

Coffee capsules are being produced in Schattdorf by the billions.

Uri-based Dätwyler Group is building one system after another for Nespresso.

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Nespresso coffee capsules have become a huge business for Nestlé, but the company from Vevey is reluctant to talk about it. It is known that the company now has a turnover of almost CHF 6 billion, which includes the sales of this product. Last year, overall company organic growth reached a high of 7% and even rose to 17% in the first quarter. However, even upon request, the company does not provide any information regarding the number of capsules sold, the size of the overall market, or the expected annual growth figures. For years Nestlé has managed to keep the business success of this delicacy pretty much a secret, and suppliers are also expected to be discreet.

«Confidentiality Agreement»

The Uri-based industrial group Dätwyler has been working closely with Nespresso as the manufacturer of the aluminum capsules and the associated seals since 2006. But at the end of last year they were only allowed to comment in a short



Reto Burkart
Director of the
Dätwyler plant in
Schattdorf

communiqué about the extension of the "strategic partnership" with the Nestlé subsidiary. The details of the cooperation would be subject to a "non-disclosure agreement".

When the NZZ (Neue Zürcher Zeitung – New Journal of Zurich) visited the Schattdorf plant, where Dätwyler is now allowed to manufacture billions of capsules for Nespresso for another ten years, the management seems somewhat nervous. In addition to the plant manager Reto Burkart, who grew up in neighboring Altdorf and, as he emphasizes, has remained loyal to his homeland, the CEO Dirk Lambrecht is also present. The German, who also has a Swiss passport, explains again and again during the tour that this or that piece of information is not intended for the public.

Rise to a global corporation

Above all, Dätwyler, a long-established company founded in 1915, owes its rise to a global corporation to the manufacturing of high-precision, often tiny, rubber parts for the automotive and pharmaceuticals industries. The factory in Schattdorf, the company's only Swiss plant with over 7,000 employees worldwide and a turnover of CHF 1 billion, continues to produce for the automotive sector. However, the activities for Nespresso and, more recently, for another capsule supplier from the beverage industry are taking up more and more space. Almost a dozen systems are lined up in a hall that produce empty coffee capsules from aluminum foil in various colors at breathtaking speed and in a fully automatic way. They are supported by robots sprayed in red from the Swiss manufacturer Stäubli. Three years ago there were only five production lines.

A tour of the facilities for the new customer, whose name the company boss Lambrecht does not want to mention, is not allowed during the visit. They will remain behind closed doors, the justification being that they are still in the confidence-building phase.



More and more: Dätwyler is investing millions into systems to produce additional aluminum capsules for the coffee supplier Nespresso.

On the other hand, you can take a look at the systems that are located in a hall directly next to the machines that are used for capsule and seal production. A large number of Stäubli robots are also in use in this area, loading and unloading the production lines with the capsules. The heart of these systems, however, is an oven in which the silicone, which was previously applied in liquid form and used for sealing, is heat-treated and solidified.

No scratches allowed

Before packing into cardboard boxes, which is also carried out by a robot, each individual capsule is checked for bumps or other defects. Nestlé, as a major customer, places high demands on its suppliers. For example, it does not tolerate any scratches.

Dätwyler now has well over a dozen production lines in operation for the manufacture and application of the seals. What is known, however, is that the company not only seals the capsules it produces itself for Nespresso, but also some of those that come from its competitor Alupak. The Bern-based family company in Belp, which, according to its website, employs around 200 people, is the only manufacturer of capsules for Nespresso coffee other than Dätwyler.

The capsules are also only filled with coffee in Switzerland. Nespresso now operates three plants in Orbe, Romont, and Avenches. When Dätwyler was asked whether Nestlé made it a requirement that the capsules only be produced in Switzerland, no answer was given. In view of the huge numbers, according to Lambrecht, the annual volumes are in the double-digit billion range for Dätwyler alone, but short transport routes are likely to play an important role. No company likes to transport by air, even if the packaging is only small, as is the case with the aluminum capsules for Nespresso.

All the systems for capsule production in Schattdorf run around the clock, seven days a week. The workforce of the entire production area, including the temporary staff, currently comprises 430 people. There are also around 200 office workers who either work in research and development (to support production worldwide) or in marketing. Lambrecht points out that the total number of employees has increased by 50% since 2005. "We succeeded in doing this, even though we shifted the plant completely and switched from what was once a highly manual production to a highly automated one."

With only around 36,000 inhabitants, the canton of Uri is the second smallest in Switzerland, only Appenzell Innerrhoden has fewer people. The catchment area is also very limited because of its mountain location. Dätwyler is still able to find a sufficient workforce despite the shift work, says the Burkart plant manager. The manager explains that allowances for night and Sunday work help employees to receive salaries that would otherwise be inaccessible to many.

Although expansion of production for Nespresso and new customers from the beverage industry is still in full swing, Dätwyler is not planning any further expansion in production. The company is convinced that the expansion should be manageable with the existing workforce.

As far as the additional space is concerned, the company has been lucky to some extent.

A few years ago, due to falling production volumes for the automotive industry, the company was forced to close its rubber manufacturing plant in Schattdorf and relocate the corresponding activities to the Czech Republic. As a result, 8000 m² has now become free in the plant, spread over two floors. They are now also being filled with systems for capsule production.

According to the media release from the end of last year, the new annual contract with Nespresso provides for "continuous volume and sales growth". It is already forcing Dätwyler to make extensive investments. At the beginning of June 2021, the company announced that between 2020 and 2022 a total of CHF 80 million would flow into the plant in Schattdorf.

The return on sales at the operating profit level (EBIT) is to be increased group-wide by a further 0.4 percentage points to 15% in the current year, according to the management's objectives. This is an impressive level for an industrial company, but Lambrecht does not see this as the end of the story. The company expects to benefit more from operational leverage in the coming years. Increasing revenues should not only result from doing business with the beverage industry, but also from business with the pharmaceutical industry, for whose needs Dätwyler has also made production highly efficient. All of this should result in a disproportionately growing return.

Consumer risk factor

Dätwyler generated CHF 122 million or 12% of total sales from customers in the beverage industry in the past year.

The new ten-year contract with Nespresso provides for "continuous volume and sales growth".

Business with Nespresso comprised the majority of this. The share of sales from the automotive sector was still 10 percentage points higher. However, the activities in the health sector were the most important, accounting for 40% of sales. One risk factor in the high-growth Nespresso business is the consumer, whose needs can change rapidly. You are serving a clear need with the capsules, says Lambrecht. Dätwyler's CEO also highlights that capsules are now being manufactured that are made from 80% recycled aluminum. Nespresso has set itself the goal of only using these for the two most important product lines 'Original' and 'Vertuo' from the end of 2021. However, coffee drinkers could increasingly turn to cheaper capsules, of which there are many on the market not only in Switzerland. It is also conceivable that especially younger consumers will turn away from this product for ecological reasons. Nestlé is striving to meet the requirements of the recycling economy and has continuously refined its system for collecting and recycling its capsules in recent years. Nevertheless, 70% of all Nespresso capsules consumed worldwide still end up in the trash, as the company itself admits.