

Nespresso Shifts to Forward-Looking Analytics to Achieve High Analytic Adoption

Goal

Nespresso's business model is complex. They invest in a variety of programs aimed at brand building, machine sales, and capsule sales across digital, direct-to-consumer (DTC), retail stores, and other online marketplaces.

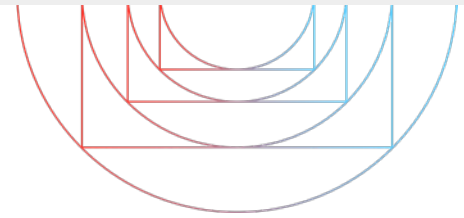
Historically, Nespresso's measurement program focused on evaluating typical marketing drivers such as media spend; however, this only captured a limited portion of Nespresso's investments. In addition, Nespresso was investing in activities with retail partners, promotional events, and other brand and PR activities that weren't being measured. Nespresso knew that machine sales drove capsule sales, but they didn't have a clear or definitive way to measure this correlation.

Nespresso's marketing analytics team wanted to expand their measurement program to capture, quantify, and understand the interdependence between all the factors that impact the customer experience and purchasing decision – marketing, product, retail (including Amazon), operations, and external factors (including seasonality, category demand, trade promotions).

Strategy

Nespresso wanted to move away from media mix modeling (MMM) as it did not capture all the factors that influenced consumer behavior and purchasing decisions. They also found that report card measurement (which only reported on historical results), was limiting because it didn't provide a way forward. As such, they wanted to provide forward-looking recommendations and forecasts to their stakeholders so they could iterate on plans to maximize all potential growth levers to achieve their goals.

To achieve a broader view and impact on the business, Nespresso knew they needed to expand their stakeholder group. Previously, the measurement program only involved the marketing and media team. Nespresso wanted to expand coverage of investment by adding promotions. These investments sit in different areas of the company. Change management was a top priority for this new cross-functional program work.



SNAPSHOT

Goal

- Expand measurement program to quantify and understand the interdependence between all factors that impact the customer experience and purchasing decision.

Strategy

- Move away from media mix modeling.
- Provide forward-looking recommendations and forecasts
- Expand stakeholder group.

Solutions

- Commercial Analytics

Results

- Identified promotions as the largest single driver of incremental sales.
- Drove double digit growth in capsule and machine sales YOY.
- High adoption of analytics program.

Solution

Nespresso partnered with Analytic Partners to launch a **Commercial Analytics** program which spanned the breadth of objectives and channels to make large-scale investment changes.

Working closely with Analytic Partners, they leveraged different data sources by gaining access to more data than they previously had access to through partnerships with Amazon, Meta, Google, and retailer partner data.

Nespresso worked with their partners at Analytic Partners to interview multiple cross functional stakeholders to get their input on the key questions the commercial analytics program would answer. They interviewed marketing, media agencies, customer analytics, insights and analytics, finance, e-commerce, category management, sales operations, D2C sales activation, and retail teams.

This cross-functional engagement at the onset was critical for successful adoption of the ensuing decision framework.

In these conversations, they discovered that machine sales through retail partners was a critical aspect of the business. While machines sold by retail partners didn't contribute to net revenue, they were essential for planning marketing and promotional investments with retail partners, along with in-store events and activities with boutiques, which contributed to incremental sales. This input improved the accuracy of forecasting of direct sales, trade partners, and major online retailers.

In addition to traditional media channels, Nespresso's commercial analytics program also included retail partner sales, all non-controllable, external factors (such as seasonality, category demand, and trade promotions), financial data, product data, and operational data. It was a multi-dimensional analysis that balanced competing business goals, including customer advocacy sign ups, all the way to revenue per product per retail partner.

Most importantly, this new commercial analytics program and Analytic Partners' Commercial Decisioning Platform, GPS-Enterprise, helped simulate potential scenarios to help influence Nespresso's investment plan.

Nespresso met monthly and quarterly with stakeholders in marketing, sales, and finance to react to real-time trends, compare projections versus actuals to validate tests, and revise budget decisions. Increasing the cadence to monthly created a quick, consistent reporting schedule that built excitement and helped stakeholders adjust their plans mid-quarter to meet growth goals.

It helped them better reconcile finance team reporting, media agency planning, and in-market investments to react far quicker than previously possible. In addition, the sales teams used the commercial analytics program to balance D2C and retail partner investments, and the finance team was able to achieve more accurate financial forecasting and budgeting. GPS-E's dashboards also made it easier to secure alignment and buy-in from stakeholders who were otherwise protective of their budgets, transitioning into a Nespresso Marketing & Promo budget that allows reallocations between different tactics.



Results

Identified promotions as the largest single driver of incremental sales.

Drove double digit growth in capsule and machine sales YOY.

High adoption of analytics program.

Nespresso achieved high adoption of commercial analytics by using an iterative, proactive approach to planning. Adding monthly reporting on the full business and decomposing all controllable and non-controllable factors helped Nespresso take the guess work out of why the business was up vs. down each month.

Expanding their analytics program beyond traditional media to other components of their business broke down siloes within the organization. It created transparency over investment allocations and recommendations across stakeholder groups. As a result, Nespresso went from measuring as little as a third of its marketing

and sales spend, to measuring over two thirds.

Scenario planning provided recommendations to move budget throughout the year to their peak season and identified investment opportunities in periods where we have traditionally missed opportunities. In addition, the commercial analytics program identified promotions as a top business driver for incremental sales. As a result, Nespresso saw a double digit increase in machine units and capsules sold compared to the previous year, which was a massive achievement.

“ Our commercial analytics program with Analytic Partners not only provides historical results but also forward-looking analytics to help us plan. It gives us the opportunity to meet more often with our stakeholders to evaluate real-time trends, compare projections versus actuals, and make decisions as one team. It helps us react far quicker than previously possible. Our stakeholders have never been more excited about the growth we're driving!”

TANUJ GUPTA, NESPRESSO'S MARKETING ANALYTICS, DATA & INSIGHTS

Ready to use data and decisioning to drive commercial growth?

Contact us at info@analyticpartners.com.