



Keio Business School

Nescafé Ambassador Program

Introduction

Taro Fukuzawa of KO Corporation is holding a cup of coffee in one hand as he has a friendly chat with his colleagues. The coffee in his hand was made using a coffee machine borrowed through registration into the Nescafé Ambassador Program. As an “Ambassador” for Nescafé, Mr. Fukuzawa replenishes the coffee cartridges exclusive to the freely provided Nescafé Gold Blend Barista coffee machine and collects the fees from his colleagues using a money box next to the coffee machine. The coffee is delivered regularly by Nestlé Japan, and is paid for by Mr. Fukuzawa as the Ambassador by his own credit card.

KO Corporation is a small company with 20 employees, but since the coffee machine arrived in the office workers there have begun to naturally gather around the machine for conversations with colleagues with whom they typically have few opportunities to talk.

Those who had joined the friendly chat that day agreed to make a change in their routine to help Mr. Fukuzawa: “Thank you for the coffee, and because we all drink it, we feel bad that Mr. Fukuzawa is the only one who cleans up. So from now on, we will take turns cleaning the machine.” “At first, I just wanted to drink delicious coffee here at the office,” Mr. Fukuzawa said, “but there’s more to it than that.” Mr. Fukuzawa quickly noticed that the working relationships between employees at KO Corporation have become closer because of the increased opportunities that they now had to socialize. Because they could drink coffee together, it has brightened the atmosphere in the entire company.

This case was produced by Keio University Graduate School of Business Administration Associate Professor Hikaru Yamamoto as a basic material for class discussion, and there is no intention to display the management situation in a positive or negative light.

In the production of this case, important information was gained from Nestlé Japan Ltd. Chief Marketing Officer and Senior Managing Executive Officer Masafumi Ishibashi, and Head of the E-Commerce Division Masayasu Tsuda. We would like to express our thanks to them.

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Nestlé

Established in Switzerland in 1866, Nestlé is a leader in the global nutrition, health and wellness field. As of 2014, group sales had reached 91.6 billion Swiss Franc (approximately 10.63 trillion yen), of which 4.5% was organic growth ^[1]. The classification of sales by advanced countries and emerging nations is 56% and 44% respectively, but organic growth was 1.1% for the former and 8.9% for the later. Nestlé offers roughly 2000 brands, such as Maggi and Nescafé, and sales from the 30 “billionaire brands (brands with sales of 1 billion Swiss Franc, or approximately 100 billion yen)” such as KITKAT and Nescafé make up approximately 70% of the total sales.

Nestlé Japan, the corporation established by Nestlé in Japan 1913, has an organic growth rate of 3.8%, which is one of the highest growth rates among subsidiaries in advanced nations.

Nestlé Japan owns such brands as the regular soluble coffee (instant coffee) brand “Nescafé,” the creaming powder brand “Brite,” the liquid coffee creamer brand “Krematop,” the chocolate brand “KITKAT,” and the coffee machine brand “Nescafé Gold Blend Barista,” each of which has the top share for its respective category/segment. The sales distribution ratio by category for Nestlé Japan is shown in Figure 1.

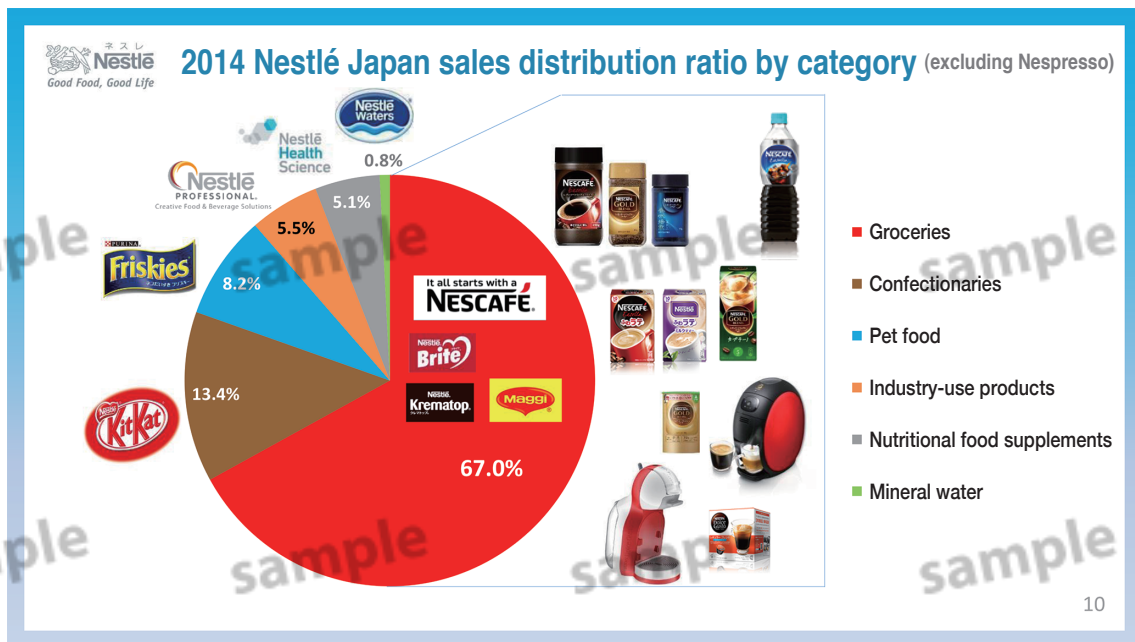


Figure 1 Nestlé Japan sales distribution ratio by category (Source: Materials from the 2015 Business Strategy Announcement)

[1] Year-on-year sales growth ratio excluding the effect of fluctuating exchange rates and purchasing/sales. Substantial growth rate.

In the Nestlé Group, the basic values and principles for compliance among employees are compiled in “The Nestlé Corporate Business Principles,” which shows that Creating Shared Value (CSV) is the basis of business development. For the long-term success of the Company, Nestlé has a fundamental conviction about creating value for shareholders and for society, which is called CSV. Head of Nestlé Japan E-Commerce Division Masayasu Tsuda discusses CSV as follows:

Above all else, CSV is the top priority in the hearts of employees all around the world. Nestlé Japan President Mr. Kohzoh Takaoka also brings up the keyword “problem-solving” at every opportunity, and to put it simply, CSV is about connecting the business to activities that try to solve the various problems in countries around the world. For example, in Africa, by enriching people’s lives through agricultural support, they will buy Nestlé products. This is the cycle we are producing.

There are also problems specific to Japan, and we are producing a business model to solve these problems that will connect to actual business. Everyone is working with this awareness. This also leads to innovation. That’s why the President always asks us when we propose something to him, “What problem will it solve?”

Nestlé Japan considers the problems specific to their Japan business to consist of a triple spiral of (1) deflation, (2) depopulation, and (3) an aging society. Therefore, the mission of Nestlé Japan is to “develop a new business model in order to solve the problems facing Japan over the next 100 years” despite the difficult environment caused by these three problems. Also, the main goal has been to make a new Japanese business model that brings about success in Japan, and could simultaneously be taught and adopted throughout the entire Nestlé Group.

The new realities of the Japanese market are as follows:

Figure 2 New realities of the Japanese market Nestlé (based on Nestlé Japan materials)

- Depopulation, aging society, increase in 1- and 2-person households
- Approximately 30% decrease in sales of fresh foods in 20 years (family meals→eating alone)
- Polarized development of consumption
- Increased demand for quality, innovation, freshness and customization
- Increased health awareness
- Development of digital social media and direct business models

Coffee market in Japan

The history of the Japanese coffee market is the history of Nescafé. Nescafé was first imported in 1950, but at the time it was a valuable item that only certain consumers drank. Later, when coffee import regulations were relaxed in 1961, Nestlé constructed a factory in order to produce “Nescafé” using imported coffee beans, and Nescafé domestic production began in 1965. This made it easier for Japanese people to drink coffee, which was previously only consumed in restaurants and cafes, not at home. In that sense, Nescafé formed the coffee culture of Japan.

This was a period of major change for Japanese distribution. In 1957, the first Daiei supermarket opened, and drinks vending machines appeared in the same year. Nescafé made rapid growth thanks to the favorable provision of this distribution network.

However, in recent years, shifts in the demographics of Japan have led to stagnation in domestic consumer purchasing. As the leader of the domestic coffee market, Nestlé was not spared from this market reality. There has been a remarkable decline in the ratio of young consumer households between the ages of 30-40, in particular. Also, there was a long period during which people believed coffee was limited to either black coffee or white coffee with milk, but the entry of a Seattle-based cafe brand to the Japanese market in 1996 led to a great diversification in drinking styles. Cappuccinos and cafe lattes quickly became popular, which standardized the “cafe menu.”

As of 2011, the Japanese coffee market comprises approximately 50 billion cups a year, which is largely split between the home and non-home market. The share of each is 30 billion cups in the home market (62%) and 19 billion cups in the non-home market (38%). In the Japanese coffee market, Nestlé Japan is the industry leader with a share of 12 billion cups. Combining regular soluble coffee, regular coffee and bottled coffee, Nestlé has the overwhelming majority of the home market share with 37%. However, the Company is in a difficult position in the non-home market with a share of 3%.

The non-home market can largely be classified as “workplace” and “other,” of which the demand at the workplace is 12 billion cups, which comprises 63% of the non-home market. “Other” refers to coffee drunk at cafes and restaurants.

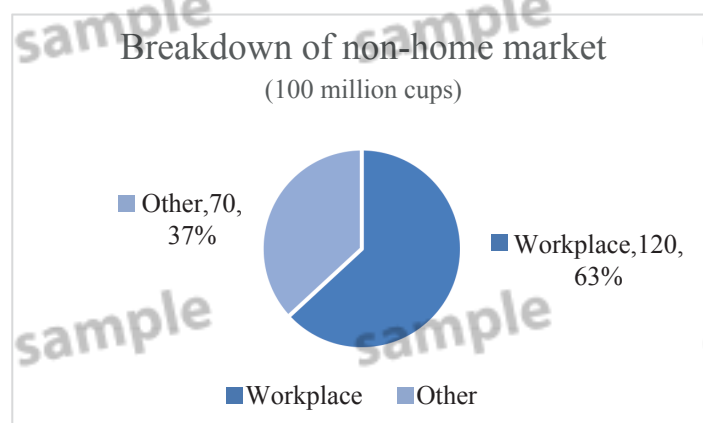


Figure 3 Breakdown of the non-home coffee market in Japan

Nescafé Gold Blend Barista

In order to deal with these changes in the external environment, in 2009, Nestlé Japan started sales of Nescafé Gold Blend Barista (referred to hereafter as “Barista”). The Barista is a coffee machine that uses exclusive Nescafé Gold Blend Eco & System Pack coffee refill cartridges. This enables consumers to make a cup of coffee without boiling water simply by pushing a button.

Until this point, Nestlé sold coffee in jars^[ii]. A spoon of coffee granules from the jar was placed in a cup to which consumers would add boiling water.

The coffee is placed inside a cardboard tube called an Eco & System Pack which is a refill for the existing jar. In contrast to the paper refill packs used by rival companies, the Eco & System Pack is hermetically sealed so that it can be refilled without damaging the aroma of the coffee. It is also environmentally friendly as there is no waste from making a coffee, and the used packaging can be crushed and thrown away as it is.



Figure 4 Nescafé Gold Blend Barista

Nescafé Gold Blend Barista was sold exclusively to customers of Nestlé Japan from April 2009, but since March 2010 it has been sold nationwide primarily in supermarkets. In April 2010, it was featured on a television program, and it became a popular household appliance. The original sales price was 14,800 yen, but since 2010 the MSRP dropped to 9000 yen. The actual sale price is around 7980 yen. Mr. Tsuda explained the pricing strategy as follows^[iii].

^[ii] Production of can coffee ended in March 2015.

^[iii] <http://kaden.watch.impress.co.jp/docs/column/newtech/603397.html>

Nestlé does not intend to make a profit (from the coffee machine) at this price. However, the Barista is sold at a low price because we want it to be popular.

Selling the machine at this price means that there is probably no profit for the Japanese manufacturer for each unit sold. At a cost of 14,800 yen, other companies may enter the market. But, even in that case, we have reached this price through trial and error.

About 500,000 units of this machine were sold in the first year. The managers were happy with the success in the first term, but there are more than 30 million households that use instant coffee. At that pace it would take more than 60 years to spread to all of the households, so a more explosive means of popularizing this machine was needed.

Volunteer Experiences During the Great East Japan Earthquake

Mr. Masayasu Tsuda joined Nestlé Japan in 2002, and since 2009 he has been involved in marketing for Nescafé Gold Blend. In particular, he is responsible for marketing Nescafé Gold Blend Barista and he is involved in developing advertising for mass communications and digital communications ^[iv].

The Great East Japan Earthquake occurred on March 11, 2011, just before the policy for popularizing Nescafé Gold Blend Barista was under consideration. Mr. Tsuda is from Kobe, and he experienced the Great Hanshin Awaji Earthquake in 1995. Although Mr. Tsuda's own home was undamaged, the surrounding houses were all destroyed, and there was no electricity, water or gas for about two months, so he went to use the temporary bathing facilities every day. During that time, he had many personal experiences of receiving help from volunteers.

Immediately after the Great East Japan Earthquake, tsunami and nuclear crisis that ensued, Nestlé was sending out goods in order to help those in need. But while thinking about how to help with the Barista machines for which he was responsible, Mr. Tsuda learned about a mobile library that was being operated by an acquaintance of his. This acquaintance visited the temporary housing facilities that had been built for those displaced by the triple disasters from 3.11 in a van filled with books. Mr. Tsuda began his own volunteer activities by serving coffee to those staying in the temporary housing facilities from on board the library van that was equipped with a Barista.

When using the Barista to serve coffee, people of all generations gathered around the Barista to listen attentively to an explanation of the usage method. People smiled throughout the day as they drank hot coffee and enjoyed friendly chats, and it was noticed that the meeting place began to bustle like a café. Temporary housing facilities in Japan are built to include both a personal home living space and a community meeting place shared by all those living there. Although the managers of these temporary facilities wanted people to gather at these meeting places, the residents were only staying in these

^[iv] As of June 2016, as the Head of the E-Commerce Division, Mr. Tsuda is responsible for the Nescafé Ambassador Program, direct sales business, new digital-related business, IoT and AI-related projects.

facilities because they had been displaced from their actual homes. This meant that unlike typical communities in Japan, those staying in temporary housing were typically not related to each other, which meant that they tended to stay in their own homes rather than going out to socialize in the community meeting place.

Incidentally, at the end of the volunteer activity, a Barista and some coffee was donated to the temporary housing facility where Mr. Tsuda had volunteered. This machine was kept at the meeting place, so the disaster victims would leave their homes to meet there and have friendly conversations with their neighbors while drinking coffee. It became clear from listening to the disaster victims that they wanted to talk to other people until the Barista arrived, but there had previously been no opportunity to do so. It was found that drinking coffee is an extremely favorable situation in which to have the chance for communication.

This shows that, despite the expectation that coffee machines would be sold for domestic use, placing a coffee machine in a location where people meet will first of all generate more activity, and it will produce conversation and communication, which generates feelings of happiness and warmth. Moreover, more people will learn about this machine and will have the chance to experience it, which was personally very surprising and meaningful for me. In this way, this experience produced various ideas, such as the idea that these people might buy their own machine if they get their own home in the future.

The experience at the disaster area provided a clue to the future development of services and communications. Looking back from a business point of view, the massive workplace consumption in the non-home market was an opportunity for the growth of Nescafé. One quarter of the total, that is, 12 billion cups, are consumed in the workplace. 90% of the approximately 6 million offices in Japan are small scale offices with fewer than 20 employees. Such offices consume a small number of cups, so it was clear that B2B major rival companies were not conducting sales activities there. This situation was the same for both vending machines and coffee machines. That is, small-scale offices where the cost of installation cannot be recuperated could not be supported by B2B coffee companies, so it was an open market. At such small scale offices, people were drinking canned coffee or buying coffee at the convenience store.

In light of this, Mr. Tsuda and others used the experiences he received from volunteering during 3.11 to come up with the idea that the Barista would contribute to “stimulating communication” in the office. In view of corporate economization and electricity conservation, there were many workplaces where coffee pots and machines had been removed, which had taken away the space for employees to communicate. Also, e-mail was in heavy use due to digitization, so there were more workplaces where face-to-face communications were dying out. Meanwhile, there was a great need to improve the mood in Japan following the earthquake. In this situation, the project team led by Mr. Tsuda came up with the following idea.

Placing Barista machines in workplaces would stimulate communication, improve the mood of consumers working in Japan, and brighten the mood in all of Japanese society, resulting in a greater demand for coffee.

Business Model Trial and Error

Immediately after deciding to aim to popularize Baristas in offices, the team published advertisements in media aimed at office workers and facilities managers, and strengthened sales outreach to the general affairs divisions of Japanese companies. However, the results were not favorable, and orders didn't increase. That is, individual employees at that time were buying their own coffee when they wanted, so there was not a sufficient reason to purchase a coffee machine using company money.

Although there was no effect on sales after targeting these general affairs divisions, as a trial, online applications were taken for 50 free machines for office monitoring. Within one week, approximately 1000 companies had applied. This created a conviction that there was a demand for coffee machines in the workplace. The requirement for office monitoring was that the machine, which would be provided at no cost, was to be used in the office and a usage report was to be provided. Although the positions of the applicants were unknown, applications came from general employees as consumers rather than from general affairs divisions.

In the office monitoring test, various discoveries were made. The first was the mentality of "I got it for free (at no cost)," which led to detailed feedback being given. The second was that there are resolute people in the workplace who can persuade surrounding people to allow them to bring the machine into the workplace and leave it there for everyone to use. The third was that people crowd around the Barista, which was clear from the photographs with the reports. The same thing was experienced at the temporary housing at the disaster area. The fourth was that word of mouth has great power within the workplace. Also, some users bought Baristas for their personal use at home after experiencing how good the machine and coffee were at their workplace. The feedback the Nestlé Japan team received from their monitoring efforts showed that 30-40% of the employees at a workplace of 50 employees purchased a Barista for home use.

Mr. Tsuda and his team concluded that the benefits of a machine could not be understood unless it was used daily. Just offering one sample cup at a home appliance store would not lead to a purchase, but using one at work every day gave the buyer the sense of security to do so.

Nescafé Ambassador Program

The team had now become convinced that the most important customers for the future growth of the Barista system and Nescafé coffee were general office employees who could serve as volunteers to establish and install coffee machines in their offices. Building upon this foundation, they created a business model whereby a coffee machine would be lent out at no cost to these customers when partnered with regular and ongoing coffee deliveries. This also came with significant reductions in the cost of a cup of coffee for these customers and their co-workers since the price of one cup of coffee when using the Nescafé Gold Blend Barista was approximately 14 yen when drinking Nescafé Gold Blend Eco & System Pack without milk.

This Program was ultimately named the “Nescafé Ambassador Program,” and the volunteer office employees were called “Nescafé Ambassadors.” Ambassadors are positioned to provide those in their workplace (community) with “delicious coffee” and “smiles”. In terms of the business model, rather than “B2B,” it is ‘B2C2C.’ Nestlé (B) provides the ambassador who is a general employee (C) with coffee, and through those employees, coffee is delivered to other colleagues (C) in the workplace.

Applicant Ambassadors who want to place a coffee machine in the workplace must first apply online. Then, a manager from Nestlé makes a confirmation by phone about one week later, and, after applying for a regular delivery of coffee, the machine is delivered to the applicant’s office.

Support is given and there are no initial costs for coffee machine rental. Payment for coffee is made using the credit card of the Ambassador or by COD. The Ambassador convinces the workplace to participate in the Ambassador Program, and purchases the coffee. Money is collected from the surrounding colleagues using a savings box or the like. Replenishment of water and coffee for the machine is carried out by the Ambassador and his or her work colleagues.

As for the regular delivery, rather than ordering each time, the products are delivered from Nestlé at regular intervals of 1 to 3 months. The Ambassador combines various products in addition to coffee cartridges such as creamers and confectionaries, so that it is possible to make a personalized “basket.” Delivery is free for purchases over 4,000 yen, and many ambassadors purchase baskets worth 4,000 yen or more.

Value Creation with Ambassadors

At the start of the Ambassador Program, Mr. Tsuda and the others stated two missions (refer to Figure 5). The first was “Make workplaces in Japan more fun,” and the second was “Offer services beyond just products.” At the center of the Program is the joy of the customer, and the three methods of achieving that are delivering new value, creating bonds with customers, and creating value with customers. That is, this Program was designed with the idea in mind of involving customers at the early stage and creating value with them.

Figure 5 Documents at the start of the Ambassador Program



Source: Nestlé Japan Internal Documents

For example, the opinions of Ambassadors regarding the regular delivery service are regularly discussed. At the start, Ambassadors were not required to sign up for regular delivery but rather just to buy a cartridge even once by mail order from Nestlé Japan. With this method, it is more difficult to predict the demand than with the regular service. This initial method was effective for acquiring new ambassadors as the barriers to entry were low, but there was a high risk of cancellation and stagnation.

In contrast to cancelling apps and web services, cancelling this program involved a cost due to the return of the coffee machine. For these reasons, consideration was given to including a regular delivery of coffee as a requirement of the Ambassador Program, so Mr. Tsuda and the others gathered the Ambassadors to listen to their opinions, which showed a need for a flexible structure such as the current frequency settings and product combinations.

In this way, the Ambassador Program includes many initiatives to create value with Ambassadors, and there are many touchpoints for communication for that reason.

For example, mail surveys are regularly conducted among Ambassadors using carefully selected questions. Surveys targeting Ambassadors have a characteristically high response rate. Also, group interviews are conducted once a month that Mr. Tsuda personally attends so that he can listen to customer opinions first-hand. Furthermore, visits are conducted to the workplaces of Ambassadors in order to gather information about the actual situation of use.

There is also an "Ambassador TOWN" online community for members only. On the "Idea Board" page of this website, there is a regular call for ideas for the improvement of money collection methods and machine cleaning methods, etc., in the in order to visualize the opinions of Ambassadors.

Figure 6 Screenshot of “Ambassador TOWN”



Furthermore, an invitation-only event called the “Nescafé Ambassador Thanks Party” is held twice in Spring and Fall in seven cities around Japan. About 10,000 Ambassadors are invited to 14 venues every year in order to directly convey the sense of gratitude and to interact with each other. These events are positioned as opportunities to convey thanks to the Ambassadors for their applications and to explain the thinking of Nestlé Japan to new customers.

In addition to these Thanks Parties, there are various other events for interaction between Nestlé Japan and Ambassadors and among Ambassadors only, such as camp events, factory bus tours, and Vietnamese coffee plantation tours. These tours have produced statements from Ambassadors such as, “I’d like to spend more time interacting with other Ambassadors.” Although it is the first time Ambassadors meet, they interact naturally with each other by making curry together at camp events as their children play together, for example. There is no cost for participation. Such events have been shown to contribute to the improvement in customer lifetime value toward the Program (refer to Reference Document 3).

When first joining the Program, “Advisers,” who are employees of Nestlé Japan, visit the workplace of potential customers to provide demonstrations and to explain the Program. Applications for the Ambassador Program are made online, and coffee is purchased by online mail order after the free machine has been provided. However, face-to-face communication with the Advisers at the time of first joining the program is one of the major factors in customer acquisition.

Advisers visit the offices to meet potential Ambassadors, provide explanations of products and regular deliveries, and hand over their business cards to create a direct relationship. They also have the role of gathering information about potential customers and actual customers using a tablet or PC.

As of June 2016, there were approximately 70 Advisers nationwide, with about 300 inquiries regarding new applications received per day. This works out to about 4 or 5 applications per Adviser. The Advisers are coffee professionals, most of whom have a background in the field of sales from the B2C market prior to the start of the Ambassador Program. The turnover from B2C sales to Ambassador support sales includes the redistribution of human resources from the stagnant B2C market to the growing office market. In addition to such touchpoints, a call center was established in order to deal with inquiries made directly to Nestlé Japan by its Ambassadors.

After registering as an Ambassador, the largest number of cancellations are made at the time of the third or fourth regular delivery. Although the overall cancellation ratio is low, 70% or more of the cancellations are made on the third or fourth delivery, so customer care in the early stages is incredibly important. For that reason, Nestlé Japan continues to innovate new ways to strengthen its care for early stage registrants by means of phone calls and visits (refer to Reference Document 4).

Adjustment of Internal Organization

At the start of the Nescafé Ambassador Program, in which coffee machines are lent for free to workplaces, there were some concerns about internal cannibalization in each Division due to the effect on home and office machine sales. However, the strong leadership provided by President Kohzoh Takaoka has led to a consistent company-wide strategy for the non-home market. A model was put in place that integrated Nescafé Ambassadors in B2B and B2C teams.

First, in terms of the structure that enabled internal compartmentalization, regular purchasing became a requirement of the Nescafé Ambassador Program. Even with regular purchasing, there are times when the stock of coffee becomes depleted. In such cases, it is possible to move forward the delivery date, but if there is an immediate need for coffee, it can be purchased through office mail order or local supermarkets.

As a result, after introducing the Ambassador Program, Nescafé sales increased in existing supermarkets and office mail order, and home-use coffee machine sales also increased. This was due to the popularization of the machine in the non-home market due to the Ambassador Program, which resulted in an increase in on-the-spot purchases and a sales boost for coffee products compatible with the machine. The Ambassador Program has the role of being a trial for personal-use machines, which did not detract from but actually contributed to home-use coffee machine sales.

Also, in terms of the organization, there was a great contribution from the CMO (Chief Marketing Officer). Mr. Masafumi Ishibashi, who is both the head of Marketing & Communications that unifies marketing throughout the Company. In this role, he provided behind-the-scenes support since the launch of the Ambassador Program. His advice from a far-reaching perspective regarding the overall strategy and communication, and his network with other companies and experts continues to support the growth of the Ambassador Program. That is, the Ambassador Program is not an independent

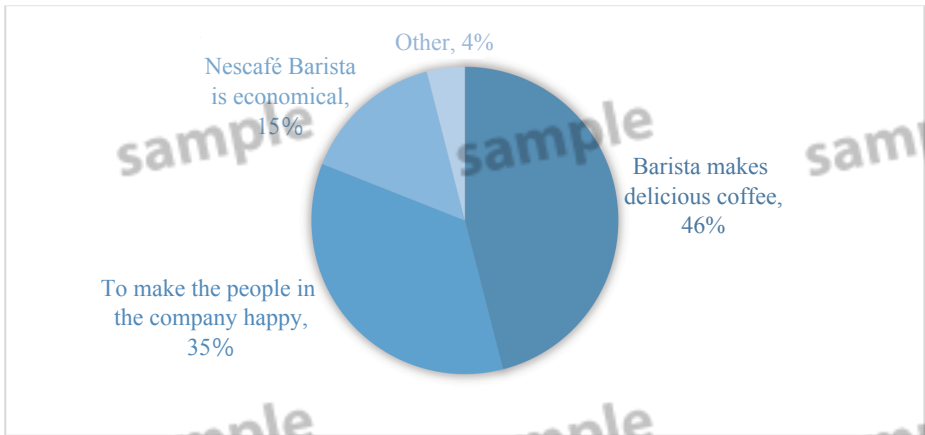
program brought about by a single division but rather it has been supported by the company as a whole.

The Future of the Nescafé Ambassador

As of April 2016, the Nescafé Ambassador had grown to 240,000 participants. A number of points have been made clear since the Program started three years ago. First, were the attributes of the Nescafé customers. Initially, it was expected that the workplaces would be general offices, but in fact these only account for 40% of the total. In addition, there were applications from various workplaces such as stores including automobile dealerships (16%), hospitals and clinics (10%), beauticians and hairdressers (3%), cultural schools such as English conversation schools and piano classes (3%); even Shinto shrines. This taught Nestlé Japan that their market existed in communities within a variety of workplace settings and types that far exceeded their initial expectations. At its inception, this Program was called “Office Ambassadors” but Mr. Tsuda soon removed the word “Office” from the title after gaining these new insights.

The average Ambassador had approximately 10 colleagues (=coffee drinkers). On average, 20% of drinkers purchase a coffee machine used at work for home use. Approximately 30% of new applications for Ambassadors were due to word-of-mouth advertising from existing Ambassadors. Figure 7 shows the results of an investigation into the reason behind the applications made by Ambassadors (single answer). Although “I want to drink delicious coffee” is the major reason, the second most popular answer was to make people in the workplace happy, which the team was happy to hear. Ambassadors are people who want to be helpful to others and for whom helping others leads to self-fulfillment.

Figure 7 Reason for application as an Ambassador



Source: Nestlé Japan interviews

It was presupposed that Ambassadors would care for the machine, including replenishing the water and cleaning it, but it was clear from an investigation into the status of Ambassadors that they did not necessarily take on this responsibility on their own.

There are many workplaces where the employees take turns looking after the machines based on the idea of “helping each other.”

Furthermore, looking at the pictures and comments regarding the workplaces sent in by Ambassadors, it was clear the machines were loved in the workplace even more than expected. In some cases, the machines were given nicknames like “Barista-kun,” or they may have been customized to include a face-like design by putting eyes on the machines, so that it became a kind of office mascot.

10 As of June 2016, there were three themes for which the Ambassador Program team was responsible. The first was for new Ambassador acquisition, the second was for improving “engagement” with existing Ambassadors, and the third was for the horizontal development of the Ambassador Program.

As for the first point regarding acquisition, although the number had steadily risen to 240,000, great efforts were being made to acquire even more customers. In 2013, the introduction of the regular
15 purchase of coffee brought about a decline in the customer cancellation ratio and the stabilization of coffee demand, but it also raised the barriers to entry. There was still competition from other industries such as convenience stores, as always. Third-wave coffees such as Blue Bottle Coffee also entered the market, and there was fierce competition for the demand for coffee in the workplace as always.

The second point was the improvement of engagement. Engagement refers to the proactive concern
20 and participation of customers. Ambassador-exclusive online communities began in 2015, which were accessed by thousands of active members. When Ambassadors participated in various activities such as the idea boards mentioned earlier and friend referral functions, the “Barista-kun” character threw a die to decide if a prize would be awarded. If the die stopped on the right number, the Ambassador received a gift from Nestlé Japan.

25 Although the existence of users that actively participate is useful, there was still room for growth in scale in terms of the number of members. Value creation with Ambassadors has been an important theme since the start, so the managing team wanted to increase active participation in the member community. The location of the 240,000 Ambassadors around Japan was seen as a favorable platform for connecting Nestlé Japan with customers. This brand asset was seen as having various uses for
30 Nestlé Japan.

The final point was moving the Ambassador Program to non-workplace locations in order to further expand the mission of Nestlé Japan. In 2016, in cooperation with a pharmaceutical association in Aomori Prefecture, Baristas were set up in pharmacies in the prefecture in order to provide a place for older people to relax. Life expectancy in Aomori is the lowest in Japan. This initiative was started with
35 the intention of stimulating communication in the regional community just as it has in offices.

The second initiative was an “En-Cafe” that has the objective of supporting child rearing in view of

the declining birth rate in Japan. This Program creates an “opportunity for interaction” among teachers and guardians, among guardians only and among teachers only by setting up coffee machines in kindergartens and nursery schools.

The opportunity for interaction provided by coffee and coffee machines was confirmed in the volunteer experiences and office experiences. Mr. Tsuda and others are finding new ideas every day about how to use the Barista to solve society’s problems and to expand business by embodying the mission of Nestlé and Nestlé Japan.

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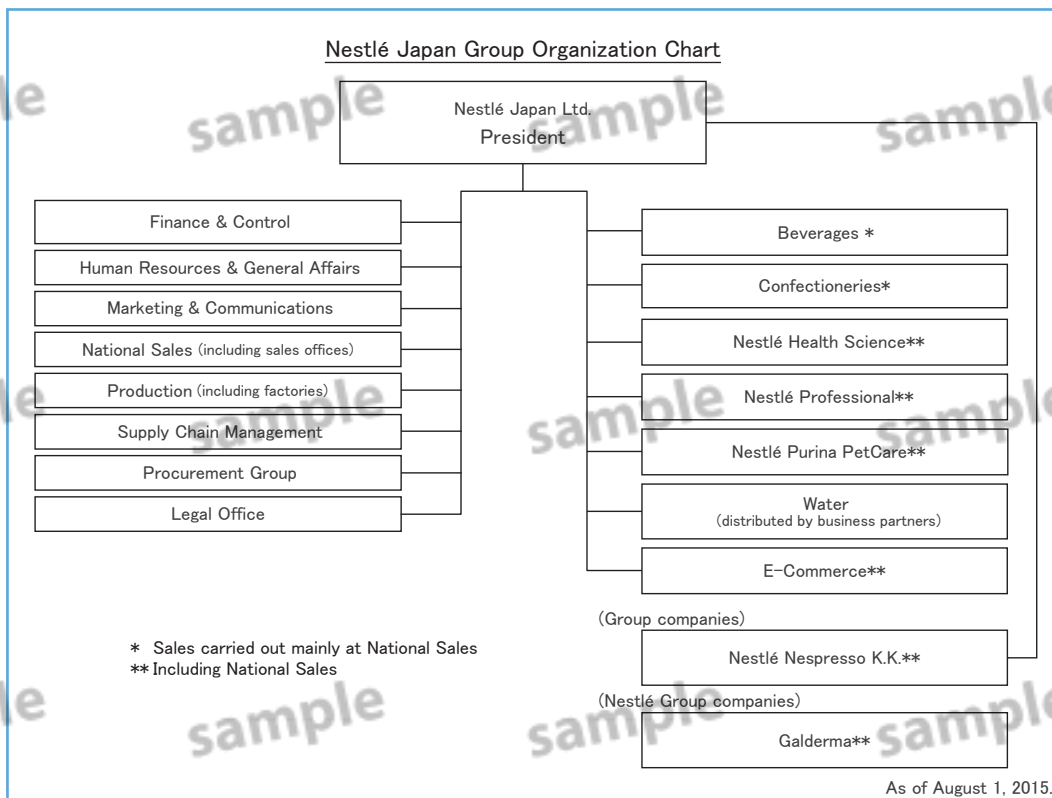
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Reference Document 1 Nestlé Basic Strategy



<http://www.nestle.co.jp/aboutus/strategy>

Reference Document 2 Nestlé Japan Group Organization Chart



http://www.nestle.co.jp/asset-library/documents/about_us/20150801_nestle_organizationchart.pdf

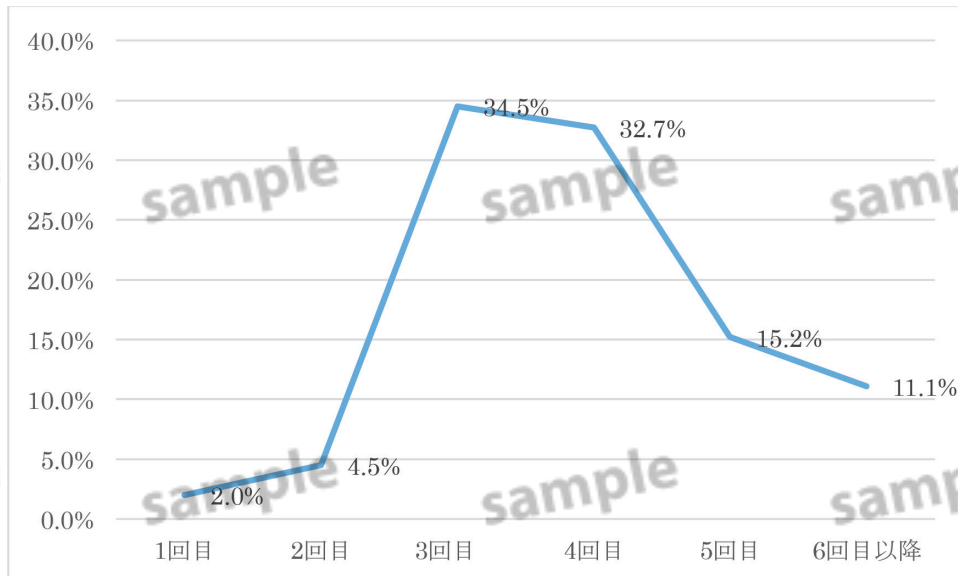
Reference Document 3 Effects of Thanks Parties*

	2015 First half customer lifetime value growth rate (YoY comparison with same period in 2014)	2015 Second half customer lifetime value growth rate (YoY comparison with same period in 2014)
All ambassadors	104%	103%
Thanks Party participants	125%	135%

Source: Nestlé Japan

*Values are fictional for confidentiality purposes.

Reference Document 4 Ratio of cancellations in Ambassador Program*



Source: Nestlé Japan

*Values are fictional for confidentiality purposes.

The subject of this case is the “Ambassador Program” conducted by Nestlé Japan Ltd. The Company is establishing a business model called the “Ambassador Program” in order to use customers to acquire new customers while also conducting trials for targeting, payment models and pricing strategies as a method of acquiring processes that successfully lead to new business. Various other concepts are also being studied, including value-sharing with customers and customer engagement activities.

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