

Business Sustainability at Nespresso

Abstract

This paper addresses some findings and statistics on sustainability importance at Nespresso coffee company. It focuses specifically on the Nespresso's AAA Sustainable Quality Program environmentally, socially and economically. Moreover, adding a touch of green marketing on these three pillars of sustainability. Presenting a definition of sustainability, followed by a brief overview of Nespresso's background. From these findings, the reasons behind self-preference for the brand are shared throughout this paper. Adding on, reflecting on the AAA Sustainable Quality Program from my self-experience and self-consumption. The paper presents the advantages that we would get for future generations if Nespresso continues to deal with their supplier from this program. Finally, concluding with limitations that future studies could focus on and benefit from.

Introduction

Nowadays, the term sustainability is becoming a sophisticated technique of promotion; this promotional method is called "green marketing" as an advertising tool. Green marketing includes adjustments to products, improvements on manufacturing the product, alteration on packaging and changes in the way of promotion (Polonsky, 2008: 2). Green marketing could be applied as a way of sustainability. Nespresso has adapted it since 2003 through its AAA Sustainable Quality program. Nespresso was chosen in this paper due to its persisting commitment to sustainability through its AAA program; and a self-belief that they have the most luxurious and simple coffee experience. We will get a deeper overview on this program

throughout this paper by introducing Nespresso and its AAA program and defining the term sustainability.

First, Nespresso was established in 1986 in Switzerland", and they are well known for their "gourmet coffee" (Nestle Nespresso, 2016a: 1). Nespresso started a program in 2003 called "The Nespresso AAA Sustainable Quality Program" in cooperation with its supplier Rainforest Alliance (Nestle Nespresso, 2011). To illustrate, 'AAA' program was retrieved from AA Kenyan coffee quality; however "Nespresso added" one more A to add a reflection of the environment, society and economy; moreover, every A represents the three cornerstones of the program method: Quality, Sustainability and productivity (Nestle Nespresso, 2011).

Second, sustainability "is development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations General Assembly, 1987, p.54). Nevertheless, to gain a positive sustainability, it is critical to consider the "consumer demand" (Schaefer & Crane, 2005); the more the consumption is, the more sustainable programs needed. Thus, it is considered that there are three vital components for any sustainable program: environmental, economic and social sustainability (Huang & Rust, 2011).

Literature Review and company background

The literature examined the serious impact on earth due to the wastage made by some companies. In Germany, Nespresso was responsible for a huge weight of garbage that contains aluminum and plastic; surprisingly, four thousand tons of garbage was wasted by Nespresso (Nicolai, 2014). A huge amount of wastage would affect the environment in the future if this wastage persisted on the same level. It was claimed that this issue might be due to the complete reliability "on industry and government" and the lack of commitment to develop the environment

(Polansky, 1994). Past research studies are questioning the serious issues on this planet and some studies have been questioning the solution.

Past studies have been investigating that one of the issues of raising awareness on sustainability in terms of the environment, social and economy is consumption. It is important to assume that the increase of consumption will accordingly require sustainability programs. The consumption perspective to sustainability sheds light on the triangle of society, economy and environment (Huang & Rust, 2011). First, overconsumption is becoming a substantial cause of damaging the environment (Huang & Rust, 2011). On the other hand, some theories have been claiming that fortunately some consumers are becoming more aware of environmentally friendly lifestyle and thus of buying eco-friendly products. Some consumers have high consciousness when deciding to purchase “regarding social and ecological products” (Hamann et. al, 2014).

Earlier research studies have been illustrating the wide variety types of coffee, machines and origin of this coffee (Nestle, 2014). This variety of products has added a differentiation in Nespresso’s product lines, which led to customer’s attraction around the world. In other words, the company is aiming to add a unique customer journey; as Nespresso’s vision “is to be recognized as the ultimate coffee experience worldwide”. Nespresso delivers “high-quality and luxury lifestyle products” that is eco-friendly (Hamann, et. al, 2014: 32), and this is an outstanding aspect. In addition, Nespresso has focused on sustainability and it is important to note that it launched AAA quality program in 2003 due to change on its business path and sustainability perspective.

Some theories have stated that some firms such as Starbucks and Nespresso were one of the top companies that applied sustainability programs on its coffee brewing production. In this paper, Nespresso’s sustainability program is the one that will be highlighted. Previous research

studies claimed that The AAA program focuses on "sustainable positioning that meets long-term trends in the market" (Matzler et.al, 2013). Its objective is "to create shared value and positive impact for farmers, consumers and society at large, while caring for the environment" (Nestle Nespresso, 2016a: p.2). In addition, the purpose of this program is also to focus on quality, sustainability and productivity (Nestle Nespresso, 2013). Before launching the program in 2003, Nespresso was concerned about sustainability in its coffee production. In 1998, Nespresso was the only coffee company that was focusing on the supply chain aspects socially or environmentally (Blowfield, 2003).

It is clearly seen that sustainability and Nespresso are two sides for the same coin. In this paper, we added a third side to that formula and that is 'green marketing'. Broadly, if each company adapted 'green marketing' on its business, it would add a distinction. In other word, the following terms are considered green marketing: "vegan meal" to show that we care about animals, "recyclable plastic bags" to show that we reuse and remanufacture products and care for the environment, "sulfate free shampoos" to show that our product does not contain harmful ingredients. In Nespresso's case, adding the term 'recyclable' on each coffee capsule would be beneficial to remind conscious customers about recycling.

Environmental Sustainability at Nespresso

First, the AAA program is aiming for "protecting the natural environment" (Nestle Nespresso, 2016a) by planting trees. It was reported that in Ethiopia and Guatemala, around 200,000 trees have been planted in 2015 (The Business of Global Warming, 2015). Accordingly, the environmental influence of this program reported 52% better environmental conditions to the earth (Nestle Nespresso, 2011). For example, Nespresso was able to provide 280,000 hectares of sustainably grown coffee (Nestle Nespresso, 2011a). Second, Nespresso allows customers to

recycle used capsules that are made of Aluminium in all their stores across 39 countries, fourteen of which are in the UK (Nestle Nespresso.2016). They try to make recycling simpler by having more Nespresso boutiques that are close to customers' resident (Nestle Nespresso, 2016).

Economic Sustainability at Nespresso

In the economic sustainability we must first be aware of the environmental sustainability of the product. In other words, environmental sustainability is a major keystone in a successful economic system (Basiago, 1999). Additionally, applying sustainable economy will add a positive impact on current consumption levels, and there is no necessity to negotiate future needs (Basiago, 1999). Since 2003, Nespresso deals with 60,000 farmers in different countries to be supplied with the coffee (Brem, Maier & Wimschneider, 2016). Consequently, this program protects farmers' continuing progress as well as setting fair prices for their coffee (Alveraz et al., 2010). Since Nespresso has continued with its program through farmers and suppliers, it reported a 41% better economic conditions (Nestle Nespresso, 2011).

Social Sustainability at Nespresso

The AAA program leads to improving the lives of coffee farmers and their families (Nestle Nespresso, 2016). Farmers are benefiting from that program in different angels such as technical, trainings, price and infrastructures (The Business of Global Warming, 2015). Such a program is a comfortable approach for gaining farmers satisfaction; according to a one farmer in the AAA program called Delio Gonzalez, this program makes our life easier when we reach pension age that we can calmly "enjoy" our time afterward (The Business of Global Warming, 2015). As a result, Nespresso documented this positive effect in their report of a 22.6% better social conditions, 82.5% farmer satisfaction, 90% farmer loyalty (Nestle Nespresso, 2011).

Self-Preference toward Nespresso

There are effective results when addressing personal experiences not only for the present but to forecast future movements (Kaustia, & Knüpfer, 2008). Thus, my personal preference on choosing Nespresso over other coffee companies is simply because it is delicious, affordable, easy, and luxuries. Since I am one of their loyal customers, I feel that their coffee is appealing and worth paying for due to the story behind obtaining the best coffee beans as mentioned in their coffee extraction strategy above. Actually, by purchasing Nespresso's coffee, I feel that I am assisting the company by providing a better social life for farmers and their families through improving their economic conditions.

The existence of the 'AAA program' is one of the major reasons for me to choose Nespresso over their competitors because it begins with the satisfaction of the farmers passing through the stage of extracting the coffee beans ending with the customers' satisfaction. Indeed, I appreciate how the AAA Sustainable Quality Program is concerned about the small details of the extractors' life conditions. This process is achievable for Nespresso without the need to sacrifice its profit, time and effort, yet the brand is still maintaining its reputation. In other words, even though not taking this program into consideration will not harm Nespresso's profit, yet they are still committed.

My role as a customer is first to be aware of what benefits sustainability (i.e. recycling) will provide, and more importantly, the commitment to recycle because awareness itself is not enough. In fact, since there are about 450 stores scattered in more than 55 locations to recycle used capsules (Nestle Nespresso, 2016a), the commitment to recycle will be therefore easier and more accessible. In addition, if every Nespresso customer is aware and committed to cooperate with the AAA Sustainable Quality program by recycling the aluminized capsules, it would help avoid depletion of natural resources (i.e. aluminium and plastic). If Nespresso continued with

this path, it would present farmers with better financial opportunities. As a result, the farmers are inclined to acquire a healthier lifestyle in terms of the ability to pay for healthy food, clean water, and safe houses as well as the ability to provide education for their children; thus, farmers' social satisfaction will increase. This leads to a better economic life to farmers' homeland. To illustrate, the prediction of the business in the agriculture industry will be competitive, and might encourage businessmen to invest in farmers' countries.

Self-Consumption Sustainability at Nespresso

My consumption is sustainable in my perspective for many reasons. First, using Nespresso machines and capsules is safe over time; for example, room temperature water is installed in the back of the machine and when making the coffee, there is no risk of spilling hot water on the customer or on children around the machine. Second, in order to make the world a better place for our generation, continuing to recycling used capsules made of aluminium will lead to less wastage and less pollution. In other words, in order to gain a successful sustainability program, members should continue to recycle (Vicente & Reis, 2008: 140). In other words, less vulnerability to burn those used capsules, and hence, more sustainability. If customers contributed in the recycling process, the lack of aluminum will be avoidable assumingly. Third, the quality of coffee beans I consume (i.e. Indriya) is reflected on the taste; this assures me the sincerity of the farmers involved in the AAA program.

Conclusion

The decision that most companies are adapting sustainability in its business can be viewed in terms of the three pillars: environment, society and economy. The paper focused on these pillars at Nespresso through the "AAA Sustainable Quality program". It was mentioned that 'green marketing' might be applied through sustainable programs to add a glimpse of

updated techniques of marketing and promotion. Moreover, as adding self-experience could shape new insights, personal experience was added through personal consumption of Nespresso products.

Limitations & future research

This paper includes a few limitations that future research studies could take into consideration for further investigations. The first limitation of this paper is that it has focused mainly on sustainability at Nespresso only without noticing that there are other coffee companies to consider. For example, future studies might dive deeper into sustainability in coffee production for Dunin Donutes, McCafe globally or Java Time or D.Cafe locally in Saudi Arabia. The second limitation is this paper did not cover sustainability in sectors other than coffee firms. Furthermore, every company has the role to be or not to be sustainable because being sustainable is not restricted on one industry. Thus, future studies could shed the light on other industries such as clothes retailers, leather production, cosmetics or any other sectors that has a great impact on the environment, the society or the economy. The third limitation is that this paper focused on the advantageous ‘AAA Sustainable Quality program’ in Nespresso while there is an opportunity to compare this program with other sustainability programs. Moreover, future studies could compare the Nespresso ‘AAA’ program with other programs in order to show that choosing Nespresso in this paper is suitable. Three limitations were addressed above for future research studies to add a brighter view of sustainability around the world.

REFERENCES

- Alvarez, G., Pilbeam, C., & Wilding, R. 2010. Nestlé Nespresso AAA sustainable quality program: an investigation into the governance dynamics in a multi-stakeholder supply chain network. *Supply Chain Management: An International Journal*, 15(2): 165-182.

184 Basiago, A. 1999. Economic, social, and environmental sustainability in development theory and urban
185 planning practice. *The Environmentalist*, 19(2): 145-161.
186

187 Brem, A., Maier, M., & Wimschneider, C. 2016. Competitive advantage through innovation: the case of
188 Nespresso. *European Journal of Innovation Management*, 19(1): 133-148.
189

190 Blowfield, M., 2003. Ethical Supply Chains in the Cocoa, Coffee and Tea Industries. *Greener*
191 *Management International*, 43, p.15.
192

193 Hamann, L., Luschant, K., Niemuth, S., Smolarz, P., & Golombek, S. 2014. CSR in the Coffee Industry:
194 Sustainability Issues at Nestlé-Nespresso and Starbucks. *European Management & Public Affairs*
195 *Studies*. 2(1):31-35.
196

197 Huang, M. & T. Rust, R. 2011. Sustainability and Consumption. *Journal of the Academy of Marketing*
198 *Science*, 39(1): 40-54.
199

200 Kaustia, M. & Knüpfer, S. 2008, "Do Investors Overweight Personal Experience? Evidence from IPO
201 Subscriptions", *The Journal of Finance*, 63(6), pp. 2679-2702.
202

203 Polonsky, M.Jay, 2008. An introduction to green marketing. *Global Environment: Problems and*
204 *Policies*, 2, p.1.
205

206 Polonsky, M. Jay, 1994. *Electronic Green Journal*. [http://www.greenprof.org/wp-](http://www.greenprof.org/wp-content/uploads/2010/06/An-Introduction-to-Green-Marketing.pdf)
207 [content/uploads/2010/06/An-Introduction-to-Green-Marketing.pdf](http://www.greenprof.org/wp-content/uploads/2010/06/An-Introduction-to-Green-Marketing.pdf). December 22.
208

209 Matzler, K., Bailom, F., Friedrich von den Eichen, S., & Kohler, T. 2013. Business model innovation:
210 coffee triumphs for Nespresso. *Journal of Business Strategy*, 34(2): 30-37.
211

212 Nespresso. n.d. An Introduction to Nespresso's Journey in Sustainability.
213 <https://www.nespresso.com/positive/int/en#!/sustainability/ceo-letter>.
214

215 Nestle Nespresso. 2016a. Corporate Backgrounder. [https://www.nestle-nespresso.com/asset-](https://www.nestle-nespresso.com/asset-library/documents/nespresso%20-%20corporate%20backgrounder.pdf)
216 [library/documents/nespresso%20-%20corporate%20backgrounder.pdf](https://www.nestle-nespresso.com/asset-library/documents/nespresso%20-%20corporate%20backgrounder.pdf), May 31.
217

218 Nestle Nespresso. 2016b. The Nespresso History: From a Simple Idea to a Unique Brand Experience.
219 [http://www.nestle-nespresso.com/asset-library/documents/nespresso%20-](http://www.nestle-nespresso.com/asset-library/documents/nespresso%20-%20history%20factsheet.pdf)
220 [%20history%20factsheet.pdf](http://www.nestle-nespresso.com/asset-library/documents/nespresso%20-%20history%20factsheet.pdf) , May 31.
221

222 Nestle Nespresso. 2016c. Recycling Used Capsules and Sustainability Managing Aluminium.
223 [http://www.nestle-nespresso.com/asset-library/documents/nespresso%20-](http://www.nestle-nespresso.com/asset-library/documents/nespresso%20-%20implementing%20recycling%20capacity%20-%20factsheet.pdf)
224 [%20implementing%20recycling%20capacity%20-%20factsheet.pdf](http://www.nestle-nespresso.com/asset-library/documents/nespresso%20-%20implementing%20recycling%20capacity%20-%20factsheet.pdf), May 31.

225

226 *Nestle Nespresso*. 2013. Nespresso AAA Sustainable Quality™ Program.
 227 https://www.nespresso.com/ecolaboration//medias_dyn/articles/2133/article/attachment-2.pdf,
 228 June 2.

229

230 *Nestle Nespresso*, 2011. Protecting the Future of our Highest Quality Coffees.
 231 <https://www.oecd.org/aidfortrade/48367325.pdf>, December, 21.
 232

233 *Nestle Nespresso*. n.d.-a. Sustainable Quality Coffee Sourcing. [https://www.nestle-nespresso.com/asset-](https://www.nestle-nespresso.com/asset-library/documents/nespresso%20-%20sustainable%20coffee%20quality%20-%20sustainability%20infographics%201.pdf)
 234 [library/documents/nespresso%20-%20sustainable%20coffee%20quality%20-](https://www.nestle-nespresso.com/asset-library/documents/nespresso%20-%20sustainable%20coffee%20quality%20-%20sustainability%20infographics%201.pdf)
 235 [%20sustainability%20infographics%201.pdf](https://www.nestle-nespresso.com/asset-library/documents/nespresso%20-%20sustainable%20coffee%20quality%20-%20sustainability%20infographics%201.pdf), May 31.
 236

237 *Nestle Nespresso*. n.d.-b. Environmental Performance. [https://www.nestle-nespresso.com/asset-](https://www.nestle-nespresso.com/asset-library/documents/nespresso%20-%20environmental%20performance%20-%20sustainability%20infographics%201.pdf)
 238 [library/documents/nespresso%20-%20environmental%20performance%20-](https://www.nestle-nespresso.com/asset-library/documents/nespresso%20-%20environmental%20performance%20-%20sustainability%20infographics%201.pdf)
 239 [%20sustainability%20infographics%201.pdf](https://www.nestle-nespresso.com/asset-library/documents/nespresso%20-%20environmental%20performance%20-%20sustainability%20infographics%201.pdf), June 3.

240

241 Nicolai, B., 2014, 4000 Tonnen Müll durch Kaffee kapseln in Deutschland. Die Welt.
 242 [www.welt.de/print/die_welt/wirtschaft/article123682807/4000-Tonnen-Muell-durch-](http://www.welt.de/print/die_welt/wirtschaft/article123682807/4000-Tonnen-Muell-durch-Kaffee-kapseln-in-Deutschland.html)
 243 [Kaffee kapseln in-Deutschland.html](http://www.welt.de/print/die_welt/wirtschaft/article123682807/4000-Tonnen-Muell-durch-Kaffee-kapseln-in-Deutschland.html), December 20.
 244

245 Schaefer, A. & Crane, A. 2005. Addressing Sustainability and Consumption. *Journal of Macromarketing*,
 246 25(1): 76-92.
 247

248 *The Business of Global Warming*. 2015. Nespresso Announces First Fruits of The Positive Cup, Its 2020
 249 Sustainability Strategy. 82.

250

251 *United Nations General Assembly*. 1987. Report of the world commission on environment and
 252 development: Our common future. 54.
 253 [http://www.un.org/ga/search/view_doc.asp?symbol=A%2F42%2F427&Submit=Search&Lang=](http://www.un.org/ga/search/view_doc.asp?symbol=A%2F42%2F427&Submit=Search&Lang=E)
 254 [E](http://www.un.org/ga/search/view_doc.asp?symbol=A%2F42%2F427&Submit=Search&Lang=E) Oslo, Norway: Development and International Co-operation: Environment.
 255

256 Vicente, P. & Reis, E. 2008, "Factors influencing households' participation in recycling", *Waste*
 257 *Management & Research*, vol. 26, no. 2, pp. 140-146.
 258