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**Master Thesis
Strategic Product Design
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Designing a product-brand strategy for a coffee bean service



TUDelft

Preface

Dear reader,

In front of you is the final deliverable of my Master's degree in Strategic Product Design which I completed at TU Delft. This project also marks the end of my academic career for the time being. When I started my academic career in Germany in 2014, I never imagined that I would end it 7 years later in my neighbouring country, the Netherlands. Of course, I would have very much preferred not to experience this study programme from my own four walls, but I can still look back on the first 6 months of my Master's programme with a smile and I am very happy that I had the opportunity to get to know the study programme and its advantages at the Faculty of Industrial Design Engineering, at least for a short period of time. I am all the more pleased that I can return once again to achieve the most important thing of my studies, namely receiving the final Master's certificate. Therefore, I am pleased to present to you my final work, which I could not have completed without the help of various people.

First of all, I would like to thank Philips for providing me with the opportunity to write a thesis together. When I was looking for internship opportunities after my first year at university, Philips was one of the few companies that took on interns despite the difficult Covid-19 situation. Even though I stumbled into this position more by chance, I am very grateful that I was able to get to know the exciting world of

coffee, digitalisation and future business models. I am grateful to I got the opportunity to be part of this exciting business. I am also grateful that I was able to continue with my thesis after my internship. I look back with pleasure on good feedback moments and a lot of expertise I got for my project, which made it even more valuable for me. A big thank you also for the fact that I will be starting as a new team member at Philips immediately after completing my thesis.

A special thanks also goes to my supervisory team, whom I unfortunately never saw in person. Thank you, Sylvia and Fernando, for the smooth digital feedback moments and inspiring inputs on how I can push my project further. Even though it sometimes seemed like I was diving too deep with my expanded coffee world knowledge, you always brought me back to look at the overall picture and gave me helpful advice on how to add more value to my project.

I would also like to thank my friends and family. A big thank you goes to Till and Julian. Thanks to you, I had a lot of fun moments despite the difficult time and I could always rely on honest feedback from you. Keep up the good work!

The final thank you goes to Anneli. Thank you for examining every word of my work and weeding out every spelling mistake. The thank you is huge because your passion and professional expertise is very, very far away from digitalisation, design and optimising user and brand experiences. Thank you for pushing me the last few metres!

Enjoy reading!

Thorben Wieck

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Designing a product-brand strategy for a coffee bean service

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Summary

In the last few years, the demand for high quality coffee beans and speciality coffee beans has been higher than ever (CBI, 2020). In key markets, such as Germany, the whole bean segment is experiencing the greatest growth out of potential coffee preparation methods (Deutscher Kaffeeverband, 2021). Almost every third household in Germany now owns a fully automatic espresso machine (FAEM), which uses whole beans for preparing coffee (Deutscher Kaffeeverband, 2021). A FAEM enables the consumer to brew the best possible coffee with the least effort. FAEMs use whole beans but the quality of beans varies according to consumer preference (CBI, 2020). A FAEM hardware producer may offer the best FAEM, but the major factor contributing to the perfectly brewed coffee is the choice of the right beans (Hermle, 2020).

At the same time, digitalisation is rapidly gaining importance and more domestic appliances are connected to the internet. Smart coffee makers or FAEMs are one of the key drivers responsible for the growth of the coffee machine market (ReportLinker, 2021a). A variety of FAEM producers have tried to enhance the customer journey through integrated digital touchpoints, but consumer ratings for most connected apps remain low. Before deciding to invest into the development and integration of an app, it is therefore relevant for a company to determine potential added value for the consumer.

The lack of highly rated apps on the market provides an opportunity to enter the market with a service that addresses consumer needs in a more effective way: For instance, a combination of a FAEM and a connected app that can create an improved bean experience and provide consumers who place value on high quality coffee with a holistic coffee experience.

This project has been realised in collaboration with Philips Domestic appliances. Philips (PH) successfully produces FAEMs. Taking note of current trends in the coffee market, it makes sense to offer the consumer more than just a FAEM and to extend the PH brand into new services to offer a holistic coffee experience.

Unlike the main competition in the FAEM market, PH operates in a wide range of product categories; it is a so-called "broad brand". Although previous research has shown that broad brands are more successful in brand extensions than narrow brands (Meyvis & Janiszewski, 2004), it is important to consider in which product category these extensions should take place and how they fit with the parent brand associations to enable an authentic experience (Spiggle et al., 2012).

With the previous trends in the coffee market in mind, as well as the emerging challenges for consumers in relation to bean purchasing, this thesis

conducted research into how to advance the PH coffee journey. The research question that has been addressed is:

How can PH, as a hardware focused appliance company, extend its brand to provide a credible bean service within digital FAEM touchpoints?

The research phase resulted in the finding that a FAEM producer should enter the field of bean services. A survey provided results that helped to understand the target segment and their needs: It found that the main target group can be defined as the "millennial generation". These so-called "millennials" have reached adulthood in the 21st century and are characterised by their familiarity with the Internet, mobile devices, and social media. As such, they also have a greater need for digital services. In addition, the survey found that functionalities dealing with bean recommendation and personalisation were rated best for a connected FAEM app.

Subsequently, the significance and importance of a brand in the context of a brand extension was assessed quantitatively through a survey and qualitatively through user interviews. The results showed that consumers in the defined target segment would have little confidence in the PH brand if it offered beans from different roasters via a dedicated service or FAEM app. According to these results, the research found that PH should create a new brand

in order to provide confidence to the consumer that they can provide this service for different touchpoints. The qualitative research tested different brands and feature scenarios and found that consumers prefer a FAEM app developed as a cooperation or co-marketing approach between two brands: One that has knowledge and expertise in coffee (a new brand) and one that has expertise in technology (PH).

The strategic design part of this thesis made recommendations and designed features that enable the desired trust in the bean service within a FAEM app. The first step was to develop a brand DNA and manifesto for a new brand and a strategy of how this brand should position itself in the competitive landscape. The new brand allows PH to demonstrate that the collaboration has the required expertise and allow for new consumer associations. The second step involved the development of a FAEM app and the integration of the new brand into the collaboration with the PH brand. Here, a customer experience was designed based on product recommendations and a personalised bean service that offers the target segment a contemporary brand experience around the topic of coffee beans.

The work concludes with key recommendations based on generating a viable business model and launching successful campaigns for the new brand to ultimately deliver the desired service.

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Abbreviations

FAEM	Fully automatic espresso machine
PH	Philips / Philips Domestic Appliances

1.0 Introduction

THE FIRST CHAPTER OF THIS THESIS INTRODUCES THE PROJECT. IT WILL PRESENT THE ASSIGNMENT, THE METHODOLOGY AND THE APPROACH.

1.1 Project introduction and assignment

The demand for high quality coffee beans and speciality coffee beans is higher than ever (CBI, 2020). In key markets, such as Germany, the whole bean segment is therefore experiencing the greatest growth (Deutscher Kaffeeverband, 2021). Traditional brewing methods based on pre-ground beans, such as filter coffee machines, are losing popularity and the market for them is stagnating (Tchibo, 2020). As a logical consequence more and more consumers are turning to new coffee preparation options in the home to enjoy better coffee. Almost every third household in Germany now owns a FAEM (Deutscher Kaffeeverband, 2021).

A FAEM enables the consumer to brew the best possible coffee with the least effort possible. FAEMs use whole beans but the quality of beans varies according to consumer preference (CBI, 2020). A FAEM hardware producer may offer the best FAEM, but the major factor contributing to the perfectly brewed coffee is the choice of the right beans (Hermle, 2020).

At the same time, digitalisation is rapidly gaining more importance and more domestic appliances are connected to the internet. Smart coffee makers or FAEMs are one of the key drivers responsible for the growth of the coffee machine market (ReportLinker, 2021a). A variety of FAEM producers have tried to enhance the customer journey through integrated

digital touchpoints, but consumer ratings for most connected apps remain low (Figure 3-2). Ideally, an app should increase the consumer lifetime value of a coffee machine it is connected to, and thereby the revenue of the producing company (Corugedo, 2019). Before deciding to integrate an app, it is therefore relevant to determine its potential added value for the consumer.

The lack of highly rated Apps on the market provides an opportunity: A combination of the FAEM hardware and a connected App can create an improved bean experience and provide consumers who place value on high quality coffee with a holistic experience: Hardware producers with competence in coffee machines have already engaged with different coffee bean services. Examples include Melitta (Ksienzyk, 2019), De'Longhi (De'Longhi, 2021b), Siemens (Coffee Circle, 2020) or Spinn (Spinn, 2021).

Assignment

PH successfully produces FAEMs and shares a large part of the market turnover with De'longhi and Jura (Absolute Reports, 2019). Taking note of current trends in the coffee market, it makes sense to offer the consumer more than just a FAEM and to extend the PH brand into new services to offer a holistic coffee experience.

Unlike the main competition in the FAEM market, PH operates in a wide range of product categories, offering consumers many products and services from B2B healthcare to B2C sneaker cleaners. Although previous research has shown that broad brands are more successful in brand extensions than narrow brands (Meyvis & Janiszewski, 2004), it is important to consider in which product category these extensions take place and how they fit with the parent brand associations to enable an authentic experience (Spiggle et al., 2012).

With the previous trends in the coffee market in mind, as well as the emerging challenges for consumers in relation to bean purchasing, this thesis will conduct research into how to advance the PH coffee journey. It aims to develop an authentic and trusted brand product strategy for a service that connects a fully automatic espresso

machine application with a high-quality bean experience. The outcome has been developed in cooperation with Philips Domestic Appliances to provide the company with a strategy for future consideration. The research question is:

How can PH, as a hardware focused appliance company, extend its brand to provide a credible bean service within digital FAEM touchpoints?

This Master thesis aims to address this issue, specifically for a service that allows the consumer to experience a holistic coffee consumer experience within all FAEM touchpoints. It will examine the PH brand within the FAEM product category. Other preparation methods and the SAECO brand, a second FAEM brand under PH are outside the scope of this thesis.

1.2 Methodology and approach

The overall aim of this thesis is to design a product-brand strategy for PH that enables the company to connect its FAEMs with a high-quality service for bean supply and experience for the user. The chapters of this thesis will:

Introduce the project and provide initial background information and the methodological approach (Chapter 1).

Look at the key trends and events in the coffee market and highlight the opportunities and risks (Chapter 2).

Explore FAEM users and their behaviour to determine the relevant market segment that the combination between hard-ware and bean service should target (Chapter 3).

Investigates whether the PH brand can still be trusted through a brand extension to a bean service (Chapter 4).

Identifies a brand-product strategy that offers the greatest potential for PH and receives the most consumer approval (Chapter 5).

Develop a strategy consisting of a brand part and a product/feature part that can help PH in future considerations (Chapter 6).

Conclude this thesis by discussing the key findings and providing a personal reflection (Chapter 7).

In the individual chapters, the methodological process in relation to qualitative and quantitative data collection is discussed in detail.

1 The first chapter provides an initial overview of the topic.

2 The second chapter is based on desk research. It examines the current coffee market in relation to the current trends and shows how PH is positioned there.

3 The third chapter starts with a short desk research and analyses the bean purchase channels available to the consumer as well as existing FAEM apps. The results of a survey are then analysed to help understand the current FAEM consumer. A survey, sent to 95 German FAEM users, aims to understand current purchasing behaviour in relation to coffee beans. A second aim is to find out which target group is most interested in an integrated bean service. The chapter concludes with a determination of the target segment.

4 The fourth chapter outlines the theoretical framework of brand extension and management based on desk research. It then applies the theory to the example of PH. The aim is to determine how consumers would

evaluate a brand extension and understand why the use of the right brand can be crucial for a certain service. The chapter also presents the results of a survey with qualitative and quantitative elements which asked 126 people from Germany and the Netherlands for their opinion on the potential brand extension and brand associations of FAEM producers.

5 The fifth chapter uses the outcomes of the previous chapters to propose and identify a brand and product strategy and test it through lean iteration. For this iteration, different brand scenarios and features were explored. The testing was carried out with 7 participants from the market segment identified in chapter 3.

Based on the results from the fifth chapter, a strategy is formulated and designed in the sixth chapter, which consists of two parts. The first part gives recommendations on how PH can build a strong position through a new brand. The second part focuses on the future digital FAEM brand experience and how it can gain value and trust through the interaction of two brands.

7 In the seventh chapter, the main points are summarised and discussed once again. In addition, decisive next steps are formulated for PH, which were beyond the scope of this thesis.

2.0 The coffee market

THIS CHAPTER CONTEXTUALISES THE CURRENT COFFEE MARKET, LOOKING AT TRENDS, KEY DEVELOPMENTS AS WELL AS THE POSITIONING OF PH IN THIS MARKET.

2.1 Current trends in the coffee market

There have been five major trends in the coffee market (Figure 2-1). These trends show relevant consumer needs and market developments. While they do not specifically relate to the market for whole coffee beans they are therefore included.

In the following chapters, this thesis will focus on the points "Speciality coffee and the whole bean", "Sustainability and certifications" as well as "New business models and digitalisation". These developments and trends can be summarised in three points, which will be discussed in detail in the following section. Firstly, there is a clear demand for higher quality coffee, especially in the preparation of coffee drinks at home but also outside the home. Secondly, this means that consumers are turning to new coffee machines that enable them to achieve better quality. Thirdly, the coffee market has seen new innovative business models that pair coffee preparation with digitalisation efforts. An example is the connectivity of coffee machines.

The increased demand for high quality coffee

The coffee waves

The concept of the so-called coffee waves (Table 2-1) clearly shows how consumer demand has changed over the decades towards the demand for higher quality coffee. The first wave describes the

mass-demand for coffee which became noticeable at the beginning of the 20th century (Essense coffee, 2019). Most of the coffee consumed was pre-ground coffee.

From the middle of the 20th century, the second wave started and the idea of coffee café franchise chains was developed (Thurston et al., 2013). During this period, businesses offered coffee that exceeded the quality of the average coffee people drank at home. Another decisive element of this period is that the term "speciality coffee" was defined for the first time. The concept was introduced by Erna Knutsen in 1974 (Teles & Behrens, 2020). It describes high quality coffee with an easily traceability origin.

With the beginning of the third wave in 2000, the speciality coffee segment experienced strong growth, and exceeded other segments (Teles & Behrens, 2020). The behaviour of the consumer also changed during this time and there was an increasing interest for a cup of coffee that exactly suits the individual taste (Essense coffee, 2019).

The fourth wave that started around 2010 placed emphasis on the craft of coffee brewing. Transparency in the sourcing of the beans and artisanal preparation methods gained ground. Even if, according to some sources, the third wave is still underway, there are already signs

Driving forces in the coffee market

Trend 1



Convenience

The need for simplicity and speed is evident in the coffee market (ReportLinker, 2021b). The single serve and capsules segment, which includes, for example, the famous Nespresso capsules, has seen significant growth in recent years.

Trend 2



Speciality coffee and the whole bean

The search for speciality coffee is not only noticeable in out-of-home opportunities, such as the growth of local roasters and cafes, but also in the household sector where consumers are upgrading their consumption with beans from local roasters. (Technavio, 2021). This trend is also leading consumers to equip themselves with new coffee machines that prepare coffee with whole coffee beans.

Trend 3



New business models and digitalisation

New business models that are already familiar from the entertainment sector are now also finding their place in the coffee market (Ashby, 2020). These include, for example, subscription models and the expansion of e-commerce platforms, which also have been accelerated by the Covid-19 pandemic. In addition, a strong digitalisation is taking place in the context of the "smart home".

Trend 4



Consolidation

The coffee market is dominated by large producers and manufacturers, especially in the area of coffee beans and roasters (CBI, 2020). Small companies initially accelerated trends in the area of specialty beans but big players have recognised the potential, which has led to major acquisitions.

Trend 5



Sustainability and Certifications

The coffee market is also affected by sustainability regulations (CBI, 2020). Required certificates and laws mean that there is a need for coffee roasters and manufacturers to demonstrate transparency in supply chains. Segments with few certificates have to accept market losses. This trend is also reinforced by the fact that consumers continue to look for better quality.

Figure 2-1 – Summary of the major trends that are shaping the current market

and there are indications that the coffee market and its consumers are currently in the fourth or fifth wave. The fourth wave focusses on the science of coffee brewing and the fifth wave on the business that can be enhanced with excellent coffee. Throughout all of these “waves”, the idea of getting even more out of the coffee bean and offering consumers higher quality continues to be pursued. Transparency of the sourcing of the bean and the so-called single origin (from one farmer only) have gained importance. In the following, a closer look is taken at the development of speciality coffee and the demand for the whole bean.

Specialty Coffee

The trends have highlighted the increased demand for better quality and specialty coffee. When talking about coffee beans, it is very important to understand the main differences such as origin, roasting, the process of harvesting and delivery. This has a decisive influence on quality and therefore on price. Figure 2-2 shows the classification of coffee beans, whereby the low and mid-range coffee quality describes products which can be mainly found in supermarkets and discounter and those which are not described as specialty coffee.

Discounter and supermarket beans can be easily identified by their price, which usually ranges between 8€-20€ per kg. This rather low price is due to an extremely short roasting time at high temperature and the mixture of several types of

beans in their raw state. Other characteristics are that the producers have few transparency and sustainability certificates. Especially in the low-end segment, the market share has declined strongly, while the mid-end segments are stagnating (CBI, 2020) which indicates a higher interest from consumers for higher quality beans.

Specialty coffee beans differ from the supermarket beans: They start at a price range of about €20 per kg, with no upper limits. This is the type of bean distributed by the local small roasters. These beans are usually certified as sustainable and are described as single origin, which means they come from only one type of bean. Depending on the country, most of these beans can only be bought directly from the local roaster or cafes that are working in cooperation with roasters. In some countries, such as Germany, they are also available in supermarkets, although this is not the case in the Netherlands.

As described in the previous section, the trend focussing on specialty beans began during the third wave. There, it became noticeable that consumers are willing to pay more for high quality coffee. 50% of Germans are prepared to spend more money on a higher-quality coffee experience and better beans (Technavio, 2018). This can also be seen in the 5% growth rate for small cafés and roasters and other out of home order opportunities in Germany. Since 2010, the number of micro roasters in Germany has doubled from just under 300 to 600 (Arnold, 2019).

	1 ST	2 ND	3 RD	4 TH	5 TH
FOCUS	TRADITIONAL COFFEE CULTURE	BRANDED CHAINS	ARTISAN COFFEE	SCIENCE OF COFFEE	BUSINESS OF COFFEE
PERIOD	20th century	Begins mid-1990s	Begins mid-2000s	Begins 2010s	Begins mid 2010s
FEATURES	<ul style="list-style-type: none"> •Commodity-driven •Mass consumption •Dominance of bulk brew Filter coffee •Introduction of instant filter coffee 	<ul style="list-style-type: none"> •Rise of branded chain concepts •Proliferation of coffee shop culture •Customised espresso based beverages •Development of “3rd place” coffee shop environments •Globalisation 	<ul style="list-style-type: none"> •Focus on craft •Importance of micro roasting •Hand-produced •Antipodean and west coast influence •Culinary appreciation of coffee •Sourcing transparency 	<ul style="list-style-type: none"> •Scientific methods and principles •Accuracy and measurement in brewing •Deep understanding of properties of coffee and ingredients •Attention to water chemistry •Advanced equipment 	<ul style="list-style-type: none"> •Boutique store environments replicated and refined •Obsession with excellence and continual improvement •Commercially focused •Customer centricity •Investment in technology and team development
OPERATOR TYPE	Retails / Supermarket brands	Coffee shop chain brands	Independent artisan cafés and roasters	Custom in-house roasting	Smart aspirational concepts
DEFINING CHARACTERISTIC	Functional	Lifestyle	Craft	Science	Ambition
DEFINING CUSTOMER EMOTION	Refuelling	Enjoyment	Love	Exploration	Experience

Table 2-1 – The coffee waves – Adapted from (World coffee portal, 2019)

Coffee bean classification

Upper End	Excellent quality / 85+ cupping score / Single origin and fully traceable	↑ ☕	>90	€/Kg
High End	High quality / 80-85 cupping score / Mainly Arabica and single origin	↑ ☕	30-90	€/Kg
Mid Range	Good quality / Blend of Robusta and Arabica	– 🛒	15-30	€/Kg
Low End	Low quality / Mainly Robusta / Only minimum certification	↓ 🛒	<15	€/Kg

Figure 2-2 – Classification of coffee beans based on their quality and characteristics – Adapted from (CBI, 2020)

The growth of the specialty segment is driven mainly by out-of-home opportunities (CBI, 2020). Even if it belongs to one of the strongest growing segments, it is currently still one of the smallest segments. In the private household sector (Figure 2-3), the majority of consumers does not yet use specialty coffee beans, but rather continues to reach for the ordinary supermarket beans in the lower price segment. Globally, the market share value of specialty beans is around 14% (Agri Logic, 2018), driven mainly by the United States (25%). There is currently no precise data on the specific market share of specialty coffee in Germany or the Netherlands. It is estimated to be around 2-5% (Wirtschaftswoche, 2019).

Awareness of our planet

More and more consumers are becoming conscious about our planet and understand that their consumption needs to become more sustainable. This growing awareness for sustainability can also be observed in the coffee market (De’Longhi, 2021a). Today, certificates that show complete transparency of the supply chain and the handling of rare resources are more important than ever (International Trade Centre UNCTAD/GATT et al., 2018). The key certifications include Fairtrade, organic, Rainforest Alliance, UTZ and 4C. Companies that try to bypass these are finding it increasingly difficult to enter the market (CBI, 2020).

The increased demand for coffee prepared with whole beans

Whole bean purchase

The demand for whole beans has increased significantly in recent years. A snapshot of the German coffee market demonstrates this. The German coffee market is one of the largest in Europe (CBI, 2020). One of the main reasons, consumers buy whole beans is for use in a FAEM. Looking at the current use and ownership of different coffee machines can therefore give an indication about the demand for whole beans. Consumer purchase behaviour in the different coffee segments is also relevant.

Figure 2-4 and Figure 2-5 demonstrate that while the whole bean segment is the fastest growing market segment, the ground coffee segments still hold a larger market share. The whole bean segment recorded a 26% increase in value in 2020, which is

significantly higher than all other segments. The convenience segment, which includes pads and capsules (single serve), also saw an overall increase of 10.2%. Despite this, most consumers in Germany still like to buy pre-ground coffee, even though this segment is hardly growing any more.

Although this data indicates a high level of interest in the whole bean, it is not clear from the data to what extent this interest is driven by the purchase of specialty beans or by the purchase of those beans with a lower classification.

FAEM purchase

In line with the conclusion about whole bean purchase, FAEMs remain one of the most popular coffee preparation devices in German households. FAEMs prepare coffee beverages using whole beans and fall under the so-called “bean to cup” preparation. The consumer merely presses a button, and the machine prepares the beverage. FAEMs differ from the classic espresso machines because the manual processes such as grinding the coffee beans, tamping the ground coffee and the subsequent extraction are carried out by the machine.

Figure 2-6 shows that appliance ownership of FAEM machines in Germany has increased by 70% since between 2011 and 2020, similar to the growth in capsule, or single-serve machines. The number of drip filter machines has declined (Tchibo, 2020) Today, approximately every third household in Germany already owns a FAEM (Deutscher Kaffeeverband, 2021). With the number of people owning and using

Speciality beans in private households



Figure 2-3 – Estimate of consumers who already make use of specialty beans in private households - Interpreted and adapted from (Agri Logic, 2018) & (Wirtschaftswoche, 2019)

a FAEM, the demand for whole beans will further increase.

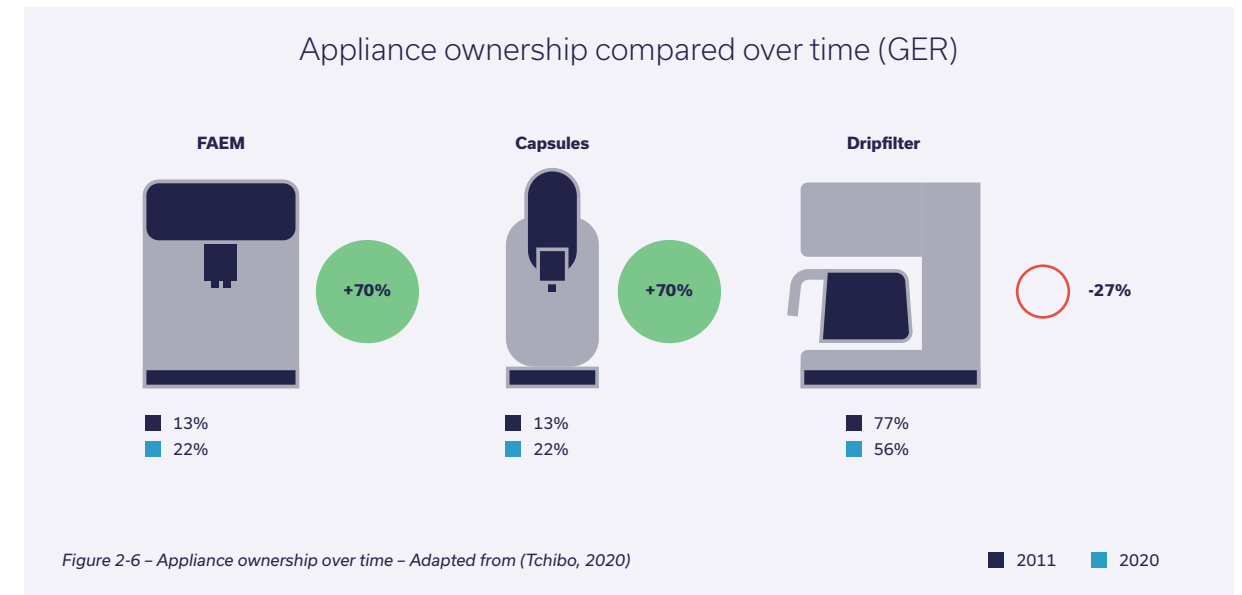
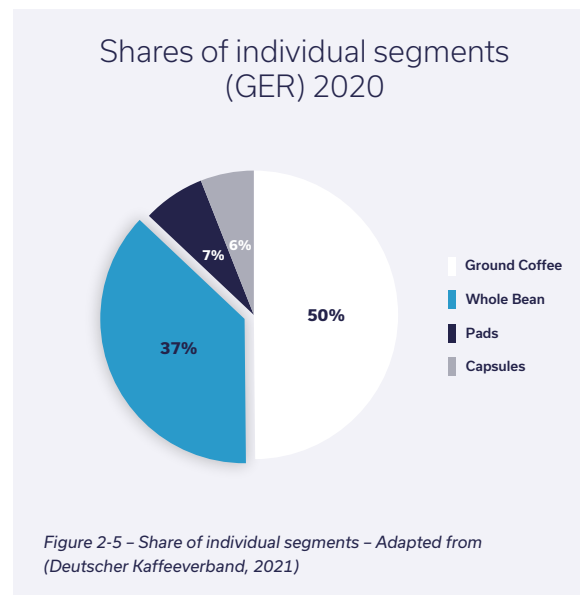
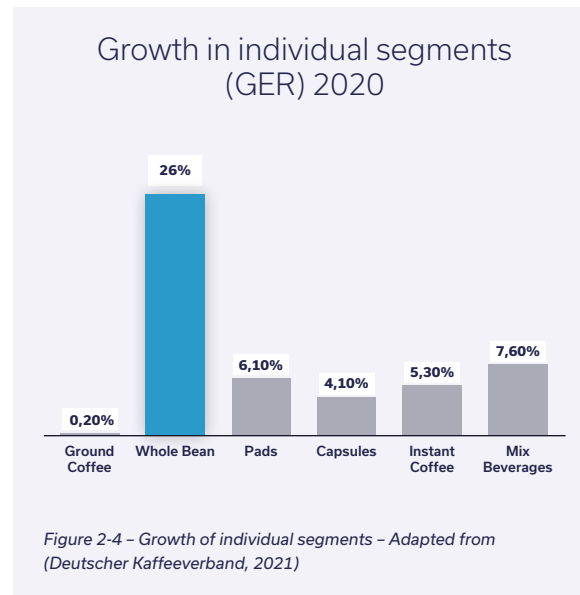
Trends and current developments in purchase behaviour have been strongly influenced by the Covid-19 pandemic. This pandemic has significantly changed the way we work and live at home and is likely to continue to do so in future (BBC, 2020). It has not only driven trends unexpectedly, but also made people reorganise their home environment to feel comfortable even in the difficult times.

This behaviour could be seen strongly in the business of coffee appliance manufacturer as it was able to absorb the negative impact of Covid-19 extremely well. The house or flat was upgraded with new equipment that facilitates working from home. These upgrades often included coffee machines that allow for the preparation of a high-quality coffee. Whereas consumers in the first Covid-19 wave (March 2020 - May 2020) (Appendix C) mainly bought kitchen machines (Global segment growth +56%), in the second Covid-19 wave (November 2020 - December 2020) they increasingly turned to coffee machines (Global segment growth +48%) (Appendix C).

The increased demand for connectivity and new business models

Hyper connectivity & Digitalisation

Since March 2020 the average consumer bought at least two Internet of Things (IoT) devices. Gen Z consumers even bought three (Xiaomi, 2020). These devices help to perform certain tasks more efficiently and effectively. They aggregate data to



understand the consumer and can anticipate their behaviour in the future. This development of hyper digitalisation will of course not only affect the end consumer in the domestic environment but will also find its application in all conceivable fields of work.

The increasing trend of smart devices is also clearly visible in the development of FAEMs (ReportLinker, 2021a). The majority of FAEM producers have already developed the FAEMs they offer in a way that allows the consumer to control the device via the smartphone. Examples include Siemens, PH (Saeco), Miele, KRUPS and Jura. Apps connect the user to the machine via Bluetooth or Wi-Fi. This allows the consumer to access updates of the app and upgrade it to include new functionalities even after purchasing the FAEM. Low ratings of relevant Apps suggest that most digital applications offered

by FAEM hardware producers do not yet meet consumer demands.

Covid-19 has significantly altered the way we shop. Coffee roasters were also hit hard by the negative effects of the Covid-19 pandemic. Due to recurring lockdowns, they have created or adapted e-commerce platforms and have developed new digital business models. This has enabled consumers to obtain freshly roasted coffee from their local roasters. According to a panel discussion held during the London Coffee Festival (London coffee festival, 2021), several roasters emphasized that consumers were mainly interested in developments in the area of subscriptions. These include monthly boxes that provide the consumer with different beans, some of which have been optimised to the consumer's taste.

Philips positioning within the FAEM product category

PH is a hardware producer of coffee machines that positions itself broadly in the coffee market with a variety of different machines in different price segments under different brands. PH products cater to the trends of single serve (convenience) with single serve appliances (Philips, 2021a). Two PH brands operate in the FAEM sector. The brand SAECO produced the first FAEM ever in 1985 but was only acquired by PH in 2009. After the acquisition PH started producing FAEMs under the PH brand for the lower prices market segments (Philips, 2021c).

Today, the two FAEM brands are positioned in such a way that the FAEMs under the PH brand

appeal to consumers who are willing to spend up to 650€. The focus is on "ease of use" and coffee "with just one touch" (Philips, 2021a). In contrast, the Saeco brand FAEMs focus on "coffee to your taste" and "design". Here, the machines start at around 600€ (Philips, 2021a).

In the area of connectivity, PH was one of the first brands to launch a fully automatic machine with functionalities and control via an app for a Saeco appliance (Philips, 2021c). The first app was launched on the market in 2014. Few and poor ratings of the app also indicate here that activities in the area of app development under the Saeco brand have been stopped for the time being. The last update of the app was released in December 2019 (App Store, 2021c).

2.2 Concluding the chapter

There are five major trends in the coffee market: convenience, specialty coffee, sustainability and certifications, consolidation, and subscriptions. For the purpose of this thesis, the increased demand for "Specialty/high-quality coffee", "Subscription services" and "New business models" is relevant.

The whole coffee bean is rapidly gaining relevance as a product:

- An important reason for this is that the demand for high-quality coffee has grown. The development of the different waves of coffee have moved from a focus on mass consumption, over a focus on craft preparation to a commercial focus on the consumer. The Covid-19 pandemic has further led consumers to prepare high quality coffee at home, while they were working from home or because their favourite cafes were closed. Concerns for sustainability and the environment increase the demand for coffee beans that can be traced back to its origins.
- A second reason is, that the demand for FAEMs, and therefore for whole beans that are used for preparation, has grown by 70% in the German market.

There is an increased demand for connectivity and hardware-integrated services. The Covid-19 pandemic has changed the way we shop, and many consumers have become accustomed to relying on digital services for online shopping without having to go to the supermarket.

Also, if existing FAEM app ratings remain low there is room for improvement in connecting FAEMs with apps and new services.

3.0 Purchase channels and the consumer

AFTER OUTLINING THE RELEVANT MARKET DEVELOPMENTS, THIS CHAPTER WILL LOOK AT THE MARKET FOR BEAN PURCHASING CHANNELS AND EXISTING FAEM APPS AND IDENTIFY WHERE IN THE MARKET RELEVANT COMPETITION IS SITUATED. IT WILL ALSO LOOK AT CONSUMER NEEDS AMONG EXISTING FAEM USERS TO IDENTIFY THE TARGET SEGMENT OF A FAEM APP INTEGRATED BEAN PURCHASE SERVICE. DESK RESEARCH IS COMPLEMENTED BY A USER SURVEY WITH PARTICIPANTS WHO ARE EXISTING FAEM USERS IN GERMANY.

3.1 Market landscape

Bean purchase channels

Consumers that seek to purchase coffee beans have several options: They can buy beans at the supermarket, a local specialty store, a local roaster or through a variety of online services. To understand the options available to consumers with different preferences, Figure 3-1 divides selected companies offering roasted coffee beans into quadrants. Each of these quadrants shows the core competence or the added value offered to the consumer by a particular company, brand, product or service in the German and Dutch markets.

Access

The further to the left on the Access axis a company is placed, the more easily accessible it is to the consumer. Easily accessible providers include above all, the classic retailers and supermarkets, where consumers shop on a daily or weekly basis. The accessibility is also the competitive advantage of these services and companies, as the consumer does not have to visit specific retailers to find coffee beans. In addition, these companies appeal to a large number of consumers due to a large selection. Their main disadvantage is that they are very limited in terms of advice and quality.

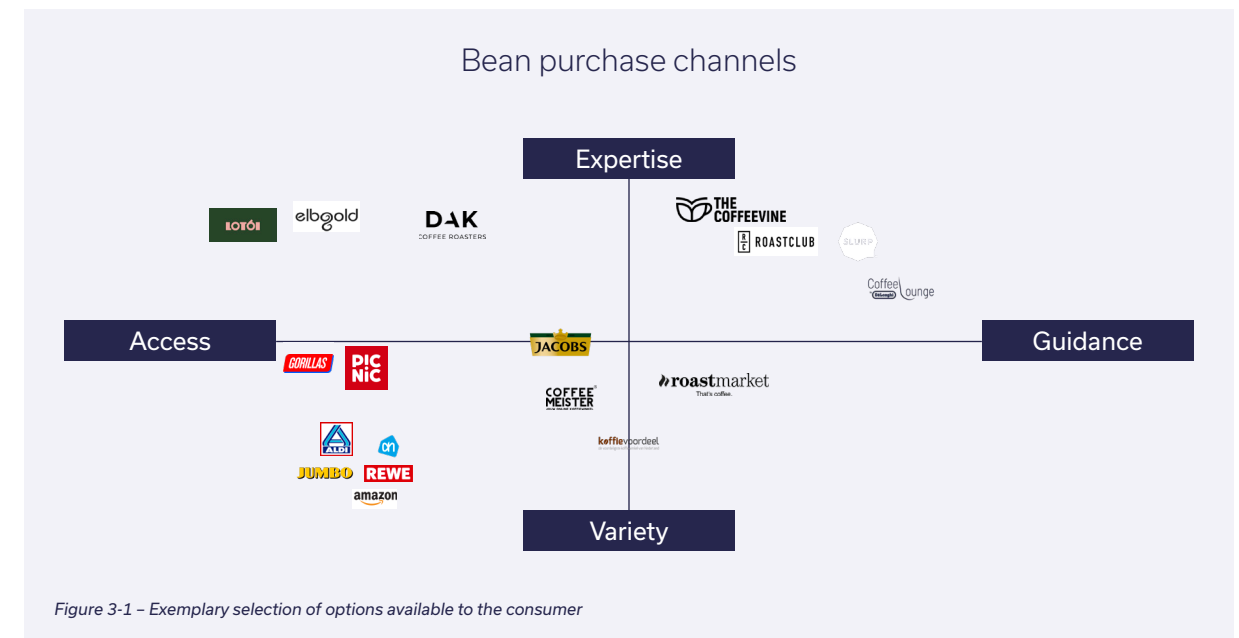
Business on the left end of the access axis also include grocery delivery services. The Covid-19 pandemic has greatly expanded this sector and led to the development of new business models. Examples include 10-minute

grocery delivery services "Gorillas" or "Link" which offer high quality food, including high-quality coffee beans or specialty beans. A disadvantage is that they can only offer an extremely small assortment to keep their delivery promise.

Expertise

Expertise describes that the core competence of these companies or services relates exclusively to coffee beans. Companies whose services go beyond simply offering beans for purchase and value high quality are located on the top end of the expertise axis. The aim is to provide the customer with the maximum coffee experience. Companies performing well in expertise include local roasters who offer offline and online services. Examples include personalised subscription models that offer only high-quality beans.

The advantage of local roasters is that they are accessible online but also offline for the consumer and offer the best accessible quality. Their assortment is often small, and they lack access to a large variety of brands. Subscription models or bean boxes offer consumers easy access to monthly or weekly rations of coffee beans. There are dedicated services that specialise in partnering with new local roasters and offer beans to the consumer on a monthly basis. Some of these options offer rations based on specific flavour



profiles that match the consumer's preference (e.g., Roastclub or Slurp). Most options so far have focused on a monthly delivery of high-quality coffee beans only.

Variety

E-commerce platforms offer consumers a wide choice of different beans and coffee preparation options and a large selection of international and local roaster beans that do not fall under a specific bean classification. Platforms such as Roastmarket (Germany) offer a variety of choice to consumers with different price and quality expectations. The disadvantage of this business model is that it does not occupy a specific position in the market that offers the consumer a Unique Selling Point (USP). The reason for this is that most coffee products on offer are also available in local shops such

as supermarkets and do not include decisive taste guidance, personalisation or recommendation features.

Guidance

Companies on the right side of the guidance axis offer a good selection of beans, but also guide the consumer and make suggestions that fit the personal taste profile. These platforms or services provide the consumer with a taste quiz and create a taste profile based on the results. The taste profile in visual form, gives the consumer an overview of beans but also specific characteristics that might match their taste profile.

There is not yet much competition in this field, but individual roasters or services from the expertise quadrant (e.g., Roastclub or Slurp) have already adopted

the idea of taste quizzes in a very basic way. In this case, basic means that the service asks the consumer a small set of questions in relation to their taste preferences; the subsequent recommendation is not really personalised. The only FAEM competition that has so far tried to establish itself in this area is De'Longhi. With a new platform (De'Longhi lounge), the company is trying to combine the above-mentioned factors to offer consumers high quality of beans and make personalised suggestions based on a taste profile.

FAEM Apps

After the previous section dealt with the specific competition in bean purchase channels, this section will focus on the immediate competition in the area of hardware (FAEM) and connectivity. The main companies producing FAEM hardware aside from PH are De'Longhi, Siemens, KRUPS, Melitta and Jura. PH competitors offer apps with which the consumer can connect to a FAEM via Bluetooth or Wi-Fi. Accordingly, this allows the consumer to access updates or new functionalities of the machine through the app even after purchasing the FAEM.

Siemens, Miele, KRUPS, De'Longhi, Jura, Melitta, Saeco and Nivona produce FAEM hardware with integrated Apps. All apps of these companies offer the consumer basic functions such as switching the device on and off and provide instructions and maintenance information in a simplified form. Jura, Melitta, Siemens and De'Longhi offer links to easily purchase maintenance material, such as water filters and the possibility to modify and personalise the strength and size of beverages. They also start the pre-brewing process via the app. With a

new platform De'Longhi is exploring to include taste quizzes and bean recommendations in an integrated App service.

Existing Apps connecting FAEMs with the consumer are limited in their usefulness for the consumer (Figure 3-2). Depending on the platform, they have an average rating of 1.4 to 3 stars. Only Siemens can show an above average rating (App Store, 2021a). Service reviews are based on performance and relevance for the consumer. Many consumer reviews indicate connection problems, which directly lead to poor ratings. Connections are constantly interrupted or a connection to the app cannot be established at all. As a result, consumers spend a lot of time unsuccessfully trying to achieve relatively simple functions. In the area of relevance, consumers largely do not see an added value in using the App, especially due to the limited selection of features.

The only features that offer a certain added value and are also positively accepted by consumers are those of personalisation and storing their own modified beverages. Siemens stands out because there are few performance problems, but also because the Siemens App offers functionalities that make it possible to connect other kitchen appliances (e.g., oven and fridge). These connections may provide better options with more value than the features connecting the coffee machines.

Conclusion

- Online services offer the possibility to provide guidance in addition to expertise and variety. Offline stores focus almost exclusively on easy access, instead of guidance. Platforms that provide

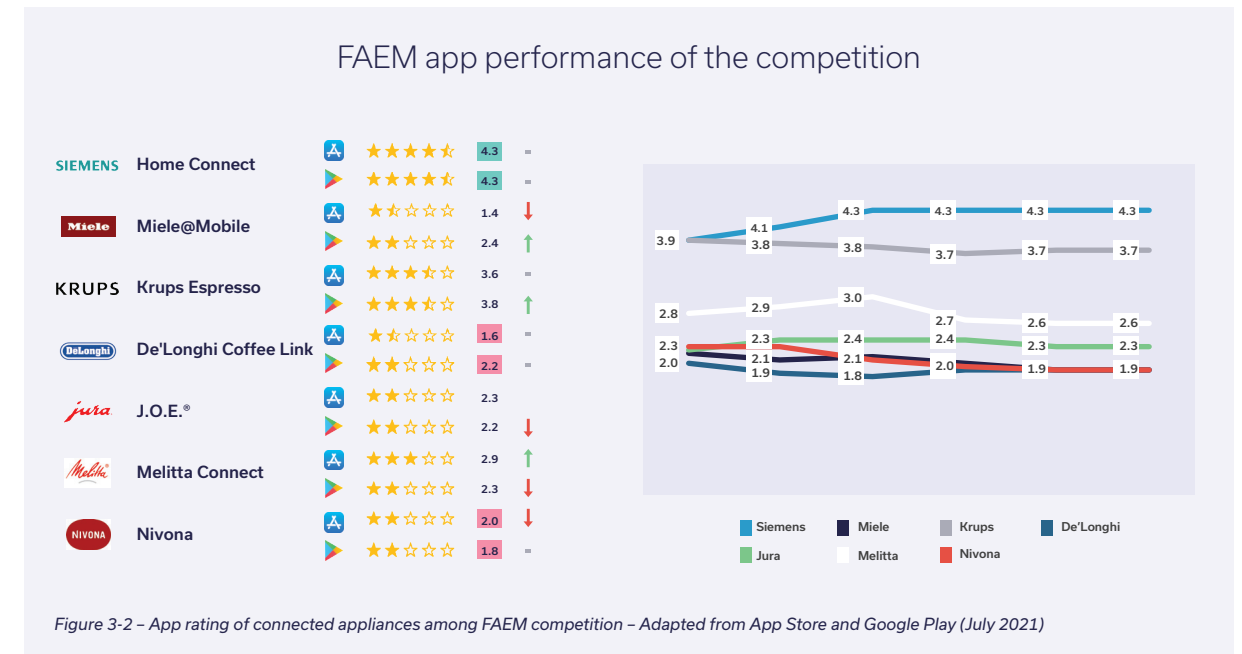


Figure 3-2 – App rating of connected appliances among FAEM competition – Adapted from App Store and Google Play (July 2021)

- guidance in addition to expertise and variety are all online services: Roastclub and Coffeevine are subscription services, Coffee Lounge is a service soon to be integrated into the De'Longhi coffee machine and Roast Market is an online supermarket.
- There is a lack of platforms that combine access with guidance and variety. Figure 3-1 shows that most sales platforms focus on the market segment that offers variety and easy access.
- There is abundant competition in services that focus on big variety or easy access. New services seeking to enter the market will face strong competition from offline opportunities, such as supermarkets or roasters and other bean platforms.

- A market analysis of different bean purchase channels has shown that most of these platforms and services focus on providing easy access but do not address the issue that consumers are unsure which taste descriptions match their actual taste or provide guidance in which beans to buy.
- The next part of the chapter will look at relevant opportunities in the digital services that are connected to a FAEM: Existing digital services integrated into FAEMs often perform poorly in customer reviews and do not address the challenges identified in the customer journey above.

3.2 Identifying the target segment

FAEM users are functional users who are concerned with getting their coffee quickly. Due to the different price ranges of different FAEMs, users' preferences and concern for features such as price, quality and different options vary widely among users of different machines. The following section will seek to establish, which of these consumers are most likely to be interested in a connected FAEM that allows them to access a bean service via a connected app and what features they may value.

Methodology

A survey was carried out by means of a questionnaire in German language (Appendix B) sent mostly to FAEM users and consumers who prepare coffee based on whole beans. Participants are German adults above 18 years, that use a FAEM or make coffee based on whole beans regardless of brand. In total, 95 participants filled out the survey where 90% (N=85) are users and owners of a FAEM. The remaining 10% of users either use a manual espresso machine or make use of other devices. There is an even distribution of participants within the age groups (25-34, 35-44, 45-54 and 55-64). Significantly lower participation could be seen in the age group 18-24. The survey was mainly sent out via social media channels such as Facebook.

- The first part of the survey questionnaire deals with general coffee drinking behaviour and attitudes towards the purchase of coffee beans. Questions aim to gather data on purchase criteria and frequency.
- The second part deals with the participants attitude towards smart devices and the readiness to use an app for the coffee machine, if present. Here, the participants were asked about the usability and relevance of connectivity and app use, if this is already available for the respective model.
- In the last part, four features are presented in a written and descriptive way. These features present functional possibilities that are intended to simplify or improve the bean purchasing process via App or machine. Based on personal relevance and added value, participants rated these features.

Results

FAEM consumer bean purchase profile

The majority of FAEM users buy large quantities of beans, once a month. Customers often stick to the same coffee brand.

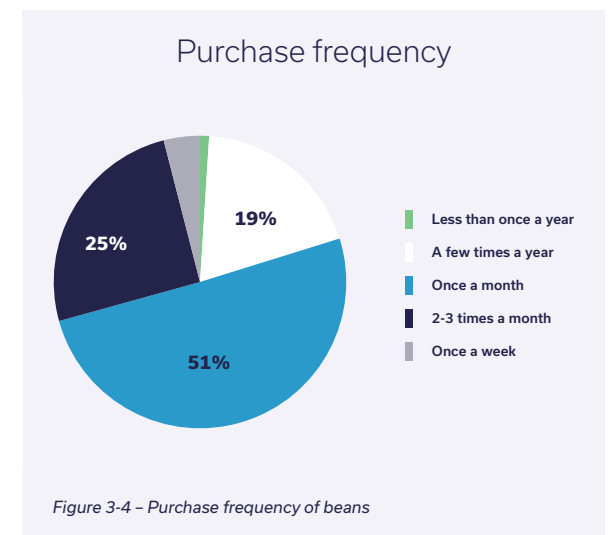
- 66% of the participants prefer to buy beans in a package of 1000g. Only a few buy their coffee beans in 250g bags or less. This behaviour is similar for all age groups (Figure 3-3).

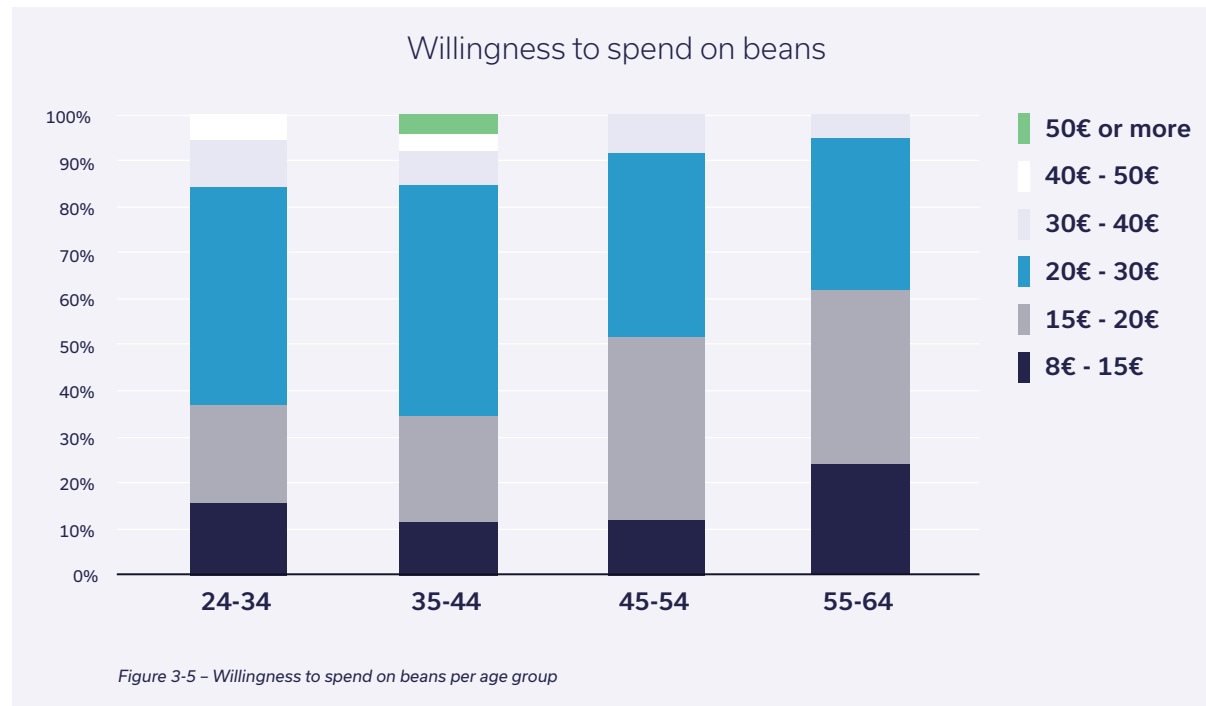
- More than half of participants buy a new bag of beans at least once a month (Figure 3-4).
- 40% of consumer remain loyal to a specific type of bean (Appendix D) and 74% have at least one or two bags of beans as a reserve at home.

Willingness to spend money on beans decreases with age. Around 50% of participants are willing to spend a maximum of 30€ per 1kg bag of coffee beans. The majority of participants in the age groups 25 – 34 and 35 – 44 were willing to pay between 20 and 30€ for their beans. Some would even pay between 30 and 40€. Most participants in the age groups 45 – 54 and 55 – 64 would only pay between 15 and 20€. The readiness to spend more than 30€ per 1kg bag of coffee beans was less than 20% for all age groups (Figure 3-5).

There is no correlation between the price that a FAEM user paid for the FAEM and the price that this user will pay for coffee beans. Consumers who spend more on a FAEM do not automatically spend more on coffee beans. Age group 45-54 (N=26) spends the most on average on their FAEM and 55-64 (N=21) the least.

The majority of FAEM users buys large quantities of beans, once a month and without attempting new bean varieties. This finding is in line with the finding that out of the overall FAEM users a





majority is not willing to spend more than 30€ per kg on coffee beans, regardless of the price of the FAEM. Assuming that a higher price means better quality beans, this means that most FAEM users do not place value on high-end and excellent beans. Exceptions to this are the age groups 24 – 34 and 35 – 44. The majority of consumers in these age groups are willing to spend up to 30€ on coffee beans, some even more.

The general willingness to pay more than 30€ per kg is very low. A bean service (via App) that offers whole beans could either target the existing customers that value quantity over quality or could decide to specifically target the customer segment

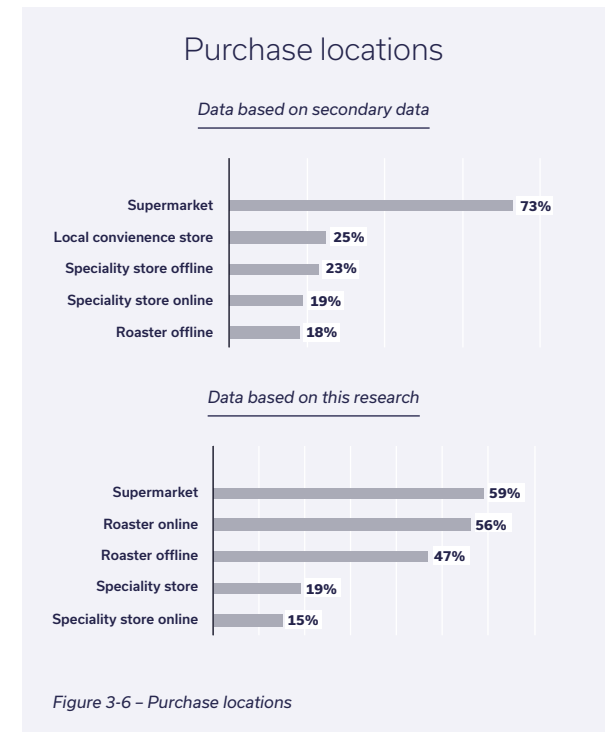
that is ready to pay more for high quality beans (upper end of the mid-end segment). The selection of quality coffee beans should not exceed the maximum price of 30€ that most consumers are willing to pay.

FAEM consumer bean purchase decision-making and channels

When consumers buy new beans, three key purchasing criteria can be identified that apply across all age groups. These are the (1) intensity and roast which is indicated on the label, followed by the (2) bean type and the (3) actual taste which is described on the bag. The least mentioned purchase criteria was the actual bean brand.

More than half of the participants buy their beans at the supermarket. A small number of consumers (N=37) no longer goes to the supermarket to buy coffee beans. Instead, customers buy from roasters, specialty stores or local convenience stores. Results from secondary data (Appendix E) differ from the results from the survey conducted for this study: While this study found that roasters online and offline were the most popular purchase locations after the supermarket, secondary data suggests that customers were most likely to buy in local convenience stores and specialty stores (Figure 3-6). Potential reasons for this difference in data are that Germany was in a strict lockdown at the time the survey for this research was sent out. Also, the respondents of the survey have a strong presence in online channels.

In their purchase decisions, costumers value intensity and roast, bean type and taste. Most of them do not pay attention to the brand. This may suggest that these costumers would value a service that does not provide a variety of brands, but rather a service that guides them to their preferred taste profile or it could allow consumers to discover roasters they may not know yet. Even though the readiness for online purchases has increased during the Covid-19 pandemic, the preferred purchase platform remains the supermarket. Further, data suggests that most customers buy beans once a month. A planned purchase interval through an online service may offer added value to these consumers.



FAEM consumer perception of FAEM apps

Of all the participants, 31 said that their machine allows them to connect to their smartphone. However, 9 also indicated that they would never use it. With regard to the usability and relevance of the app (1= Not relevant and useful, 5=Very relevant and useful), the results show that the use of the app offers limited added value (Mean=2,4). In general, different users of the app of the same brand and machine have rated the same range of functions totally different. This suggests that functionalities address different needs of different groups of participants.

The outcome of this part of the survey confirmed the initial observation that the performance and relevance of FAEM-connected Apps are not generally rated highly by consumers. While some features may be useful for some costumers, the high number of people who say that they would never use the app may suggest that any potential future app needs to overcome a high threshold usefulness to convince users to reconsider their preconception.

FAEM consumer feature preference

The last part of the survey sought to find out which features could convince consumers to use a bean service, with the focus on this being part of a FAEM App. In the customer journey (Figure 3-7) there are several touchpoints, or instances where the costumer or consumer interacts with an online or offline bean purchase channel. This customer journey is understood as the interpretation of

various touchpoints that a FAEM user potentially encounters. A potential bean service therefore can address or facilitate challenges experienced at either of these touchpoints:

1. The consumer is running out of beans. Even though this challenge is probably the least relevant of the challenges listed here, as it can be resolved quickly, it is still treated as a challenge.
2. The issue that too many options are available ("choice overload") for instance in the supermarket, is a challenge for the customer. This is also a well-known phenomenon in other product categories (Cooper, 2015). The increased demand for whole beans leads to an increased number of options for the customer to choose from. It is not always easy to find the coffee that matches the taste and quality preferences of the customer (Appendix E).
3. The difficulty of interpreting the packaging description is another step that leads to challenges for the consumer. Most coffee consumers do not know which of the descriptions of coffee taste match their taste profile (Jeavons, 2017). Similar to a wine-taste, it is difficult to describe the coffee-taste with words (Appendix E).
4. The final and crucial point that a consumer goes through is adapting the machine settings to personal needs. Particularly around FAEMs, consumers are sometimes faced with major challenges, as these devices

have a wide range of functionalities that can influence the taste of the beverage. This means that it is not always very transparent how a certain type of bean can be adapted to the machine and which parameters need to be adjusted. Even beans that may be ideal for the consumer may appear to be unsuitable for the consumer's personal taste due to incorrect settings.

or app are relevant, 4 potential features were presented to participants. These features are based on conceptual ideas captured in the context of the problems identified within the customer journey: 1) Running out of beans, 2) Availability of too many bean options and 3) Difficulty of interpreting the packaging description. 4) The proper adaptation of the machine settings to personal needs was not specifically discussed in the survey. Responses were measured using 5-point Likert scales (1= In would not use it/Not relevant for me, 5= I would use it/very relevant).

FAEM consumer feature evaluation

To find out which future features related to the purchase of coffee beans via a connected device

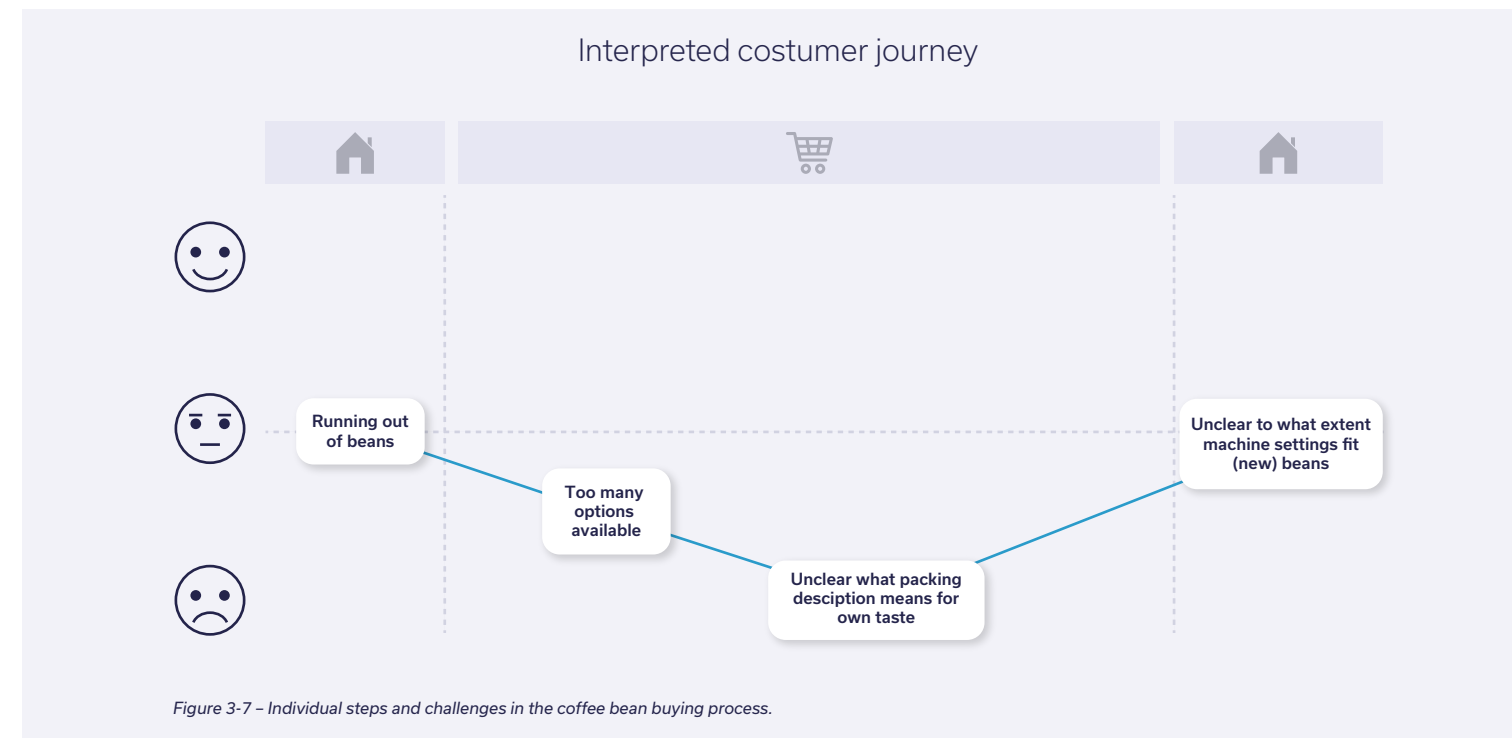


Figure 3-7 – Individual steps and challenges in the coffee bean buying process.

Proposed features:

1. Over time, your FAEM learns how you like to drink your coffee and based on your usage it will create a taste profile that will recommend beans that suit your tastes (Addresses Challenge 3)
2. Your FAEM recognises in time when you need new beans and automatically adds them to the shopping cart of your favourite delivery service (e.g., Gorilla or Foodora). Within 30 minutes, your favourite beans will/can be delivered (Addresses Challenge 1).
3. Your FAEM knows when you need new beans and recommends a selection of coffee beans that you can buy directly via the fully automatic machine or the corresponding app (Addresses Challenge 2).
4. Your FAEM recognises in good time when you need new beans and automatically adds them to the online shopping basket of your favourite supermarket. Your new favourite beans will be delivered with your next grocery delivery (Addresses Challenge 1).

Table 3-1 reports the average results given by participants for the evaluation of the features. Feature 1, which is the recommendation of beans based on appliance usage, achieves the highest mean (Mean=3.4). Feature 2, which suggests the immediate delivery of beans, has the lowest mean.

Figure 3-8 shows the average rating of the different options per age group. Across all

features, it is evident that participants between 25-34 see the greatest relevance in the features. Most participants between 35-54 see no added value and relevance of the features for themselves. Participants between 55-64 rated features 2 and 3 higher than participants between 35-54. Nevertheless, these data should be viewed with caution. The sampling strategy has mainly targeted people who spend time in social media and thus have greater affinity with digital products and services.

Summary of main findings

Product recommendation and guidance features have received higher ratings than those related to the integration of delivery services or grocery brands. The outcome of the feature evaluation shows that participants placed less relevance on features that addressed challenge 1 in the consumer journey – running out of beans. This is likely due to the easy access to a variety of options in the supermarket or other channels that are close by. Most people are likely to know certain coffee brands and continue buying them. Participants were more interested in a feature that detects when the machine is low on beans and proposes a selection of other beans for re-ordering through the App. Participants saw the main value in the feature that helped them to develop their taste profile.

Of note is that the age group 25 – 34 was most interested in all of the additional features. This consumer age group is the same group that places

Feature	Mean	Std. Dev.
Feature 1	3.4	1.4
Feature 2	1.8	1.1
Feature 3	2.7	1.3
Feature 4	1.9	1.2

Table 3-1 - Average rating of the features across all age groups

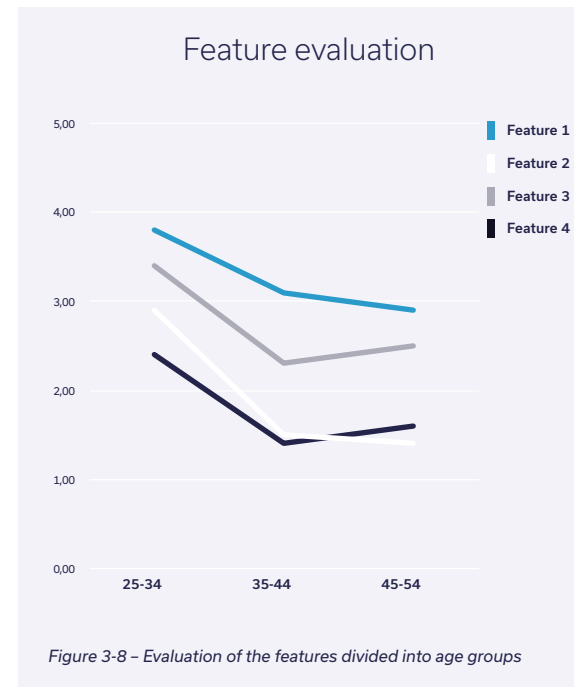


Figure 3-8 - Evaluation of the features divided into age groups

value in high quality of coffee beans and is more prepared to spend more money on coffee beans than other consumers.

Conclusion

In view of the presumed higher affinity with connectivity and app usage, a higher awareness for quality as well as a higher willingness to pay more money for higher quality, this thesis will focus on the age group 24-35 in the following and determine this as the target segment. A FAEM app with bean service could either target:

- FAEM users generally with low to medium quality of beans and price range. The majority of overall FAEM users is price-sensitive and buys large quantities of beans once a month. Most FAEM users do not place a high value in high quality beans.
- Younger FAEM users with high quality of beans in the higher price range. Among the age groups 24 – 34 and 35 – 44 there is demand for high quality beans and the willingness to spend more money for the purchase of beans.
- Among all FAEM users most consumers continue to purchase their beans in the supermarket but purchase at online or offline roasters has increased recently, potentially due to a change in shopping habits during the Covid-19 pandemic. Consumers do not seem to place value in the roaster brands, but rather consider packaging descriptions, roast, and bean types as decisive purchase factors.

Consumers remain sceptical of FAEM apps, probably largely due to poor performance of existing apps and a small added value that existing apps provide for the consumer. An analysis of 4 potential app features suggests that consumers place less value on features that address the challenge of running out of beans. These challenges are likely not seen as difficult to overcome. Consumers rather valued features that allowed them to learn about their taste profile and recommend beans that suit them.

Limitations

The survey followed a random sampling approach and had a rather low response rate. While

the number of participants was sufficient for significant results, in particular the number of individual participants in different age groups was small (18-24).

The distribution channel may have skewed the data. The survey was distributed through social media groups set up for topics concerned with the use of FAEMs. This sampling method limits the potential population that could have been reached. Another limitation was the fact that participants are likely to have high media affinity due to the channel through which the survey was distributed: People who are active on social media may also use online services more readily.

3.3 Understanding the target segment

The Millennials

This section will seek to gain further insights into the target segment identified in the previous part, to then identify an appropriate brand strategy and the provision of suitable features. This previous part concluded that the segment most interested in high quality beans is the age group 24 – 34. This age group is also the target group that is most likely to adopt digital solutions due to higher technical affinity.

A segment is a group of potential buyers with common needs, that would respond similarly to a new service or marketing campaign (Tarver, 2021). A segmentation helps to tailor a marketing strategy specifically to a group of consumers.

In this case, the relevant segment is the consumer group between 24 - 34 years, that has shown particular interest in connectivity and in the usage of a FAEM app. The segment also belongs to the age group that has shown the greatest willingness to spend money on beans and, based on the assumption, shows interest in local or specialty beans. Furthermore, the focus here is not directly on consumer behaviour in relation to FAEM use and bean purchasing behaviour but attempts to draw a picture that highlights other interests and characteristics, that will help to understand the segment and can give decisive clues for a potential strategy.

Figure 3-9 - Interpretation of the target segment shows a visualised version of this segment. In the last chapter, the work has shown that the age group of 25-34 has a higher interest in connectivity and bean purchases via app and machines. This age range can also be called generation Y or millennials. It is the first generation, depending on their personal environment, that has grown up entirely with digital products. They are now considered as heavy web users (Moran, 2016).

Consumers in this age group are somewhere between completing their education or studies and building a home or starting a family. By starting a first job or getting a first promotion, new financial possibilities become available. These provide the opportunity to upgrade a traditional filter coffee or capsule machine to a FAEM. The segment also belongs to the age group in which most coffee drinkers have a FAEM (Tchibo, 2020). Together with generation Z, they also show the highest interest in using sustainable brands (Bollani et al., 2019; Petro, 2020). They have a higher appreciation for better coffee beans, which goes hand in hand with a willingness to spend more money on coffee beans. They belong to the group with the greatest interest in speciality coffee (Grant, 2020).

The interest and nativity of this group with digital services is also reflected in the number of apps installed. According to a 2021 research, millennials have on



Figure 3-9 - Interpretation of the target segment

average a total of 65 installed apps on their phones. They only use less than 50% (Dhanasekhar, 2021). The large number of apps not only shows the great appreciation for digital services of this age group, but also that apps compete for the consumer's use and attention in order not to end up in the group of unused Apps.

The high level of interest and the close connection to digitization is also reflected in the brands that this age group identifies as their favourite brands, which include only few analogue brands (Schneider, 2021). The list of favourite brands is headed by Netflix, followed by other digital brands such as Facebook or WhatsApp that this generation has grown up with.

Taking inspiration from popular Millennial services

The new bean service should have certain features. The outcomes of the previous section can help to define which features the consumers would value. The chapter concluded that:

- The target segment values features that provide guidance and expertise as these characteristics have the potential to add most value in higher quality beans sale and entry into the market will be easier due to less competition.
- An app needs to have sufficient added value to overcome initial consumer scepticism. Innovative solutions can include facilitating appropriate machine settings for specific beans.

Within the customer journey, the consumer experiences four relevant challenges: 1) Running out of beans, 2)

Availability of too many bean options, 3) Difficulty of interpreting the packaging description and 4) The proper adaptation of the machine settings to personal needs.

Choice overload was one of the main challenges identified in the customer journey and the lack of guidance was another key challenge. In this part of the consumer journey, the consumer seeks personalisation. The phenomenon of "choice overload" has been researched by various services and service providers from other sectors and categories. For this reason, this thesis will try to learn from two services that are particularly popular within this segment.

Netflix

Millennials spend an average of 46.6 hours per week on Netflix (Laura, 2019). It is the service, which is also one of the most popular brands of this age group. Just as in the area of food or beverages, tastes in the area of series and films also differ per consumer. With more than 13,000 titles worldwide to choose from (Lovely, 2021), consumers are provided with endless opportunities to enjoy a relaxing evening. To simplify this big variety for the consumer, Netflix has applied principles that enable a personalised and customisable experience for the consumer.

This personalisation approach begins when the consumer starts using the service. Each homepage is adapted to different needs and preferences based on prior behaviour. The general layout, as well as details, such as the order of films or series that are suggested are personalised. In this way, the consumer is made aware of their needs and preferences (Netflix Research, 2021). This personalisation continues throughout the service.

Netflix indicates for each film that the consumer selects, how likely it is that the consumer will enjoy it by displaying a percentage. This number is generated by a pool of different data: The past movies or series the user has watched, the consumer rating similar footage positively (thumbs up) or negatively (thumbs down) and the behaviour and preference of other users with a similar profile. Netflix then generates targeted ads or newsletters for consumers that match personal preferences and personalises the entire customer experience. To achieve all of this, different algorithms are applied that process the consumer behaviour of previously watched series or films as well as the rating and searching of films.

This personalisation is important because research shows that Netflix loses a consumer to another platform after 90 seconds if they have not found a suitable film. Also, Netflix gains \$1 billion a year in value from customer retention (India, 2019). Today, customers are grouped into more than 1300 recommendations clusters and 2000 taste groups (India, 2019).

Vivino

Every sixth millennial has already downloaded the Vivino app once (Gilbert, 2016). Vivino is a service that helps consumers to buy wine. This service is not only insightful because it is within the beverage category, but also because a very similar behaviour can be found in the purchase frequency when comparing wine with coffee (Statista, 2020)

Just like Netflix, the focus of this service is on a personalised experience. It allows consumers to find the best wine for their personal tastes. A core component is the so-called taste profile. It helps the consumer to identify which types of wines with

particular taste profiles he or she prefers. Consumers can rate a wine based on a 5 star rating (Vivino, 2021). Based on a percentage, the consumer is then shown how much the wine corresponds to his or her personal taste. The more wines the consumer rates, the more detailed the profile becomes. The profile eventually allows consumers to view their tastes based on region, style or grape.

A scanner feature assists the consumer during the purchase, while they are wondering whether a particular wine suits their taste in the supermarket or restaurant. The app user can scan a bottle to see relevant information, but most importantly see their taste match. This taste match works in the same way as Netflix and shows the consumer how much they will like a certain wine based on a percentage.

Education and gamification features - such as the achievement of levels help to keep the consumer continuously in the app. With over 10,000 reviews and an average ranking of 4.7, Vivino is one of the top 30 apps in the food and drink category in Germany (App Store, 2021b)

Conclusion

The previous examples have offered some ideas on how to address the challenge of translating packaging descriptions into taste profiles that are accessible to the consumer and provide them with guidance. The example of Netflix and Vivino suggest that a coffee bean app could have similar features that help the consumer in decision making when buying coffee beans.

3.4 Concluding the chapter

Both the desk research and analysing the market for bean purchase opportunities as well as the parts of the survey concerned with bean purchase decisions and preference for app features highlight that there is a lack of suppliers that position themselves in the guidance and expertise sector. Services specializing in guidance and expertise can add most value in higher quality beans sale. The groups most interested in high quality beans are the age groups 24 – 34 and 35 – 44. In particular, the age group of 24 – 35 is also the target group that is most likely to adopt digital solutions due to higher technical affinity.

Additional app features have the potential to convince consumers, but the features need to overcome initial scepticism and add value to the customer journey. Potential added value of digital solutions to address challenges 3 and 4 in the purchase process (significance of packaging description for own taste and using machine settings to improve taste) should be explored. Innovative solutions in these areas have the potential to convince consumers that they should connect their FAEM with a digital service.

Existing services and apps that receive high interest from the identified target segment of the millennials already deal with the issue of offering a personalised experience and address the problem of choice overload accordingly. Inspiration for service and feature development can be taken from here.

4.0 The important role of the brand

THIS CHAPTER FOCUSES ON BRANDING CONSIDERATIONS. THE AIM OF THIS CHAPTER IS TO FIND OUT TO WHAT EXTENT CONSUMERS WOULD TRUST A POTENTIAL BRAND EXTENSION UNDER THE PH BRAND. FOR THIS PURPOSE, THEORETICAL CONCEPTS ARE INTRODUCED, AND BRAND SCENARIOS ARE CREATED. THE CHAPTER ENDS WITH A BRAND SCENARIO RECOMMENDATION.

4.1 Theoretical concepts

Introduction to the topic of the brand

The first two chapters have outlined the relevance of the whole bean and high-quality coffee in the coffee market and provided an overview of the status quo of the bean sale platform and channels market and FAEM connected apps as well as a potential target segment. The chapters have demonstrated that there is potential for a company to enter the market of a bean service that focuses on guidance and expertise and focuses on the younger consumer segment which was identified as the millennials. Features of this new service should focus on generating added value for the consumer in the field recommendation guidance.

This chapter will focus on branding considerations if an appliance-focused brand, such as PH, decides to enter the market for a service and therefore would need to extend its brand into a new product category. Such a service would:

- Allow the consumer with a platform and opportunity to buy higher quality coffee beans.
- Allows consumers to make these purchases of coffee beans also via a FAEM connected app.
- Offer suggestions of beans that match the consumer's taste profile.

The first part of this chapter will outline the theoretical concepts of brand extension, brand

management and brand development strategies. It explains which considerations need to be taken before deciding on how to introduce a new product or service into a market.

The following second parts of the chapter include a case study: They will examine whether PH, as an appliance focused brand can launch a bean purchase service under the PH brand or whether a new brand needs to be created for such a service. The chapter does so by examining the structure and set up of the PH brand and is complemented by a survey that assesses whether the PH brand has sufficient credibility in the coffee and services market to stretch its brand to include a bean service within a FAEM app.

Brands, brand value and equity

A brand can sometimes be much more important to the consumer than a product or service itself. Different academics have developed different definitions that describe a brand. According to Aaker (2014) a brand is:

"Far more than a name and logo, it is an organization's promise to a customer to deliver what the brand stands for not only in terms of functional benefits but also emotional, self-

expressive, and social benefits. But a brand is more than delivering on a promise. It is also a journey, an evolving relationship based on the perceptions and experiences that a customer has every time he or she connects to the brand." - Aaker (2014)

A strong brand can create a relationship with the customers that keeps them coming back and trusting that brand. Therefore, the goal of any brand is to build a strong and extremely valuable brand, which is reflected in a high brand preference of the customer.

Brand value

Brand value describes the financial value of a brand. Customer loyalty is an important factor that increases that financial value: If a brand convinces the consumer that it keeps the promises it makes, the consumer keeps coming back and remains loyal to a brand. Especially in the last decades, the value of a brand immensely increased for companies. Nowadays, marketers and brand managers take it for granted that the brand is more valuable than any other fixed assets of a company (Beverland, 2018).

The extremely high value of brands can usually be seen in the data of large acquisitions. When Procter & Gamble acquired Gillette in 2005, for 54 million US Dollar, around 50% of that sum was

spent on the firm's brand portfolio value (Bahadir et al., 2008). Other sources even report up to 97%. A similar trend can also be seen in the acquisition of PH by Hillhouse. Part of this acquisition is an exclusive brand license agreement for a period of 15 years. Under this agreement, for every product sold under the PH brand, Hillhouse must transfer part of the sales back to PH. This agreement has an estimated value of approximately 700 million Euros (Philips, 2021d).

Brand equity

Brand equity relates to brand's importance from a consumer's point of view. In other words, brand equity is the additional (emotional) value that the brand logo or name generates for a specific service or product offering. Keller's brand equity model (1993) presents a conceptual model of brand equity which solely focusses on the consumer in the form of a 4-step model, the customer-based brand equity (CBBE) model or CBBE Pyramid. CBBE measures the value of a brand, based solely on the emotions and feelings that a brand evokes in a consumer. These 4 steps of the pyramid each show the fundamental questions that a consumer asks about a particular brand. According to Keller, if the consumer is able to answer all the questions, one can speak of an ultimate relationship between brand and consumer.

Managing several brands

If one goes to the supermarket these days to get an overview of the number of options available for making coffee, one is presented with a plethora of options. Consumers have a wide range of brands to choose from, each with different products that cater to different consumer needs. Roasters and coffee producers are extending their brands to address new segments or creating completely new brands to address specific target groups or new markets. The idea of one company offering different products under one brand is no longer the reality and the actual number of companies operating in one area is much smaller than consumers might think. Now we think of brands more as an umbrella or a family that serves different segments with different product offerings in different markets under different brands (Kapferer, 2012)

One example is Jacobs Douwe Egberts (JDE), a company that owns more than 60 brands in the coffee and tea category in more than 40 markets. In all of these markets they are the No 1 or No 2 (JDE Peet's N.V, 2021). The same situation applies to Nestlé, which dominates shelves with the coffee category brands of Nescafé, Nespresso and a cooperation with Starbucks (Nestlé, 2021). Even if this situation does not always appear transparent to the consumer, there is usually a strategy behind the positioning of the different brands.

These two examples show that a strategic classification and goal setting of the different

products operating under different brands must be carried out by the marketing or brand manager. In the area of strategic portfolio management, decisions must therefore be taken on the extent to which these brands communicate with each other and are used under the umbrella brand.

In order to organise the different brands in a functional way, Aaker and Joachimshaler have designed the so-called brand relationship spectrum in 2000 (D. A. Aaker & Joachimsthaler, 2000). This spectrum is nowadays seen as the standard for managing brand portfolios. In this concept both scholars describe 4 basic principles:

- The house of brands describes many different brands that function under an umbrella brand but have names un-related to the umbrella brand and are unrelated to each other (shadow endorser).
- The branded house describes one master brand that offers different products and services under one brand.
- Sub brands describe a set-up where brands are "connected to a master or parent brand that modify or augment that master brand".
- Endorsed brands describes a set-up where brands are linked by name to the master brand in a more subtle way. New brands retain a visual reference to the umbrella brand.

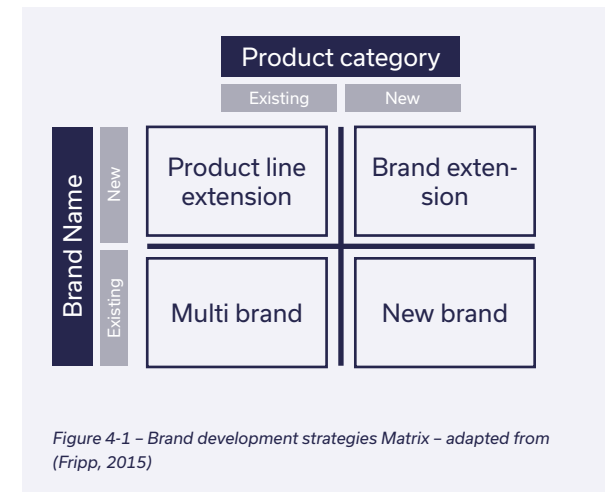
Relevant for the context of this thesis are the "House of Brands" and "The Branded House". The house of brand strategy involves many different

brands that function under one major brand. There is usually no contact between the house brand and the sub-brands. Famous examples are for instance Unilever or P&G. The latter owns more than 80 different brands (Ng, 2014) but most of these brands create a direct connection to P&G. The big advantage of this strategy is that opposite positions can be taken. This makes it easier to target different segments under different brands in the market. Even if a brand suffers from a scandal, the house brand and all other associated brands are not directly affected.

For the branded house, all services and product offerings are sold under one brand. This of course has advantages when it comes to work in the field of marketing and branding, as all processes are coordinated within a brand. On the other hand, contrary to the house of brands, a scandal related to this brand would affect all products and services.

Brand development strategies

The different brands under a company need to be managed and developed. When managing a brand, it is essential to continue to develop the brand to maintain its value. Brand development can take different forms (Figure 4-1) such as extending a brand or product line within an existing brand or creating a new brand with a new name in a new category (Fripp, 2015). Different strategic decisions have different effects on the resources required for the specific form of introduction, but also on



the consumer and his associations with the brand. Four key brand development strategies can be considered.

- 1. Product line extension:** Product line extension is the simplest and fastest form of developing a brand. The company creates a new product or service within an existing category under an existing brand name. This form requires the least resources and is usually executed on a continual basis (Kapferer, 2012). Examples for the coffee business include feature extensions of the FAEMs or launching FAEMs with new colours or materials.
- 2. Brand/Category extension:** A more radical form of developing a brand is the category or brand extension. The company introduces a new product category under an existing brand name. An example could be for the producer of a FAEM hardware to enter into different market categories, such as vacuum cleaners, deep fryers, or kitchen machines. These are all category extensions under its existing brand name.
- 3. Multi brand:** Another form of developing a brand is through introducing an existing product category under a new brand name. The addition of a brand, for example through acquisition, allows brands with different strategies to target different consumers in the same category.
- 4. New brand:** The final strategy is the introduction of a new product category under a new brand name.

Advantages and Disadvantages of different Brand Development Strategies

Brand category and product line extensions

Brand/category and product line extensions are unavoidable if a brand wants to remain relevant. Extending an existing product category (product line extension) or creating a new product category under an existing brand (brand extension) offer the possibility to address new target groups and react to trends and changes in consumer behaviour. 81% of all products have been released to the market within the product line extension strategy (Keller & Swaminathan, 2020). The extension can be a form of innovation that will help the brand to stay relevant in the customer's eyes (Beverland, 2018). It can also help a brand to expand existing associations and meanings for the customer (D. Aaker, 2014). For a company that extends its brand based on the line or category extension, there is little risk at the beginning as it will already have retailer acceptance. This is especially true when a brand already has great value and equity (Kopp, 2021).

Disadvantages of line or category extension can arise from ill-considered strategies or unexpected associations that occur in the mind of the consumer through new products or services. A fatal situation for a brand is the loss of authenticity and credibility through an extension. The concept of Brand Extension Authenticity (BEA) shows (Spiggle et al., 2012) that it is critical for a consumer with a strong self-connection to a brand, that an extension mirrors the core values of the parent brand. As explained in

brand equity, consumers can form a close relationship with a brand based on its history, development and specific product or service offering. If these values are not considered in the development process of new services or products, the extension can damage the authenticity and credibility that consumers see in a brand and, in turn, damage the brand-consumer relationship (Shaw, 2020). Inconsiderate extensions can also lead to dilution of the parent brand. Consumers can be confused about the positioning of a brand if the connection between the brand extension and the parent brand image is not recognisable (Beverland, 2018).

The risks are higher for brand/category extension, as a new product within a new category is launched under an existing brand. The new product can increase brand value, but at the same time, can also lead to a decrease in the authenticity that a customer sees in the brand. If the association, the consumer has with the brand does not match those of the new product category, there is a risk that the new category will damage the brand equity (D. Aaker, 1990).

Due to the above-mentioned disadvantages, there is a limit to how far a brand can be extended before it loses its credibility.

Other forms of brand development

Multi branding

The advantage of moving an existing product category under a new brand name is that the company increases the number of brands it can

guide the consumer to, based on the consumers individual preferences. Damage done to the image of one of the brands does not automatically translate to damage to the other brands. If one company owns several brands the retailer may grant them more shelf space even though the brands appear to be unrelated to the consumer (Fripp, 2015)

A risk associated with the multi-brand strategy is that cannibalisation occurs. Cannibalisation describes the lack of differentiation between products or services offered under different brands, leading to a loss of positioning and differentiation (Mason & Milne, 1994).

Creating a new brand

Creating a new brand allows the company to address new target groups and segments and to distance itself from associations and assumptions of the consumer about existing brands. The creation of a new brand becomes necessary when brand extension is not feasible as the extension would damage a parent brand's credibility and authenticity (Spiggle et al., 2012). Although extending a brand under an existing brand is a more common practice, studies have shown that introducing a new product category under a new brand can be more successful (Sullivan, 1992).

Launching a new brand under a new product category also involves risks: There are significant costs involved for creating a brand. Consumers choose brands and buy products or services from those they know and with whom they have

established a relationship (Ghafoor et al., 2013). Since this is not the case with a new brand, the company needs to create a completely new identity through campaigns and awareness creation. The brand does not yet have any credibility and there is insecurity whether the consumer will find the brand credible.

Co – branding

The above-mentioned forms of brand development strategies allow a company to grow its brand. In addition to these four strategies, there is a fifth strategy that allows the brand to grow and reach new markets or segments through the efforts of co-branding. Co-branding basically

describes the joint marketing efforts of two or more brands (Priluck Grossman, 1997), both according to the aim of strengthening and growing their position.

Co-branding can be applied to any combination of new and existing product categories with new and existing brands. Co-branding efforts can also take place among brands that operate under one house of brands or simplified between two or more brands that are owned by one company. This allows for an increase in consumer awareness of a new brand through the existing awareness of a well-known brand.

4.2 Case study PH - Identifying brand strategies

The following section applies the theoretical framework discussed to the PH brand in order to see whether the brand can and should be extended to provide a bean service under the PH brand or whether it is necessary to create a new brand. The aim is to identify different brand scenarios

Brand value

This section will focus on branding considerations if an appliance-focused brand decides to enter the market for services and new product categories.

Interbrand lists the 100 most valuable brands and updates this list on an annual basis. In that list, it describes PH as a leading health technology company with focus on people's health and healthy living. PH is on place 53 with a value of 11,671 million Dollar (Interbrand, 2020). This description reflects the health focus that PH has set for itself. It also shows how PH is perceived by consumers and what its core competencies are estimated to be. To put this assessment into context: Apple leads the list with an estimated value of 322,999 million US Dollar. Another important note is the other relevant players operating in the coffee business can be found with Nescafé (38), Starbucks (56), Nestlé (63) (Interbrand, 2020). In connection with direct hardware competition in the coffee sector, only Siemens (63) is listed here. For the PH brand, it needs to be taken into account that brand value also stems from different categories, services or products that the PH brand offers. Examples include

professional healthcare and domestic appliances. Based on the brand description by Interbrand, it can be assumed that the value is mainly generated by the professional care and personal healthcare businesses.

Brand equity

Multi-technology companies like PH operate in many product categories. The consumer might ask themselves what the company actually stands for. This is especially relevant in relation to the first block of the pyramid, the question of brand identity. Whether or not a consumer can answer all the questions, determines whether certain product categories may or may not extend.

Brand Architecture

Over time many well-known brands have extended their portfolio offerings with new products or services. It is difficult to think of a brand that has not expanded its portfolio since its foundation. PH started historically with the light bulb and recently launched a product under the PH brand that helps clean sneaker shoes (Philips, 2021b).

Philips Domestic Appliances is a hybrid of a "Branded House" and a "House of Brands". As the company changes over time, it acquires and creates new brands. In most cases it is difficult to assign these new adaptations or acquisitions to either the "House of Brands" or "Branded House" spectrum. Product offerings under the Kitchen Appliances, Floor Care and Garment Care are

sold under the PH brand and follow a "House of Brands" structure (Figure 4-2). Product offerings under coffee are sold under a "House of Brands"/"Branded House" hybrid.

PH Coffee has a hybrid brand architecture (Figure 4-3) :

- PH sells some of its coffee products under the PH brand ("Branded House").
 - PH acquired the Gaggia and Saeco brands in 2009 (Philips, 2021c). The Saeco brand and products are offered on the PH website. Even in offline retailers,
- these devices are usually sold next to each other, which might give the consumer the impression that these brands work or belong together ("Endorsed brand"). In the case of the Gaggia brand, it is unlikely that consumers have associations with the PH brand, as it is not marketed through PH websites. ("House of Brands").
- Within the branded house, PH pursues a co-branding strategy with Senseo/L'or. PH branded machines link up with Senseo/L'or expertise.

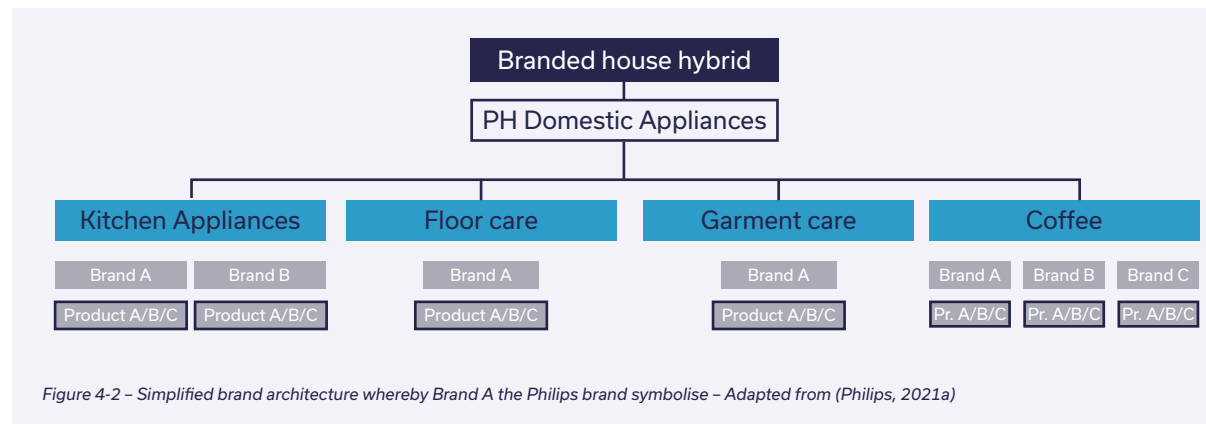


Figure 4-2 - Simplified brand architecture whereby Brand A the Philips brand symbolise - Adapted from (Philips, 2021a)

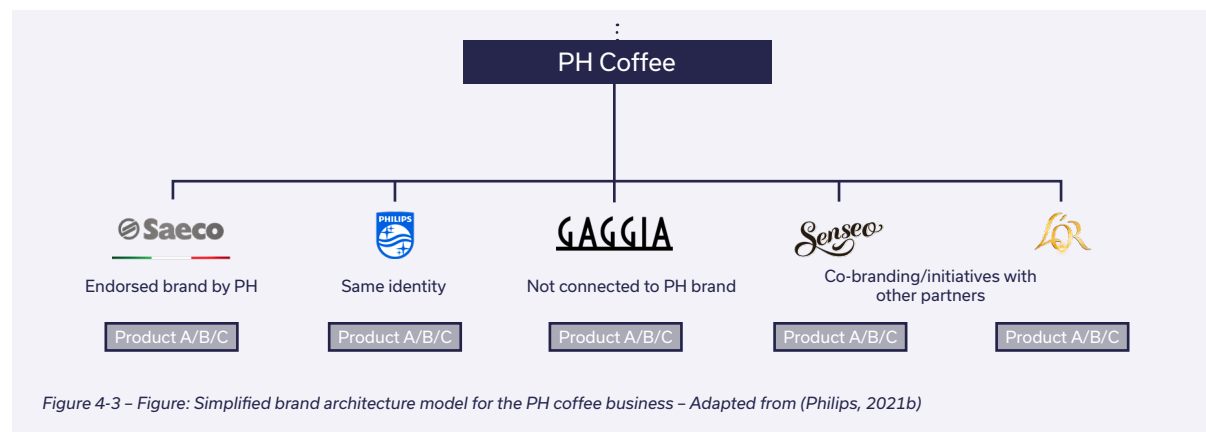


Figure 4-3 - Figure: Simplified brand architecture model for the PH coffee business - Adapted from (Philips, 2021b)

Branding strategies for a bean service

As the potential new bean service is a new product category, there are three brand development strategies that can be considered based on the Brand Development Strategies in Figure 4-1:

- Brand/category extension
- Creation of a new brand
- Co-branding/marketing with a new brand

As PH Coffee operates under a hybrid "House of Brands"/"Branded House" structure all options would be a possibility under the PH brand.

Strategy 1 - Brand/category extension

The first possible strategy (Figure 4-4) is to offer the new service under the existing PH brand. In relation to the previous theory, this would be the most cost-effective strategy that allows PH to leverage existing brand assets and brand awareness. As a first step, PH would develop and offer a dedicated area under the PH website, for example, or under a new website, where consumers can buy high quality coffee beans from local roasters. This can then be understood as a new brand touchpoint (Touchpoint 1) in the context of the category extension. This service would be offered under the PH brand. The platform would then be accessible to all consumers, regardless of the FAEM brand or other coffee appliance they own.

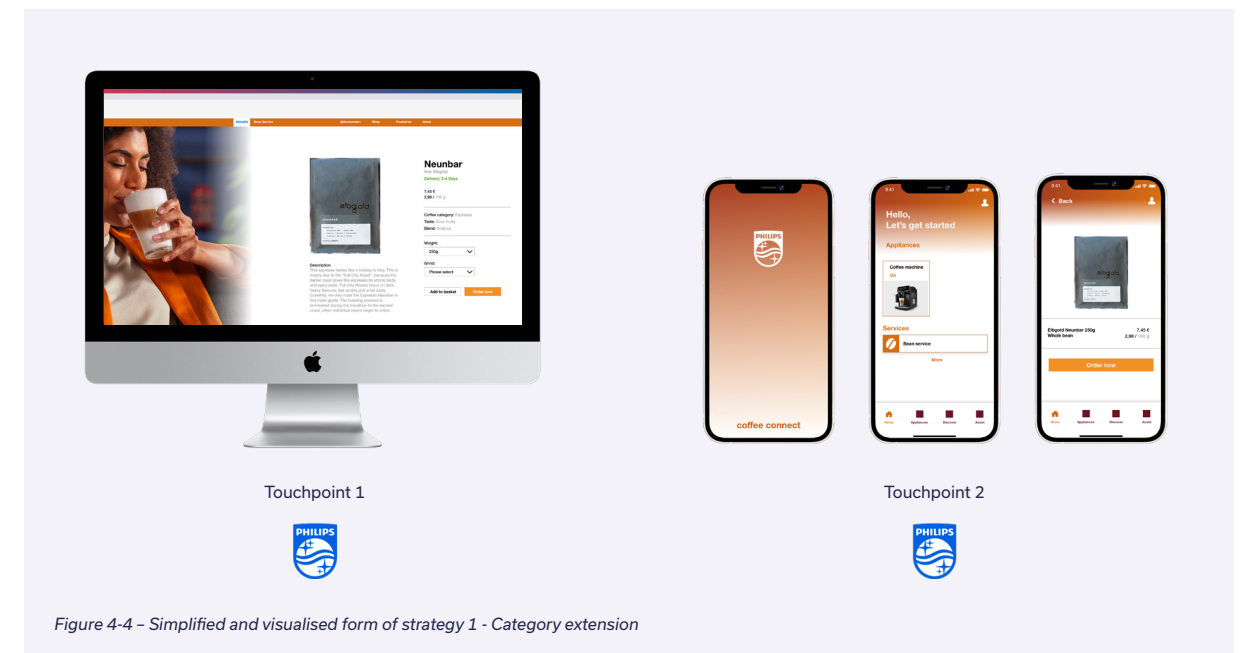


Figure 4-4 - Simplified and visualised form of strategy 1 - Category extension

In the next step, PH would develop an app for a FAEM and launch it under the PH brand. The new bean service and all related features would be integrated into the app. This would then allow the identified target segment to be addressed in a systematic manner. Within the customer journey, the consumer would perceive this service as a typical category extension that can give the consumer the feeling that PH not only stands for hardware but also offers the customer a new service in the area of coffee beans. The platform would also provide product recommendations.

Strategy 2 – Creation of a new brand

The second possible strategy would be to offer the new service and a potential future FAEM app under

a completely new brand (Figure 4-5). To simplify this scenario for the reader, this brand is called “Roastro”. This strategy allows the parent brand and the sub-brand to take different positions and target different market segments. Negative association with either the parent or the sub-brand do not affect the other brands in the “House of Brands”. The risks involved in this strategy are the higher costs involved when creating a new brand identity. In addition, the brand may not be found credible in its core expertise as the consumer does not yet have associations with it. Creating awareness takes time.

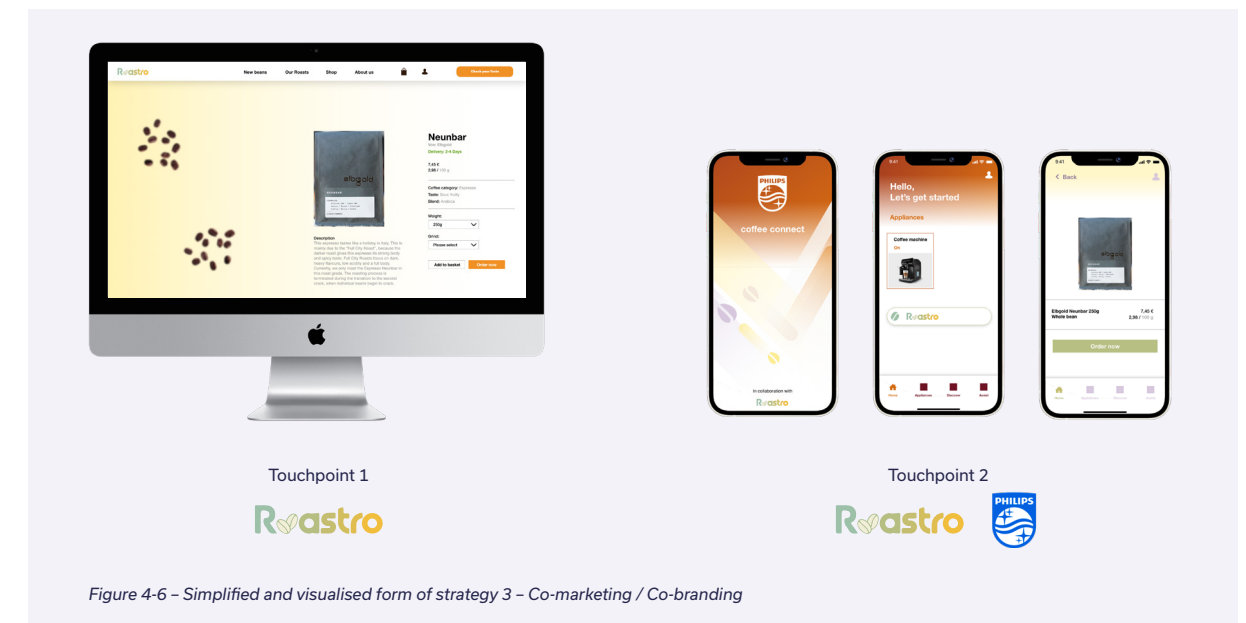
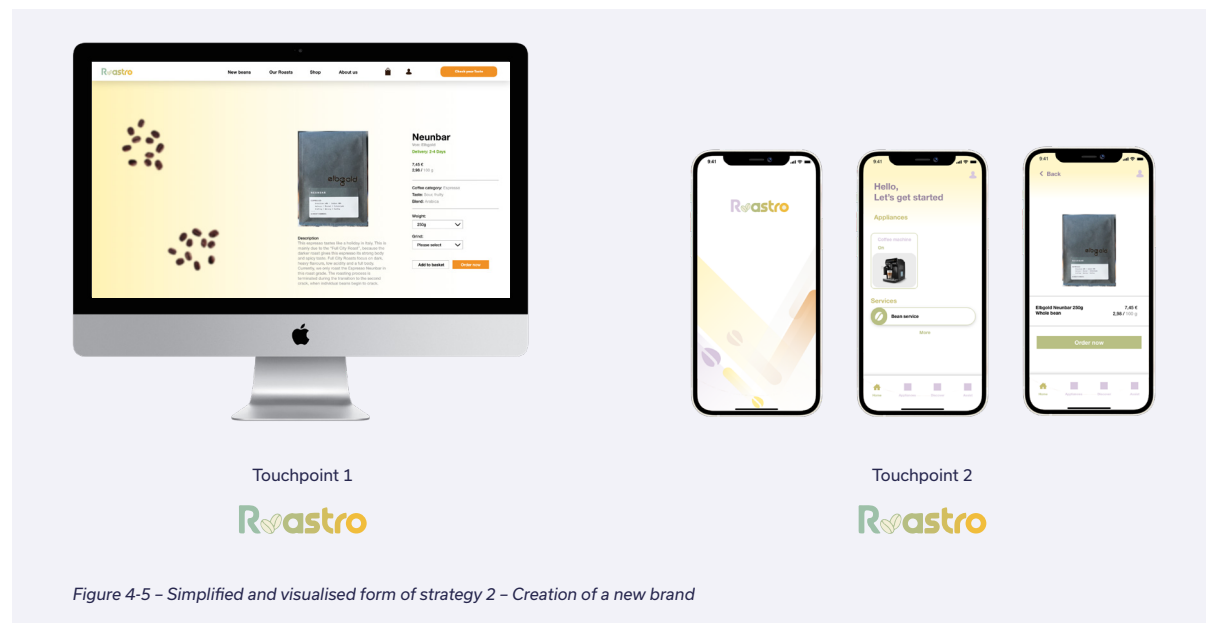
For the consumer, this would mean that the only touchpoint where they would come into contact with the PH brand is through the purchase and

use of the FAEM (hardware). The new brand - Roastro - can be used as a stand-alone branded app that gives consumers access to the connectivity features, bean features and the FAEM via the app. Even though the hardware (FAEM) is still under the PH brand, access to all features and the bean service would be under the Roastro branded app. This strategy is more and more common nowadays, where services, especially apps, can control hardware of another brand. An example would be the control of Sonos speakers under the service brand of Spotify. To build this brand, an e-commerce platform is also needed, which will also be published exclusively under the new Roastro brand.

Strategy 3 – Co-marketing / Co-branding

A third option is to pursue a co-branding or more precisely a co-marketing strategy (Figure 4-6). This scenario allows consumers to take associations from two brands within the customer journey and attribute them to the co-brand or co-branded service. Co-branding can be done between brands of two different companies, or two brands owned by the same company. An example for the latter option is the co-branding of Milka-Oreo, even though both brands are owned by Mondelez.

For the example discussed in this thesis, there is no existing bean service that is targeting the identified consumer segment in the area of guidance. The thesis will therefore look at



creating the bean service Roastro under a new brand developed by PH. This would mean that the Roastro brand is the potential partner to develop a FAEM app with PH. Nevertheless, the same risks arise here as with Strategy 2. PH would first need to create the Roastro brand and the relevant touchpoints in order to then enter into a co-marketing strategy with the PH brand. As both brands belong to PH, costs associated with the brand creation would fall onto PH. The building of brand awareness will start from scratch, which again entails time and costs.

For the consumer, it would still mean that the FAEM (hardware) touchpoint is PH branded as

the appliance is still sold and produced under the PH brand. The branding strategy targeting the consumer would create the impression that the App was created in collaboration between PH and Roastro. Each brand can then contribute its own associations and competencies. This can be communicated to the consumer through a communication strategy or visual elements. In this case, it is communicated to the consumer that the app and its Roastro service have been created in collaboration between those two brands. Nevertheless, it is necessary to first establish the new brand as a stand-alone before pursuing potential co-marketing or endorsement strategies.

4.3 Case study PH - Evaluating brand extension and trust

In the previous part, it became clear that strategy 1 (brand/category extension) is not only the most cost-effective option but would also offer the best opportunities in terms of time to market for PH, as there would be no need to create a new brand. On the other hand, theory has shown that poorly considered category extensions can cause consumers to lose trust in a brand, as the new category no longer reflects the core characteristics of the parent brand. In short, a brand cannot be infinitely stretched.

For a brand extension it is important to establish in how far the consumer trusts the brand to offer the new service. The survey outlines in the next section sought to find out whether consumers trust the PH brand to offer a service that allows them to order coffee beans. For a brand extension, the service would be launched under the PH brand name (strategy 1).

To identify whether strategy 1 would be the best development strategy for a bean service and a potential service within a FAEM app, the following research question will be addressed:

To what extent would consumers trust the PH brand to extend into a new category with a bean service?

Theoretical Framework

In order to establish whether a brand can be extended, the thesis will use the Extension Reaction Study conducted by Aaker and Keller (1990). While the results

of the study came to the conclusion that the indicators predicted how consumers reacted to a brand to varying degrees, they have been used as a guideline to look at potential consumer perception of the extension of the PH Brand.

- **Brand Attribute Associations** are a set of associations with a brand that vary in strength and each of these associations will transfer to a new product depending on the strength and appropriateness of the association and on cues that activate such an association.
- The **Attitude Towards the Original Brand** is determined by a set of attributes such as "durability, serviceability, features, performance, or "fit and finish" and an overall characteristic that Aaker and Keller call "Quality". Zeithaml (1988) defines "Quality" as the "global assessment of a consumer's judgment about the superiority or excellence of a product".
- The **fit between the original and the extension product classes** means that the affect for one brand can be transferred to the newly created brand. A poor fit may "stimulate undesirable beliefs and associations".
- The **dimensions of fit** describe the way in which two products can fit together. The dimensions identified are 1) two products complement each

other, 2) one product substitutes the other and 3) the perceived ability of a firm operating in the first product class to transfer their expertise to the product in the second product class.

- The **perceived difficulty of making the extension** relates to the perception of the consumer of how difficult it is to create the extension. A perceived “easy to make extension” can create an incongruity in the consumer and therefore damage the extension.

Methodology

To evaluate the brand extension in the appropriate context, a survey was conducted to address the indicators identified by Aaker’s and Keller’s Extension Reaction Study. The questions in the survey focus on four main competitor brands in addition to PH. These are De’Longhi, Siemens, Melitta and Krups. The survey (Appendix F) consists of qualitative and quantitative aspects and was completed by 126 participants. 53 of the participants were based in Germany and 73 in the Netherlands. To reflect the target segment identified in chapter 3 that would potentially have the greatest interest, the majority of participants (71%) were between 18 and 34 years old. The survey was distributed online, and respondents were not aware that the purpose of the survey was to obtain data on coffee and services. The survey introduction only mentioned that the topic was brand perception and awareness.

The selection of participants represents both people that drink coffee (85%) and people that do not drink coffee (15%). 45% of the 85% already use and buy whole beans to prepare their coffee and therefore already make use of existing bean purchase channels or services. The survey had the same design and sequence of questions for participants in both countries. For participants in the Netherlands the survey was sent in English and for participants in Germany in German. The only difference was in the last part, in which the participant had to decide on a brand for the corresponding product extension. In each case, the two best-known local roasters from the respective country were selected, as it is likely that a local roaster from the Netherlands would not be known in Germany.

In the qualitative part of the survey, respondents were asked to name a product that comes to mind when thinking about a specific product category and a service or product that comes to mind when thinking about the specific brands mentioned above. This set of questions is based on the first level of the Keller’s pyramid, which addresses the unbiased associations consumers have with a brand.

In the second part, questions measured the potential trust a consumer would place into two specific brand extensions. The first product extension proposed was the offer of coffee beans under the PH brand in the supermarket. The second proposed product extension is an online

bean service launched under the PH brand. The subjects were asked to what extent they would trust the brand to offer this product or service. Both measures were ranked with 5-point Likert scales (1= Not at all, 5= Very much) for all five brands respectively. The first extension (Beans under PH brand) is only used for measurement purposes to see how participants rate different extensions.

In the last part of the survey, the two extensions were discussed again. Ten product/service possibilities were presented based on conjoint analysis, in which the respondent had to decide on a product-brand combination. The features and attributes of the product and services were the same in every combination, only the brand differed. In addition to the 5 appliance brands, two local and well-known roasters were added as well as 3 international roasters.

Qualitative and Quantitative results

The objective of the qualitative part was to see what brands people recall immediately when thinking about a specific product category and what service or product people think about when hearing about a specific brand. In order not to let the participants become too strongly attuned to the coffee category, other product categories were added (Sport cars, luxury clothing, chocolate). As these are not relevant to the answer to the research question, they have not been included in the following results.

Brand attribute associations

Table 4-1 summarizes the findings obtained from the first part. The survey asked respondents about different product categories in addition to the coffee category (see above). The table below includes the six most mentioned brands when people were asked which brands they associate with coffee machines. In comparison to other categories, respondents associated coffee largely with one specific brand: Almost 36% (N=45) wrote down Nespresso as the brand they thought of first. This is followed by Delonghi (N=15) and Jura (N=9). PH was mentioned only twice.

Figure 4-7 summarizes the general brand awareness of respondents to the coffee and appliance brands that are used in this study. The results show that brands appear to have different levels of presence in the German and Dutch markets. In both markets, respondents had a brand knowledge and perception of almost 100% (N=124) for the PH brand. The highest rate of all companies considered. Siemens followed with 99% (N=123). Respondents in both countries had a weaker perception of Delonghi and Krups. For PH, Siemens, Delonghi and Krups there were no significant differences in the level of brand perception in the Dutch and German markets. This was different for Melitta: For this specific brand, Germans tended to have greater brand awareness than Dutch people.

The following section includes only responses from participants who have knowledge of the relevant brands.

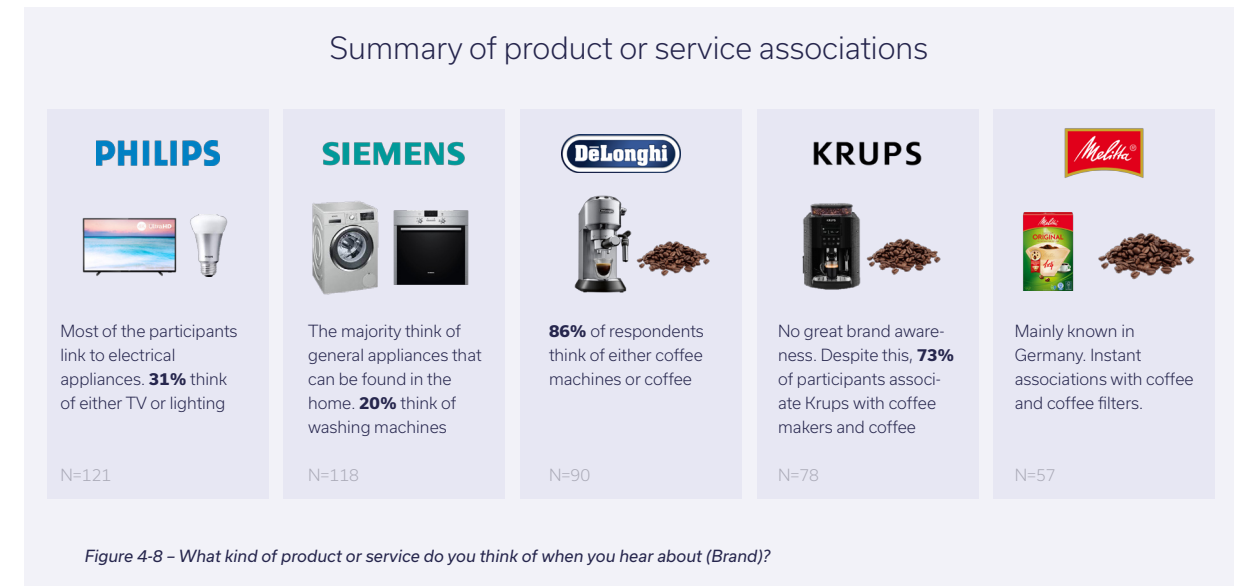
Figure 4-8 summarizes the responses to the questions about open-ended product and service associations for the five brands. Participants associate three of the five brands strongly with coffee or coffee machines (De'Longhi, Krups and Melitta). Almost 86% (N=77) associate the De'Longhi brand with coffee or coffee machines. For Krups it is 73% (N=57). Melitta was strongly associated with coffee as it only offers products in the coffee sector. The fact that its main market is the German market explains the different outcomes for the German and Dutch market. Participants did not strongly associate PH and Siemens with services or products in the field of coffee or coffee machines. Unlike Krups or De'Longhi, participants associated these two appliance brands with general household, kitchen, or electronic appliances.

These results suggest that participants do not associate PH and Siemens with coffee and coffee machines. A potential reason for this could be that PH and Siemens do not have their core competence in the domestic appliances and coffee sector. Other product categories such as TVs and lightning products, are more visible through sale in different channels and marketing campaigns. Other possibilities may be that brand perceptions are still based on earlier very successful products that carry a legacy. Alternatively, these perceptions may be based on categories that have the greatest visibility to consumers through increased investment in marketing campaigns. Even though all brands seem to be active in more than just the

Summary of brand associations with the coffee machine product category

Coffee machines (N=124)	Number of mentions
Nespresso	45
Delonghi	15
Jura	9
La Marzocco	5
Senseo	5
Nescafe	5

Table 4-1 - What brand do you think of when you think about coffee machines?



coffee machine and preparation category, it is worth noting that Siemens in particular, but also PH, offer many more products and services. This includes above all services and products in the B2B and B2C healthcare sector and, in the case of Siemens, even energy solutions. The other brands (De'Longhi, Krups and Melitta) are exclusively active in the area of domestic appliances. No conclusions should be drawn from these results in relation to product quality.

Attitude towards the original brand

As was discussed previously, a large group of consumers is aware of the PH brand and the "Quality" of the brand is assessed as high. Almost 100% of respondents who participated in the previous study has brand knowledge for the PH brand (Figure 4-7). For the PH brand, it

needs to be taken into account that brand value also stems from different categories, services or products that the PH brand offers. Examples include professional healthcare and domestic appliances. Interbrand lists PH as a leading health technology company with focus on people's health and healthy living. PH is on place 53 with a value of 11,671 million Dollar (Interbrand, 2020b). In connection with direct hardware competition in the coffee sector, only Siemens (63) is listed here.

The "Quality" consumers associate with the PH brand is high, even though this association is not specifically made for the coffee sector or services market, but rather for hardware production.

Fit between the original and the extension product and dimensions of fit

In the second part of the survey, participants were asked to rank their trust in two specific types of brand extensions: 1) Coffee beans under the PH brand in the supermarket and 2) An online bean service launched under the PH brand (Strategy 1). Both product extensions would not be a substitute for any existing PH product, rather they would complement the existing FAEM and. Should PH skills and assets be perceived as applicable to manufacture the product extension, i.e., coffee beans, the positive association with PH as the first product class could be transferred to the second product class.

Table 4-2 summarizes the results of responses for the first product extension, which focuses on how consumers would rate fresh beans if they were to find them under the appliance brands in the supermarket. This table includes only those participants who indicated in the previous part that they are aware of these specific brands. In addition, the means here are divided into participants who already buy whole beans and use them for preparation and those who do not.

The data shows that, in general, people who already use whole beans for their coffee preparation, rate the potential extension worse than those who do not currently prepare coffee on the basis of whole beans. Participants placed the least trust in PH and Siemens to offer fresh beans under their respective brands in the supermarket.

Brand	Prepare coffee based on whole beans	N	Mean	Std. Dev.
Siemens	Y	41	1.6	0.9
	N	65	2.0	1.1
De'Longhi	Y	39	3.4	1.5
	N	45	3.8	1.4
Philips	Y	41	1.9	1.3
	N	66	2.2	1.2
Melitta	Y	26	3.1	1.7
	N	28	4.2	0.9
Krupps	Y	34	2.8	1.5
	N	44	3.7	1.1

Table 4-2 - Means are averages of the following measures: beans, imagine you are looking for a fresh bag of coffee beans. On the supermarket shelf you will find a bag of coffee beans from the following brands. To what extent do you trust these brands to offer this product? (1= Not at all, 5= Very much)

Participants placed most confidence for this product extension in the Melitta and De'Longhi brands.

Consumers who already use whole beans have lower trust in the five brands to provide the first extension. Participants responded in a similar way when asked about the second brand extension: a service for ordering beans from different roasters under the existing brands. Figure 4-9 shows the rating in relation to trust in the new potential brand extension. Once again, participants placed the least trust in Siemens and PH to offer the website service under their respective brands. Participants who are already using whole beans have given this extension for PH an average rating of 2.2. Those who do not yet use whole beans, an average rating of 2.5. Consumers would place the greatest trust in the De'Longhi and Melitta brands to offer the second brand extension.

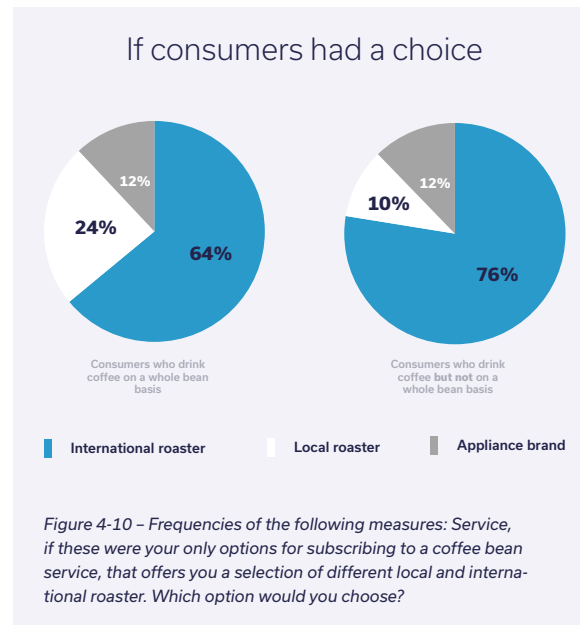
Perceived difficulty of making the extension

Figure 4-10 shows the results of the third part of the survey and the conjoint questions. Respondents decided on a product-brand combination. To simplify the results in the graphic, the individual choices available for the conjoint analysis were grouped together. All five appliance brands, including PH, were grouped under the term "appliance brand". The two local roasters are grouped under the term "local roaster" and the three international roasters under the term "international roaster". Participants who do not drink coffee were excluded and the figure focuses



exclusively on the brand's extension of the service. If participants had the choice of which brand to select for a FAEM-integrated bean service, these results show that there is a clear preference for international or local roasters. Regardless of the way respondents prepare coffee, over 80% would make this choice. Within the two different kinds of roasters, the data shows that more than 60% would choose one of the well-known international roaster brands for the new service. The data therefore also suggests that the small independent roasters do not yet have high relevance for the consumer or are simply still unknown. Of course, this can be due to various reasons, such as the fact that the roaster has recently established itself or its products or services cannot be found in the usual places where consumers buy their coffee or coffee beans. There is only a small proportion in both cases of consumers who have chosen an appliance brand. There is not a single choice for the Philips brand.

Consumers do not trust that PH as a hardware appliance producer has the expertise to produce a bean service, which requires a different set of skills than the production of reliable hardware. The "perceived difficulty of making the extension" is related to having expertise and knowledge in the quality and specialty bean coffee sector. The PH brand with its broad portfolio of products is perceived as too general to have such specific knowledge.



Summary of main findings

This part of the work has shown results on how much participants would trust the PH brand and direct competition to extend its product range in the area of coffee and coffee services.

Associations

Even if PH no longer has its core focus in the areas of television and lighting solutions and has sold these businesses with brand agreements licenses, consumers still immediately associate these product categories with the PH brand.

Respondents do not associate Siemens and PH with coffee machines or coffee beans. This is in contrast to Melitta, Krups and De'Longhi, which respondents directly associated with coffee-related products. Four out of the five appliance brands operate also in the general field of kitchen appliances and therefore offer more than just coffee machines. The only exception is Melitta, which is only active in the coffee market. Siemens and Philips do not only operate in the market for kitchen appliances but have an even broader product portfolio, such as health care or electronics.

Product extensions

The results showed that consumers have the least confidence in a potential brand extension for the PH and Siemens brand. This is even more evident for participants who are already buying coffee beans. Consumers seem to have more

trust in brands with which they also associate coffee products. The fact that participants placed more trust in De'Longhi for offering the two product extensions discussed, may suggest that the recently launched "Coffee Lounge" service by De'Longhi will be perceived as credible and trustworthy by consumers.

Conjoint based consumer decisions

In conclusion, the conjoint based results have shown that most consumers, given a choice, would choose brands for the first and second proposed product extensions that have years of experience in the coffee (bean) sector. Major international roasters are the number one choice to offer the second proposed product extension to consumers. Nevertheless, there is a small number of participants who already prepare their beverages with whole beans and seem to be more interested in the products of local roasters.

In the following chapter, these results are discussed further and translated into tangible measures that will finally lead to a conclusive brand decision based on a qualitative test.

Limitations

The survey conducted in this chapter was distributed through online channels using a random sampling method. The majority of participants in the survey were aged between 25-34. Even though it was in line with the sampling strategy to target consumer from the identified

target segment, these results are most likely not generalizable to other populations or age groups. In addition, the number of 126 participants is a small sample in comparison to the general population that fit into the sampling strategy of the research question.

Even though this survey is only part of the research needed to answer the research question, there are limitations within the design of the survey. In the context of brand extensions, the survey only asked about the trust level of the new service and extensions. In retrospect, further measurements could have been added here, for example

according to usefulness, degree of innovation or relevance for the consumer. In general, the descriptions were very vague and a detailed description or even a prototype could have helped the consumer to understand even more what the extensions are about.

In relation to the conjoint based questions, it would have made sense to have an equal number of brands per category (local roaster, international roaster and appliance brand). In addition to the roasters and appliance brands, other channels or platforms could have been added (those identified in the course of Chapter 3).

4.4 Concluding the chapter

As outlined in the theoretical section of this chapter, it is critical that a consumer has a strong self-connection to a brand, and that any brand extension mirrors the core values of its parent brand. Inconsiderate extensions can damage brand credibility and lead to confusion about the values associated with the parent brand. The credibility of the extended brand can also suffer if the parent brand is not seen as having sufficient expertise or association with the core competence of the extended brand.

The survey has shown that the PH brand should not be extended to include a bean service. All respondents know the PH brand, but the majority of respondents did not place trust in the PH brand for a service that allows them to 1) buy coffee beans under the PH brand in the supermarket and 2) order beans online through a bean service launched under the PH brand. When respondents were asked which brand they would trust most to provide a bean service, only 12% found appliance brands such as PH and Siemens suitable. Most consumers would choose brands for the first and second proposed product extensions that have years of experience in the coffee bean sector.

Launching the new service under the PH brand would fall under the concept of a "Branded House" and therefore render the PH brand more vulnerable as a negative association either with the extended brand or with the combination of the extended brand with the PH brand would affect all PH products and services. It is therefore recommended to continue with either strategy 2 or strategy 3 at this point. This will be further explored in the next part.

5.0 Identifying the product-brand fit

THE PURPOSE OF THIS CHAPTER IS TO DEFINE THE RIGHT BRAND STRATEGY AND A RELEVANT SET OF FEATURES. FOR THIS PURPOSE, QUALITATIVE RESEARCH IS CONDUCTED IN AN EXPLORATORY MANNER WITH 7 PARTICIPANTS. AFTER THIS CHAPTER, THE FOUNDATION FOR A PRODUCT-BRAND STRATEGY WILL BE LAID.

5.1 Evaluating product-brand scenarios

After it was quantitatively determined in the previous part that strategy 1 (Brand extension) can carry high risks, this part now tries to find out whether strategy 2 (New brand) or 3 (Co-marketing/Co-branding with “new” brand) should be considered. In addition to the question of the most trustworthy brand or brand combination, the aim here is also to find out which set of features ultimately provide the best possible product-brand experience for the consumer. At a minimum a FAEM app should allow for bean purchasing, bean recommendations and personalisation. At this point, therefore, a study is carried out in experimental and qualitative form. After this part of the thesis, essential key insights will be collected to form a final product-brand strategy.

Method

In order to carry out this evaluation, this work used the lean iteration approach developed by Ash Maurya (2012) to test potential solutions to specific problems in a rapid and qualitative manner. This approach first lists problem statements and lets participants rank them. Subsequently it lists potential solutions and again lets the consumer rank them. According to this iteration approach, questions related to the right brand strategy were selected (Figure 5 -1). The exact design and structure of this research can be found in Appendix G.

For this purpose, 7 in-depth interviews were conducted with German and Dutch participants who either own a FAEM or have a strong intention to buy one. As it was a requirement that participants use whole beans, also those participants who do not yet own a FAEM, already prepared their coffee with whole beans. All participants were in the identified target segment of 25-35 years with high affinity for digital services. The interviews were all conducted online, not recorded and approximately 40 minutes long.

The interviews, following the lean iterations approach, were divided into three parts. All consisting of a ranking part and the participant’s reasoning regarding this personal ranking.

- The first part is detached from potential solutions, features and brand scenarios and serves solely to sensitise the participant to the topic of bean purchasing and an associated potential FAEM app. Participants ranked 5 problem statements (Figure 5-1) in relation to bean purchase according to personal relevance. These problem statements are based on the insights developed in the chapter 3 “Purchase channels and the consumer”.
- In the second part of the interview, potential solutions to the previous problem statements were presented to the participants in the

form of an app prototype video (Figure 5 3 and Appendix F). These prototypes are not yet an elaborated design, but a mere rudimentary visualisation, which should trigger the participant to comment on relevance and usefulness. Just as with the previous problem statements, consumers have again ranked the solutions in terms of personal relevance.

- In the third part, the consumer was then confronted with the different brand strategies for the first time. Here, the participant received information about the ways in which the service and the associated FAEM app could be offered on the market under different brand scenarios. Three scenarios identified in the previous chapter were presented to the participant in visual form. Even though it was clear from the previous chapter that strategy 1 (brand extension) was the least likely to be implemented, it was nevertheless presented again in this context in order to gain qualitative insights that can help to shape the final strategy.

Problem statements – Figure 5-1 summarises the problem statements and the ranking by the participants. The ranking is composed in such a way that points are awarded based on the number of statements (statements with the highest relevance 5 points - statement with the lowest

relevance 1 point, etc.). The statements related to selecting and finding beans (Statement 2, 3 and 4) show the highest relevance and thus relevant challenges for the participant. Problems with the adjustment of the FAEM in relation to beans do not pose such great challenges for the participants. Even less relevance or problems arise for the participants in relation to statement 1, which represents the problem of not having coffee beans when you want to prepare a drink.

Statement 1 (“Running out of beans”) was not perceived as relevant by participants, nor was this situation of urgent need for immediate coffee beans mentioned as occurring frequently. According to “Participant 1”, “...that never happens that we don’t have any coffee beans at home, we always have one or two kilos in stock”. This behaviour was also observed in other participants. “Participant 5” explains: “...because beans are often on sale, we always buy more, so we always have some at home.” The other participants also had similar opinions: “you can also go to the supermarket quickly”.

Different observations were made in relation to selection, guidance, and experience of buying beans which were addressed by problem statements 2, 3 and 4 in which the participants recognised themselves. In relation to statement 3 (Unsure if beans fit taste) participants repeatedly

mentioned that it is difficult for them to find out whether beans suit their personal taste by simply looking at the packaging. "Participant 7" speaks of the experience: "I always read through descriptions, but then I have the feeling that although they are different, they often mean the same thing... It is difficult for me to see if it suits me or not". The same was mentioned by "Participant 3": "I have not internalised my taste. I can't tell from the descriptions whether it fits or not."

Similar uncertainties were also described in the context of shopping in the supermarket or other shopping possibilities, which problem statement 2 ("too many choices available") addresses. In this context, being overwhelmed by a large selection was mentioned again and again. "Participant 2" says "There is an infinite choice of possibilities. What should I go for? Sometimes I just choose a pack based on its appearance, even if I don't necessarily like it afterwards". The vast amount of choice and the attempt to find a variety was described by "Participant 3" as "Mostly I take what is on offer... or I look for certain certificates".

In relationship to problem statement 4 ("Are the beans that are currently used the best?"), "Participant 7" mentions "I usually go by the exclusion procedure, even if it sometimes gets out of hand that I have to throw away one or the other type of bean...". It has also been reported here several times that participants are guided by descriptions and certificates that are important

to them personally, but then in the end do not necessarily correspond to their personal taste.

In relation to problem statement 5 ("How to match beans with FAEM settings"), participants observed that adjusting settings on the machine to enhance the taste is an unfamiliar area where participants either do not know that you can change settings, it is too complicated for them or they do not necessarily believe that this can positively improve their coffee experience. "Participant 2" describes this situation for himself: "I always leave everything as it is, I find it difficult to change the settings when I have bought new beans". "Participant 4" says "I would like to know which beans go best with my preparation method, but it is difficult for me to find out".

Solutions - Figure 5-2 shows the results of how participants rated the proposed solutions for the previous statements based on personal relevance and benefit. A single solution was developed for problem statements 3 and 4. The results show a correlation between the assessed relevance of the statements and the proposed solutions: Solutions were found to be relevant if the problem was found to be relevant. A small outlier can be seen for the solution proposed for problem statement 5: Here the participants found the solution to be relevant and useful even though they had not found the problem to be of high personal relevance to them.

Most participants were not interested in easy bean delivery through an app. For the proposed solution

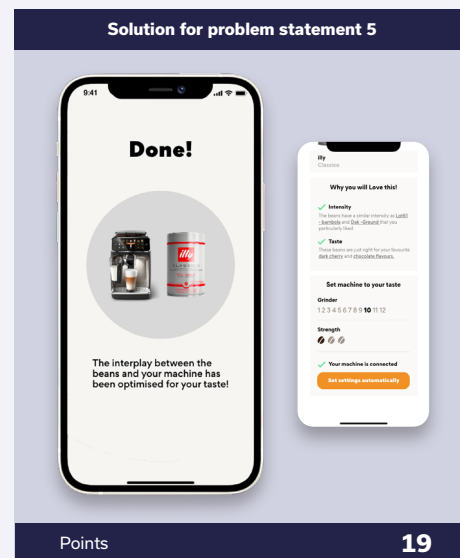
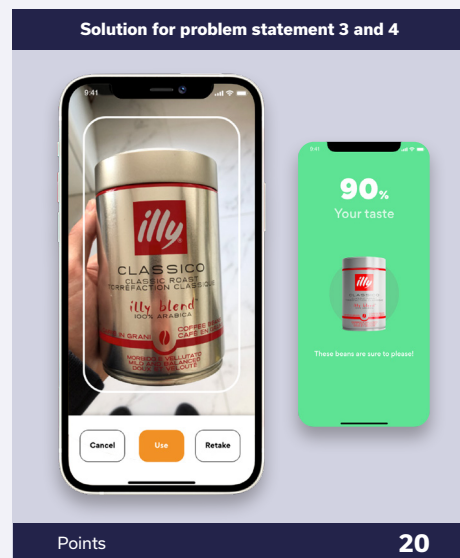
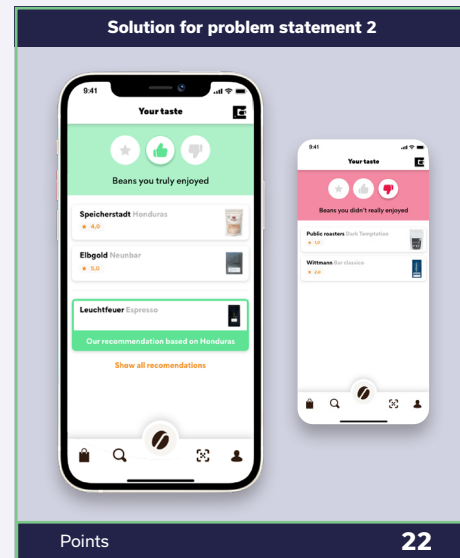
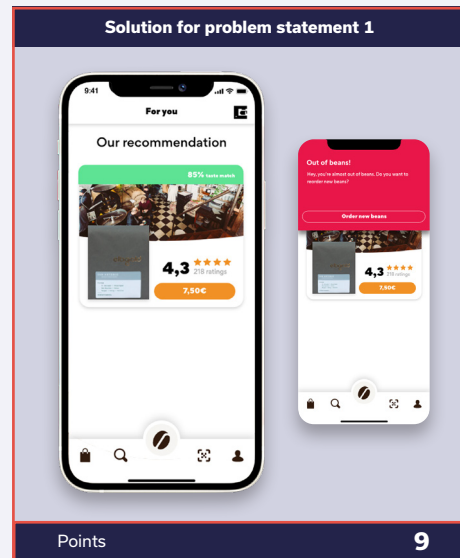
Statement 1	Statement 2	Statement 3	Statement 4	Statement 5
"When I want to make my coffee, sometimes I don't have any beans left at home, which means I can't make any coffee"	"When I stand in front of the coffee shelf in the supermarket, I am overwhelmed by the choice"	"When I find a bag of coffee beans that I might like, I'm not sure if its suit my taste"	"I am unsure whether the beans I currently or most often use are the best available for me and my taste"	"When I try new beans at home, I don't know how I have to adjust my machine settings to the new beans"
Points 8	Points 24	Points 29	Points 27	Points 19

Figure 5-1 - Problem statements bean purchasing ranking

to problem 1, the participants were shown an app preview that allowed to send a push notification before the beans in the FAEM would run out. The participants were then given the opportunity to buy high quality beans immediately via the app. The participants repeated the comments they made in relation to the problem statement: "I still have some beans at home" or "The whole pack of beans won't fit in the container anyway... That's why I still have some in the pack". Participant 3 commented on receiving messages from the service that they were out of beans and could buy new ones: "So I feel forced to buy something... I would like to decide that for myself". In general, the trustworthiness of the technology was also questioned: how would the machine or the service know that you had no more beans at home? Accordingly, participants rated this feature as the most irrelevant of all.

In contrast, all other proposed solutions received relatively good ratings from the participants, demonstrating that they would add value.

Solution 2 – recommendations based on prior bean consumption - was found to be extremely helpful by participants, as it could, for example, make it easier to find beans that one would like. Here, the participants were shown a list of high-quality beans that the potential user had already tried and saved. This list was then divided into beans that the consumer liked and beans that the consumer disliked. Based on the list of beans that were found to be good, other beans of similar quality or taste that had not yet been tried were suggested. The degree of similarity of the recommended beans to the beans found to be good, was visualised to the participants by means of a percentage number. The idea that consumers can save and rate the beans they have tried so far and then receive suggestions was continued by participant 4. "It's always difficult to google coffee beans with all the different varieties, because you don't know all the roasters. That's how you get an overview of new varieties". In addition, some participants mentioned that they usually only buy from one specific local roaster, so the solution would also give them the opportunity to try out new beans.



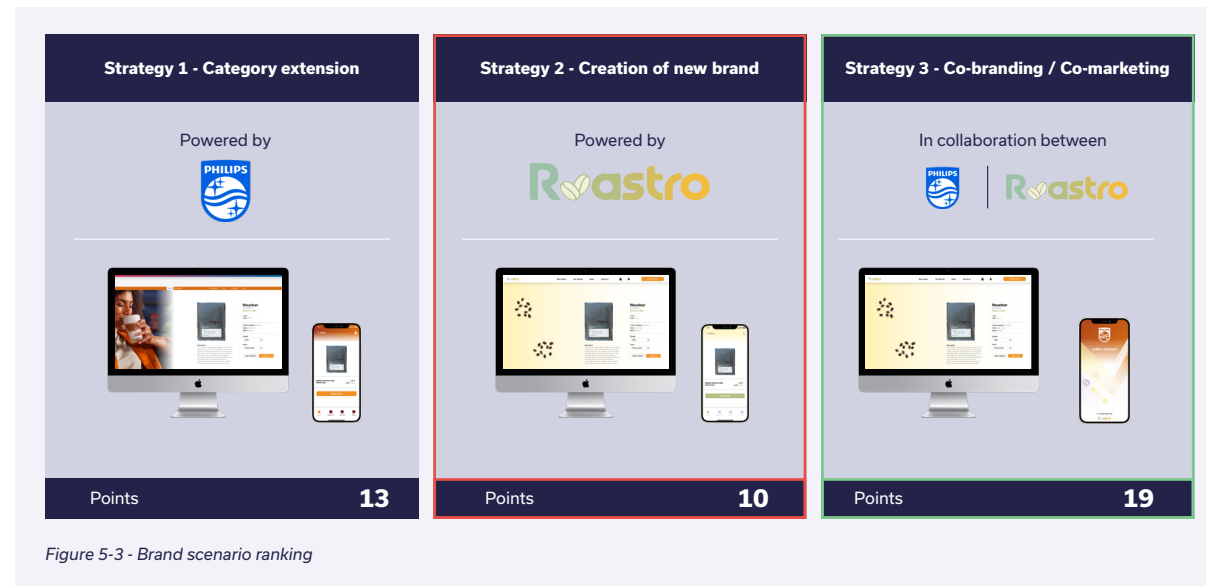
The fact that these suggestions are made on the basis of percentages was also very positively evaluated and participants established the link to existing services such as Netflix and Vivino. Participants mentioned these services because they use similar recommendation principles and found them helpful. Some participants doubted whether taste preference can be stated exactly as a percentage. In addition, this idea was taken further by participants, "Participant 3" mentioned that "it would be super helpful to ask afterwards whether this recommendation was also perceived in the same way as the service suggested". "Participant 1" even expanded on this idea: "It would be good if you were able to choose different modes, either you always want beans that are very similar, or you can turn on the explorer mode and get new varieties that are similar but have a different note... I would just like to try something new and different as well."

Participants made similar comments and suggestions in relation to the solution for statements 3 and 4. At this point, participants were shown a short clip of someone scanning a bean bag. Then the participant was shown how this type of bean would fit the taste profile. The scanning feature generally seemed familiar to the participants and the idea behind it was also evaluated positively. "You are not distracted by the packaging" or "it's relatively easy" were comments made by participants. Here, too, the advantages in relation to the percentage evaluation were pointed out.

Surprisingly, participants evaluated the proposition of automatic machine adjustment based on beans and taste as positive even though they did not feel that the initial problem statement – not knowing how to adjust the machine settings – was relevant. This suggests that the solution addresses a so-called "latent need" – one that the consumer didn't know they had. Consumers were shown that they could search for any bean variety from a specific roaster. Based on these characteristics, consumers were suggested certain FAEM settings in the app that would further optimise the taste. For the participants who had previously mentioned that they never make adjustments anyway, this idea was seen as positive, as they also learn to what extent adjustments can be made on the basis of certain beans. "Participant 1" commented on this idea that it gives him the feeling that he can "get all of the quality out of the beans" and at least the feeling is conveyed that the consumer has taken all parameters into account in order to enjoy the perfect drink.

Brand strategies – Figure 5-3 shows the ranking results of the brand or brand combination under which the service as well as a potential FAEM app (the set of previous solutions and features) could be offered to the consumer. Here, Strategy 3 (the collaboration or Co-marketing/Co-branding variant) performed best, and a large proportion of the participants found this variant to be the best and most trustworthy for them personally. The qualitative results confirmed the previous quantitative results and showed that strategy 1

Figure 5-2 – Solution Ranking



(brand extension) received the least trust and approval. The same was found for Strategy 2 (New brand). In the context of the unknown "Roastro" brand, the consumer was told a story about what the brand could stand for and what the service does (i.e. selling high quality beans from local roasters). Due to a lack of brand awareness for Roastro by the consumer, the participant could not build up any associations with the brand. Based on this, the participants could make their evaluation of the different strategies. The PH brand was known to all.

In relation to PH brand category extension (Strategy 1), participants mentioned the low trust in Philip's expertise in relation to offering coffee beans. Participants saw the "ability to manufacture

machines" as the core competence of PH but had less trust that PH had expertise in the area of coffee beans. Participants kept mentioning "technology" as a driver of the PH brand and that the idea of high-quality coffee and coffee beans rather creates an opposite theme that does not really fit the brand, even if PH is the manufacturer of the coffee machines. "Participant 1" mentioned in connection with this idea that roasters and coffee beans stand for "good smells" and "tastes" and that these are difficult to associate with the PH brand. In addition, the participant elaborated that if he went to a small individual roastery that stands for high quality and craftsmanship, he would not see it in the PH brand at all and would therefore not have confidence in such a service. Only "Participant 2" reasoned that he had confidence in

PH, arguing that "PH has been producing coffee machines for years" and "then there should also be expertise in a service where coffee beans are offered to you".

Completely different observations were made in connection with the potential new brand under which the new service could be offered (Strategy 2). Initial comments were that the "unfamiliar" or "unknown" part of a brand evoked first negative associations. Because the brand was totally unknown, there was no indication of trust or why this service should be used in combination with a FAEM. Also, in relation to connectivity and the potential ideas to connect these services to their FAEM, there was some doubt as to whether the "competence and ability is there for hardware". "Participant 1" mentioned in relation to the previous features: "A brand that positions itself to put roasting and coffee beans first, I don't think they know how to develop digital services very well". "Participant 3" also had similar thoughts and mentioned that one would like to recognize the "connection to one's coffee machine brand", which is not given in this way.

Strategy 3 in which the consumer would encounter both brands received most approval from consumers. The combination of different "competences" under two different brands was perceived by the participants here as extremely positive and trustworthy. Even though the Roastro brand is an unknown brand that does not evoke any associations, participants were able to imagine how different competences can be combined. Participants imagined that a brand that they

trusted to provide them with "coffee knowledge" could be complemented by the PH brand, that could give them confidence in technological reliability. The fact that an individual brand would admit a lack of competences and team up with qualified partners in order to offer a holistic and trustworthy service was found to be good. "Participant 6" commented: "I find it extremely good when there are several partners involved in products or services and different perspectives are brought in... on the one hand I have PH as a partner for my FAEM but also a new individual... This also shows me that PH knows its limits".

The strong technological focus, which was perceived as negative in the proposal to launch the brand under the PH brand, was highlighted as a crucial element in the context of collaboration. In this collaboration, it became apparent that PH can bring expertise in technology to develop an app and services. Consumers reflected that technical features should not be developed by a service brand with knowledge about coffee and coffee beans. In addition, it was emphasised here that it is crucial that the PH brand should also be represented in the FAEM app to establish the link to the hardware. This knowledge in coffee beans and roasters will then come in from the new service brand Roastro. "Participant 1" again referred to the descriptions of "smell" and "taste" which would find their rightful place here in the context of PH's "needed technology" to enable a consistent and holistic service.

Limitations

Before concluding this chapter, the limitations of the previous results are discussed here. In the part where different solutions to the problems are contrasted and different brand scenarios are presented, interviews were conducted with fewer (7) participants than the methodology (10)

suggests. Brand scenarios were also presented in a rather simplified way. Here, participants could have been introduced to different marketing materials, such as print or other offline materials to get an even stronger picture, especially in relation to the new brand. Other examples could be advertisements or video materials that communicate the different brand scenarios.

5.2 Concluding the chapter

In this chapter, results from the previous chapter on the consumer were tested through a qualitative research. It was found that consumers need to be offered more than just the option of buying coffee beans. This is in line with the quantitative assessment of potential features, that concluded that consumers do not see the relevance of only buying beans via an FAEM App. In fact, there is growing interest in features that aim to explore products from local roasters and offer consumers an experience based on the principles of guidance and recommendation. In addition, further interest was expressed in features that enable consumers to find optimal settings for their FAEM even though participants were not initially aware that they required any service in this area.

The testing of preferred brand strategies provided a clear outcome that confirmed the previous quantitative research: Consumers would potentially trust strategy 1 (Category extension) the least. The highest level of trust and approval was found in the context of strategy 3, two different brands combine their expertise within their product brand experience. Consumers argued that there is trust when different competences from different brands come together in one service. PH is still indispensable as a reliable partner with technological knowledge. The new brand can steer against this within the service and bring in new "competences" around the topic of coffee, coffee beans and roasting.

At this point in the work, therefore, the decision is made that the creation of a new brand is the best brand development strategy for PH. In the following, recommendations are therefore made for 1) the positioning of a new brand and 2) the design and experience of the new service and the FAEM app.

6.0 Designing the product-brand fit strategy

THIS CHAPTER DESCRIBES HOW PH CAN BEST STRATEGICALLY DEVELOP A TRUSTED BEAN SERVICE WITHIN A FAEM APP. TO DO THIS, A TWO-PRONGED SHORT-TERM STRATEGY IS FORMULATED, RESULTING FROM THE FORMULATION OF A BRAND POSITIONING AND THE DESIGN OF A NEW BRAND BEAM EXPERIENCE. THE CHAPTER CONCLUDES WITH FURTHER RELEVANT RECOMMENDATIONS.

6.1 Overview

The previous chapters have shown that PH would not get the trust it needs from consumers if it were to launch a bean service under the PH brand. This is the case for both, a stand-alone bean service, but also for a FAEM App. In addition, research showed that consumers would not trust a connected FAEM app if it were offered exclusively under an unknown, new brand. A service or connected FAEM app offered and provided by two brands with different competencies and associations generated the most trust and positive association among participants.

The sixth chapter of this thesis therefore formulates recommendations and a strategy that can help PH offer consumers a holistic and trustworthy coffee experience (Figure 6-1). Even though these strategic decisions are focused on a short-term horizon, they are intended to help PH move within 2 years from an appliance-focused to a holistic service provider in the coffee market. The focus is on two key building blocks that can provide the first steps to move in this direction:

Create a foundation

The first block consists of strategic recommendations on how PH can position a new brand. The previous chapters showed evidence, that this is essential to gain the desired trust and to generate

potential awareness and the right associations. It can deliver critical brand values and associations within the customer journey that would be difficult to generate under the PH brand alone. Key activities in the first block revolve around the creative development of a new brand, its necessary launch through appropriate campaigns and the creation of a coffee platform. Other required activities revolve around the design of a business model, which is outside the scope of this work.

Create an experience

The second block gives recommendations on how the new brand experience can be designed. Unlike the first block, detailed user flows are shown here. A strategy is formulated, and concepts developed in which a future FAEM user can experience parts of the future digital FAEM journey. The visualised user flows are intended to show future journeys, but above all to answer the initial research questions as to how consumers can experience a future PH trusted FAEM coffee experience. These two blocks are understood as successive activities. Key activities here therefore revolve around technical aspects such as the development of a connected FAEM app and the integration of the new brand and corresponding features.

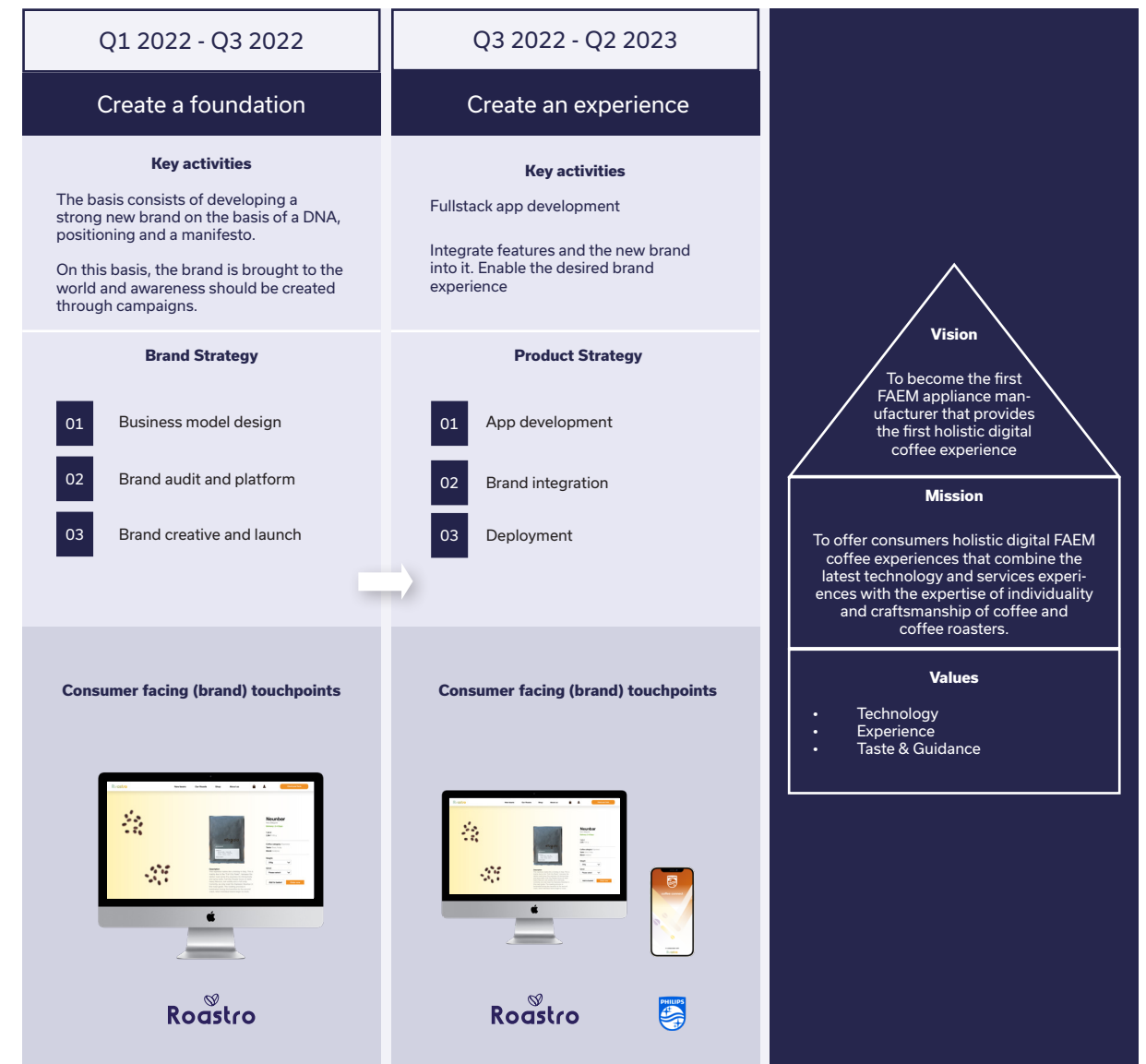


Figure 6-1 – Simplified presentation of the proposed product and brand strategy

6.2 Positioning and launching a new brand

In the previous research, the idea of the new brand “Roastro” was presented to potential consumers in different forms. It has been shown that a cooperation or endorsement strategy with a new brand has the greatest impact. Since Roastro does not exist as a brand in the form outlined here, it is only a conceptual and theoretical idea. There is no existing brand awareness or strength, which is required before any further steps. The first block should be understood as a high-level brand strategy.

Based on the previous research, this part proposes a brand positioning for the Roastro brand, which can help to shape the brand. These recommendations should therefore be understood as strategic recommendations, instead of the creation of a new brand in exactly this form. The recommendations are based on three different pillars, firstly a positioning in the existing market, a formulation of a brand DNA and positioning statements, as well as potential ideas of a brand manifesto.

A product or service should be the basis for the development of any brand, regardless of whether it is a service or a product brand. Therefore, it is essential to develop at least one initial brand touchpoint with which a consumer can interact,

such as a website. It is recommended to at least create a required e-commerce platform. This can be reached by consumers and should be created as a point of sale for coffee beans.

Competitive positioning

Research from chapter 3 has shown that in the area of access and variety countless platforms and services give consumers the opportunity to buy coffee beans. It was also understood that these services and channels do not necessarily have their core competence in coffee beans. Most are characterised exclusively by the fact that they offer a large selection or are extremely easy for the consumer to reach. Quantitative research has also shown that for integration into a future app, these services or channels do not add value to the consumer. PH should therefore not position a brand in the market segment offering variety and access.

Qualitative research with consumers has shown that a desired brand or partner within the app should be different from the “supermarket”-characteristics (variety and access), otherwise no added value would be created for the consumer. This is valid for a stand-alone bean service as well as for a potential FAEM app with an integrated

bean service. Features that offer solutions to challenges in the area of recommendation and guidance have received a positive rating. This suggests that the brand should be positioned within the guidance and expertise quadrant. In relation to this positioning (guidance), inspiration can be adapted from the Vivino service (“discover” and “buy” the right beans - every time). Participants identified the expertise of local and small roasters as positive characteristics that can establish trust with a brand offering coffee bean service. These characteristics speak strongly for a positioning in the direction of the expertise axis. In addition, these characteristics were not attributed

to the PH brand. Therefore, PH should position the new brand in the expertise and guidance quadrant.

Recommendations for a Brand DNA

After recommendations for positioning in the competitive market field have been issued, the next step provides recommendations for the brands’ purpose, personality, and positioning. The brand DNA answers questions such as: What does the brand stand for? What are the brands core values? And what personality does it have? A DNA will help to ensure that all future strategies and actions are based on this identity (Figure 6-3). In order to explain the brand DNA, the identity

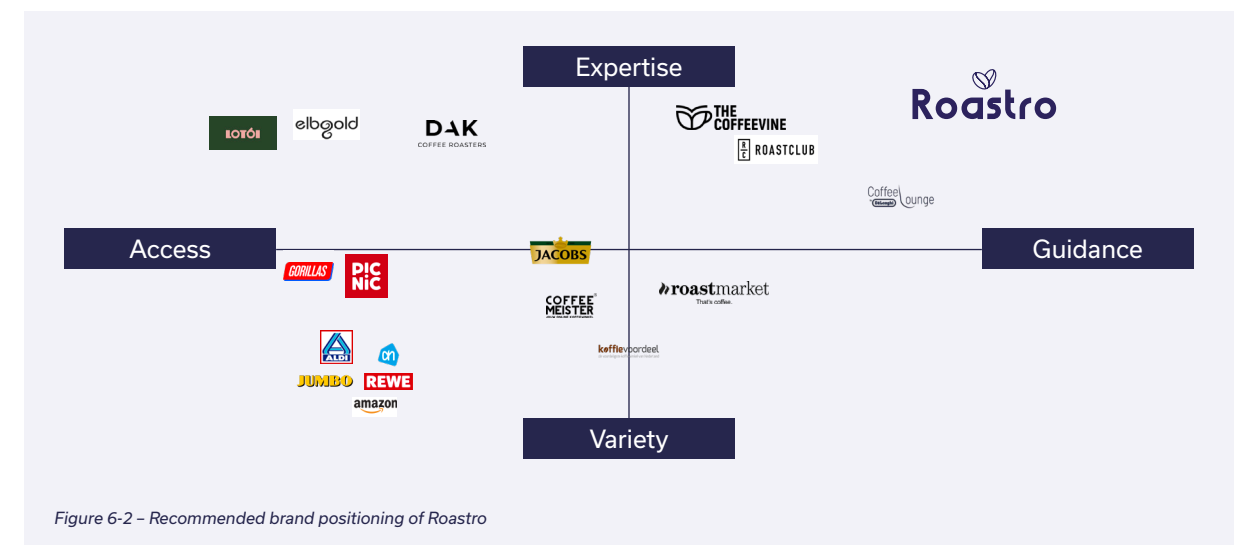


Figure 6-2 - Recommended brand positioning of Roastro

has been divided into the 3 subtopics of brand coherency, brand relevancy and brand products/ service fit below.

Brand coherence

With brand coherence, the goal is to describe how the 3 elements of personality, positioning and purpose add up and relate to each other (Beverland, 2018). The purpose of the new brand Roastro is to enable an honest taste experience. This is mainly achieved through a brand personality which is sincere in the recommendation and guidance it provides the user when selecting beans. Independence as a characteristic should represent a conscious differentiation from services and channels that offer consumers a wide choice and little guidance. With this personality, characteristics are developed for a new brand, which first and foremost makes it possible to reach the identified target segment of millennials, but above all also coffee lovers who prefer quality over quantity.

Brand relevancy

With brand relevancy, the goal is to explain what trends and customer demand Roastro must appeal to. In the preceding research, consumers clearly explained that a future FAEM app experience but also branding should distance itself from the “forced purchase of coffee beans”. It should also, in addition to the “technological” associations and features that PH can bring later to an app, show the consumer that knowledge and expertise about coffee and coffee beans is available. It also

became clear that PH cannot match the required associations and new characteristics of a newly established brand are therefore necessary.

Brand product/Service fit

The goal of brand product or service fit is to show how the brand DNA fits the product or service that Roastro (and PH) will provide. Within current FAEM apps, consumers are not provided with guidance and recommendations for an optimised bean experience. Again, it became clear that this cannot be provided by brand attributes of an appliance focused brand. The new brand can therefore add the required expertise based on the brand DNA via standalone touchpoints but also via the co-marketing touchpoints (FAEM app) to offer a trustworthy service.

Recommendations for a Manifesto

In the last step, recommendations are made in relation to the brand manifesto (Figure 6-4). The brand manifesto can be understood as the translation of the previous points of positioning and brand DNA into concrete visual elements, communication ideas or a first draft of a “mood board”. At this point it is emphasised that this is in no way a complete brand book or visual identity, but rather a first approach to how it can be used to create consistent marketing and how messaging can eventually lead to communicating a consistent identity.



Primary colours are based on the personality of the brand to make these values recognisable in the visual elements. Colour palettes take inspiration from the natural environment of coffee beans, such as saturated yellows, greys and greens. In combination, these can translate the personality traits around honesty, guiding and flavouring. These rather calm colour elements should then be countered by clear and modern typefaces and communication in order to come across as interesting and trustworthy for the target segment. A key recommendation here is to choose a

communication and visual communication strategy that is visually different from PH.

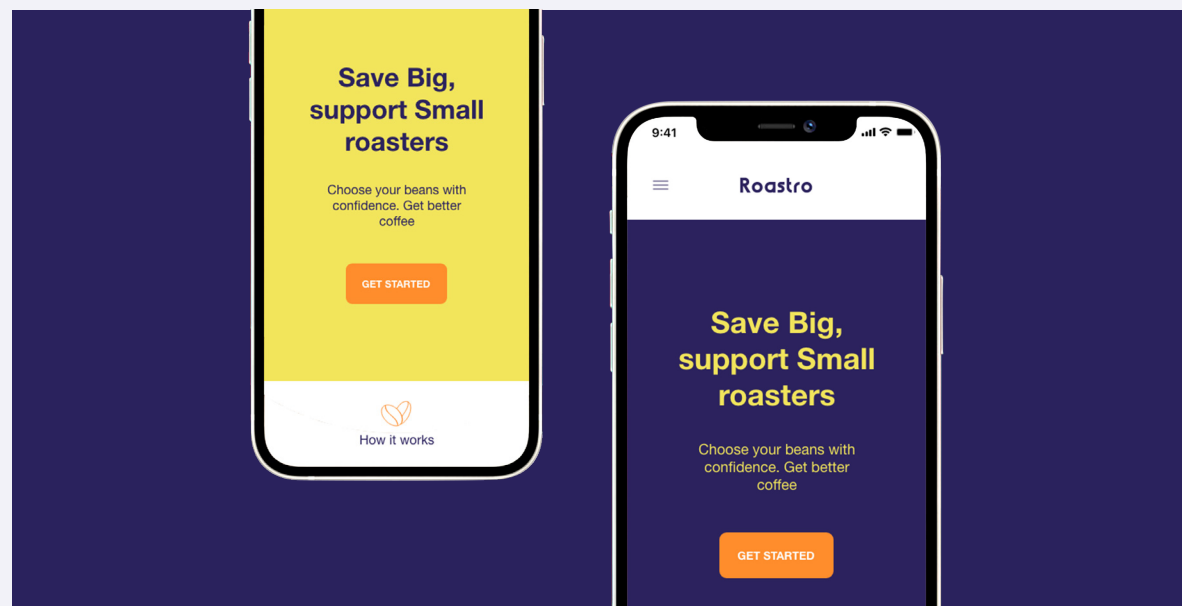
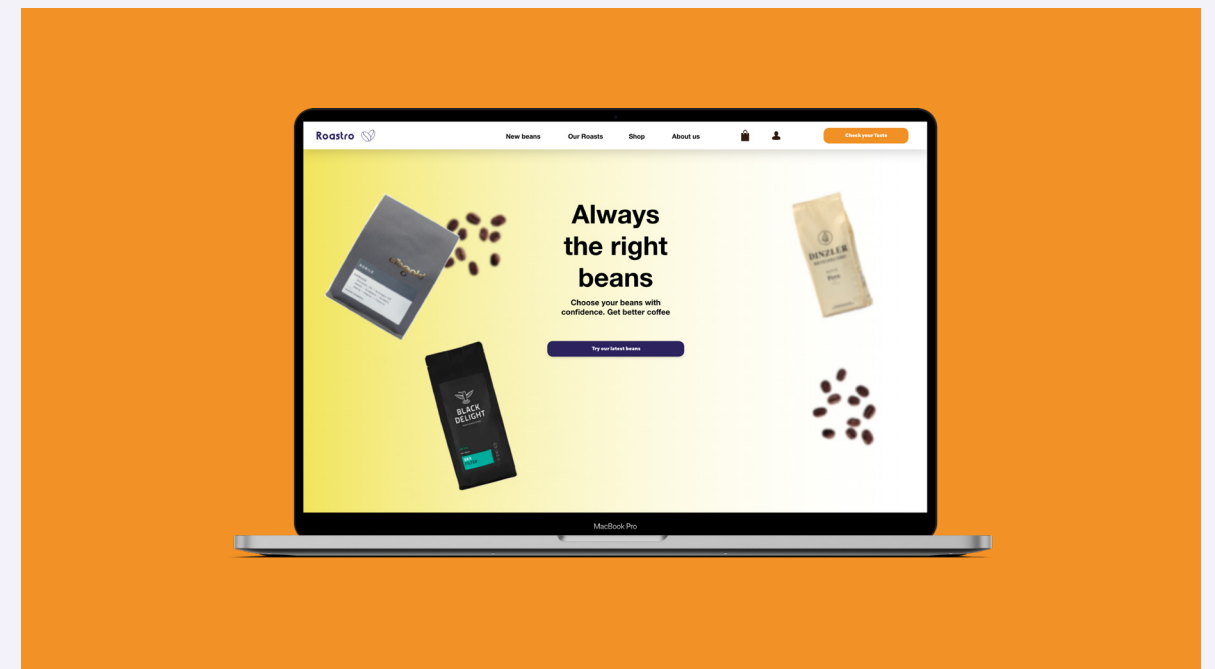


Figure 6-4 - Outline of a potential visual brand identity

6.3 Designing a new experience

Overview

After making key recommendations related to the launch of the new brand in the previous section, this section provides recommendations on how to design a new brand experience for FAEM app users. Accordingly, it is assumed at this point that a successful launch has been carried out and that, on the basis of initial campaigns, partial awareness has been generated for the new brand. Based on the research carried out and described in the previous chapters, a selection of features is presented here.

First, strategic recommendations will be made again on how the future FAEM consumer can experience a future brand coffee experience across different touchpoints, before zooming in on some parts of this customer Journey (Figure 6-5). In the best case, the target segment can already be addressed in the course of the awareness and consideration phase. For consumers who are considering buying a connected FAEM in the future, the different benefits of the brands can be communicated at key touchpoints. Through the PH website, offline retailer, or offline materials such as packaging, the consumer can be promised that the FAEM purchase is more than just a coffee machine. The decisive advantages should be

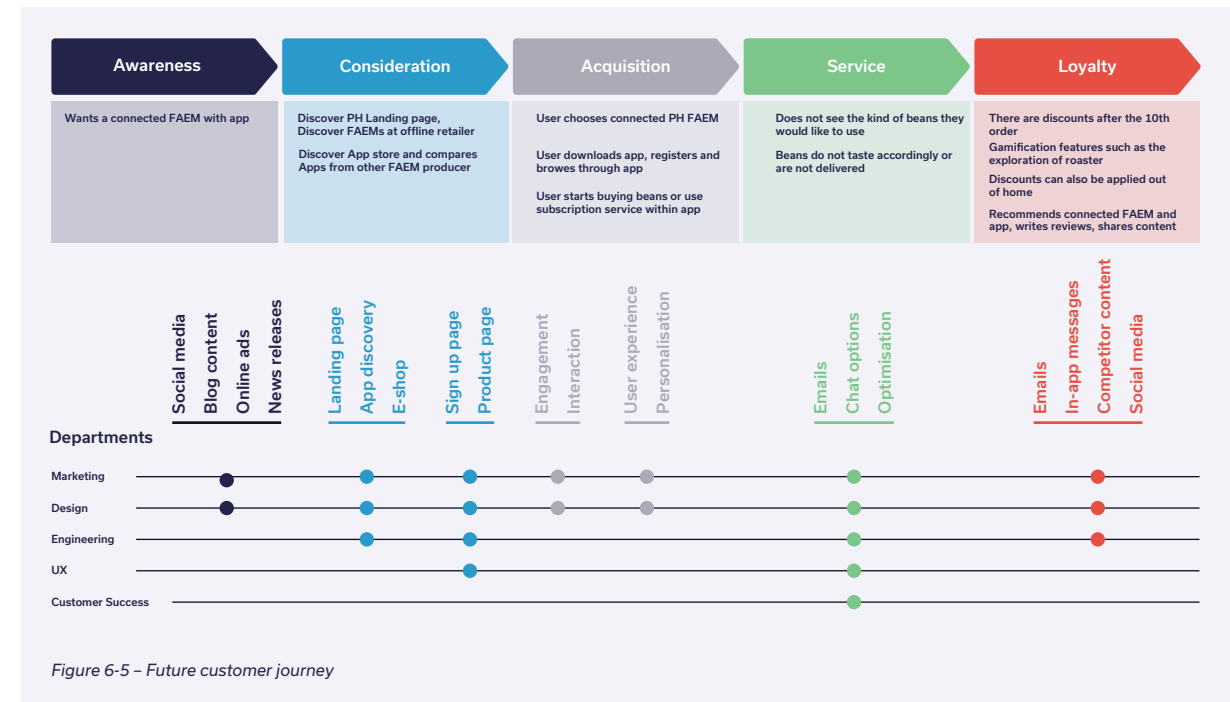
communicated to the consumer. The acquisition phase lays the foundation for whether the user will benefit from the service in the future.

Onboarding the user

User retention is one of the biggest challenges companies will face when launching new apps. This is especially the case for digital products that cannot attract the attention of users due to poor performance and bad ratings. 25% of all users will open an app only once and then never again (Noel, 2019). Therefore, it is important to pursue strategies to hook the user to the app as much as possible, right from the beginning.

It is therefore recommended to provide the best possible onboarding experience for the desired target segment buying and setting up a connected FAEM controlled by an app. This allows the user to immediately understand what the product is about and what value they get from it.

Figure 6-6 therefore, shows a recommended onboarding journey for a potential future user. The user is told in four simple steps what to expect from the service/app:



- In the first place, it is made clear to the user that this app was created in collaboration with two brands. The first step should also be to communicate the most important thing: The fact that this is more than just switching a FAEM on and off. The user gets a holistic coffee experience: From the beans to the machine to the cup.
- In the second step, the imagination of the user is triggered with the topic of beans. On the one hand, the “partner” Roastro is introduced, on the other hand, this step draws the user’s attention to the importance of beans. This strategy also communicates PH’s own perception of the competences of the PH brand and shows the honesty that it is necessary to bring in competences and brand characteristics that PH itself does not have.
- In the penultimate step, the user is informed that there are different ways to use this app. From the research, it has been found that it is crucial not to impose app purchases on the user if they have not decided to do so beforehand. In this way, the user can choose whether they want to use the app exclusively to control their connected FAEM or whether they want the complete bean experience.



Figure 6-6 – Onboarding the user

Understanding the user

Once the user has been on-boarded and has a good understanding of what to expect from the app and the service, a first attempt should be made to find out how the user wants to use the app (Figure 6-7). The user therefore has the option at the beginning to set up how they want to use this service in the app. This can help personalise the user interface and provide the user with only the content they need.

Research in the previous chapters has shown that a large part of the target segment buys coffee beans on a regular basis. A logical step here is therefore to offer the consumer different subscriptions to suit their purchasing behaviour. This feature is the Roastro-branded feature “Roastro coffee rotation”, which aims to enable subsequent functions such as monthly bean recommendations through the competence of the Roastro brand. The user also has the option to further personalise functions with the selection of the “explorer mode”. In this mode, the consumer is offered different beans from different roasters, without having to choose a specific flavour profile. This is in line with the comments from the qualitative research that it is also important for consumers to have variety. For both modes (explorer and subscriptions), users could be asked questions about their coffee preferences and drinking habits in order to build up a database that can later optimise the accuracy of recommendations.

Finally, the user can also ignore all bean purchasing functions if they prefer to purchase through traditional channels. At this point, this type of user would

only very rarely come into contact with branded Roastro features, such as bean recommendations or subscription options.

Guiding the user

As a core component of the service, features and functionalities are recommended that draw on the desired ideas of guidance and recommendation (Figure 6-8). These directions were also highlighted as most desirable features in the previous research of this thesis. An essential component of the new service is the recommendation system “The Roastro bean backlog”, which will help the user to find the right beans. Inspired by the Vivino service, the consumer can see here which beans they have tried in the past and whether they liked them or not. Rating a bean variety works by giving it a star rating (1-5). As tastes can change over time, this also gives the consumer the opportunity to make adjustments that can in turn adapt their taste profile. Based on beans that consumers have found to be good, new suggestions are also listed here. These can be varieties from well-known local roasters or completely new micro roasters.

If the consumer wants to try a new variety based on the personalised recommendations, they can find more information in the app. The service will show the consumer how probable it is that they will like this type of bean as a shaping element. In addition, the app displays an overall rating from other users which shows how this variety has been rated by the community. The recommendation is based on the

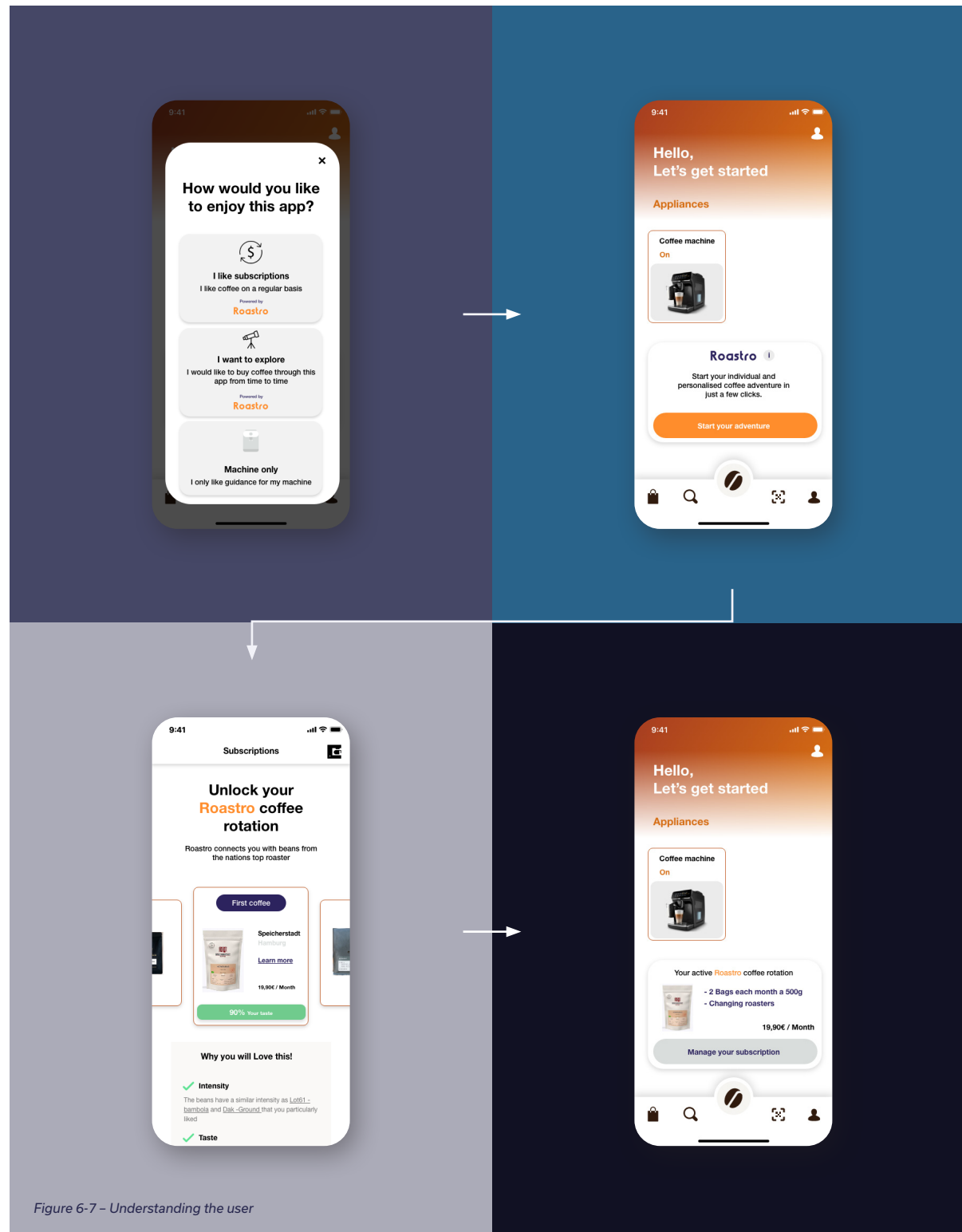


Figure 6-7 - Understanding the user

two elementary characteristics that determine the consumer's decision to buy beans: Intensity and the indicated taste. In addition, parallels are made with beans that the consumer has already tried. This could mean, for example, that the consumer is told that a certain variety of bean X has the same intensity as the new variety of bean Y.

Another way to find out if a certain type of bean fits the taste profile is to scan the beans using the camera function of the service. The consumer can scan the beans and see all the important characteristics. Again, like the percentage, this is used to communicate to the consumer how this variety would fit their taste profile. This function is especially helpful when the consumer has discovered a new roaster and wants to find out if he or she would like this bean. Accordingly, the search function can also be used here if the consumer wants to find out more information about a particular bean type or bean brand.

Another feature is the automatic adjustment of the machine to the preferred coffee beans. This includes the basic parameters of the coffee machines, such as the settings of the grinder and the strength, which are decisive for the taste. Using the connectivity features of the machine and app, these parameters can be adjusted specifically to one type of bean.

Engaging with the user

Finally, in the context of the future customer journey, strategic advice is given that can help to maintain consumer engagement (Figure 6-9).

Knowing that the desired target segment uses a large number of digital services on a daily basis, it is highly important to consider these decisive steps that will keep the user loyal. Crucial points are, for example, the sending of push notifications that show the consumer that new content is available. Through push notifications, users can be made aware of new content, such as when new products are added by roasters. These activities are essential to create long-term value and profit.

Another interesting point that can maintain loyalty are principles from the field of gamification that have recently found application in the field of apps. Even though no real research has been done on this point in this thesis, ideas are formulated that can still help to keep the user interested. Gamification elements can arouse curiosity, stimulate competition, and enhance the perception of being in control. First ideas could be, for example, to provide consumers with challenges that help them to expand their knowledge about the world of coffee and coffee beans. One example would be to create quizzes that unlock further chapters. The user can be triggered by exciting content and at the end be rewarded with discounts or rewards in the form of points. Other challenges could also be to offer activities that encourage users to try out all the roasters in their city. Gamification principles can create different benefits that lead to a crucial user retention, which should be considered as the backbone of any digital service.

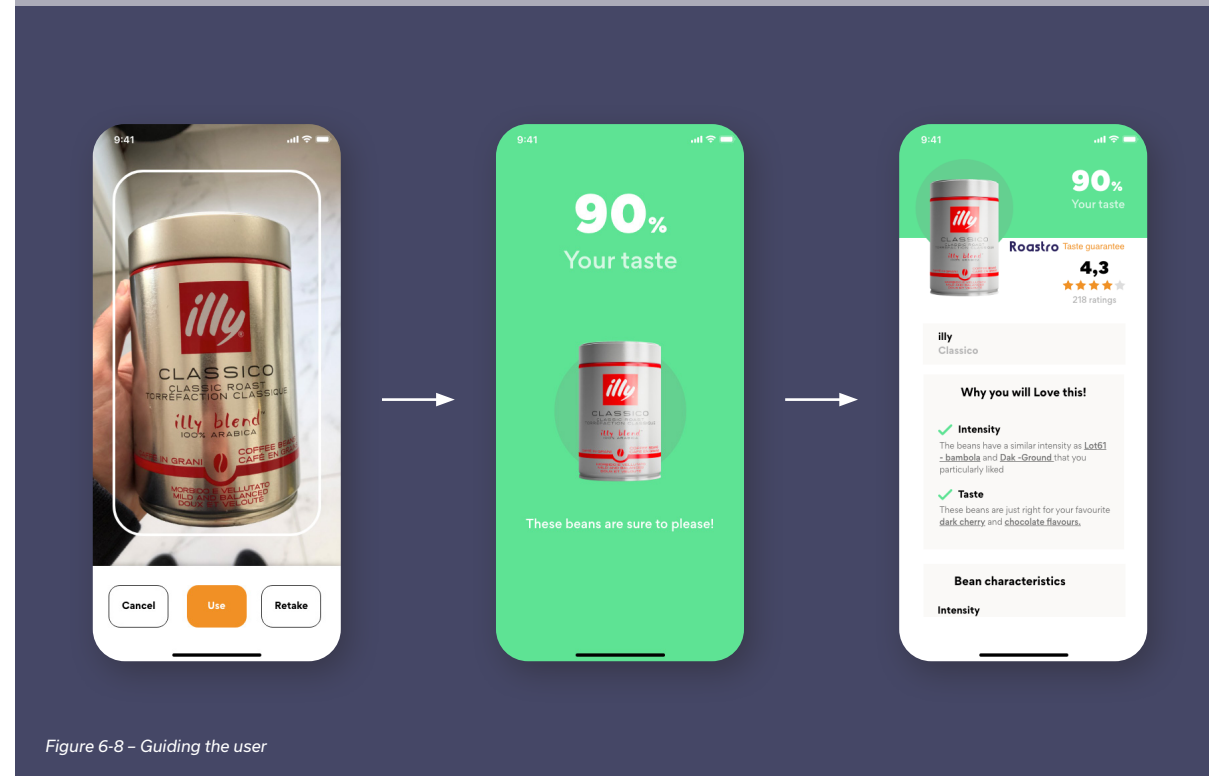
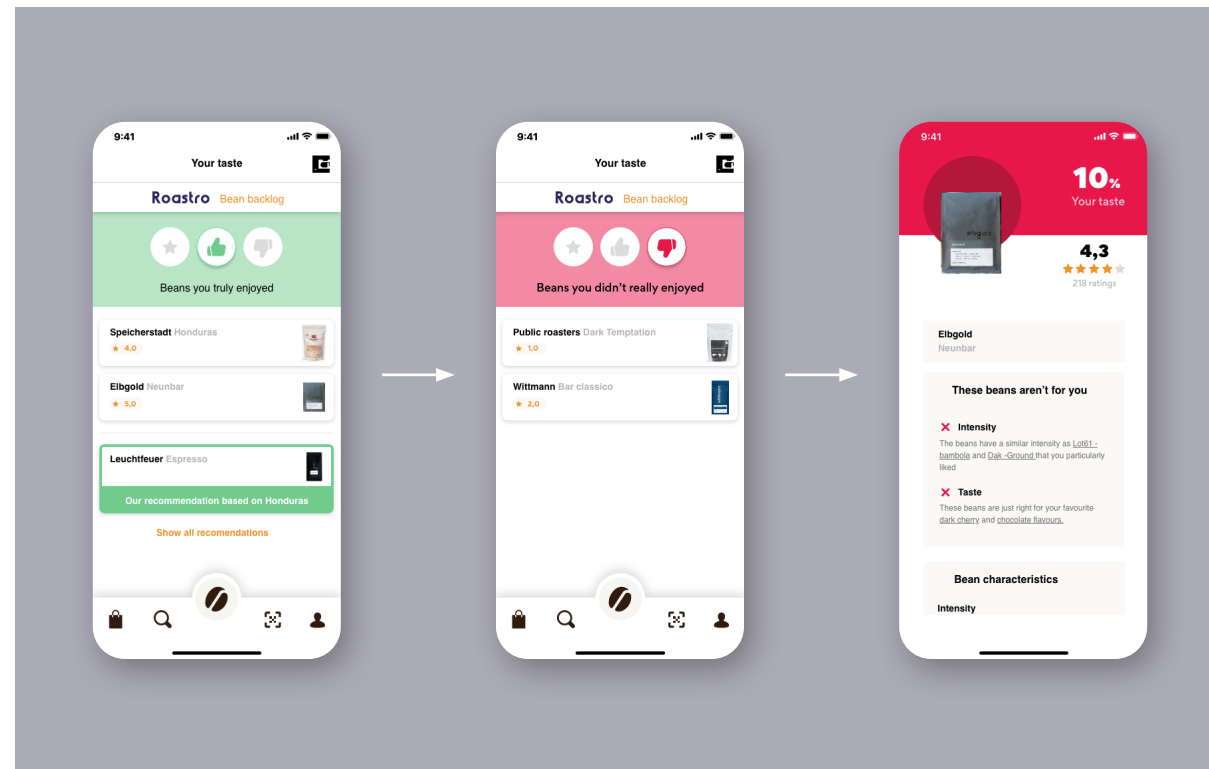


Figure 6-8 – Guiding the user

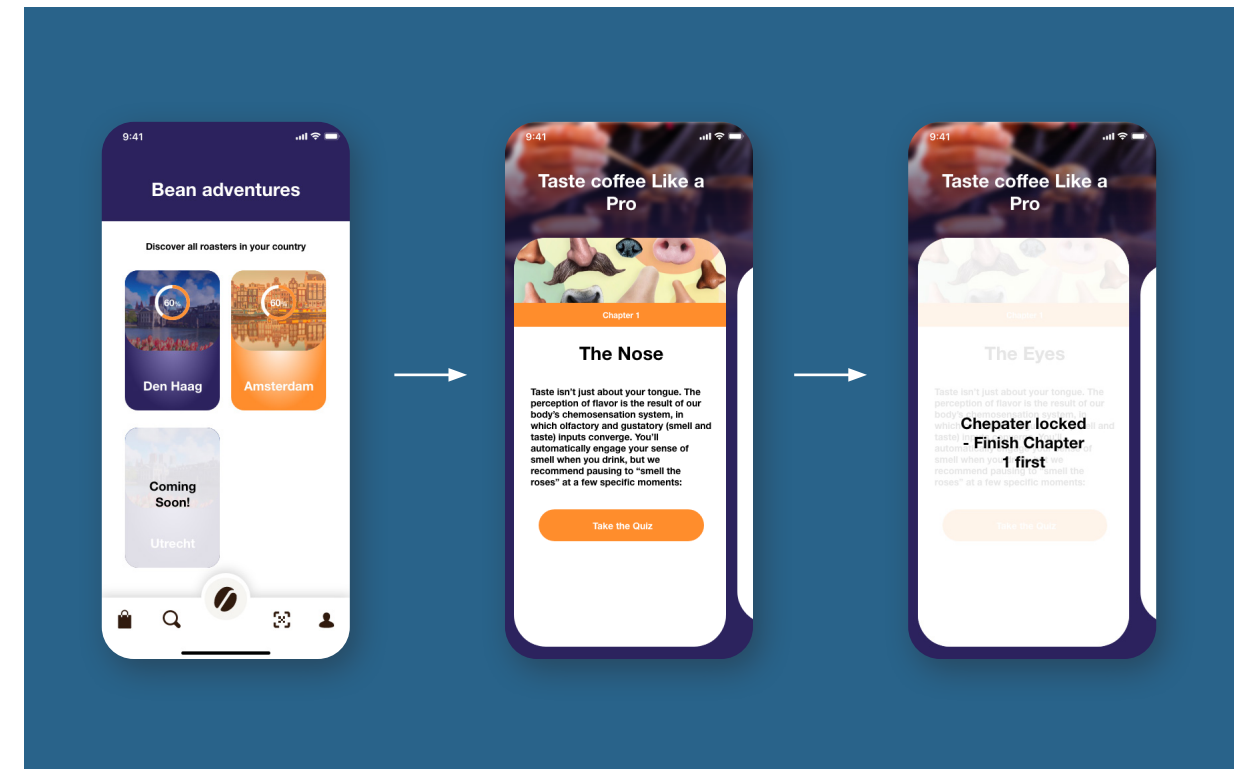


Figure 6-9 – Engaging with the user

6.4 Final recommendations

In the previous part, strategic aspects were identified, and design recommendations were formulated based on previous research that can help PH deliver a valuable, trusted digital coffee experience in the future. The focus was on brand experience, which should be tailored to a specific target segment. In-depth research was conducted for this purpose. In the course of this scope and the research, rudimentary elements were omitted that would otherwise have exceeded the scope of this thesis. It is nevertheless essential that these elements, which are ultimately needed for a successful (partial) implementation, are taken into account. This section therefore makes the following final recommendations

Desirability

The research and proposed solutions have clearly shown that digital solutions within the coffee world can enrich the customer journey. It was clearly shown that especially the younger generation is very interested in connected proposals and digital solutions that fulfil their wishes and solve their problems.

Nevertheless, more decisive research should be carried out into the extent to which other segments can also be reached in the long term in order to make future business models not only dependent on one target segment. It is through

Covid-19 that a large proportion of the age groups have been forced to adopt digital business models and services that have ultimately helped to simplify their lives. The hurdle to adapt new digital services has therefore also been lowered. It is therefore recommended that qualitative and quantitative research be conducted on age groups older than 35 to understand their expectations of digital solutions and how to enrich their digital coffee customer journey.

Feasibility

The next recommendation is in relation to the fact if PH can leverage the operational capabilities to provide those solutions. Although this work has not done a great deal of research into feasibility, it has tried to formulate ideas that can be implemented in the short term. It is therefore recommended that professionals with the technical skills to assess the feasibility of such projects are consulted.

The crucial questions are whether PH can implement this project with existing capacities and capabilities, or if these are not available, what is needed. Other PH categories already show how customer journeys can be enriched within digital solutions, and these should be consulted accordingly. Considering the core competence of the PH brand, which focuses on digital, technological and

innovative solutions, this point on the personal assessment is the lowest risk in case of failure.

Viability

The last point focuses on the issue of whether PH can generate a profitable business model with this. Research has shown that there is a general interest among the target segment to spend more money for higher quality. Current developments in the market, with the appearance of more and more services in the coffee sector, also show that there are opportunities to build a and profitable business model.

Creating a realistic business plan from which a profitable business model can emerge would have been beyond the scope of this paper. It is therefore recommended that these essential steps are carried out initially to develop a service blueprint that can turn investment into profit in the long term. Here, assessments must also be carried out by experts to enable an investment that can lead to the launch of this initiative in the first place. In addition, KPIs should be created that can evaluate the performance of the future business model. In addition, strategic partnerships with roasters must be entered, which ultimately form an essential part of the profitable business model.

6.5 Concluding the chapter

In this chapter, a strategy and a design experience were formulated based on previous research, which can help PH to offer a trustworthy digital coffee experience in the future.

The two identified and described successive steps can help PH to be perceived as a relevant digital coffee player in the long term and enable the consumer to experience a desirable customer experience.

1. The first step formulated a high-level strategy how PH can generate brand associations with a new brand and platform, which can offer a holistic coffee experience when using a PH coffee app. This chapter formulated a positioning for the coffee platform, as well as a brand DNA focussing on dedication and taste, on which future activities should be based.
2. The second step, designed suggestions for a future user experience that show how a connected FAEM user can experience a holistic service in the future. To this end, features have been developed that offer consumers everything from engaging in onboarding to experiencing a personalized service. Here it was also explicitly shown how elements of the new brand find their place in the service.

Finally, in this chapter, further recommendations were made based in relation to additional activities required. The main thing here is to find out how a long-term profitable business model can be designed, as well as which technological steps are required for development and recommendations with regard to researching further market segments.

7.0 Concluding the project

THIS CHAPTER CONCLUDES THIS THESIS, BEGINNING WITH A DISCUSSION OF THE MAIN POINTS OF THE RESEARCH AND THE RESULTS AND CONCLUDING WITH A PERSONAL REFLECTION.

7.1 Discussion

The assignment of this thesis was to find out how PH, as a hardware-oriented brand, can extend its brand in the coffee business to offer a new service to consumers in the field of coffee beans. The focus was on digital touchpoints (FAEM App). After the previous chapters demonstrated that the current coffee market offers great potential for a digital FAEM integrated App, research was conducted that shows that PH still has strong associations with products and services that are not significant in the coffee business. This, in turn, has also shown that consumers have little trust in new services developed by PH related to coffee beans. In the context of a potential FAEM, PH should not enter the area of services related to the recommendation or sale of coffee beans under its own brand. After an explorative phase, it was shown that consumers prefer a combination or co-marketing approach of two brands (within a FAEM app) that can communicate different expertise to the consumer.

Reflection on the target segment

In the context of the potential need and desire for a FAEM and integrated digital bean solutions in the form of a FAEM app, the younger target group aged 25-34 was clearly identified as the primary segment. Related research in this thesis has shown that certain services and products are already preferred by this target group to

find certain solutions to needs, such as ideas of recommendation or personalisation. The thesis therefore recommends to continue to analyse and research the target segment and its most favoured services on a category-wide basis in the future. In general, it is recommended that for future activities in the field of digital services, a holistic approach is recommended that does not only analyse segments within a product category but looks at them more holistically.

Reflection on the PH brand and a potential extension

The findings suggest that in comparison to its competition, consumers have little confidence and trust in the PH brand for the creation of a new bean service. Based on these results, the research recommends a further development or the creation of a new brand in order to be able to establish the required associations and expertise in the long term. The question this work cannot answer is how successful PH would be in doing it under the PH brand. Based on the previous research, this work can justify the further development of a new brand but cannot verify that a brand extension under the PH brand would not be successful. Future research could consider how to reorient the PH brand that would allow PH to enter the market of new product categories within the coffee category without creating a new brand.

Relevance for PH and opportunities of a new brand

The results of this work provide PH with insights into how future activities under the PH brand should be promoted. The data generated by this research has shown that associations attached to PH should not be linked to developments in the coffee market and a new brand, offering new services is needed. Although this work cannot guarantee that PH will not be successful with new product categories within the coffee category, a new brand offers PH the opportunity to tap into new target groups and avoid negative associations or the loss of trust in the PH brand or the new service.

7.2 Personal reflection

When I was looking for a graduation project, it was important for me to find a project where I could apply the tools and methods, I had learned in 1.5 years of Strategic Product Design. Especially from the areas that I personally stand behind and feel are important and relevant in the course of my future work. Furthermore, it was important for me personally to use this project to move away from being an operational designer, who I became after my bachelor, towards becoming a researcher and product specialist with a strategic mindset.

Applying new tools and methods

In general, I am very happy about the DSP, BPC and SPD Research courses, as they have unexpectedly provided me with a lot of knowledge and methodical thinking on how to approach problems strategically without having too strong a product design focus. Here, I am very happy that I can take this way of thinking into my project. In addition, the research methods I learned helped me to give the thesis an academic focus, so that I could also justify the data I collected and the recommendations I made academically.

Digital services and B2C

One of my wishes with this project was to take a B2C approach that would be different from my previous experience. I am therefore happy that

with this project I could make these experiences and carry out very directly consumer-oriented research in a product area that is purely about enjoyment and taste satisfaction. Even though, in contrast to other SPD projects I've worked on, I've tried to solve wicked problems that were more aimed at solving overarching socially relevant problems, I'm very happy to be taking a more consumer-oriented approach with this project. In this way, I was also able to pursue my passion, which revolves around digital contemporary user experiences. Especially in the context of PH, I have learned a lot that helps me understand and research the immediate consumer and develop services and strategies that are relevant and viable for a company but also for the end consumer.

Finally, I have learned to carry out a project on my own and independently due to the given circumstances. I was forced to motivate myself and solve problems independently on a daily basis. Even though the Covid-19 situation has strengthened my working style in this respect, I am looking forward to collaborative and creative moments in the future. That is what strategic creative people are all about.

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Appendices Appendices can be found in a separate document

Appendix A: Graduation brief

Appendix B: Survey design and responses target segment

Appendix C: Additional appliance market data

Appendix D: Secondary data consumer beans buying behaviour

Appendix E: Secondary data consumer challenges and channels

Appendix F: Survey data an design brand awareness

Appendix G: Research design product-brand fit

