



Philips Coffee Strategy

Introduction

Philips seeks to improve the quality of people's lives through focusing on their health and well-being. Quite simply, we want to help people live a healthy, fulfilled life. Our Consumer Lifestyle sector is dedicated to responding to the consumers' aspirations all over the world. Our unique competitive advantage is the combination of our powerful global brand, our insightful understanding of people, our extraordinary competence in technology and design, and the many synergies with our channels, partners and supply chain.

Within Philips Consumer Lifestyle, four growth platforms have been identified, the foundation blocks of our strategy. They are Healthy Life, Home Living, Personal Care and Interactive Living. Home living is about creating a comfortable place to live. Our coffee strategy sits within Home Living.

The primary objective of Philips Beverage Appliances is to ensure that everyone can easily enjoy the coffee of their choice at home – whether it's instant coffee, filter coffee, espresso, or cappuccino. Our strategy is to approach the coffee category as an integrated whole, rather than focusing on different parts individually. Our mission is to become a world-wide leading brand in coffee makers.

History

Philips first ventured into the coffee-appliance sector in 1967, when it produced its first drip-filter range. By the mid 1990s, the coffee-appliance market had leveled off, with drip-filter machines accounting for the vast majority of sales, prompting Philips to look for new opportunities for growth. It was around this time that coffee shops started becoming more and more popular in Northwestern Europe, significantly changing the way people experienced coffee. They developed a taste for a more sophisticated range of coffee flavors – and wanted to enjoy them at home as well. With lifestyles getting busier, they often wanted their coffee to brew quickly, and they didn't always want to make a whole jug. These observations led directly to the development of the groundbreaking Senseo® coffee maker in co-operation with Saralee-Douwe Egberts.

And a few years later, the sheer diversity of coffees offered by cafés influenced Philips' expansion into the espresso market, first through the introduction of the

Philips One Touch Espresso range and secondly through the acquisition of Saeco. The acquisition of Saeco strengthens the company's position in high-growth, high-value espresso appliances market, complementing its existing coffee appliances portfolio. Philips is now one of the leading coffee appliance makers in the world.

The Market

Attitudes to coffee vary widely from culture to culture, and individual preferences can change depending on the time of day. What's more, consumer tastes and preferences are constantly evolving so tracking consumer trends as they emerge is at the heart of Philips' strategy, enabling the identification of new markets and new opportunities for innovation.

The home coffee market can be divided into categories as follows: Instant; multi-serve or drip-filter; single-serve open system; single-serve closed system; single serve espresso capsules; fully automatic espresso. Philips has a solution for consumers in each category as follows:

Perfect coffee at home

Share it at home	Enjoy it at home	Express it at home
		
Share it	Enjoy it	Express it
<p>Perfect company. A cup of coffee with friends and family.</p> <ul style="list-style-type: none"> Number of cups Thermos Easy fill and clean Aroma control Auto switch off Boil and brew 	<p>The perfect match. You, me and a Cup by Cup every time.</p> <ul style="list-style-type: none"> Number of cups Adjustable spout Easy fill and clean Auto switch off Adjustable volume Water remaining indicator 	<p>Pure perfection. Test drive an espresso today.</p> <ul style="list-style-type: none"> Pressure Full automatic system Manual system Automatic cleaning Automatic milk processing Manual milk processing

In terms of market positions, Philips has regional leadership positions in the drip-filter and single serve coffee categories. The acquisition of Saeco has moved Philips into leadership positions in espresso. The espresso market has been steadily growing in recent years and Philips anticipates strong growth year on year through 2015.