

Business Analysis – A Case Study of Delta Cafés

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ABSTRACT: This in-depth research digs into Delta Cafés' rich history, strategic advancements, and current strategies. The key goals of this paper are to unearth the historical milestones that have shaped Delta Cafés, analyze its present market positioning, and examine the leadership concepts that have been critical to its success. Our work strives to provide useful insights into Delta Cafés' journey of continual expansion, innovation, and the enduring ideals that characterize its essence through a comprehensive examination of the company's history.

Our project looks into the compelling history and modern dynamics of a prominent Portuguese coffee brand by embarking on a trip through the rich tapestry of Delta Cafés. Delta Cafés' journey from its humble beginnings in a 50-square-meter warehouse in 1961 to its current global prominence displays an unwavering commitment to quality, innovation, and sustainability in the coffee industry.

KEYWORDS: Delta; Strategy; Planning; SWOT

1. INTRODUCTION

Delta Cafés, founded in Campo Maior, Portugal, by Rui Nabeiro, has expanded strategically, strengthening its business structure, and gaining honors for its commitment to high quality norms. The brand's international renown attests to its rapid expansion and unwavering devotion to excellence, with a market share of 42% in Portugal by 1994.

Delta Cafés is now a major participant in the worldwide coffee industry, renowned for its diverse product offering that caters to changing consumer demands. Beyond coffee blends, the company's entrance into technologies like capsules, as well as its commitment to sustainability, demonstrate a brand that is on top of market trends.

This trip also reveals Delta Cafés' present tactics, which are distinguished by incremental innovation, client closeness initiatives, and a significant emphasis on market flexibility. Rui Nabeiro's leadership concept, carried on by Rui Miguel Nabeiro, highlights the company's unique blend of transactional and transformational leadership, establishing a culture profoundly founded in values and client-centric philosophy.

We hope to provide a full picture of the brand's history, strengths and limitations, and the leadership concepts that continue to impact its success as we go through the chapters of Delta Cafés' journey, from historical landmarks to present-day initiatives. Delta Cafés – a company that not only brews coffee but also cultivates a culture of innovation, transparency, and uncompromising adherence to its beliefs.

2. THE COMPANY

In this chapter, we will take a detailed look at the history and current state of Delta Cafés, a distinguished Portuguese coffee brand, and how this reflects the journey of continuous evolution and success in the coffee industry.

We'll also see how Delta maintains its success and understand how it has gone from a small warehouse in 1961 to a global player in the coffee industry today. All our research in this chapter is based on the official website of Grupo Nabeiro and Delta Cafés, as well as the interview conducted by Ana Valado in 2021 with founder Rui Nabeiro for Prémio Magazine.

THE HISTORY OF DELTA CAFÉS

Delta Cafés is a Portuguese coffee brand with a rich history dating back to 1961. Delta first emerged in 1961, housed in a warehouse with a fraction over 50 square meters and three employees.

The company was founded by Rui Nabeiro in Campo Maior, a town located in the Alentejo region of Portugal. Rui Nabeiro started the company with a small team and a clear vision of producing high-quality coffee.

In the late 1970s, Delta Coffee's commercial structure underwent significant consolidation, adeptly adapting to emerging market demands. This adaptation involved the development of new products and services focusing on overall quality. Within this evolving

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landscape, a pivotal moment occurred in 1984, when the commercial activities were segregated. Manuel Rui Azinhais Nabeiro Ltd. took charge of managing the commercial aspects, while the industrial operations were entrusted to NOVADELTA - COMÉRCIO E INDÚSTRIA DE CAFÉS, LDA.

Notably, NOVADELTA became the first company in its sector to obtain certification under the NP 29002 standards system in 1994. This certification marked a milestone in the company's commitment to adhering to stringent quality benchmarks within the coffee industry, signifying a dedication to excellence and adherence to best practices.

The brand quickly gained popularity in Portugal and expanded its presence both nationally and internationally. Over the years, Delta Cafés has become renowned for its commitment to quality, innovation, and sustainability in the coffee industry.

In 1994, the company became Portugal's market leader with a share of 42%. In 1998, the Nabeiro/Delta Cafés Group was restructured, giving rise to 22 companies organized into strategic areas with a turnover of approximately 160 million euros.

Throughout its history, Delta Cafés has focused on various aspects of the coffee business, from coffee production and roasting to the creation of different blends and products. The company invested in modern technology and sustainable practices to ensure the quality and consistency of its coffee.

Delta Cafés has also established a strong presence in numerous countries, exporting its products worldwide and becoming one of the leading coffee brands not only in Portugal but also in various international markets.

In addition to its core coffee products, Delta Cafés has diversified its offerings, introducing various coffee-related items, such as capsules compatible with different coffee machines, instant coffee, and other related accessories.

The company's commitment to sustainability has been demonstrated through various initiatives, including efforts to support responsible coffee sourcing, environmental conservation, and social responsibility programs within the communities where it operates.

Delta Cafés has continued to evolve and adapt to the changing demands of the market, remaining a prominent name in the global coffee industry.

DELTA CAFÉS RIGHT NOW

Delta Cafés, a well-established Portuguese coffee brand, has been a key player in the coffee industry for decades. Recognized for its commitment to quality and innovation, the company has consistently evolved its product offerings and market strategies.

Their diverse range of products includes various coffee blends catering to different consumer preferences, from traditional to more modern coffee styles. Delta Cafés has been known for its investment in research and development to meet the changing tastes and preferences of its customers, both in Portugal and internationally.

Apart from its focus on product quality, Delta Cafés has shown a strong commitment to sustainability. The company has implemented initiatives aimed at reducing their environmental footprint, ensuring responsible sourcing of coffee beans, and supporting local communities where their coffee is produced.

Delta Cafés' growth has not only been confined to Portugal but has also expanded to international markets, with a presence in several countries. Their efforts in marketing and branding have contributed to their recognition as a leading coffee brand beyond Portugal's borders.

The company's success has also been attributed to its ability to adapt to market trends, introduce new products, and maintain a strong brand presence both online and offline. Delta Cafés has been adopting a strategy of incremental innovation of an active nature, which requires considerable effort and cross-sectional involvement from the Group.

Therefore, to pursue this strategy, Delta has invested in design capability, the quality of its resources, and continuous investment in new production methods to guarantee improvements in existing products and processes, consequently enhancing the quality of the product and productivity.

Most of the innovations generated in the company are often the result of assimilating knowledge derived from learning throughout the production process (learning-by-doing), the use of products (learning-by-using), and through interaction between the company and consumers (learning-by-interacting). However, over the past two years, there has been an increase in investment in R&D.

Delta's NI&C consists of a permanent team solely dedicated to internalizing activities and developing technological competencies within the company. Concerning Design, which aims to satisfy the needs of various stakeholders, we would like to highlight the most relevant aspects:

- Customization of sugar packets, both for customers and as a means of institutional communication through regional and national campaigns.
- Personalization of cups and other complementary products to enhance the service for our clients.
- Significant changes in the design or packaging of goods or services.

Regarding innovation projects, here are the most important ones:

- Expansion of the range of goods and/or services and entry into new markets (Concentrated Juices - Del'Fruit; Iced coffees - Del'Ice).
- Reduction of labor costs per unit produced of goods and/or services.

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- Reduction of energy and material consumption per unit produced of goods and/or services.
- Reduction of environmental impact and/or improvement in health, hygiene, and workplace safety.
- Creation of the concept of coffee capsules - Delta Q.

3. SWOT ANALYSIS

According to the *Key Management Models* by Gerben van den Berg & Paul Pietersma (2015), SWOT analysis is a strategic planning tool used to discover and analyze the project's or business venture's Strengths, Weaknesses, Opportunities, and Threats. It entails defining the business or project's goal and identifying the internal and external elements that are favorable and unfavorable to accomplishing that goal.

The primary goal of a SWOT analysis is to assist companies in developing a complete understanding of their situation and considering how that situation may be utilized or improved. It is a comprehensive approach to understanding an organization's internal and external environments and using that understanding to make informed strategic and planning decisions. Delta Cafés, as we have seen so far, has an enviable constancy, as seen by the pioneering attitude and innovation it has demonstrated since its inception. As a result, as you'll see below, its strengths outnumber its faults:

Strengths

- **Product diversity:**
Delta Cafés covers the whole coffee market, even tiny niches that are typically susceptible to monopolies, such as soluble coffees, which are dominated by the multinational Nestlé's Nescafé brand.
- **Customer loyalty tool development:**
Through the Delta Card idea and its offers and benefits for customers, Delta Cafés creates a database of consumption profiles and customer behavior that is highly enviable and, above all, very rare in this type of business.
- **Innovation and speed in decision-making:**
Only credible market research and an information system with rapid data analysis skills enable innovation and decision-making speed. Delta Cafés' "firsthand" network of coffee shops is one example of this.
- **Strategic company formation to strengthen the main business:**
Examples include Toldiconfex, Nabeirogest, Nabeirodist, and others, which, despite being formed to support Delta Cafés' operation, have managed to establish themselves in their respective lines of business.
- **Internationalization of the business:**
A well-defined strategy with managed risk. Focusing on the African continent, for instance, has helped Delta become closer to manufacturers.
- **Global service:**
By offering technical training, equipment maintenance, and the usage of personalized materials and promotional resources to customers.
- **Brand image:**
Through its support for social solidarity institutions and beyond, Delta Cafés earns the trust of the Portuguese. Messages on sugar packaging, for example, referring to beach safety or sustainability and environment campaigns, show how certain synergies can be exploited to produce effective communication.

Weaknesses

- **Location:**
The geographical location of the factory building in Campo Maior, in the heart of the Alentejo, means that the distribution hierarchy must be strictly managed. Also, changes in the local economy or demographics could impact its success. *Opportunities*
- **Expanding horizons:**
Extending the business to other products for which Delta Cafés has already developed good skills and with which customers can identify, such as chocolates and teas.
- **Forging distribution alliances:**
Creating partnerships with companies in the distribution sector, such as Jerónimo Martins, to make it possible to enter European markets that are unattainable, at least in theory.

Threats

- **Delta Cafés' legacy beyond Rui Nabeiro's Leadership:**
The whole group has followed the philosophy of one man, Rui Nabeiro and now, with his death, Delta Cafés can be identified by the lack of a leader.

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Additionally, we can go even further and understand the competitive intensity and attractiveness of Delta Cafés with Porter's Five Forces, developed by Michael E. Porter¹. Thus, we can see that the current competitors are, in fact, many – Buondi, Nicola, Sical, Cafés Feb, among others –, but in terms of competitive intensity, we can say that it is average, and there is no price war between the competitors.

The potential for new competitors is low given that there are already many brands on the market (as we have already seen). For a new competitor to gain prestige, it needs to innovate in some way in the manufacture and roasting of coffee.

The bargaining power of customers is high. However, Delta Cafés seems to be aware of this fact and is joining forces to create customer loyalty techniques, as mentioned above. The bargaining power of suppliers, on the other hand, is not very high, since Delta Cafés has been concerned from an early stage with creating the respective key competencies within its organization.

When it comes to alternative and substitute products in this area, we can identify teas, soft drinks, and alcoholic beverages, which until now have not shown any great threat to Delta Cafés in Portugal due to our coffee-consuming culture.

4. CURRENT STRATEGY

In our search for information on Delta Cafés, we ran into difficulty acquiring thorough details through interviews and/or articles. The scant information available highlights the company's cautious approach or the absence of comprehensive public disclosures. Despite this limitation, we learned a lot about Delta Cafés' market position and strategic ambitions.

Delta Cafés has an enviable position in the market due to its leadership and constant innovation compared to its competitors. Therefore, has more strengths than weaknesses and more opportunities than threats. To achieve its objectives, Delta Cafés has adopted an extensive development strategy. Through this strategy, the company seeks to create new consumers by following the natural growth of the market because there is a change in tastes and a demand for new flavors.

Alongside this strategy, Delta Cafés also wants to reach out to current coffee drinkers, encouraging them to consume the same coffee, but now with other flavors and aromas. At the same time, the company is also pursuing a loyalty strategy (as we'll see below), because as well as wanting to win over new customers by developing new products to satisfy changing customer tastes, it must also worry about retaining existing customers from other coffee segments so that they are not seduced by the competition.

Rui Miguel Nabeiro, the current CEO, in conversation with the "Conversas sem Preço" Doutor Finanças podcast (2021), reveals the process of proximity that Delta maintains with its customers, or as he calls it, "Convívios com os Clientes." This type of meeting, based in Campo Maior (Alentejo), lasts 24 weeks, more precisely 24 weekends, in relation to the number of sales offices the company has. Weekends with 500 people, with "arraiais" available, as well as lunches and dinners, to bring Delta closer to its customers.

This initiative demonstrates a purposeful and deliberate effort to develop a fundamental relationship between the company and its consumer base. The significance of this project can be understood from numerous angles, such as building relationships and trust, a customer-centric approach, brand loyalty and retention, market insights and adaptability, community integration, and competitive advantage.

In simple words, this is more than just a series of events; it is a deliberate approach to establishing long-term connections, gathering critical information, and portraying Delta Cafés as a brand profoundly invested in its customers' well-being and happiness.

5. LEADERSHIP

Leadership is said to be an interactive process between group members where leaders influence followers. According to Bass (1985), the transactional leader is sympathetic to the immediate material and psychological needs of his subordinates if these can be met by the work they do.

In this case, GrupoNabeiro, head of Delta Cafés, and Rui Miguel Nabeiro, current CEO, follow the leadership model its founder, Rui Nabeiro, left behind, whose profile is known by his maxim "os problemas dos meus trabalhadores são os nossos problemas"². Rui's profile can be mainly considered a transactional leader, as he attached great importance to the work and social conditions of his workers, but also a transformational leader in the sense of his close relationship and deep emotional connection with those workers, as he himself believed that there's no other case in the country where the boss visits the factory and the employees directly in the work environment every day like he did, sometimes more than once a day, to the point where Rui Nabeiro personally knew the names of each of the employees.

¹ This framework is used to analyze the competitive pressures in a certain industry. Porter recognized that companies like to keep a close eye on their competitors, but he pushed them to look beyond their competitors' behavior and study the dynamics at work in their own business (Berg & Pietersma, 2015)

² Interview conducted by Daniela Cristina Pinela Barroso as part of her master's degree Project in Management (2012). The purpose of it is to compare the leadership profile of the founder of Delta Cafés, Rui Nabeiro, with those of his possible successors and to what the future of the organization might be when they take over its leadership.

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Also, in the interview with Doutor Finanças, Rui Miguel Nabeiro shared his vision about leadership, saying that leadership isn't about selling more and that for him, if clients fail, they (as a company) fail too, so it's crucial to be present for them. Delta Cafés felt and went through this in 2021 because it wasn't selling as much as it wanted, and so Rui had to increase communication. Together with his team, they reinforced the publication of videos and shared through letters to employees and customers everything that was being done. In other words, the company tried to bring transparency to what was happening, given the difficulties caused by the pandemic and the economic situation at the time. Rui Miguel Nabeiro wanted them to be aware that the "ship was secure."³ All of these reflect a set of principles and values that are deeply ingrained in the company's culture, and they draw attention to several important conclusions, such as client-centric philosophy, proactive communication in challenging times, transparency and trust-building, leadership's role in providing assurance, psychological safety for innovation, and values as the foundation. This last one is reinforced at the end of the interview when Rui Miguel Nabeiro states that principles and values are priceless because they are part of Delta's essence.

6. CONCLUSION

Delta Cafés, a well-known Portuguese coffee company, has been on a path of constant evolution and success since its foundation in 1961. The company's evolution into a global player, founded by Rui Nabeiro, displays strategic agility, a commitment to quality, and an emphasis on sustainability.

Delta Cafés' history includes significant milestones such as the separation of commercial and industrial activities in 1984 and accreditation under demanding quality standards in 1994. The international presence, various product offers, and commitment to sustainability all contribute to the company's reputation in the coffee market.

Delta's strengths, such as product diversity and customer loyalty tools, surpass its shortcomings, according to our SWOT analysis. There are opportunities for growth and innovation, but there are also concerns about leadership succession.

Rui Miguel Nabeiro's leadership, rooted in Rui Nabeiro's principles, is characterized by client-centricity, clear communication, and a dedication to values. The initiative "Convívios com os Clientes" shows the value of developing relationships and trust.

Delta Cafés displayed resilience in the face of adversity in 2021 by communicating openly and strengthening its commitment to clients and workers. Rui Miguel Nabeiro's leadership style, which combines transactional and transformational characteristics, demonstrates a genuine concern for well-being.

To conclude, Delta Cafés' success can be attributed to its agility, inventiveness, and persistent dedication to key values. As the company grows, its strategic approach makes it a tenacious force in the global coffee sector.

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³ In essence, we are talking about psychological safety and how to make employees feel comfortable and confident in sharing ideas and/or suggestions for improvement without being judged.

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Annex

VISION

“Acreditamos que uma visão, a longo prazo, centrada na valorização das pessoas, orientada pela sustentabilidade e inovação no nosso negócio, reforçará a nossa liderança no mundo.”

in www.gruponabeiro.com

VALUES

“Os nossos valores indicam a forma como nos tratamos uns aos outros, os nossos clientes, parceiros e colaboradores.

- Integridade
- Transparência
- Verdade
- Qualidade
- Solidariedade
- Sustentabilidade
- Humildade
- Inovação
- Lealdade”

in www.gruponabeiro.com

MISSION

“Corresponder às expectativas dos nossos consumidores assegurando a total satisfação dos nossos clientes, através de um modelo de negócio assente na criação e partilha de valor sustentável. Uma gestão de rosto humano é um compromisso fundamental, de forma a cumpri-lo encaramos o futuro com responsabilidade e respeito pelas próximas gerações.”

in www.gruponabeiro.com



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