

Hi, my name is Nick and I'm a caffeine junkie.

My first coffee of the day is a 4 shot cappuccino, followed by at least another couple of 3 shot hits. I know I know, it's probably not good for me, but I've got used to it.

But do you remember the good old days . . .

. . . when coffee was instant, granulated and tasted a bit like stale cardboard?

. . . when a host bringing out a cafetiere at the end of a meal was greeted with oohs and aahs and deemed to be the height of dinner party sophistication?

Now, an average coffee in a central London Starbucks costs around £2.50. If I'd told you that 15 years ago, you'd have thought I was having a laugh!

But things have changed . . . good coffee was once the preserve of the French and the Italians. But the Seattle company figured out that there was a market for creating a premium coffee experience that people would happily pay for.

Well, now it looks like one company has taken premium coffee to a whole new level and I think there are some great lessons we can all take from their success that can be applied to ANY business - big or small - online or offline.

No you might have seen the magazine ads, where film star George Clooney stares out of a page in his best Cary Grant pose, holding up a glass of espresso. Well, he's endorsing Nestle's premium Nespresso range of coffees. You may have seen them already. If not, the idea is that you get a range of gourmet coffees in individual capsules which are

loaded into specially designed coffee machines.

Ok, so on one level it is a design that saves on the hassle of measuring out coffee and the washing up. You just load and press a button and out comes a perfect espresso shot.

But this is a whole lot more than functional time-saving design . . . the marketing guys have figured out that there is a market for top-end luxury coffee. And they have managed to turn what is essentially a very familiar commodity into an added value and I presume highly profitable - sales have grown by 30% per year since the 2001 launch and their goal is to reach sales of \$1.8 billion by 2009. Now that's a LOT of coffee! So how have they achieved this and what can we learn from it?

- HIGH-PERCEIVED VALUE: When you buy a Nespresso machine you also get a sleek folder (no instruction manual here) with full colour glossy pages selling the Nespresso 'experience'. Of course, the machine would have worked just as well but the whole experience of leafing through a smart folder keeps the. And every month or so I get a mailing from Nespresso with extra inserts to go into my folder telling me about the latest additions to the range of coffees.

- RARITY justifies the premium price: Nespresso capsules can only be are NOT available in supermarkets - this seems to be a conscious decision to create rarity and higher perceived value. How does the customer feel?

- HEIGHTENED EXPERIENECE: this isn't just a coffee maker - this is a lifestyle choice (at leas that 's what Nespresso would like us to believe). They are targeting the DEEPER EMOTIONS. They want their customers to feel more sophisticated, discerning and . . . well . . . just that little bit better than their neighbour.

- **GO FOR THE UPSELL:** The back end is incredible: not only can you buy more than a dozen premium coffees, but designer cups, capsule holders (including leather pouches and wooden boxes), milk frothing kits and even protective travel cases for those people who can't leave home without their Nespresso fix! The company realised that if someone is prepared to spend money on the machine and gourmet coffee capsules, then it is highly likely to buy other accessories to further their Nespresso experience. I know it may seem counterintuitive, but when someone has decided to buy, they are at their most open to adding to that sale. It makes sense as the customer has already psychologically paid for one product and any additional expenditure will meet less resistance. Just take a look at Amazon to see how they offer similar products at the checkout.

- **GET REPEAT SALES:** what better business to be in than one that requires the customer to make repeat purchases of the capsules. And as you cannot buy from any high street outlet (apart from a few luxury retail outlets like Selfridges), you are buying direct from the manufacturer via mail order or online. To be honest, I'd they offered a direct debit feature I'd probably sign up to that too!

- **BUILD A CUSTOMER LIST:** You have to give your full details for some kind of warranty when you buy the machine. Of course, these details are also being used to promote the back end. I am getting direct mail at least once a month from Nespresso. Buyers are by far the best names. So if you are selling ANYTHING - online or offline, a products or a service - make sure you are capturing details and permission to contact them in the future. Anyone who has email or postal addresses of customers who is not offering further opportunities to buy are literally leaving money on the table!

Right, I'm off to grab a coffee . . . we work in serviced offices and there's a Bulgarian lady in the café who makes coffee so strong you can chew it!

Oh an before I forget, make sure you check your inbox tomorrow - it's the world premiere of a very exciting and proven home business focused on starting your own Family Tree Research Service! Get started this weekend and you could be making a tidy £600 a week by the start of 2008!

Cheers

Nick

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