

Consumer Decision Making

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Executive Summary

To enable them to cope with the marketing environment and allow them to make decisions associated with purchasing, consumers, defined by age, culture, social class, religion or nationality take part in the purchase decision-making process. This report examines a tangible product associated with the Nespresso Company, cross-examines the product brand and delves into its associated benefits to affiliated consumers. Consequently, the report appraises the product's pricing and overall relative placing in the market. The paper highlights the product's life cycle, its competitive position and the specific target market segment. The report also explores and explicates the consumer decision-making process as well as factors dictating this process. Consequently, the paper projects recommendations that would improve the function and business placing of the company in the market.

Introduction

The Nespresso coffee machine is an attractive and creative brand of recent advent in the coffee market. The machine is designed to produce tasty coffee promptly. The machine comes in varying colors and styles. It is seen as a product of high-medium involvement since it thrives on far more than selecting it on mere emotions and impulse but as an actual product choice (Mulier, 2011, p. 38).

The Nespresso system was invented, introduced and patented by Eric Favre, an employee of the Nestle group to which the Nespresso company is affiliated. The Nespresso company conducts business in the line of manufacturing coffee machines and coffee capsules. The combination of the Nespresso system and the coffee capsule machine offers consumers a

distinctively refined coffee experience. The Nespresso system constitutes individually designed coffee capsules that carry 5 grams of ground coffee designed for unique specific designs of coffee machines in the Nespresso line. Nestle holds the Nespresso machine patents but manufacturers that distribute and sell them are licensed to produce the machines. Nespresso positions itself away from the utilitarian coffee-in-office domain and targets a top-of-the household market. The company uses the idea of direct market channeling to enable it to keep in touch with the market trends and espouse close proximity to consumers (Eugstar, 2005, p. 90).

Product Description

The Nespresso coffee machine is designed to produce coffee from a 'time-efficiency' perspective. The machine purposes to brew Espresso, which is a kind of coffee with different flavorings. It offers 16 coffee capsules of distinct flavors and aromatic profiles suited to individual preferences, sold exclusively within its outlets. The capsules are a proprietary type made of aluminum, with precise amounts of coffee. Nespresso offers a variety of machines bearing brand names of renowned manufacturers of kitchen equipment like Siemens and Krups. The Nespresso coffee system has a variety of product ranges. The system consists of coffee machines designed to accommodate Nespresso capsules and allows individuals to make coffee at home posthaste. The capsules are proprietary and range in flavor. There are twelve varieties of the espresso and Lango ranges. The brand also has a variety of Nespresso accessories including capsule cases, drawers, dispensers, milk jugs, sugar holders and frothing devices. The machines come in different designs from basic models to those containing numerous bells and whistles. The colors also vary from black, white, and grey (Mulier, 2011, p. 58).

Product Brand

Nespresso is the official product brand name ascribed to the Nestle Nespresso S.A Company, an affiliate unit of the Nestle Group whose base is in Switzerland. While it draws benefit from the expertise of Nestle, Nespresso is in its own right a strategic business unit (Mulier, 2011, p. 54). The Nespresso machines brew coffee from Nespresso coffee capsules that are a kind of apportioned coffee containers used once with ground coffee and added flavors. In 1976, Eric Favre pioneered the system brand into the Switzerland business market and the brand was augmented by Jean Paul Gaillard in 1988. The company signed a formal contract with Turmix, licensed to sale the brand in Switzerland. Consequently, the brand is sold by contract through Krups, Philips and Delonghi. The brand has numerous patents that protect its variety of machines and products.

Benefits of Product to Consumers

The machine is suited to avert time wastage or the process of having to line up in long queues for coffee. It is an easy-to-use product that works through simple capsule insertion. The aluminum used for the capsules is beneficial in keeping coffee fresh for long periods, possesses immense preserving qualities and is a recyclable product. It comes with complementary accessories such as the quick milk heater, decaling filters and can accommodate different styles like extra chocolate placing at the top. It is consistent in bringing out little variation in the coffee cups made. The capsules' propriety nature facilitates online purchasing via phone and in Nespresso boutiques (Eugstar, 2005, p. 81).

Pricing and Comparison in Market Place

Drawing reference from a range of 19 coffee machine products in the Nespresso category, the pricing ranges from 267 to 859 US dollars as of 19th March 2011. Officially, customers of the Nespresso brand are not allowed the option of purchasing coffee capsules from other sources. Consequently, there is a limited choice in flavors as well as minimal downward pressure placed on the prices of capsules. In 2011, capsule prices ranged from 0.57 to 0.64 Australian dollars. The placing in pricing of the Nespresso machine in the market is comparatively high. For instance, the Sunbeam EM9300 Café Bellissimo espresso machine costs 819 AUD compared to Delonghi Nespresso's EN720M Lattissima coffee machine costing 859 AUD.

Stage in Product Life Cycle

The Nespresso brand is in the Maturity brand of the product life cycle. This is justifiable by the peaking sales volumes ascribed to the product. Nespresso has made sales of machines and coffee capsules in the United States for a decade both online and in its own coffee boutiques in cities and via retail chains like Crates and Barrel. Nespresso's sales in America skipped to 20 percent within each of the past two years even prior to TV advertising. According to the New York Times, Nespresso contributed to twenty percent of Nestlé's growth sales in 2011. There has also been an uptrend in the competitors within the market. In Symphony IRI's release of pacesetters in 2011, nine innovations in tea and coffee as well as producers of one-cup pods came up. There is also a differentiation in brand (Levit, 1965, p. 69) and diverse features in the company's product functioning to uplift market share (Martin, 2004). Marketing and finance are currently the company's primary activities.

Competitive Position

Nespresso appears to be in the right trend with its products. The single cup espresso machine is breaking new ground in the market. It however looks to stiff competition from Starbucks that is affiliated to the Verismo brand. There is plenty of room for Nespresso's market expansion in line with its brand differentiation and diversity of features like capsule cases decaling kits and filters, coffee crème and confectionary. In January 2011, Nestle obtained an injunction from court against the Denner supermarket chain selling coffee capsules in Switzerland over infringement of its patent rights. Rivals are producing cheaper capsules that can be used in Nespresso machines. In addition, Nestlé's former executive has launched a premium tea-making product in his company Tpresso, an evident competition for Nespresso. The increasing market competitors in premium beverages have kept the company on toes. Nestle cites that it is welcome to fair competition but looks to defend its plethora of products that keep it running (Quester, 2011, p. 70).

Specific Target Market Segment

Nespresso's specific target market are the wealthy, young urban professionals. This segment positions itself strategically in a manner that depicts an up market brand. Cafes are the inspiration for this revolution in the coffee market and stimulate groundbreaking coffee consumption. They prompt consumers who are willing to deposit hefty sums to get the 'coffee shop' experience. Nespresso has facilitated value addition through 'Grand Cru' capsules and generating enthusiasm for the coffee process (Bod, 1990, p. 51).

This segment consists of consumers who purchase Nespresso products and are tied to the use of Nespresso capsules and this closed dimension espouses the company's entire control of its prices. The prices of Nespresso capsules are set quite higher compared to other coffee options

but this segment makes many purchases, barely referring to the pricing. Drawing reference from Psychographics, 'sophistication' is definitive of this market sector, a brand personality Nespresso strongly reflects. This is helpful in reinforcing its premium stature, hence making it exclusive and distinct from other brands of coffee and drawing elegance ascribed to the young and classy professionals. This segment is also a perdurable target since it appeals to the machines manufactured by Nespresso that exhibit slim format designs, an urban air and fitting conveniently in small spaces (Bloch, 1994, p. 63).

This market is attracted to a recent machine model, a representation of the market group's flexibility. There are interesting inherent characteristics linked to affluent professionals residing in cities. They have a high affinity for fashion and style and quantifiable sums of disposable income. In addition, the brand ambassador George Clooney appeals to the affluent metropolitan folk, yet another score for this target group. The use of a celebrity in marketing is effective in passing meaning from celebrity to the product and consequently to the consumer, through character and personality. Research posits that 60 percent of the sensory experience associated with consuming espresso hails from the retail environment. These up market coffee outlets and adverts tend to appeal to an urban apartment due to taste for design and the need to uphold the café culture at the luxury of their homes. This group is thus socially flexible (Bloch, 1994, p. 136).

The purchasing power of the affluent market segment is immense and measurable owing to the large distribution of young elegant city dwellers. This market segment is also quite accessible and can purchase products through online transactions since they are affiliated to technology and company coffee boutiques strategically located in cities and towns. It is a large and homogenous segment; it is flexible and adapts to development in mass customization and is

also an attractive sect that is distinct, with a good market mix attracted to programs like the Nespresso club membership.

The Consumer Decision Process

Conventionally, a rational approach to the decision making process has been adopted by researchers. This paradigm portrays consumers to use cognition and to a smaller extent emotion in their purchasing decisions. This revelation is reflected in the Consumer Information Processing or Stage Model of a conventional buying process.

The Model constitutes Five Stages:

1) Problem Recognition

The buying process for the consumer starts with the recognition of a need or a problem. For instance, participant 1, a consumer, might discover that his revered espresso machine is no longer trendy or contemporary. Participant 2 may also deem the performance of her Nespresso machine to be below her expectation. Consumers tend to encounter such problems from time to time. The discovery of distinction between the existent state and a desired state is problem recognition. This prompts consumers to put effort into solving the problem. It can be as simple as noticing a constant craving for espresso or may be triggered by marketing efforts (Quester, 2011, p. 71).

2) Information Search

Problem discovery prompts a consumer to search for additional information. Participant two may under simple terms be more attentive to the product information of a Nespresso machine. She consequently pays more attention to coffee machine advertisements, talk amongst her peers

on the same or espresso machines bought by her acquaintances. She may take a more active approach of visiting espresso boutiques or reading magazines. Collecting information enables the consumer to learn more about competitive brands in the market and their characteristic features. Consumers may gather information from internal search (Arnould, 2002, p. 88), like trying to recall past experiences with brands or from external searches such as public consumer reports or company websites.

3) Alternative Evaluation and Selection

There are no distinct simple evaluation approaches adopted by one or all consumers in every buying situation. A common approach is viewing the evaluation process to be cognitively and rationally motivated. This implies that a consumer tries to find a solution to the problem and in the end satisfy his need. The benefits that the product offers in terms of solving his problem is what the consumer seeks. His view of each product is a cluster of features carrying different capacities of facilitating problem solving advantages to his needs. The differences amongst the need, advantages, and features are quite pertinent, and this relationship can be organized hierarchically. Appendix 2 exemplifies this relationship. The relationship elicits that the product features are pertinent only to the point where they bring out a particular set of advantages, in the same way the advantages have meaning only if they can tackle the problem and play a crucial role in satisfying the need (Quester, 2011, p. 86).

3) Purchase Decision

For consumers in the market segment to implement the purchase decision, they need to choose brands and precise outlets of purchase in order to find solutions to the problems. Decisions can be made in three ways (Baylet, 1998, p. 49). The first is a simultaneous selection

engagement of both the brand and the stores. For instance, participant three may select a cluster of brands within coffee boutiques and the technical attributes of the product. The second way is to choose the item first and the outlet later and the third way is to consider the outlet first followed by the item. When to buy the Nespresso machine is influenced by the atmosphere of the store, how pleasant the shopping experience is and time pressure.

4) Post-Purchase Evaluation

The processes of evaluating post-purchase are directly triggered by the kind of initial decision-making process. How much the consumer is involved in the purchase directly affects this process and is a measure of the interest level in the purchase. Suppose participant four purchases Nespresso brand coffee capsules habitually, for her this is a low purchase involvement scenario and there is a minimal likelihood of her searching and evaluating the product information immensely. In this scenario, the consumer simply purchases, consumes, as well as rids off the product with minute after-purchase evaluation, and a repetitive is generally maintained. Appendix 3 indicates low investment purchase. High involvement in the consumer's post-purchase evaluation is triggered by her high purchase involvement. Appendix four shows an elaborate post-purchase evaluation.

Influencing Factors for Consumer Decision Making

Internal Factors

These influences are concerned with the reaction of the individuals to group influences, environmental alterations, and marketing attempts with regard to the product (Boyd, 1990, p. 103).

They include:

Demographics

This connotes the personal information of the consumer, including race, age, and gender. Culture defines the set of gender roles associated with and considered appropriate to the gender groups in society. Gender roles are evolving in the contemporary in the contemporary urban city life. Males and females exhibit different consumer traits, process information differently, vary in decision-making and purchasing patterns. Gender influences the purchase patterns of the Nespresso machine products in line with the designs of the various products that attract to them, owing to physiological differences that influence the need for specialized service products. With reference to Nespresso, females found information from peers and social groupings to be quite important sources, while males deemed them unimportant (Quester, 2011, p. 32).

Age

Age influences consumer behavior by indicating the products and services of interest for purchase. Younger consumers prefer slim fit and aesthetic Nespresso designs.

Race

Different races identify differently with the cultural origin of groups in broader society and thus react uniquely to costing and perceptions of prestige as well as reputation associated with the Nespresso brand.

Perception

The process of according meaning to senses dictates the view of consumers to a brand. The young wealthy lot is relatively more attentive to detail, and slight alteration sin services or

product designs may function to influence increased or declined purchase. Mature consumers generally prefer a coffee machine with a variety of complementary features rather than just paying attention to model design.

Learning

The manner in which the market segment acquires information regarding a product influences how they use it in future consumption behavior. Learning instills experience amongst consumers with regard to satisfaction of needs. Associating the Nespresso brand with George Clooney generally influences purchase of the product by the celebrity's peers and admirers.

Motivation and Needs

The inner drive that prompts the desire for the product also is influential. Social network branding by Nespresso draws the consumers of such affiliation to purchase the product. The affluent town dwellers look to self-actualization and ego needs associated with owning such products. Social life functions to influence the motives of consumers and this market group are motivated by the need to be distinct from other individuals.

Lifestyle

The pattern of life of affluent consumers looks for products and services that fit the way they conduct their lives. Their inherent individual features are molded by social interaction and evolve through the lifecycle. Athletic Nespresso consumers are influenced more by factors in the athletic environment than by social factors (Bloch, 1994, p. 41).

External Factors

Culture

Culture supplies significant behavioral boundaries. Culture is a patterned dynamic motivation for action in an acceptable fashion to other members in that particular culture. Caucasian, Indian, and African heritage dominates the South African ethnic culture, and these groups draw influence from varying choice factors in product selection. The black populace is influenced by peer persuasion while Caucasian consumers desire to enjoy the services of the Nespresso at the comfort of their homes.

Social Class

The society is divided into a hierarchy of distinct class status with associates of each class bearing similar status (Blumer, 1969, p. 43). Occupational income and affiliation differences induce different behaviors. The amount of disposable income defines whether consumers purchase the range of products in the Nespresso brand. The access of consumers to information depends on socio-economic status. Lower income segments of this market have fewer information sources, relaying mainly on peers.

The Organization's Mix

The Marketing activities of the Nespresso brand attempt to reach and persuade buyers to consume the products. Institutions tend to influence the decision making of students by making them privy to information and their needs. Product promotion and distribution services by the company prompt consumer interests.

Conclusion

The Nespresso brand has a diverse and expansive Market in the foreign coffee ambience. This market is internationally spread from the developed countries in Europe to other developing countries in Africa, South America and Asia. The company looks to broaden its base internationally through specific target market qualitative and quantitative indicator derivatives analyzed using market profile segmentation schemes. Information and Communication Technology has been highly adopted by the company, with social media like Facebook and Google being used to promote the line of products. Celebrities like George Clooney and John Malkovich are strong ambassadors that brand the product image (Bloch, 1994, p. 178). The company appeals to the foreign market segments by improving their visibility and presence. It protects its brand name by defining regulations that allow retailers to buy the keywords linked to the brand. E-commerce is utilized strategically by the Company to reach and appeal to the international market through segmental scoping. The brand has a club with an online boutique that markets products internationally and constitutes a qualitative and quantitative monitoring agenda that pays keen attention to the international market demands (Bloch, 1994, p. 223).

Recommendations

It would be beneficial to the company's information profile to eliminate unnecessary informational disposition and improve coverage to the regions that have not yet been fully exploited, including the African continent. As such, this would broaden the market niche of the company. Improving the communication ties between the investors and company shareholders is also a sound financial market plan (Bealty, 1998, p. 77).

Additionally, the company's marketers need to be aware of the conventional shopping traits ascribed to the particular market segment, in which they market their product, and consequently find a way to ensure the different preferences of consumers are addressed adequately. It is important to address the differences between different population groups in order to tap the effective process of the company's marketing strategy. (Alba, 1988, p. 70)

Futhermore, it is prudent for the Nespresso Company to create pleasant shopping experiences and environments in their brand and stores since a majority of the market segment enjoys shopping as an event for fun. The shopping outlets and ambience should be congenial to the consumers to prompt and attract the hedonistic consumers, and improve the supply of high-end quality products that are sought by customers exhibiting perfectionist traits (Aaker, 2001, p. 122).

Moreover, Nespresso should convey the brand information in a manner that out rightly makes it easier for customers to conduct their personal comparison shopping without being weighed down by information they perceive to be outdated or out of place. They need to realize that price is a major component for Caucasian consumers because they generally buy as much as possible within the realms of sale prices and look carefully to ensure that the value for their money is attained.

Ultimately, it is important that Nespresso be privy to the mix of merchandise in terms of pricing, assortment, pricing quality and the store brands (Aaker, 2001, p. 134). Assistance with information in the store is helpful in the solution of emergent market conundrums and needs. Personalizing product features for specific demographic segments will see to it that individual needs of specific target groups are met as well as improve the loyalty of customers to the stores.

Different products should also be developed under the same name to increase the loyalty of consumers and sustain the impulsive shopping dynamics of the wealthy elegant city-dwelling population who become quite familiar with the brand. One-stop shopping development would augment the convenience for its potential consumers in terms of saving costs and availing an integrated range of products for them. Designing fashionable models of products that can highlight class in the social context and help them express their high social image would consequently lead to a noticeable improvement in the company's sales volumes (Bealty, 1998, p. 96).

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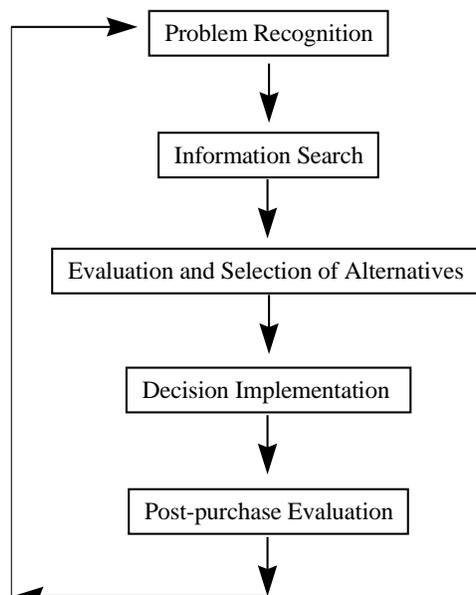
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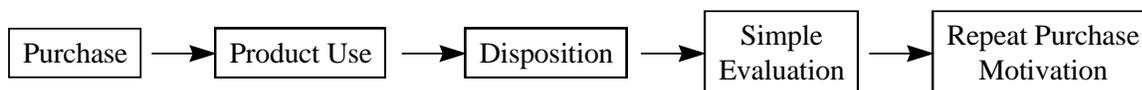
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Appendices

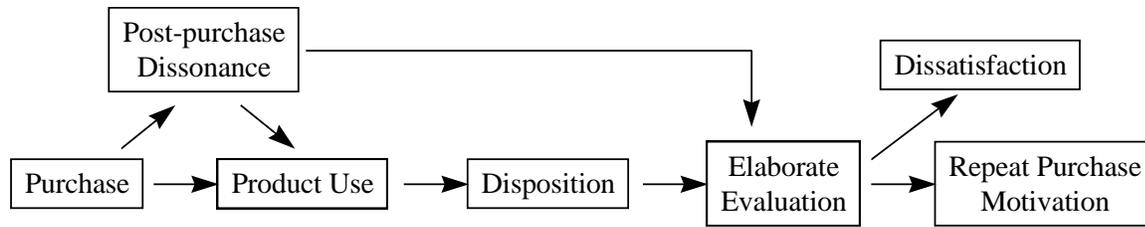
1.0 Decision making process



2.0 Purchase Behavior flow



3.0 Elaborate Post Purchase Behavior



4.0 Couple Nespresso brand coffee machines



5.0 Top of Form Participant Research Tool

what is your age group?

- 15-25
- 26-35
- 36-45
- 46 and over

How often do you drink coffee?

- Daily
- 2-3 Times a Week

- Once a Week
- Less than Once a Month
- Others

What kind of coffee do you prefer to drink?

- Home Made
- Espresso
- Coffee shop
- Others

What influences your coffee drinking?

- Your addicted to drinking coffee
- Whenever you feel like drinking coffee
- When catching up with friends
- Over a meeting during working/business hours
- Others

How did you find out about the Nespresso Coffee machine?

- Newspaper, brochures
- Radio and Television
- Through someone else or a friend
- By walking around the shopping centre

If you have a coffee machine already, what brand is it?

- Breville
- Sunbeam
- Philips
- DeLonghi
- Others

What are the main considerations of purchasing a coffee machine?

- The brand name
- The price range
- The machine features
- Others

What do you think of Nespresso machine?

- Useful
- Somewhat useful
- Neutral
- Somewhat useless
- Useless

Do you think the coffee machine is safe?

- Yes
- No

How has the coffee machine affected your life?

Participant one	Participant two	Participant three	Participant Four
29 years	32 years	23 years	36 years
male	female	male	female
married	married	single	married
Snowballing	Ethnography	Snowballing	In- home visit
Caucasian	colored	Indian	Hispanic
Two interviews	Two interviews	Two interviews	Two interviews