

LAST MILE DELIVERY: SERVICE DIVERSITY OR STANDARIZATION

Nespresso's Case Study

João Pedro Xavier dos Santos, 101661

Dissertation submitted as partial requirement for the degree of Master in Management
of Services and Technology

Supervisor:

Professor José Crespo de Carvalho from ISCTE Business School

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LIST OF ABBREVIATIONS

LM: Last Mile

LMD: Last Mile Delivery

B2C: Business to Consumer

B2B: Business to Business

RQ: Research Question

FG: Focus Group

AC: Ambassador Client

SD: Standard Delivery

YTAD: Your Time and Day

BPU: Boutique Pick-Up

PUP: Pick-Up Points

SDD: Same Day Delivery

SU: Student's Union

CRC: Customer Relationship Center

FC: Financial Controller

MS: Marketing Specialist

CRCM: CRC Manager

ECM: E-commerce Manager

ABSTRACT

The increasing necessity to create convenience for the consumer has been a challenge for all companies that invest in e-commerce. Besides the complexity of creating convenience, there is also the need to make these processes as efficient as possible. The last mile is the most expensive part of the supply chain and for that reason it is important to create an effort to reduce costs without ever neglecting the quality of the service. Nespresso has the challenge of delivering in the most prestigious way possible (given the strategic position of the brand), but at the same time to keep the operation efficient and as cheap as possible. This thesis therefore studies the impacts that the lack of scale creates in Nespresso's supply chain.

In order to understand these impacts, two perspectives were analyzed. The impacts that this strategy has for the company's operations and the impacts it has for the brand's consumer. To this end, interviews were conducted with employees linked to the supply chain area, focus groups with consumers and also an interview with a professional in the logistics area who is also a Nespresso customer ambassador.

This analysis allowed us to identify that the brand has a distinctive position in the market and that it operates in a totally different way from its competitors. For this reason it is expected that they deliver in more ways, even if these make the operation more expensive and less profitable. On the other hand it could be important to re-analyse the possible merger of some delivery methods or simply their reformulation. Furthermore it also allowed us to draw conclusions for other markets and companies and to understand the real importance that scale plays in last mile efficiency.

Keywords: Last Mile ; Nespresso ; Economies of Scale ; E-commerce

JEL Classification: R41; L91

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1. INTRODUCTION

The last mile concept initially appeared in the telecommunications industry and made reference to the speed bottleneck that occurs in the delivery of the service to the end user. This term was adopted for the logistic services, making reference to the last part of the supply chain where the product is delivered to the final consumer.

This concept is relatively recent and is still at a very early stage of development. A growing number of authors and academics are looking for answers to improve the art of delivering fast, well, and efficiently. But the truth is that ensuring an efficient and sustainable last mile delivery is far from being a reality. The last mile still represents the most expensive part of the entire supply chain (Gevaers et al., 2019). On the other hand, in the same way that last mile efficiency and sustainability are a significant distance away, quantitatively there has never been more need to strengthen these areas in companies. With the pandemic, home deliveries became a reality in every home and therefore companies had to adapt and come up with more and better ways to do it. However, there are several aspects, despite the costs, that make companies bet on the last mile: service and customer loyalty. These dimensions can be seen in a giant like Amazon or, in the case portrayed here, Nespresso.

*

A study conducted in 2020 by Multidados revealed that Nespresso was the second most consumed coffee brand in Portuguese homes (with almost 17% of the market) and also the most purchased coffee machine (figure 2). This company has a strong representation in Portugal and in Europe and has an enviable logistics operation. In Portugal the company delivers 96% of the orders in less than 48 hours. This level of service requires a fluidity of service that few companies can match.

This quality of service has been increasing with time but the difficulty of keeping it up has been proportional. After the pandemic the online orders grew exponentially and forced the company to give a faster response and with more quality.

The company presents 6 delivery methods for online orders nowadays. The fact that the company offers so many delivery channels puts into perspective a fundamental concept of logistics services: economies of scale.

When we talk about a home delivery service, from the company's perspective, we are looking for two main pillars: cost reduction and customer satisfaction. So let's break this issue down into two parameters.

As already explained, cost reduction, in the process of delivery to the consumer, is still a challenge that is seen as difficult to overcome. Let's look at a simple comparison to see how challenging this issue is.

The price of sea freight per TEU averages around 3,000 euros (depending on the place of transport). This means that if I want to transport a 20-foot sea container, I have to pay €3,000 to the carrier. Let's assume that we will be transporting books. A 20-foot shipping container is about 35 m³ in volume. If we use 90% of it (taking into account space for loading and unloading), we are left with 31.5 usable m³. A book has about 0.001 m³ of volume. This means that I can transport more than 30,000 books and that each one will cost me less than 10 cents to transport.

If I want to deliver one of those same books from a bookstore 10 km away from home, including fuel, toll fees, employee wages or distributor, insurance, wear and tear on the car, among others, I will certainly spend a lot more than the 10 cents I spent for transportation thousands of kilometers away.

This makes it relatively easy to understand the importance of scale in a transport process and how difficult it is to create that scale in the last mile. But that being the case, what are the advantages of Nespresso presenting six delivery models when this certainly diminishes standardization in delivery?

Notwithstanding this highly important issue that will be explored throughout this dissertation, we must also look at the other parameter that weighs on the quality of a delivery service - customer satisfaction.

The goal of any company is to satisfy its consumers so that they will want to buy more and increase market share. But satisfying the consumer is a big challenge that opens up on several parameters. To be able to offer the consumer what he wants, we have to be able to know our consumer. Understanding their needs, desires and conveniences is an arduous task.

But this leads to a deeper and more debatable question. Does the consumer really know what he wants and needs? Or do they simply think according to the information at their

disposal and make their decisions based on the available information? If so, what are the impacts of not having all the information? And should it be the role of the company to inform and guide the consumer to a more rational decision or just maintain the misinformation and adapt the offer to what the consumer thinks he needs?

2. RESEARCH QUESTIONS

Given the questions that emerged in the introduction chapter, the purpose of this thesis is to answer the research questions described below.. The next chapters will present the main theoretical principles that will provide the basis for answering the research questions. After this theoretical framework, the methodology to be used for the conclusion of the study results will be exposed, followed by a practical application of all the concepts explored so far on the case study chapter where we will dissect the research questions of the dissertation in more depth.

RQ1: What is the advantage of offering multiple delivery methods?

RQ1.1: What is the advantage of presenting multiple delivery methods from the company's perspective?

RQ1.2: What is the advantage of presenting multiple delivery methods from the consumer's perspective?

3. LITERATURE REVIEW: LAST MILE DELIVERY

3.1. Main Concepts of Last Mile Delivery

Defining the Last Mile has become a challenge today, due to the complexity of this concept. The various definitions presented to us by different authors tend to diverge in some points of view, which makes the task of understanding this increasingly important concept, complicated. In addition to companies realizing that there is indeed an interest in investing in this area, academic studies have soared substantially with three out of four articles appearing in the last five years (Olsson et al., 2019). Nevertheless, there are some common points that should be highlighted in order to clarify the definition of Last Mile.

First of all, LMD, is something that companies have to invest in order to differentiate themselves and thus be competitive in the market (Lim et al., 2017). Furthermore, it is clear that the LMD represents the least efficient, most expensive and most polluting part of the vast majority of supply chains in a wide variety of areas (Gevaers et al., 2019). Proof of this is the fact that the LM can represent (depending on various factors) from

13% to 75% of the costs of an entire supply chain (Gevaers et al., 2019). These values are due to several factors with two of the most important being the followings:

- **Economies of Scale:** The growth of globalization has allowed to produce at great distances from consumption hubs. And to make this possible, it was necessary to efficiently transport the goods to these consumption centers. The fact that the production centers have grown substantially has created high economies of scale in the transportation from the production center to the warehouses near the areas of consumption. The problem lies in the last stage of the supply chain where is necessary to deliver the product to the customer in the best possible way but this becomes highly inefficient and expensive due to the lack of economies of scale. A good example of this is well elaborated in Jonathan Reeve's book, "Retail's Last Mile" when he elaborates about the milk delivery model in the United States. Since 1785 milk was delivered from house to house. The fact that the milkman stopped at every house allowed the price of the trip to be extremely cheap due to the amount of service he did in a small space (Reeve, 2016). This phenomenon is extremely difficult to replicate in other goods and nowadays, because it rarely happens that we deliver the same product to several houses at the same time.
- **Attended Home Deliveries:** There is a problem in home deliveries that is difficult to solve. The greatest efficiency is created when the distributor (knowing the orders for the day) designs the optimal route so that it takes the least time and consumes the least amount of fuel. On the other hand this does not allow the consumer to decide the time at which he will receive the order at home. If the consumer decides the time at which he wants to receive the order (decreasing the time he has to wait at home and therefore increasing his satisfaction) the distributor's route, will be highly inefficient (Gevaers et al., 2019).

Gevaers et al. defined, in their study, the last mile as “the last stretch of a business-to-consumer (B2C) parcel delivery to the final consignee who has to take reception of the goods at home or at a cluster/collection point.” (Gevaers et al., 2019).

Other authors like Harrington et al. add to this definition the stakeholder groups, the surrounding urban systems and the associated transportation activities. In this way the author adds and complexifies the Last Mile concept (Harrington et al., 2016).

3.2. Last Mile Economies of Scale

According to Cambridge dictionary, an economy of scale is “the reduction of production costs that is a result of making and selling goods in large quantities, for example, the ability to buy large amounts of materials at reduced prices” (*Cambridge Dictionary*, 2022). This means that producing a good at scale allows, by dividing the costs among the goods, to produce more inexpensively. This term is usually associated with the production of goods. But it is important to realize that in services the concept of economies of scale also applies (European Commission, 1997).

As mentioned earlier, the most efficient delivery model was created by the milkmen. Because of the scaled deliveries, it was able to make each much less costly. But this book by Jonathan Reeve offers us yet another case where scale is leading directly to success. And it couldn't be other than the largest online retail company, amazon. The fact that amazon operates with large-scale warehouses and has managed to bring together a large part of people's everyday products in its portfolio, allows them to work on a unique scale. In addition, the company has also created a distribution system for other companies. This increase in sold quantities allows them to have many more customers per area, lowering the cost of each delivery (Reeve, 2016).

Quoting the article "Economies of Scale and Minimization of the Cost", "The presence of economies of scale allows industries and companies to have better profits" and this forces companies to create solutions in order to standardize their services and operate in scale, knowing that this is an extremely beneficial solution for the company (Rodríguez-Villalobos, et al., 2018).

3.3. Last Mile Main Trade-Offs

Trade-off is the compensatory exchange between increasing quality in a particular aspect of a service but also a negative counterpart associated with the same change. For example, if a company decides to use waterproof packaging, it will increase the quality of product delivery but the cost will also increase (Amaral & Guerreiro, 2014). In a more simplistic definition and quoting the Cambridge dictionary, trade-off is to “accept a disadvantage or bad feature in order to have something good” (*Cambridge Dictionary*, 2022)

Porter stated in 1996 in his famous article on "what is strategy?" that trade-offs forced the companies to select focus points and, besides that, it is by no means possible to guarantee maximum level of quality in service, cost and time (Porter, 1996). One of the best known

examples is the case of IKEA, whose consumers prefer to lose out on service and/or product quality over cost reduction.

But why is it so important for companies to be aware of trade-offs? This brings us to the topic of "know your target". Knowing the needs of consumers is vital to the success of a business. These needs are defined as a conscious feeling that the consumer requires in order to feel satisfied (Camilleri, 2017). Knowing what consumers consider crucial for their own satisfaction is not only an important step, but also necessary to ensure that our service has quality.

It is important to initially understand that the study of "customer expectations" has been done for about 30 years and even today there is no clear and homogeneous answer (Downie, 2015). The reality is that 2 billion cups of coffee are consumed in the world... every day (Brown, 2021). When we talk about the most consumed beverage in the world, apart from water (Farah, 2009), it would be unreasonable to think that there is only one type of consumer. Therefore, we have to look at the main trade-offs and which ones have more weight in this industry.

Speed: Speed has always been the great ally of home deliveries. Five years ago a company that could deliver a product on the same day was totally differentiated and gained a great competitive advantage (Porter, 1996) . Today, with the development of delivery systems to the consumer, it has become something commonplace and almost mandatory, making the distributors' job increasingly difficult (Castillo et al., 2022). This proves the increasing importance of speed in the last mile (Altenried, 2019).

Nevertheless, as defined above, each industry presents different conditions, so it is important to look at the coffee market. According to a study conducted by Nespresso, over 75% of people order coffee more than two days before they run out of stock. This means that the customer would probably not be so willing to give up the price factor for the speed factor, due to the non-urgency of the delivery.

Cost: A study developed in 2016 by Walker Sands, indicates that 90% of consumers would buy more online if shipping was free (Walker Sands, 2016). Analyzing a study about the company eBay, by the Oberlo, we can conclude that 71% of products already have free shipping (Oberlo, 2022).

The reality is that in recent years the concept of free shipping has been trivialized, due to the amount of free shipping on offer. This has led the customer to "demand" it and to find it odd when it is not offered.

In the same way that the consumer privileges not paying shipping, the same consumer is able to spend more money on the purchase of products at the expense of not paying shipping (Hubspot, 2022). This can lead the seller to "play" with the consumer so that they end up buying more products and spending more money.

The price issue is one of the big problems in developing last mile sustainability. The reality is that the last mile is already a costly operation in itself. The fact that the consumer prefers free delivery complicates even more the process of speeding up an efficient last mile.

Beyond these two parameters and the impact they have had on the development of consumer types, there is a new variable in the equation - sustainability. Essentially, in the last 20 years, there has been a growing concern with issues of environmental sustainability.

And this concern is proving to be increasingly correct. Since 1990, global transportation emissions have increased by more than 2% per year (Lamb et al., 2021). Reversing this trend will be a difficult and costly process. Looking at the industry sector, reducing CO2 emissions would have many associated costs, not only of research and implementation, but also of profit reduction. These costs, due to political interests, economic stakes, and lack of knowledge of some of the values, would be almost impossible to calculate (Gillingham & Stock, 2018).

The reflection is that consumers are increasingly aware of these environmental problems of transportation and logistics. For this reason, they are always looking to reduce their environmental footprint. Nevertheless, consumers do not want to make a trade-off. If this sustainable choice requires a longer delivery time or an increase in cost, consumers will continue to tend toward more polluting options (Gevaers et al., 2019).

4. NESPRESSO CASE STUDY

4.1. Case Study Context

The theoretical framework presented up to this point will be of great importance in the analysis of the case study so that one can effectively conclude the effects of scale on the

efficiency of a company's last mile delivery. To this end, it is important to address the research questions in an analytical approach in order to understand how the theoretical framework and the methodology can answer these questions.

As previously defined, the question we want to see answered in this dissertation is what are the real advantages of delivering the product to the customer in multiple ways. To be able to see this question answered, it is important to divide it into two sub-questions. First we have to look at the company's perspective. When we create a project within a company, no matter how much we want to satisfy the customer, we must always ensure that this project brings benefits to the company, even if it is only for the sustainability of the project. For this reason, the first step will be to study what the impacts of offering different modes of delivery are, from the company's perspective.

In addition to studying the company's perspective, it is of course important to analyse the positive and negative impacts of delivering in different ways. To do this we need to contact Nespresso consumers and understand what the definition of convenience is for them and what are the ways to satisfy them as buyers. Beforehand, it is important to look at the history of the company and how it operates.

4.2. Nespresso

As stated by Yan Cimon and Diane Poulin, "Nespresso is one of the most successful and innovative ventures in the consumer product industry in recent decades. Yet, it remains relatively understudied." (Cimon & Poulin, 2017). Nespresso was first envisioned in 1970 when two Nestlé engineers observed the complexity of coffee machines from a local coffee shop. For this reason they devised a way to bring a simplified and efficient system of delivering coffee to people's homes ensuring maximum quality but also convenience. So in 1986 Nestlé founded Nespresso in Switzerland with the purpose of delivering the best coffee to consumers (Brem et al., 2016). But Nespresso did not just stand out for its fantastic product or the world-renowned marketing with the slogan "What else?". Nespresso stood out for its unique ability to operationally be more efficient than competitors. The company focused its core on selling coffee capsules and not all the equipment surrounding them like machines and accessories (Matzler et al., 2013). This coffee is entirely produced in Switzerland where it is then distributed to the other countries.

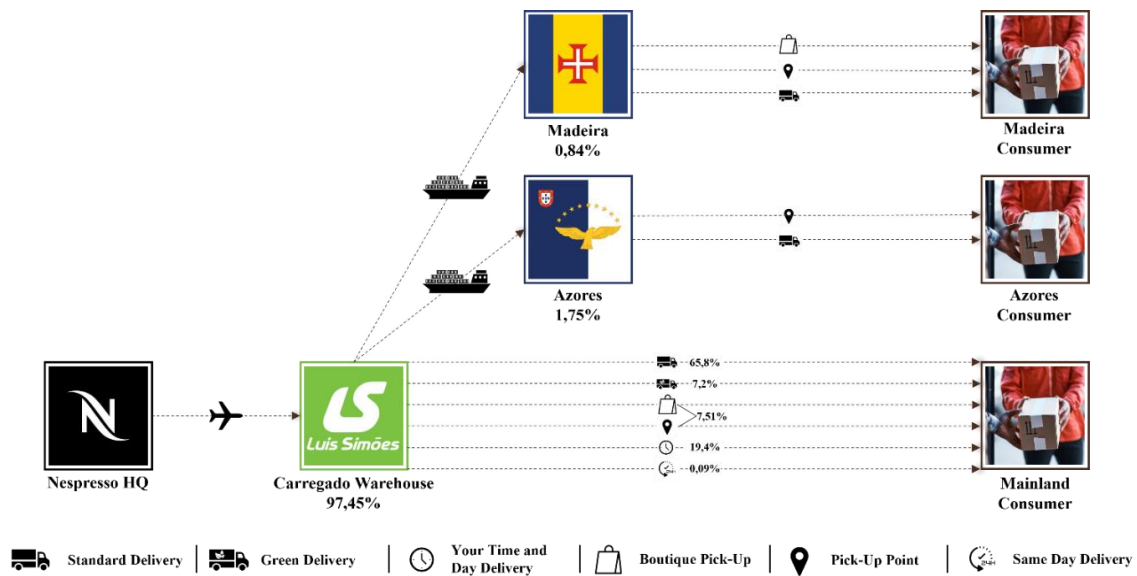


Figure 1- Nespresso Supply Chain

To understand the axes of improvement in the Nespresso supply chain, it is important to understand how it works from coffee production to delivery to the customer (focused on e-commerce perspective). First, all products, as explained before, are produced in Switzerland, at the company's headquarters. The entire Portuguese market is supplied by the same factory. The planning and demand department defines the quantities to be ordered directly from the headquarters and places the order. The product is sent directly to the Luís Simões warehouse in Carregado which is fully operated for the company in Portugal. Of all the cargo which is commercialized in the country, 1.75% is sent to Azores (more specifically to the island of São Miguel) and 0.84% is sent to Madeira (more specifically to Funchal). Both shipments to the islands are made via vessel.

After the products are in the respective warehouses, the company offers six delivery methods to the consumer. Which are:

- > **Standard Delivery:** Delivery service with the highest volume (Approximately 66% in continental Portugal). The Standard Service allows orders at any time and a delivery of the product on the next business day (in orders placed from Monday to Friday until 20:00. In Madeira the cut-off time is 16:30, if the order is placed later, it can be delivered in 2-4 working days. In the Azores, it has the same cut-off time but can be delivered in 3-6 working days). Delivery is free of charge on all orders over 21 euros. Otherwise the delivery will have a cost of 4€.

- › **Standard Green Delivery:** With 100% electric vehicles or using bicycles, Nespresso offers a sustainable and green delivery for the residents of Lisbon and Porto. In terms of timings and costs, it works in the same way as standard delivery with the same rules. More than 7% of the deliveries are already done according to this method.
- › **Your Time and Day:** This modality allows the consumer to select the time and day that prefers the delivery to be made. Perfect for those who cannot afford a full day at home, and can choose the most convenient time for delivery (same cost and conditions as standard delivery). This method is already used 19.5% of the time.
- › **Boutique Pick-up:** Nespresso also offers the possibility to pick up the capsules and products purchased in boutiques around the country. Without any additional cost.
- › **Pick-up Points:** An innovation increasingly used all over the world, the pick-up points allow you not to wait at home on the delivery day and to pick up your order close to your home at the desired time. Whether in lockers or at pick-up points, it allows greater flexibility for the consumer. Boutique Pick-up and Pick-up points account for more than 7.5% of deliveries.
- › **Same-day delivery:** There is also the possibility of receiving the coffee on the same day of the order. There are lots available and until 4 pm it is possible to order for that same day. The service costs €6 for orders under €21, €2 for orders between €21-80 and free for orders over €80. A relatively recent project that still does not represent 1% of Nespresso deliveries in Portugal.¹

The company only operates with one warehouse in mainland Portugal (located in Carregado and managed by Luís Simões). CTT and DPD are responsible for all the transport and delivery to the client. The companies collect the orders at the warehouse and then, benefiting from the use of their distribution and sorting points, they deliver to all areas of the country in less than 48 hours.

¹ (All the above information was taken from the website (*Serviços*, 2022) on the 11th of October of 2022)

4.3. The impact of scale

This dissertation will, for all the reasons discussed above, study, theoretically and practically, the impact of scale on last mile deliveries. The Nespresso case study will allow extrapolating real data for a more theoretical approach to the subject in question.

Nespresso, as previously discussed, delivers products to the customer in 6 different ways. This variety in delivery modes represents a greater number of possibilities for the customer, so that the delivery is as convenient as possible. The problem lies exactly in this situation. It is necessary to understand that if these delivery modes really offer enough convenience to justify the changes in the economies of scale of the deliveries. The fact that Nespresso offers such a large number of delivery modes automatically decreases the scale, jeopardizing the efficiency of all the company's adjacent e-commerce services. This decrease in efficiency can be visible at various points in the chain. Whether in warehouse management where it makes it difficult to divide the various types of delivery, or in the work of distributors who end up having high variables or even in the underlying operations that are of high density due to the high number of variables in the several means of delivery.

But to understand if it really pays to offer several delivery methods it is necessary to study several factors related to the service. First of all it is necessary to understand the weight that customer satisfaction has on services. The 2006 study by Rade B. Vukmir allows us to conclude that some consultants argue that getting new costumers is 5 times more expensive than keeping a loyal customer. This is the first indication of the need to satisfy the customer (Vukmir, 2006). Furthermore, we conclude in the same article that the consumer requires competence to be satisfied.

In the literature review chapter we took a look at the importance of trade-offs. The customer in the e-commerce delivery market does not give up on quality. A failed delivery can be very expensive for the company. However, speed is becoming more and more of a requirement and the customer gives less and less margin to this factor. Nespresso is highly competitive in this field, delivering more than 96% of the orders within 48 hours from the time of the order. The price factor is also increasingly problematic as the consumer wants to benefit from free deliveries regardless of the service or company. This growing demand by the consumer, in all its variables, makes the efficiency of the last mile more difficult, and for this reason it becomes more and more of a challenge.

This dissertation proposes to analyze the real advantages of the company delivering the products to the customer in six different methods. It is important to understand what are the advantages of each of the methods, the interest for the client, for the consumer, the level of complaint and satisfaction, etc. All this data will be taken into account for the study. After the analysis made in this case study, it will be important to draw conclusions at the theoretical level as to how scale really impacts cost reduction and if this cost reduction has enough impact to ensure customer satisfaction and project sustainability.

5. METHODOLOGY

5.1 Methodology Context

In order to answer the questions that were defined throughout the dissertation, it is important to define the methodology that best allows investigating them. To answer the main research question it is necessary to study the two sub-questions individually. For this purpose, this chapter will be divided into two parts that will elucidate the methodologies used in each of the two questions, the first focused on the company and the second on the consumer.²

5.1.1. The company's perspective

As previously discussed, in order to have projects and ideas within a company we need to ensure that they bring some sort of viability and sustainability to the project. The fact that the last mile is the most expensive part of the vast majority of supply chains means that there is greater pressure for it to be highly efficient. If an efficient and well-designed supply chain is already expensive, if it has root problems, then the costs can be highly impactful. For these reasons, the study of the impact of scale, from a purely company perspective, is crucial.

In order to do so, interviews were conducted with Nespresso employees so as to understand their opinions and also quantitative data relevant to the study. For this analysis to be conducted, a standard interview was sent to the interviewees (in order to prepare them as well as possible) and a meeting of up to 1 hour was scheduled in order to hear the opinion of each employee and openly discuss the issues related to the company's last mile. The selection of these employees was also meticulous and important for the results. Four collaborators who are somehow connected to the company's last mile were selected.

² Previous Note: The "Green Delivery" method was not considered for the discussion because it is a system that is somewhat allied to "Standard Delivery". All consumers in the big Lisbon and Porto areas can only select the green delivery method.

Besides that, employees from several areas of the company were also selected in order to have different points of view, from several contexts and with opinions formed in different ways. The point of view of a member of the financial area is expectably different from that of a marketing or from a CRC collaborator. This diversity allowed a more comprehensive and real study of the opinions of employees. Finally, the most important information was extracted, always in the sense of understanding what the real advantages and disadvantages of delivering the company's products in multiple ways are.

5.1.2. The consumer's perspective

After having completed the study on the employees' point of view, it was important to find out with the consumers how last mile impacts their choice of coffee brand and how satisfied they are with it. No service functions without customers and therefore their opinion is crucial for this study. For this reason RQ1.2 is extremely important for the final result. To answer this question it's necessary to approach the consumer directly and listen to his pains and needs.

For this purpose a qualitative analysis was used to listen to the consumer and draw conclusions. The study method selected was the focus group. This methodology is defined as a data collection method that allows interaction and discussion between the parties and also the role of the researcher as a moderator of this dynamic. Because of the research's dynamic characteristics and because there is room for debate and discussion, it fits precisely in the dissertation's needs.

The first step in facilitating the focus group was the planning. At this phase it was defined the objectives of the focus group, the structure of the script, and who and how many participants would be. It was thus defined that there would be 3 groups with 5 participants divided evenly. There was a subdivision by age in order to allow discussion among individuals of the same age range. After the identification of the 15 participants and their invitation, there was a communication with them in order to give all the pertinent information and to prepare them for what would be done on the focus group date. The choice of 3 groups of 5 people was due to two factors. The fact that there are 3 groups is mainly due to the reason that if one group is "contaminated" by one person, the others remain credible and studiable. The number of participants allows for enough people to debate but forces no one to abstain and not participate, making it easier to control proactivity. The focus group will therefore allow us to study in a broad way the needs,

tastes, preferences and pains of consumers so that we can extrapolate this data and be able to answer RQ1.2.

As well as the Focus Group, an interview was also conducted with an ambassador client. This title is awarded to the most loyal consumers and results in several advantages in brand products and also in partner companies such as restaurants and hotels. In addition to this status, the ambassador client has worked more than 40 years in the logistics and transport area (not affiliated to the company under study), which gives a different level of credibility to the feedback given. For this reason an individual interview was conducted in order to understand how he perceives the service that Nespresso offers, and how the multiple ways of delivery impact the last mile.

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The analysis made wants only and exclusively to be able to draw conclusions about the current state of the company and therefore draw theoretical conclusions about the impacts that scale has for the last mile of a supply chain. The results and opinions of the company are therefore extremely important for this conclusion.

6. DATA ANALYSIS

6.1. RQ1.1: Nespresso's employees interviews

6.1.1 Interviews Format

As stipulated above, interviews were conducted with Nespresso employees to understand the operational and logistical impacts of delivering in multiple ways to the consumer. Four independent interviews were therefore conducted with four employees from different areas, in order to broaden our knowledge about the impacts of deliveries. The various departments allowed us to have different and distinct approaches on the subject. The interviews lasted between 30-40 minutes and were conducted with the following employees:

- Financial Controller
- Marketing Specialist
- CRC Manager
- E-Commerce Manager

Throughout the interviews a number of themes and questions were addressed which were strategically outlined so that some conclusions could be drawn and then cross-referenced

with consumer information. In the next four chapters we will understand what are the real impacts on the company of delivering the product in multiple ways.

6.1.2. Disadvantages of each delivery method

The first aspect to be studied was related to the main problems that each delivery method had for the company and its operations. The feedbacks were various but in a certain way they all ended up being related. Following is the detailed analysis of the impacts of the delivery methods for the company:

- **Standard Delivery:** The SD service garners the most critical mass for Nespresso delivery services. Nearly 70% of orders use this method of delivery. It is the most conventional method which guarantees delivery within 24-48 hours. All employees interviewed agree that it is definitely the most important and the one that makes the most sense today. It is everything the customer expects from delivery and even though it is not the cheapest way, the transport costs are not excessive and the operational burden is not very high. The only shortcomings pointed out were: the fact that it has some gaps and little precision in the delivery time (marketing feedback) and the fact that the customer cannot choose the time window which is more favorable to him (E-commerce feedback).
- **Your Time and Day:** The YTAD service, as already mentioned throughout this dissertation, is very similar to the SD service with the particularity that it allows the customer to choose the time of delivery. When questioned about the delivery methods, the financial controller acknowledged the convenience for the consumer but highlighted the increase in price and the operational difficulty this represents for the company. It was also highlighted in the conversation with the CRC manager that there is effectively a greater margin for complaint in this service due to the fact that the customer expects the delivery to be made on that day and at that time.
- **Pick-Up Point:** Pick-up points are a recent delivery system that has seen substantial growth in recent years. The only disadvantage that was highlighted was the fact that the delivery is not made at home but somewhere else. Nevertheless, the consensual feedback among the four employees was linked to the opinion that this mode is the best for both customer convenience and company costs. This mode is still under development, but according to the CRC manager,

there has been an increase of around 100% of PUPs, evolving from 150 to more than 300 in recent years.

- **Boutique Pick-Up:** Boutique pick-ups allow the consumer to go to a boutique without the need for waiting. This service differs a little from the others due to the fact that the consumer needs to go to the shop anyway to make the purchase. The big problem pointed out by the e-commerce manager is that there are still few boutiques in the country, especially outside urban centers. On the other hand, the financial controller highlights that the BPU is the cheapest mode because it is possible to play with stock and does not require transportation.
- **Same Day Delivery:** This delivery method is the one that most divides opinions. On the one hand, because we are talking about the pinnacle of convenience for the customer. The opportunity to receive the product on the same day and without leaving home. On the other hand, it is the most expensive delivery method, with more operational effort. It's where employees have to make more effort, not only in the office but also in the warehouse. The financial controller highlights the high price of the method and that the amount charged to the consumer does not cover the costs of the service. The CRC manager considers that this service may run the risk of overservicing and represent more costs and operational stretch than customer value.

6.1.3. Delivery methods impacts in operations

After meeting with all the employees, the conclusions about the main impacts that the last mile dimension has were quite consensual. The positive impacts are directly linked, from the customer's perspective, to giving more options to the customer that they value. Besides, it is directly associated with the premium image of the brand.

The most important question is to analyze the impacts that this last mile dimension has on the daily operations of each of the areas.

- **Financial Area:** The discussion of the disadvantages was more extensive when we discussed it with the financial controller. The financial area will always be more susceptible to the costs and efforts that are made within the company. The main problem that this model creates is related to the high difficulty of forecasting and calculating the demand for each delivery mode. This affects the quality of the forecasts and makes it more inaccurate. Furthermore, these delivery models make

the company operate with 4 different distributors. This further increases the complexity and dimension of the analysis. Being more complex also means more lines of information and content. This increases the possibility of error and the chance of mistakes in the analysis of the information. Despite all this, the financial controller pointed out that operations are becoming increasingly oiled, and are coping with all of this.

- **Marketing:** The head of marketing had a different opinion to the one previously mentioned. Marketing seeks above all to create value for the consumer. And this means that the priority is often not the sustainability of the process or even the viability but rather trying to understand how they could increase satisfaction and convenience for the consumer. The feedbacks were more focused on the fact that the operations managed to decrease the error, even under adverse conditions. It was also pointed out by the department that customers are all different and being able to offer in more different ways ensures that we are making more types of customers satisfied. Nevertheless the department perceives that a job that needs to be done is to ensure that all consumers are aware of all delivery methods.
- **Customer Relationship Center:** When we talk about a department directly linked to consumer feedback, there is a clear concern for customer appreciation. If there is one department that understands the pains of the consumer, it is the one that deals with their complaints on a daily basis. For this reason the feedback from Nespresso's CRC manager allowed us to draw some interesting inputs. Firstly it clarified that when there are more modes of delivery, there is a greater perception of the error and a higher probability of it occurring. Secondly, there are more customer complaints because the demand increases. Furthermore, according to the interviewee, it is important to understand if there is a risk of overservicing, because the customer may not value all delivery methods.
- **E-commerce:** The main purpose of the e-commerce department is to make the website more dynamic, test its operability and update it when a new delivery method is launched. This department ends up not being so burdened due to the excess of methods. However, it is important to understand the impact this has on the type of work. The fact that there are multiple ways to deliver means that there is more information on the site to manage and more campaigns to create. This increase in data leads to an increase in the possibility of error.

Notwithstanding with this feedback about the disadvantages, all employees interviewed agreed that the difficulties created are relatively manageable and that the operations are increasingly oiled in such a way that there is no noticeable operational overload.

6.1.4. Delivery methods ranked

In order to understand the value given, in the company, to each delivery method, the interviewees were asked to rank them from most important to least important. In this way we also received feedback from them in relation to each method and in what way it contributes or not to the success of the company.

- **Financial Area:** When we met with the financial controller he was extremely clear and direct in his opinion. In first place came SD due to its convenience and critical mass of orders. In second place was YTAD due to the large growth of the delivery method and the increasing number of people looking for that extra bit of convenience. Next, and very close to each other, came the PUP and the BPU. By their similarity in service and the convenience it brings to the consumer. Last but not least is the SDD.
- **Marketing:** The ranking created by the marketing specialist was partly different from the one created by the financial manager. Firstly, it narrows the gap between SD and YTAD. This is because he has the feeling that the consumer is increasingly looking for convenience and YTAD is clearly growing more. In third place is SDD because it is the one that, in his opinion, brings more convenience to the consumer. Next came the PUP and the BPU respectively. The fact that BPU is placed last is mainly due to the fact that it is a "different" method, in the sense that the consumer needs to go to the boutique anyway. This ranking of methods ends up being more focused on customer convenience as opposed to the previous ranking which had a greater focus on the cost of deliveries.
- **Customer Relationship Center:** The CRC manager favored, like her colleagues, the SD service. On the other hand, she placed the pick-up points system in second place because she recognized high levels of convenience. In third place is the BPU because it's a bit of the Nespresso essence and it's an area where the Nespresso experience is more defined. In fourth place is YTAD because it is relatively similar to the standard system, but requires a greater operational effort. Lastly, SDD which, according to the interviewee, may not be valued by the consumer.

- E-commerce: The feedback from the e-commerce manager concurred with all the others in number one. The SD is the one with the most critical mass and the one the consumer expects the most. This was followed by the PUPs due to their levels of convenience and low cost to the company. In third place was YTAD because of the growth it has experienced in recent years and the fact that the customer can enjoy the service for the same cost as SD. In fourth place was SDD because in their opinion it represents prestige and shows the consumer that the company makes every effort to deliver fast and well. The BPU comes last because of the lack of boutiques outside urban centers.

The table below shows the summary of the feedbacks given.

COMPANY'S FAVOURITE DELIVERY METHODS					
	SD	YTA	BPU	PUP	SDD
FC	1	2	4	3	5
MS	1	2	4	5	3
CRCM	1	4	3	2	5
ECM	1	3	5	2	4
AVG	1	2,75	4	3	4,25

Figure 2- Company's Favourite Delivery Methods

SD- Standard Delivery | YTA- Your Time and Day | BPU- Boutique Pick-Up | PUP- Pick-Up Points | SDD- Same Day Delivery

This extensive data contributes a lot of importance to the study. Firstly because none of the rankings were the same and there is even some discrepancies in opinions (except when it comes to standard delivery). This shows that there is a bet on several methods and, as usual, several different opinions and points of view.

Regarding standard delivery, this method represents about 70% of the company's deliveries. For several reasons, it is still the method that the consumer most demands and where there has to be a greater focus, as also seen in the opinion of employees.

Even with all this information, all employees agreed that it was very important to present various methods in order to ensure that each and every type of customer was satisfied in the process. As stated by the marketing specialist, there are many different customers and the company is focused on ensuring that all of them are satisfied, in as many ways as possible. The e-commerce manager also points out that the company wants to operate

with customer convenience in mind and that the ideal would be to expand the network in order to present more quality service and more scale.

After the analysis of this data, it is now important to look at the values and opinions obtained in the focus groups and with the ambassador client, in order to perceive the consumer's needs.

6.2. RQ1.2: Focus Groups + Ambassador Client

6.2.1. Methodology Context

As mentioned in the previous chapter, 3 focus groups were held with 5 participants each. The participants were predominantly from Lisbon, but at least one per group had a house outside the urban centers. In addition, consumers between the ages of 21 and 62 participated. All FG started with a theoretical introduction where the participants were briefed on the dissertation topic and the study objectives. Furthermore, there was an approach to some important concepts in order to ensure that everyone understood the language and terms used throughout the meeting (e.g. last mile, focus group, etc.). Throughout the meetings, some questions were asked (which were called base questions) that were transversal to all FG. These questions aimed to understand some data of the consumer-company relationship. In addition, these questions also aimed to unlock the interaction between all participants in order to increase the dynamics of the discussion. As this dynamic increased, some questions were put to discussion in order to direct the feedback and the information that was passed on to the study areas. The dynamic of the groups was different in each one but there was always a lot of participation from all involved and some moments of disagreement, which increased the quality of the results. All FG lasted between 35-45 min.

Over the next three chapters we will look at the broad themes covered in all the focus groups and analyze what the conclusions of each were. Although some topics of conclusions were guided, there were plenty of moments where participants brought different approaches and opinions than those that were expected to conclude.

6.2.2. Consumer Characteristics

One of the first goals of the FG was to understand the characteristics of the consumer, not only of Nespresso but of coffee in general. It was therefore important to understand how they consume coffee, how often, in what quantity, in what way, etc. To do so, some basic

questions were asked focusing on personal experience. Some examples of these questions were:

- How often, on average, do you order coffee online per year?
- How much coffee do you usually order?
- What stock do you usually have available before placing the next order?
- ...

The values of the respondents were important for the study but were not the actual purpose of these questions. The conclusions that were drawn from the data presented are of greater importance.

In all FG, people who consumed coffee in larger quantities and who "needed" coffee on a daily basis, did not let their stock run out before placing an order, so as not to run the risk of running out of coffee. There were only two examples of interesting cases: the first one, from FG1, where one of the participants ordered for the school's SU and for this reason the orders were more or less fixed (this was a B2B perspective); the other case, from FG3, was a consumer whose opinion deviated from the standard due to the fact that the person in question preferred to drink coffee outside home and for this reason ended up letting the available stock of coffee run out.

With this data a discussion was opened between all of them, leading to some conclusions. The first of them (which came up equally in FG1 and FG2) was related to the perishability of this commodity. Coffee is a non-perishable product which allows ordering in large quantities. Normally companies even encourage these options with some marketing strategies such as reducing the price of the order when a certain amount is reached, offering gifts, free delivery, etc. This leads to the customer ordering in larger quantities but less times per year. In FG1 there was even an example of a large-scale consumer who ordered only 3 times a year, because each order exceeded 300 capsules. This is a behavior not seen in many other markets.

In addition to the issue of perishability, the fact that coffee is not a commodity was discussed. One of the factors that leads consumers to order online and wait 1-2 days (or even longer) for coffee is the fact that it is not a commodity and if they do not have it available, they have other solutions such as bars, cafés or restaurants. This makes the company's delivery margin higher. A client will not like it less if the service is delivered in 72 hours instead of 48. For this reason, coffee e-commerce is clearly an area that has

room to develop day after day. Nespresso has made a huge investment in getting its coffee delivered as quickly and with the highest possible quality. Nevertheless, the fact that delivery is faster can represent a plus in service and an increase in customer satisfaction.

Without undermining what was said before, the consumer is increasingly more critical of the delivery service. We look around and see large global companies already able to deliver online purchases in less than one hour. One of the FG3 consumers in the middle of the debate pointed out that over the years the increase in quality of delivery services has been remarkable. She added that 20 years ago it was inconceivable that we could receive so many goods, so fast and with such quality. This makes people not tolerant to the delivery service error and this was evident in some testimonies:

- FG1: 3 of the focus group participants changed the way they ordered from the company because of bad experiences. Two of the consumers ordered via the "your time and day" model and some failures in the delivery time window led them to start ordering via standard, knowing that YTAD might not be accurate. Also in this group, there was a case of a consumer who, after trying the "same day delivery" and failed, started to collect always at the boutique or in pick-ups.
- FG2: In FG2 one of the consumers had some concerns about one of Nespresso's delivery partners. Due to several bad experiences with the transporter in coffee deliveries, he chose to always pick-up from pick-ups. Another member of the group also pointed out a bad relationship with this same partner, yet did not change the way they received their coffee.
- FG3: This group did not have any substantial complaints related to the delivery methods.

These problems in the quality of the service have simply led to changes in the delivery modes used. Nevertheless, this increases the risk that they will stop buying from the brand due to bad experiences. With this in mind, the coffee delivery service will probably not be about speed but about quality. More important than receiving my order today, is receiving it with 100% certainty in the way I have defined and in the time frame agreed upon.

When these topics were discussed with the ambassador client, the feedbacks were somehow similar. He orders an average of 10 coffees a day. He buys more than 300 euros

worth of coffee every quarter and only uses the e-commerce system when ordering for a second home outside urban centers (due to the lack of infrastructure nearby). There was also a discussion about the need for the speed of service where he doubts the need for customer satisfaction. Nevertheless, as previously mentioned, this plus in the service always serves to improve the customer experience, when done with quality.

6.2.3. Trade-Offs

6.2.3.1. Trade-Offs Context

Trade-offs are one of the issues covered in this dissertation and is of great importance for a company's decision-making process. As previously mentioned, trade-offs consist in giving up on one characteristic of the service at the expense of increasing another. When we want a service with high quality and quickly completed, we know it will cost more. In the same way, if we want one done quickly and cheaply, it will come out with less quality. A company has to know its consumers in order to understand what they privilege.

Assuming that the 4 trade-offs are cost, quality, speed and sustainability, two base questions were asked:

- Which trade-off(s) do you feel most influence(s) the fact that you consume Nespresso?
- Come to a consensus on which trade-off(s) is/are the most important for a Nespresso customer.

These were the only issues that were fully agreed across all FG (including interview with AC). All consumers agreed that the main reason for consuming Nespresso was linked to its quality.

The table below shows the importance given to each of the trade-offs when buying Nespresso.

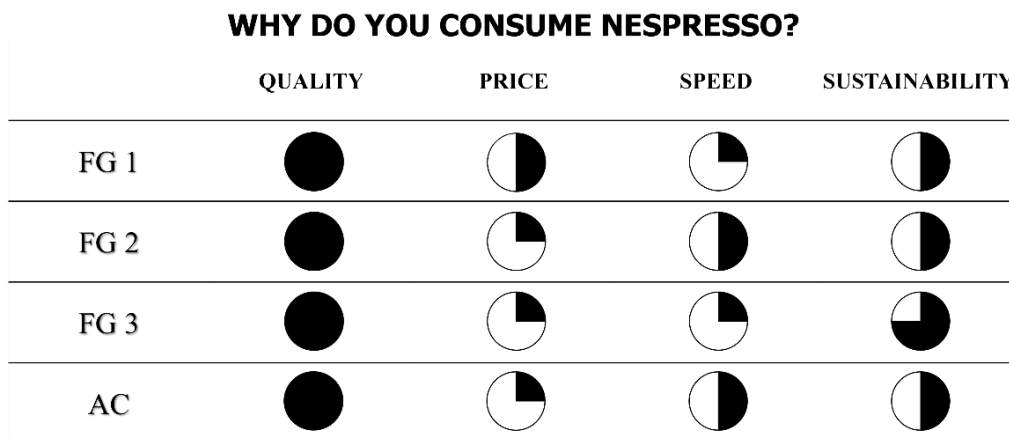


Figure 3- Consumer's Trade-Offs

Let us then analyze the information gathered on each of the trade-offs.

6.2.3.2. Quality

Whether consumers like the brand's coffees or not, Nespresso coffee is known to be totally different from the competition. With extra creaminess and a distinctive taste, Nespresso coffee rose to great popularity due to the creation of the capsule system, where they gained many customers. The issue is that other brands followed this trend of capsules and when in 2012 the patent ended, the Nespresso ecosystem became less proprietary and exclusive. Regardless of this many people started consuming the Swiss brand and getting used to its taste and texture. And this became a great differentiating factor.

Furthermore, the brand has a premium service for all consumers, being associated with some luxury and refinement. When asked about the main reason for consuming Nespresso, the participants highlighted the quality of the coffee and the variety of options available (from limited editions to new flavors). This proves what the consumer is interested in when purchasing the product. The only person (from FG3) who does not buy the coffee for its quality, does so for the experience they have when they go to the boutique and the way they are treated. However, they also buy the product for the quality of the service.

The capsule concept created by the company has revolutionized the way coffee is consumed around the world but what has really captured consumers is the quality and diversity of the coffee. For this reason it is essential that the brand continues to invest in this direction.

6.2.3.3. Price

After the pandemic that stopped the world in 2020, an unprecedented economic crisis has rocked the world. Inflation has skyrocketed, the costs of personal expenses have increased and the luxuries that are allowed to be practiced are fewer and fewer. Coffee is not seen by our society as a luxury but as a necessity. As mentioned above, 2 billion coffees are consumed every day around the world. It is a commodity that people value highly.

Interestingly enough, Nespresso did not lose critical mass of sales during the pandemic (which is to be expected). This proves that the Nespresso consumer does not buy the brand for the price associated with it. Nespresso presents itself as a prestige brand, of quality and of a differentiated level. And this is present in consumers' perception.

Inversely proportional to the quality aspect, the Nespresso consumer does not consume the brand's coffee because of the price. Even as said in FG1 "if the price had an impact on my choice of coffee, I would automatically switch brands". It is well known that the brand's coffee is slightly more expensive than the main competitors' but that price is usually justified by the quality of the experience, the extras and the coffee. The only comment that came in the opposite direction came from the consumer who orders for the university, because as it is a B2B perspective, it allowed for some credits that actually made it cheaper, versus the other coffees sold at the university.

Notwithstanding this information, it should be noted that both a participant in FG1 and FG2 stated that in case of financial difficulties, one of the first places where they would cut costs would be in the brand of coffee. This means that consumers are aware that they pay more for coffee than they could afford but are nevertheless willing to give this up if the need arises.

6.2.3.4. Speed

During the discussion about which trade-offs were most important when choosing a coffee brand, the speed of the delivery system was a topic of debate. As mentioned earlier, consumers who participated in the FGs said that the speed at which they received their coffee could be more elongated, sometimes discrediting the difference between two to four days. Participants considered this temporary window to fit in with a "good speed of delivery".

It is true that today's consumer is increasingly looking for convenience and speed in getting products. It is also true that companies increasingly feel more pressure to deliver

as quickly as possible. But sometimes companies subject themselves to an operational effort that may not be valued by the consumer. When we talk about coffee, a non-perishable product that is not considered a basic need, the customer wants to be able to have it at home close to the order date but does not have an exaggerated urgency to receive it. If there is urgency and the customer feels that he really needs to consume a coffee, he leaves home and goes to a place where he can be served.

In both FG1 and FG3, there was some discredit related to the speed of delivery. Consumers eventually agreed that the only real concern was that the coffee actually arrived within four days. But no one mentioned that it was a concern when ordering. In FG2 it was concluded that there is extra value in arriving faster than expected, but that this did not affect their choice of coffee.

6.2.3.5. Sustainability

The discussion of sustainability was slightly different from group to group and will therefore be presented individually:

- FG1: In this FG were the youngest people in the study. And the generation in question is more likely to care about these causes. According to NASDAQ, three quarters of Gen Z consumers claim that sustainability is more important than brand names. Conceptually this is a reality and the generation favors a sustainable service. The problem is when that sustainability has a significant increase in cost. There was some consensus that the issue of sustainability was relevant and increasingly impactful in their decisions, but they agreed that if they have to pay more for a sustainable service, they will hardly adhere to it. For this reason FG1 values sustainable services but does not exclusively seek them out.
- FG2: In FG2 there was a similar approach and discussion to FG1. The main topic that was discussed, apart from everything already exposed, was the fact that this group considers that it is the responsibility of the company to take this step, and not the consumer. For this Focus Group, the one who has to take the step forward, regarding sustainable services, is the company, because if it depends on the customer, he won't want to increase costs and the fight against the ecological footprint won't be enough. Curiously, Nespresso is already doing it in a somewhat strong way (by offering green delivery all over Lisbon and Porto) and shows great willingness to continue moving in that direction.

- FG3: In addition to the topics discussed above, FG3 also spoke about the impact that the factor of coffee being consumed via capsule had on his decision making. As they have a large margin for sustainability, consumers value this connection between Nespresso capsules, sustainability and the reverse logistics of the same.

Ambassador Client

When we interviewed the AC, as mentioned above, he stated that the quality of the coffee and the boutique service were the main factors for him to consume. Like the FG, he considers price as the factor that is furthest removed from the reason for consuming Nespresso coffee. Even so, he focuses on a characteristic, not yet mentioned, related to advantages. Nespresso presents a very strong marketing linked to rewards per purchase dimension. Easily a Nespresso consumer can buy a machine that is quite expensive but with the condition of receiving the value of the machine in coffee capsules. As it is a non-perishable product, the customer practically receives the machine free of charge. This also happens with cups, accessories and chocolates, for example. This makes the customer motivated to buy more and perceive the cost differently. Regarding speed, the AC stated that the reality is that the customer values speed but in this type of commodities he doesn't perceive it as a necessity and therefore it is very important not to take risks of overservicing. Regarding sustainability, he considers that it is of high importance to follow the trends but that it will be difficult for the consumer to assume sustainable attitudes if the company does not do it seriously.

6.2.4. Delivery Methods

Throughout the FG, in addition to trying to understand consumer behavior in a more general way, there was also discussion linked to what they prefer specifically in the company, focusing therefore on delivery methods. Not only were the methods that consumers used, and why, discussed, but we also tried to understand which methods the consumer considers advantageous, even if they are not using them at the moment.

For this purpose, some base questions were asked, which led to some discussion among everyone:

- Which delivery method do you personally favor? And why?
- Consensually, list from most important to least important all the delivery methods?

- If they were to remove part of the delivery methods, would you rethink your consumption of the brand?
- Do you value the brand delivering in different ways?

This discussion was the one that ended up generating the most debate and discord in the groups, and for that reason, generated the most different inputs. Let us look at the different conclusions of the different FG.

- FG1: In this group there was a clear preference for the standard delivery method. Most consumers used this delivery method, with the exception of one who opted for boutique collection due to past delivery failures. Disagreement arose when asked about their order of importance. In this group as in the others, there was a relativization about the differences between standard delivery and your time and day (knowing that the only difference is that the consumer can choose the time window in which to receive the products at home). There was also a tendency to assume that your time and day would be more important to consumers, and for this reason, to place it in the first place of importance. Oddly enough, the FG participants did not use this method, which is essentially due to experiences in which the product was not delivered in that window and for that reason they prefer to opt for the standard and wait for the time the company presents. Regarding the others, they opted for the boutique pick-up in third position due to the convenience of not having to wait at home and being able to collect the order when it was more convenient. In last place, and by consensus, they placed the same day delivery due to the fact that they do not consider delivery on the same day to be relevant and because they do not imagine themselves using it.
- FG2: The opinions of the second FG were slightly different from the first. In this group the use of pick-up or boutique deliveries predominated. And they all agreed that in terms of convenience this was much more practical than all the others. For that reason it was consensual to put pick-up points in first place. In second place, they put the boutique pick-up, recognizing that for them (residents of the greater Lisbon area) it was easy to use this method, but that in terms of convenience, for areas that do not have boutiques nearby, it can be more complicated. Thirdly, there was some discussion about whether to stay with standard delivery or YTAD. The conclusion was the same as for FG1, with YTAD being the same as standard delivery but with the advantage of being able to choose the time slot.

The last one was the same day delivery. The opinions were relatively similar to the other groups, considering that they would not like to pay more nor have special interest in receiving the coffee on the same day. However, one of the consumers placed it fourth, and not last, in his personal top because he has had positive experiences with SDD in an out-of-town area where he needed coffee urgently and this method solved the problem.

- FG3: This group showed a clear difference right from the start. None of the participants in the group knew about the various delivery options. While only one person in both FG1 and FG2 did not know all the methods, no consumer in FG3 did. After the methods were presented and there was a discussion about the practical usefulness of each one, the ranking process began. Curiously there was an alignment with the ideas of FG1, having the same debate about SD and YTAD and the same conclusion about the extra complexity of YTAD (this conclusion also appears because the YTAD service does not have an additional cost). They also agreed that the pick-ups have a very large growth margin and the big advantage over the BPU is the fact that there are more pick-up points around the country, so it is more functional for everyone. Finally, they also left the SDD because they didn't feel they would use the service. If they didn't have coffee they would opt for a different solution like drinking on the street or going to a boutique.
- AC: The ambassador client had a slightly different opinion from the groups due to his experience as a professional in the field. He considers standard delivery to be today the most complete and important. This method offers the consumer what is expected from a home delivery service. In second place he puts YTAD because he recognizes the operational difficulties that it brings, usually meaning more error and more dissatisfaction. The consumer prefers not knowing the day on which he will receive his delivery and being informed the day before than knowing that he will receive it on a certain date and this service fails. Then the AC puts the PUP and BPU in the same order as the other FG and for the same reasons. Finally, the SDD is left because he does not consider it to be a necessity and states that it can be a method that is at risk of overservicing.

In the table below is represented the summary of the information given by consumers about the shipping methods.

CONSUMER'S FAVOURITE DELIVERY METHODS					
	SD	YTA	BPU	PUP	SDD
FG 1	2	1	4	3	5
FG 2	4	3	2	1	5
FG 3	2	1	4	3	5
AC	1	2	4	3	5
AVG	2,25	1,75	3,5	2,5	5

Figure 4- Consumer's Favorite Delivery Methods

SD- Standard Delivery | YTA- Your Time and Day | BPU- Boutique Pick-Up | PUP- Pick-Up Points | SDD- Same Day Delivery

These data show us that consumers favor, in their theoretical concept, the YTAD method. Curiously, this method is not used as much as the SD method. This preference in practice may be directly linked to a lack of knowledge of the various methods or even to past negative experiences (YTAD has less margin for error). Theoretically, the customer recognizes that the standard service and YTAD are extremely similar and prefers to be able to choose the time of delivery. Pick-up points clearly stand out for the convenience they offer and for their greater coverage than the boutique pick-up which is next on the list. Last but not least, the consensus is on the SDD service, which is mainly due to the cost factor and to the non-urgent nature of the coffee.

7. CONCLUSIONS

7.1 Conclusions Structure

After finding out from employees and consumers what their points of view are, it is important to bring all the conclusions together in order to understand what are the advantages and disadvantages of Nespresso delivering in so many different ways. It is important to reinforce that all the conclusions drawn are based on the information collected, not meaning that they are the only right approaches. Besides suggestions of improvement for the company, it is important to draw conclusions on this subject for other sectors and industries. All this will be elaborated in this chapter.

7.2. What is the advantage of presenting multiple delivery methods from the company's perspective?

The methodology that was elaborated allowed us to understand that in practical terms there is no advantage in delivering in several different ways, operationally and financially

speaking. The advantage lies essentially in the customer experience and in the way the customer perceives the service. The company operates with this surplus of operational effort in order to serve the consumer in more ways, ensuring the satisfaction of all clusters. This is all linked to the image that the company tries to convey and the availability it presents to its consumers.

7.3. What is the advantage of presenting multiple delivery methods from the consumer's perspective?

There are indeed some advantages in having several forms of delivery. Throughout the dissertation we understood that more important than understanding whether there are advantages (because they are clear), is to understand whether the customer really perceives and values them. As we can study in the FG, most of the customer's focuses are on the quality and variety of the coffee. The fact that it is delivered in so many ways is a plus in the service but its non-existence does not seem to be enough for customers not to consume it. The customer will always want everything to be available and to be able to buy it in as many ways as possible. It is important to understand if he really sees value in these methods or if it is just a whim.

7.4. Main Disadvantages

As we could see from the focus groups, coffee consumers in general, but especially Nespresso clients, value the coffee they drink for its quality. Consumers order Nespresso and know that they pay more because they don't want to give up the experience that the brand provides, whether for the taste of the coffee, the variety of options or even the experience in the boutique. The company investing daily in new delivery methods may not be seen as a great advantage for the consumer, and this is due to several factors. Firstly because as stated by many consumers, coffee is a perishable good that can be ordered in large quantities. This symbolizes more stock and more freedom when it comes to waiting for the order. Secondly because it is a commodity that can be consumed in many other ways and is not a commodity that is essential for human survival. Meaning, if the customer has an emergency, he does not need to order the coffee because he can just drink it at work, in a restaurant or in a café.

By increasing the number of ways to deliver, the biggest problem that arises is the complexity that is created in the operation. It means more people to manage, more lines of information, more partner companies or more overhead for the existing ones, more difficulty in forecasting, and worse than that, more margin for error. The fact that the

company delivers incorrectly doesn't only hurt the customer's opinion. In terms of costs, it is also damaging, since a failed order requires re-delivery, return or even cancelling. All these options symbolize more costly situations.

Besides the customer valuing the quality of the coffee and this being the main reason for their purchase, the reality is that Nespresso consumers are still not aware of the various delivery methods. And the company offers so many options but running the risk of the customer not being aware of them, can be more expensive. Even those who are aware of all the options, usually do not value the various delivery systems and, for the most part, do not feel that this is a differentiating point for buying coffee. Even with the idea in mind that satisfying all customer clusters is important, the fact that methods such as same day delivery do not represent even 1% of the results, makes it necessary to put into perspective the advantages of trying to satisfy all consumer groups.

7.5. Main Advantages

Even with everything that was defined as a disadvantage to the strategy of multiple forms of delivery, there are some points that speak in its favor. Firstly, as stated by employees and corroborated by consumers, even with the increase in operational effort, there are no substantial failures in the delivery system, which is proven by the high levels of consumer satisfaction.

Secondly, it is important to understand that each brand has its own distinctive signature. The Nespresso experience is known to be associated with prestige and to maintain this level of excellence and premium service, it is important to increase the quality of service even if it is more expensive. As concluded in the data analysis, Nespresso consumers do not place price as the main deterrent to purchase and they prefer to pay more to be treated as they are not treated elsewhere. For this reason it is important for the brand to offer the best service, even if sometimes it is not the most efficient, financially speaking.

Besides this, Nespresso operates in a totally different way from other brands. To buy coffee not being online, it is only possible through Nespresso boutiques. This is yet another factor that gives the brand a premium position. The problem is that these boutiques are still very few compared to the number of Nespresso customers that exist in the country. Almost all the boutiques are located on the coast and in large urban centers. So if someone lives in a more remote part of the country, it will be very difficult for them to buy Nespresso products, which is why e-commerce has to be much more agile. And

this is the main reason why you can't compare the delivery service with other coffee brands. Because if I need coffee overnight, I can go to a large supermarket near my home and buy it. But if I consume Nespresso, I don't have that possibility. For this reason, the company offering more delivery methods and more options is extremely advantageous.

7.6 Main Conclusions

As previously mentioned, there are no right answers regarding these questions. This dissertation seeks to bring as much data to try to understand what will be most advantageous for the consumer and for the company. The reality is that this study proves that the way Nespresso operates at the moment is not the most efficient or the most profitable. The company could change some things in its last mile in order to try to make it more profitable and not bring so many losses. The fact that they deliver to the consumer in so many ways, and knowing that some of them are so similar to each other, makes operations more expensive and sometimes they wouldn't be necessary. The decrease in delivery methods is not supposed to mean a significant decrease in consumers and should bring more profit margin.

Nevertheless, the brand presents itself as one of the most prestigious in the coffee industry. They want to guarantee that any consumer who wants to consume the brand has this possibility in the best way possible. They want to offer a tailor made service that guarantees that the consumer can receive the coffee whenever they want. Besides, they only sell in their boutiques, which still cover very little of the national territory.

In most companies it wouldn't make sense to make the last mile so complex, but the reality is that given the context, and taking into account that this symbolizes a decrease in the profit margin, this model conforms in a certain way to Nespresso's ideas. Nevertheless there are some areas for improvement that could be addressed.

Main Conclusions

IN FAVOR OF MULTIPLE DELIVERY METHOD	AGAINST MULTIPLE DELIVERY METHOD
<ul style="list-style-type: none"> » Favors residents in remote areas of the country and not just in large urban centers » Even though there is room for improvement, the consumer is satisfied with the service and has no major complaints » The extra operational effort is bearable and manageable » The product is only sold in boutiques or online, and it's not present in large commercial surfaces » Nespresso is a brand that offers a prestigious experience and this contributes to that same experience and image » It offers a tailor made service » Guarantees to satisfy all customers, as they are all different 	<ul style="list-style-type: none"> » More delivery options leads to a decreases on scale and an increase in operational effort and cost » This increased cost and effort leads to greater margin for error » A large proportion of Nespresso customers consume the brand because of the quality of the coffee. A decrease in the number of delivery modes would probably not lead to a significant decrease in consumers » A large portion of consumers do not value the fact that there are so many ways to deliver » There are still many consumers who do not know all the delivery methods that the company offers

Figure 5- Main Conclusions

7.7 Axes of improvement

1. **Distributors:** The Nespresso method for the division of tasks between its distributors is not yet fully developed. Knowing that some consumers do not like to receive orders either from CTT or DPD, it could be important to give the consumer the choice of which company they prefer to use. This would also create more competition between them and increase the quality of service.
2. **Same Day Delivery:** This was the method that caused the most disagreement, both in the company's and the employees' analysis. It is a method that may not be fully valued by the consumer and has high associated costs. This method may have some problems associated with it and so it may be important whether it makes sense to invest in this, especially in this industry.
3. **Merge delivery methods:** Some of the methods that the company presents are quite similar such as SD and GD, YTAD and SD, PUP and BPU. It may be advantageous to review the various delivery types and understand how they could merge to create less overload.
4. **PUP and BUP:** Pick-up and collection systems in pick-up points or in-store is an extremely cheaper innovation for the company but also more convenient for consumers. Investing in this network, opening new boutiques and explaining the advantages of this system to consumers could be an excellent initiative aimed to develop the last mile.

5. Speed vs Quality: The trend of the last mile is often towards speed. When we look at the coffee industry, especially at the Nespresso brand, it can be an added value to invest in quality. The Nespresso customer is more likely to value receiving an extra box of coffee than receiving the order the same day (and possibly the cost to the company would be similar).

As stated earlier, there are no right or wrong answers and this dissertation seeks only to look at the facts and context and understand what changes can and cannot be made. This applies not only to the coffee market but also to all others as we live in a world where speed and convenience are increasingly important and consumers are increasingly demanding.

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ANEXXES

