”**  
**Australia**



**Juan Mari Arzak**  
**“Arzak”**  
**Spain**



**Daniel Boulud**  
**“Daniel”**  
**USA**



**Peter Goosens**  
**“Hof Van Cleve”**  
**Belgium**



**Emile Jung**  
**“Le Crocodile”**  
**France**



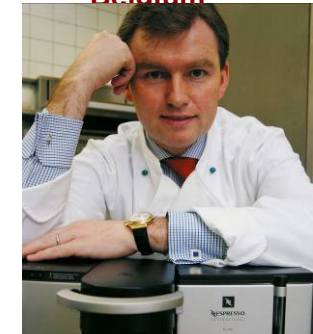
**Jean-Francois Piege**  
**“Les Ambassadeurs”**  
**France**



**Helene Darroze**  
**“Darroze”**  
**France**



**Philippe Rochat**  
**“Rochat”**  
**Switzerland**

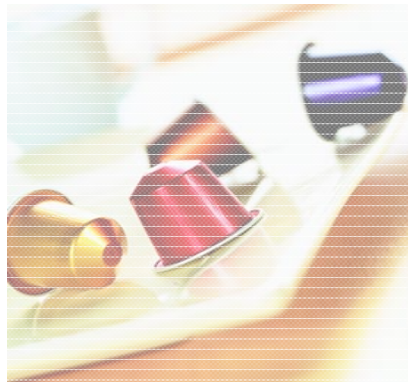


**Toni Morwald**  
**“Kloster Und”**  
**Austria**



# The Unique *Nespresso* Trilogy

***Nespresso* embodies the most sophisticated espresso coffee concept ever developed**



**Perfectly portioned  
highest quality  
Grand Cru coffees**



**Smart and easy  
to use machines**



**Personalised service**





# Nespresso Club – Exceptional Services – Always



- **24/7 information**, advice and specialized services around coffee and machines
- **Internet** on [www.nespresso.com](http://www.nespresso.com), or via our local telephone hotlines
- **48 hours** capsule and coffee accessory **delivery** to your address of choice; maintenance service with free machine pick-up and free machine loan
- **Annual “Special Club”** and **“Limited Edition”** Grand Crus



# The Nespresso Magazine



- Bi-annual pleasure guide for Connoisseurs using journalist to tell the *Nespresso* Story
- in Dutch, English, French, German, Italian, Japanese, Spanish, Portuguese
- Distribution: Austria, Australia, Canada, Brazil, Belgium, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Switzerland, UK, USA
- Circulation **2 Mio**



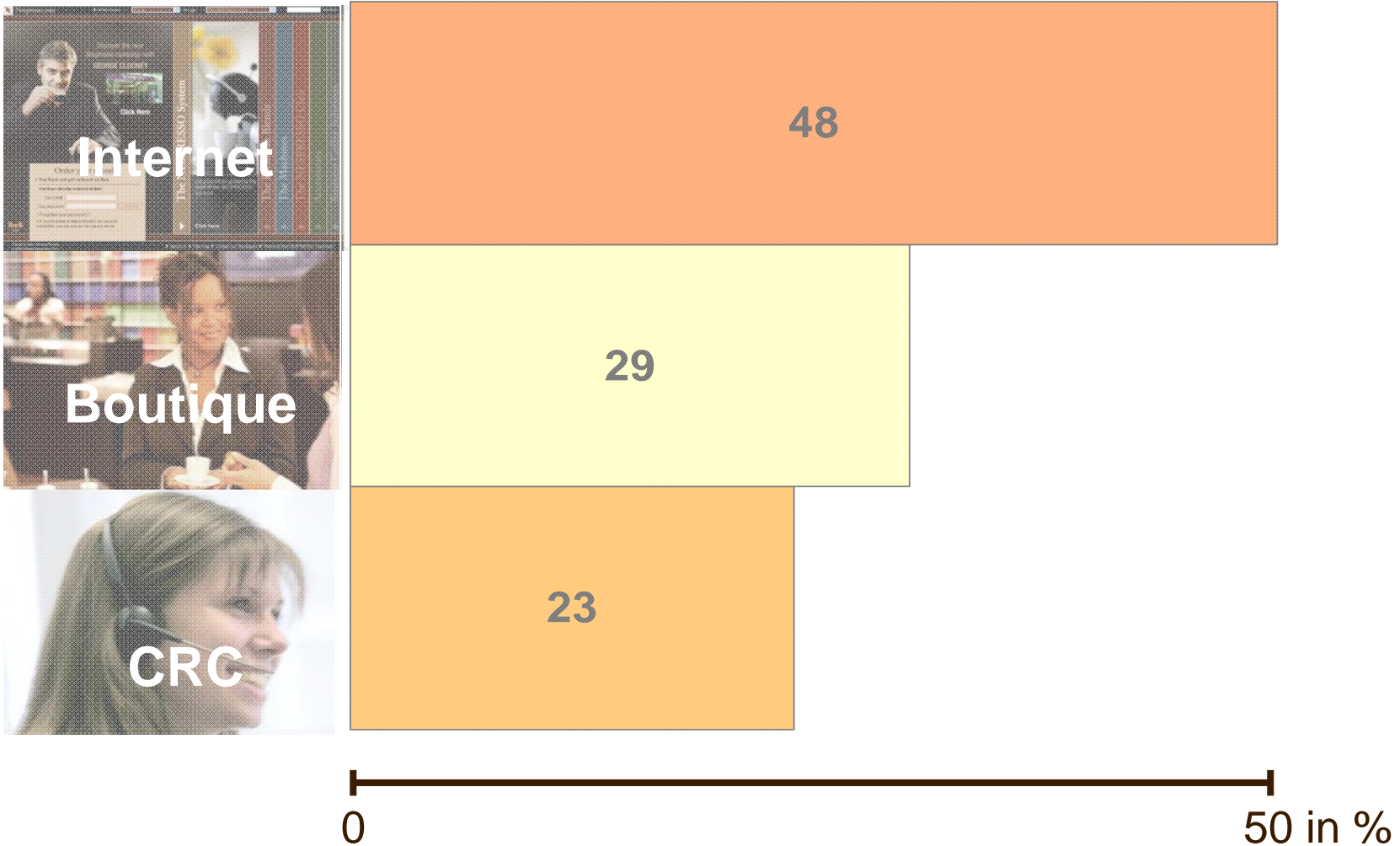


# Nespresso Magazine





# Nespresso Sales by % by Channel

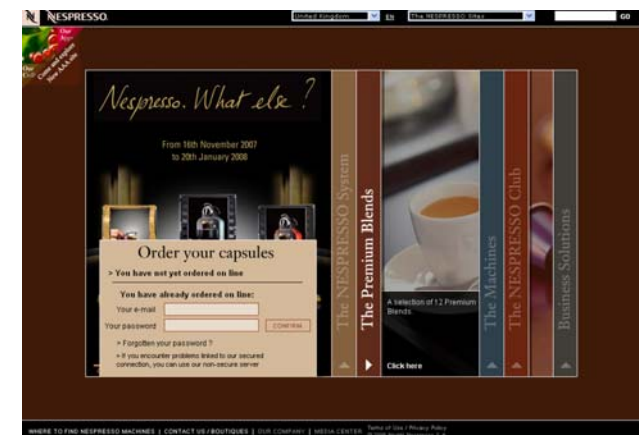






# Nespresso's Global Internet Boutique Open 24/7

**N More than 24 million visitors in 2007 (+33 % vs. 2006)**





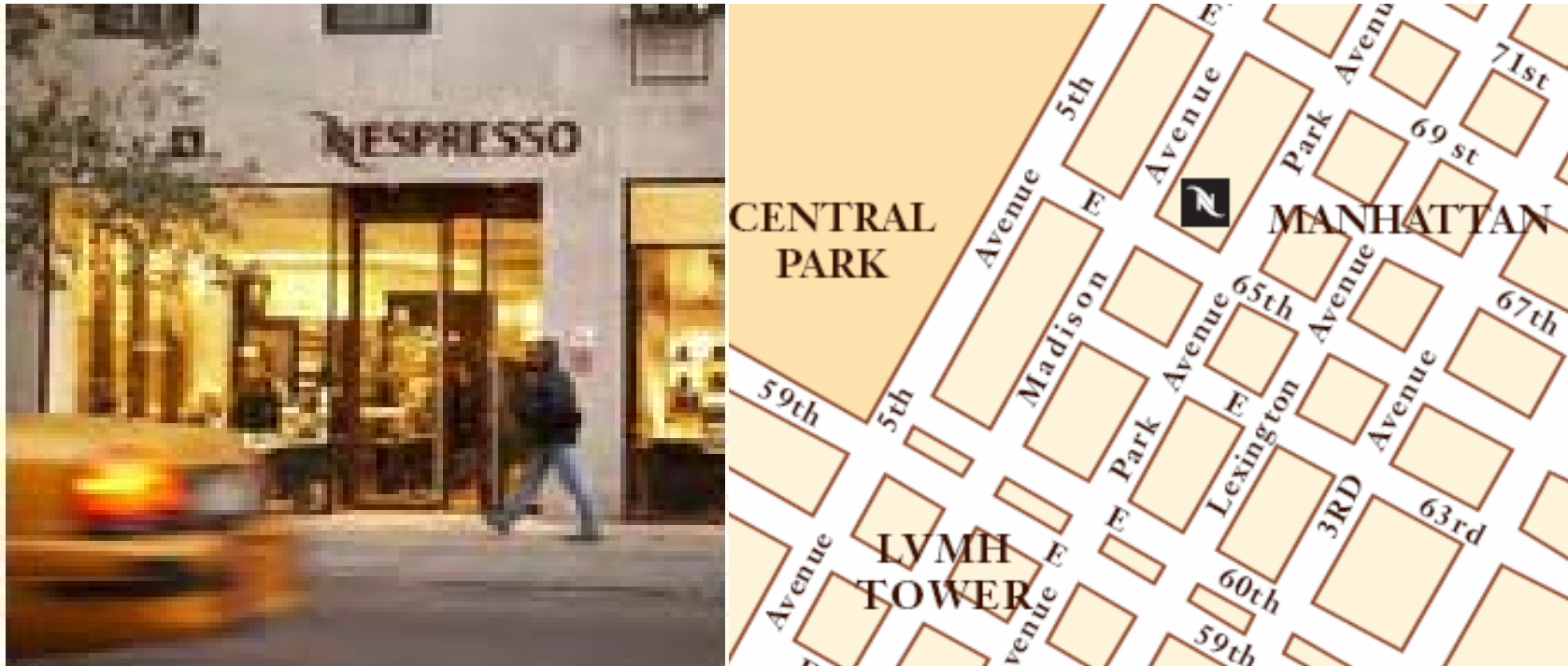
# Nespresso Global Boutique Network



**NY - 761 Madison Avenue**



# NESPRESSO Boutiques Always in Prime Location



## ***Location Positioning***

- ✓ ***City: urban area, shopping area with presence of luxury brands***
- ✓ ***Outside criteria: qualitative frontage, one window at least***
- ✓ ***Inside criteria: shape, ceiling height, floor level***
- ✓ ***Surface: now a minimum of 200 m<sup>2</sup> for selling area***





# Nespresso Boutique as a Brand-Building Tool



## Brand Building

- Build brand **visibility**
- Create brand **awareness**
- Indulge all **senses**
- Create the perfect brand/product **experience**

## Consumer Relationship "Experience"

- Build consumer **proximity**
- "**Emotionalize**" the brand/consumer relationship
- **Retention/Acquisition** tool
- **Consumer feedback**

## Distribution Channel

- Provide product **accessibility**
- Open **new markets**





## The Nespresso Flagship Boutique - Zürich



Zürich - Bleicherweg, 5





# Flagship Boutique – Paris 119 Champs Elysées





# Impactful Presentation of the Coffee Range ... Coffee Expertise







# Machine Design & Innovation



Example: COPENHAGEN Boutique Bar



# Shopping Experience to Create an Emotional Bond and Generate Interest







# Enjoying your *Nespresso* in a “Home-Like” Atmosphere



Exemple: Paris Victor Hugo





# The Nespresso Boutique

## **Boutique-in-Shop**

- Rented space in department stores (high traffic locations)
- A “win-win” partnership with high-end department stores

## **Boutique**

- High street locations delivering coffee, system and shopping experience
- A point of entry into the world of *Nespresso* (Product/Brand Experience)

## **Flagship**

- Top locations in key cosmopolitan cities
- Expression of a global Super Premium Brand
- Showcasing the brand





# Boutique-in-Shop: 40 Locations Worldwide

The map highlights 40 global locations where Nespresso has established a 'Boutique-in-Shop' presence. The locations are:

- SELFRIDGES & CO**
- BROWN THOMAS**
- Takashimaya**
- the Bay**
- KARSTADT.de**
- breuninger**
- 100 Jahre KaDeWe BERLIN**
- deBijenkorf**
- MITSUKOSHI**
- bloomingdales**
- laRinascente**
- coin**
- LOTTE**
- MYER in my store**

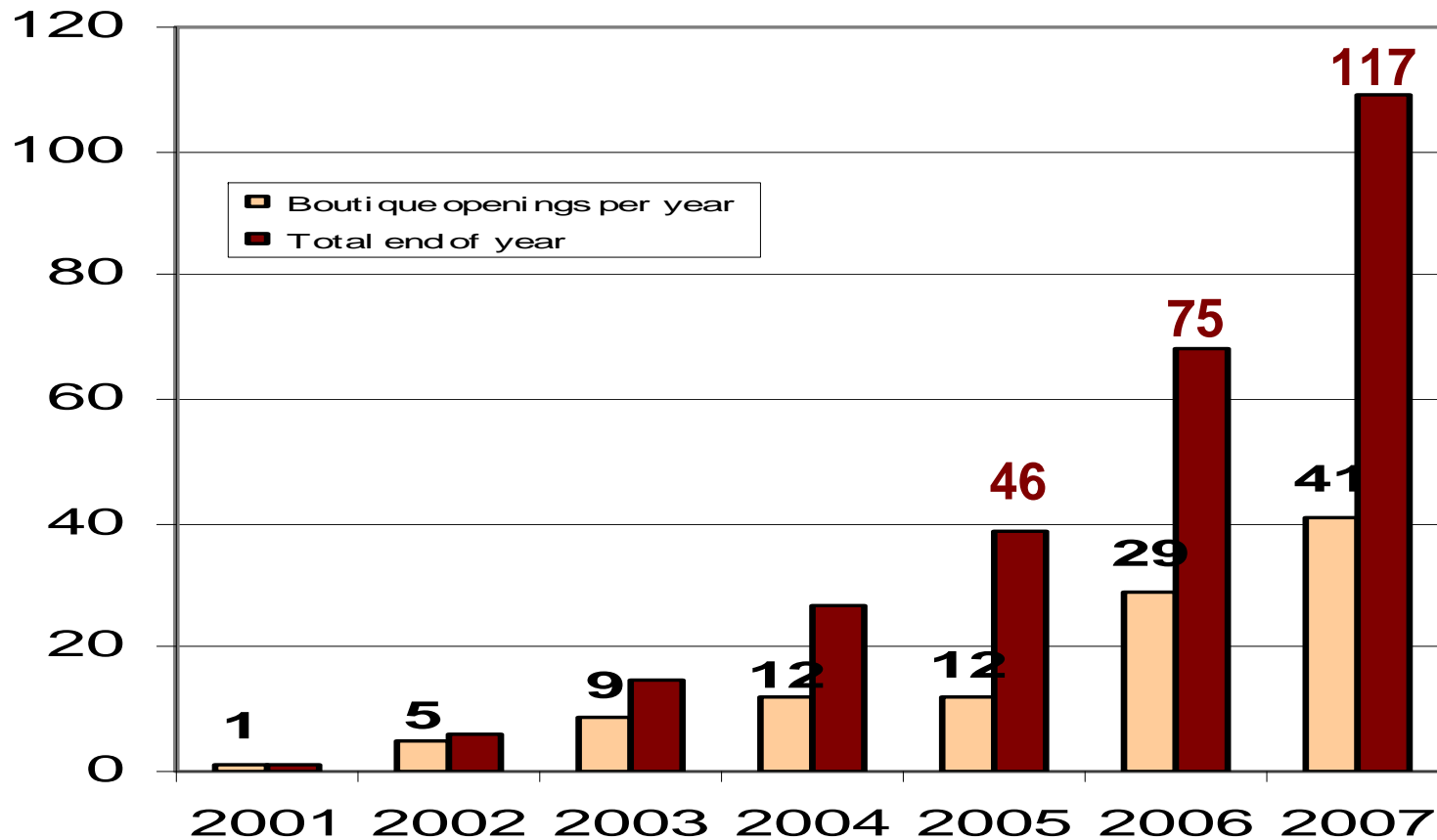
*A “win-win” partnership with the most prestigious department stores*



# From 1 boutique to 117 worldwide in 7 years...

## Yearly Openings of Boutiques

# of Boutiques





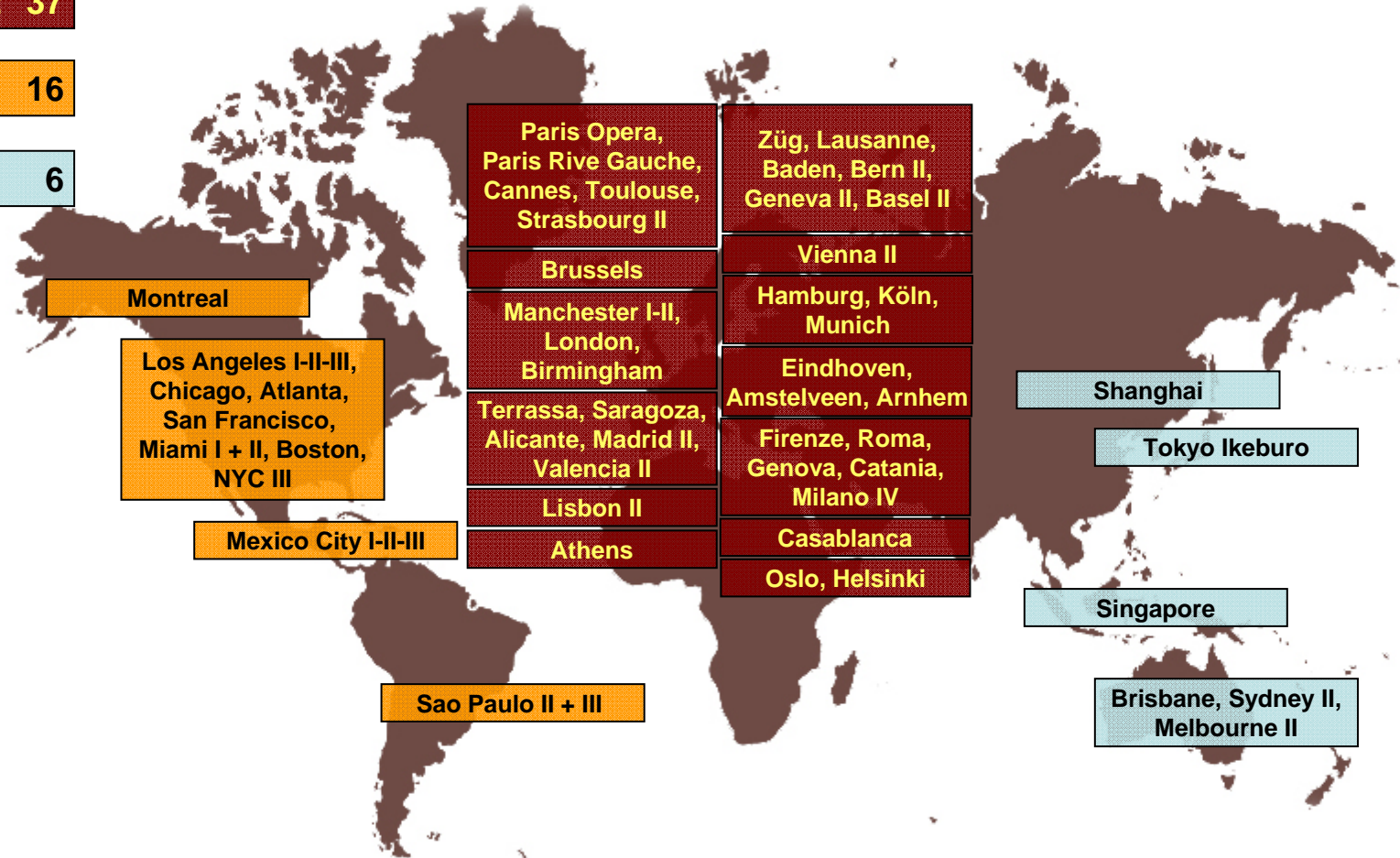


# 59 Boutiques & Boutique-in-Shop Openings in '08

**Europe: 37**

**AMS: 16**

**AOA: 6**



*A Global Network of 175 Boutiques & BIS by the end of 2008*



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## ***Nespresso* Positioning – Global Brand**

*Nespresso* is not just a coffee.

It is another dimension in the world of coffee.

It is a genuine experience that combines *perfection* and *pleasure*, *simplicity* and *aestheticism*.

**Nespresso delivers the Ultimate Coffee Experience**





# George Clooney – International Celebrity Campaign

24

25

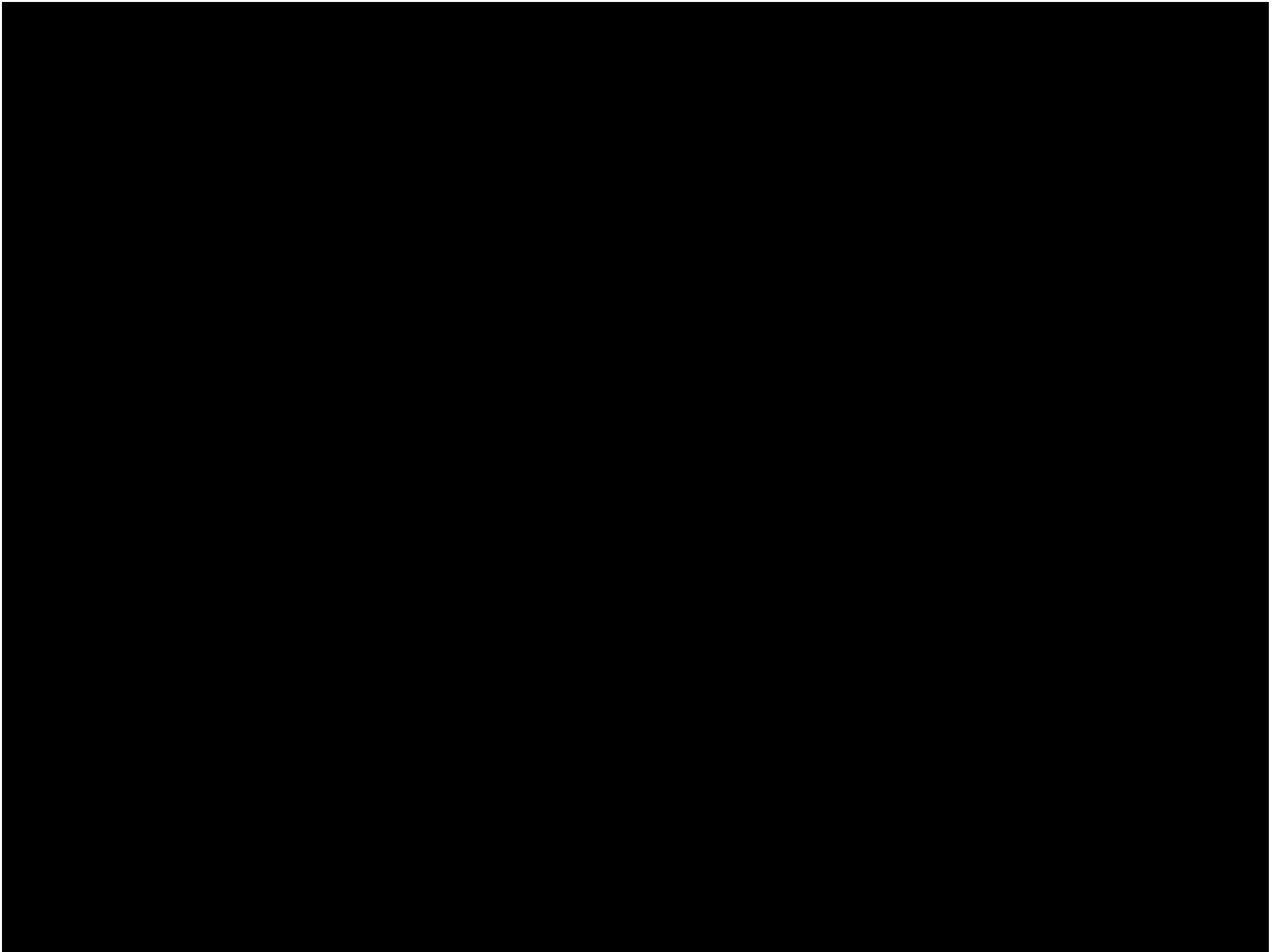
24A

24A

www.nespresso.com

*Nespresso. What else?*

**NESPRESSO.**  
Die Seele des Kaffees





# Overview

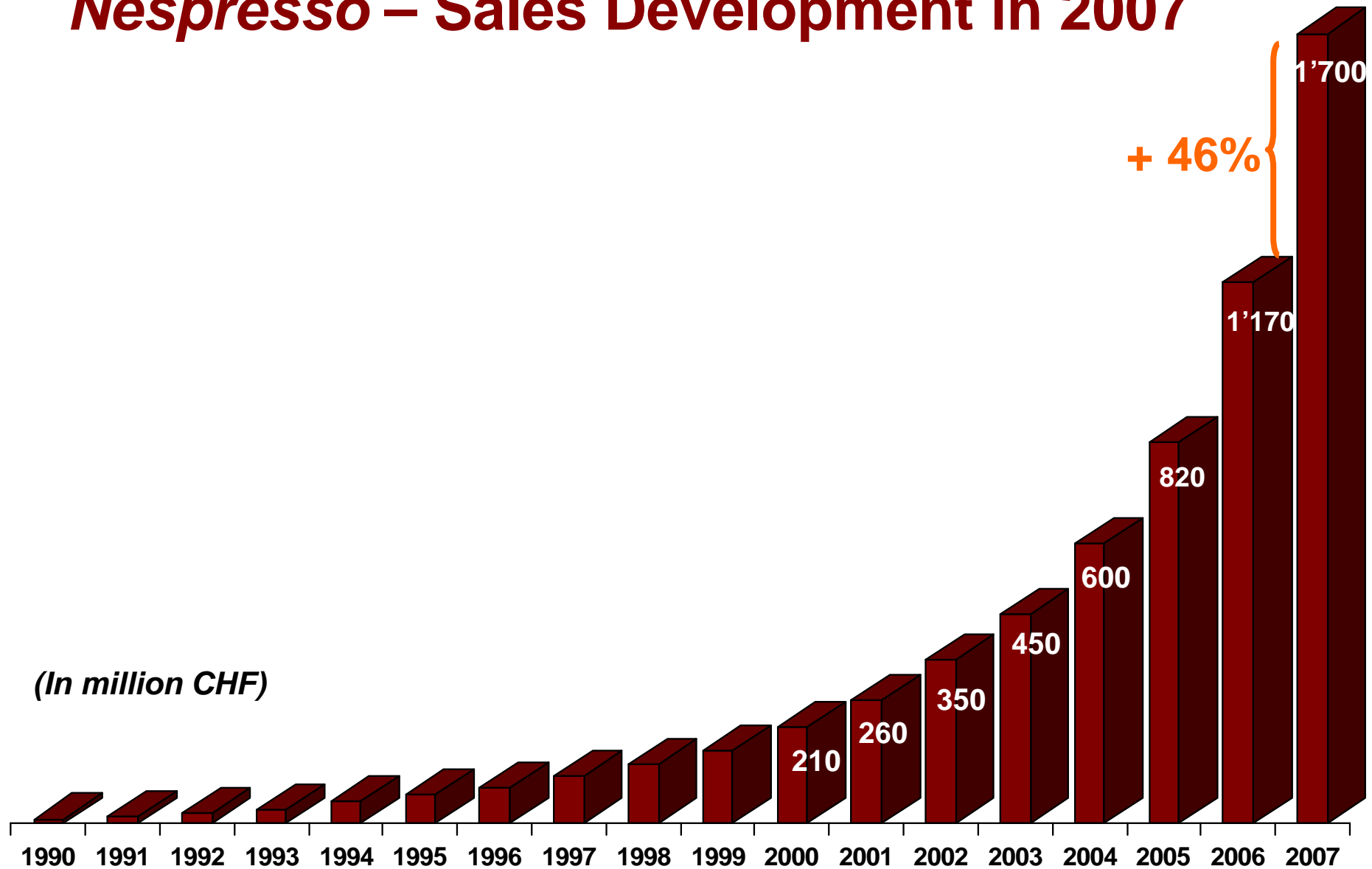
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## Nespresso – Sales Development in 2007





# Key Performance Business Indicators 2000 - 2007

	2000	→	2007
<span style="font-size: 1.2em;">N</span> Turnover	200 mio CHF	$\emptyset$ 35 % 	1'700 mio CHF
<span style="font-size: 1.2em;">N</span> Annual Member Acquisition	150'000		1.5 mio
<span style="font-size: 1.2em;">N</span> Market Share % Espresso Machines	6 %		27 %
<span style="font-size: 1.2em;">N</span> Boutiques / BIS	1		117
<span style="font-size: 1.2em;">N</span> Number of Employees	331		2'500



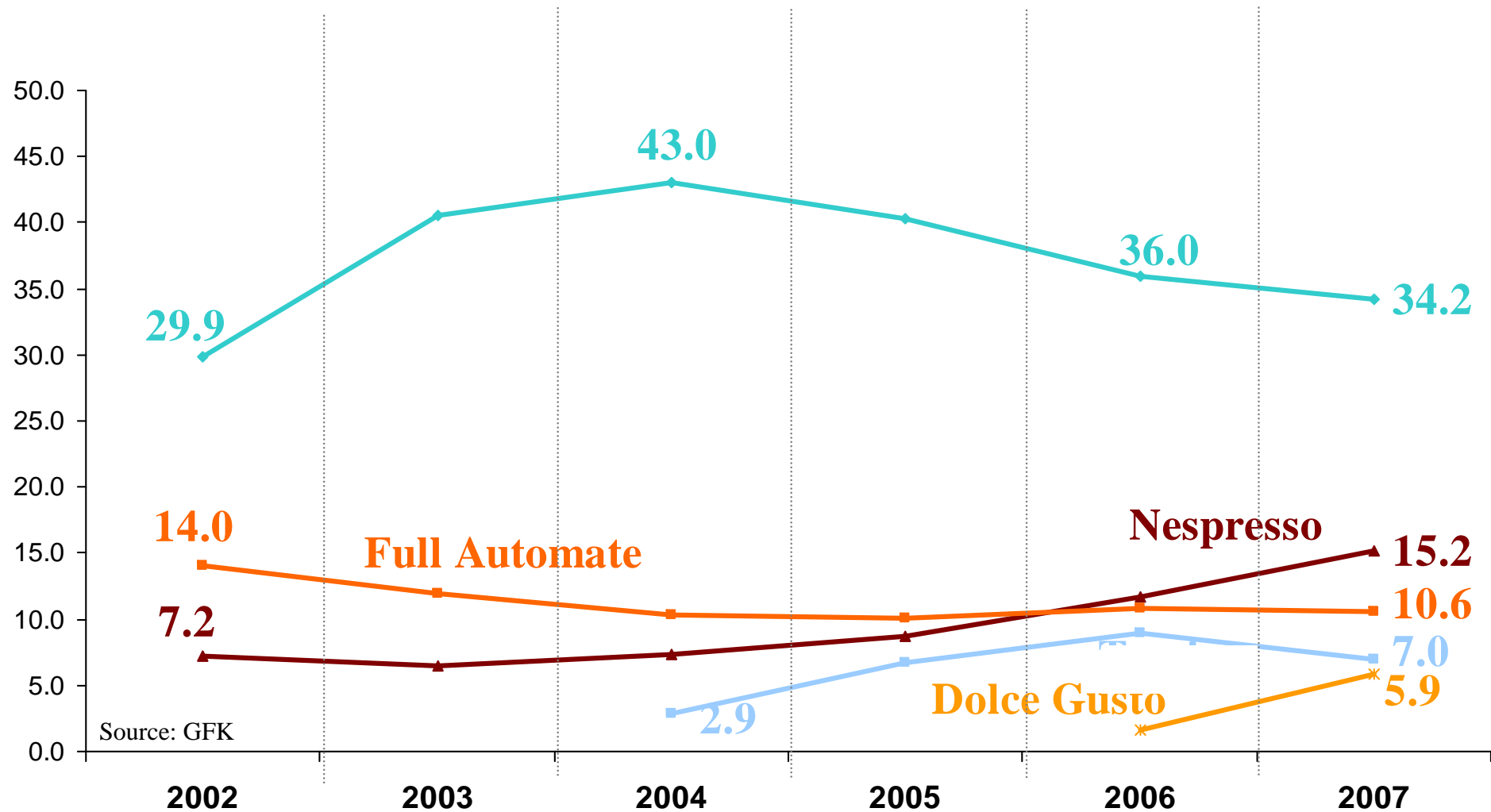
# Portioned Coffee at Nestlé







# Volume Market Share (%) Evolution by Coffee System





# Trends in Coffee

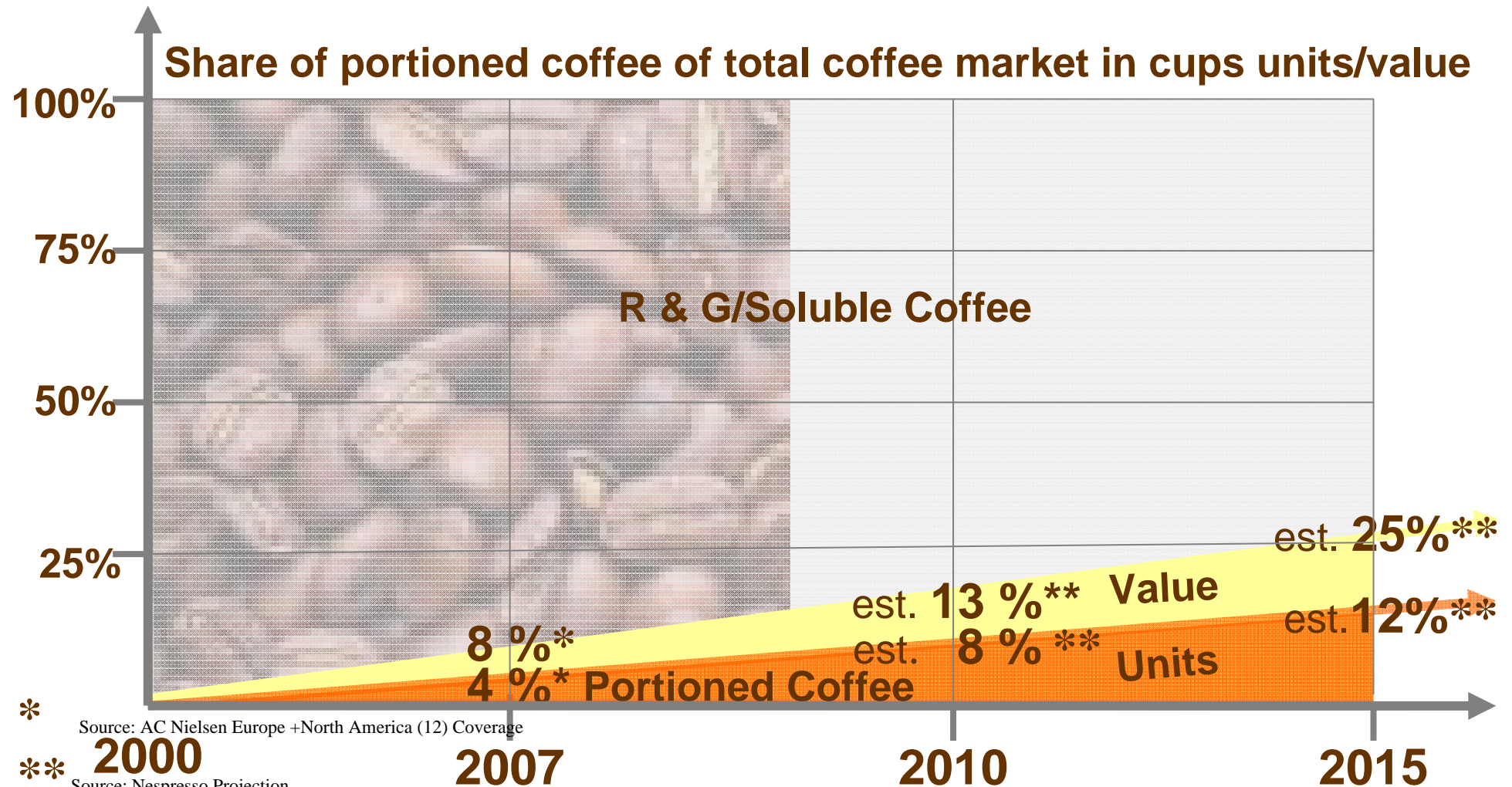
- A desire for **more choice**
- A desire for **better quality**
- A desire for **more convenience**



<b>From</b>	<b>Coffee black, white, with or without sugar</b>
<b>To</b>	<b>Specialty, gourmet coffee: cappuccino's, latte's</b>
<b>From</b>	<b>Do you want coffee?</b>
<b>To</b>	<b>Which coffee would you like?</b>
<b>From</b>	<b>Coffee-by-the-pot</b>
<b>To</b>	<b>Coffee-by-the-cup</b>



# High Potential for Portioned Coffee Systems







NESPRESSO®

Thank you  
for  
your attention !