

Case Study on:



Country Representative

European Business Awards 2011

Country Representative - Portugal

*Delta Cafés Sociedade Gestora
De Participações Sociais, S.A.*



Delta Cafés Brewing Up a New Brand

Words from the Judges

“Innovation is taking this successful brand into new market sectors with huge possibilities.”



Founded in 1961, Delta Cafés is a company that specialises in coffee roasting, processing and packaging. Delta promotes, sells and distributes coffee direct to consumers and is number one in the Portuguese coffee market with a 48% market share. It is one of the most recognised brands in Portugal across all market sectors. In 2011, the company celebrated its fiftieth anniversary.

It is Delta Cafés bold move to enter the niche capsulated coffee market with its new Delta Q brand that has led the European Business Awards 2011 to select Delta Cafés as one of only 10 Country Representatives in Portugal.

In September 2007, after almost half a century of expertise in the traditional coffee sector, Delta Cafés launched Delta Q and entered the capsulated coffee market. Since this important milestone, Delta has been on an intensive learning curve, dealing with the challenges and issues of this new and specialised market. The company has not only had to design and produce the pressure machines and capsules themselves, but has also had to implement all the ancillary processes including securing distribution and sales channels; after-sales technical maintenance and even end-life machine disposal.

“The Delta Q brand has been developed in response to our customers’ demands. We have received hundreds of request from end-users as well as continuous questioning from the professional markets and distribution networks asking us to develop a capsulated coffee product. Given this huge demand, we investigated the market and we are now proud to offer a unique product that has significant competitive advantage and is proving very popular in both domestic and international markets.” Dr. Rui Miguel Do Rosário Nabeiro, CEO, Delta Cafés

Delta Cafés took advantage of its existing distribution networks when creating its marketing strategy for Delta Q. The decision was made to give widespread, easy access to the products, stocking them in supermarkets,



hypermarkets and some smaller specialist retailers. This is in direct contrast to its main competitor, NESPRESSO, which focuses on exclusivity and selective distribution.

Delta Q already represents around 14% of Delta Cafés annual turnover, which in a niche market is a very significant result.

Innovation is at the heart of the company and is driven from the top with Delta’s founder and management team fully committed to R&D. Not content to develop just another capsulated coffee machine, Delta invested significant time and resources into creating a machine that met all its customers’ requirements. After intensive market research, the team realised they needed a machine that provided both capsulated coffee and capsulated tea in one machine. This is a significant point of difference to any other products in the capsulated drinks market.

The Delta Q machines supply water at variable temperatures and quantities to produce the perfect cup of tea or coffee.

It was Delta’s R&D team, in partnership with a team from Redespresso South Africa that developed **Red Q**, the world’s first capsulated tea espresso.

Sustainability is key for the business and Delta has worked hard to ensure its Delta Q range is the most ecologically-friendly capsulated drinks product on the market by deploying sustainable processes during production.

Capsule recyclability was a pre-requisite for the Delta Q project and the company is working on innovative ways to incentivise its capsule end-users to recycle both the capsule and the coffee dregs. Given the fact that Delta Q capsules are so widely available, Delta has reduced some of its control over who and where its customers are. To overcome this, Delta is actively encouraging its customers to register online in order to qualify for discounts and trade-in deals. This data will enable Delta to establish and maintain contact with end-users, build brand loyalty and encourage customers to recycle.

“Founded in 1961, the company specialises in coffee roasting and marketing and has become the leader in the domestic market as well as exporting to more than two dozen countries. However, 50 years of building a successful brand was not enough and Delta has now developed a product to enter the capsulated coffee market; creating the opportunity to expand its highly successful business even further.”

Phil Forrest, Chairman of Judges, European Business Awards 2011



Looking to the Future...

Delta Cafés will continue to invest in innovation, adding new products and new experiences to its customer offer.

Recently Delta has acquired a new company, Diverge Design that specialises in design and innovation. Diverge Design has merged with Delta’s existing R&D department to create a new 20-strong R&D team made up of designers, engineers and technical specialists. The team is looking at developing new machines and new systems that will improve the cost and time efficiency of Delta’s capsule production.

Expanding Delta Q into the export market is a key focus for Delta’s future business plan, focusing predominantly on European territories and Portuguese-speaking countries. The company already has a presence in France, selling directly to small specialist retailers in Paris and has four flagship Delta Q stores, three in Portugal and one that has recently opened in Brazil. The company currently exports to Angola and is looking to further its presence in this Portuguese-speaking market. Delta is also speaking the retailers in the UK and is looking to form a partnership to enter the UK market.

The company is working with leading global tea brand Tetley on a collaboration to bring capsulated tea to the market. Delta has a long relationship with Tetley having represented the brand in the Portuguese market since 2007. As a wholly owned subsidiary of Indian tea giant Tata Global Beverages, Tetley has access to substantial resources and has worked closely with Delta on development and testing. A team from Tata visited Portugal to help improve the factory infrastructure specifically for tea production.

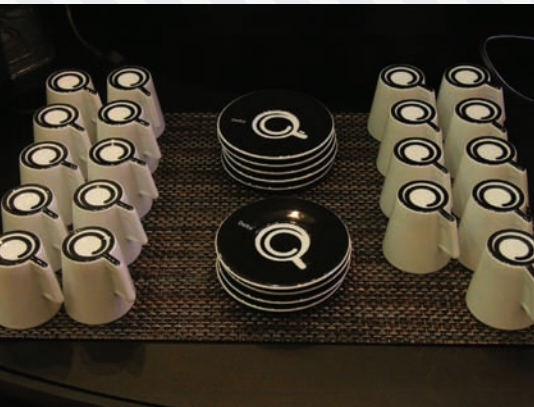
“We are honoured to be working with Tetley on its first venture into capsulated tea. Together we have developed a system that has the potential to turn the tea market on its head. In its first month on the market, we sold one million tea capsules and we are on track to exceed all our targets. We are very excited about the future of this product.”

At present, Delta is restricted by its production capabilities but is investing in infrastructure modifications which will allow the company to expand its output. The company currently has two factories in Portugal and one in Angola. All capsules are produced in Portugal and the company aims to expand its Portuguese facilities to meet all future production requirements within the country.

Constantly looking at ways to be as ecologically friendly as possible, Delta has an on-going integrated research project - Rethink-Eco-Project – which aims to find and develop economically viable processes to recycle used capsules and to add significant value to the coffee grounds.

At the present time, Delta includes recycling bags with every purchase and customers can recycle their empty capsules at all the Delta Q stores. Delta is also working with Microsoft to build a bespoke CRM platform for Delta Q in order to capture data on its customers and track their purchasing history and habits more effectively. This data will also allow Delta to incentivise customers to improve their recycling activity.

The company’s R&D department has undertaken a yearlong study to find an alternative use for the coffee dregs. At present all Delta’s dregs are used for agricultural purposes but research has shown that they can be used in the production of chemicals for use in pharmaceuticals or cosmetics. There is even a possibility that coffee dregs can be used for fuel. Delta Cafés is planning to recover dreg from its capsule customers as well as its ‘out-of-house’ customers in bars and cafés in order to recycle them for alternative uses.



“After 50 successful years in the coffee business, many people thought we were crazy to move out of our comfort zone and into the relatively new and unknown capsulated coffee market. Now, with unique machines and collaborations with brands such as Tetley, even the most sceptical can see the huge opportunities for Delta Q. It is an honour that our activities have been recognised by the European Business Awards and that we have been singled out as one of the top 10 Portuguese companies to enter this year.”



Dr. Rui Miguel Do Rosário Nabeiro,
CEO, Delta Cafés

Delta Cafés Sociedade Gestora
De Participações Sociais, S.A.
Avenida Calouste Gulbenkian
7370-060 Campo Maior
Portugal
Tel: +351 268 699 200
Email: geral@delta-Cafés.pt
www.delta-Cafés.pt

www.businessawardseurope.com

About Delta Cafés

Delta is a family-owned and run company; it has been operating in the Portuguese coffee industry for 50 years in three main markets, sourcing green coffee directly from producers all over the world, importing green coffee and finally, promoting, selling and distributing ready-to-consume coffee for several end-user and professional markets. Since 2007, the company has entered the niche capsulated coffee market and is also looking at reverse logistics of coffee consumption waste management. The company has a single domestic market share of 48%.

Delta's management is committed to Innovation and CSR, investing up to 10% of net profits in R&D annually. The company has an 'Innovation committee' responsible for innovation management and encourages all of its 3,000 employees to add to the 'ideas' repository.

R&D is fully integrated across all departments including Management & Sales, Purchasing, Finance and Engineering. Delta has developed a new in-house software platform called DeltaMIND which has been specifically designed to increase innovation engagement; letting the company pose challenges, capture and evolve ideas and work collaboratively on opportunities and projects. This software tool makes it easy to track ideas from inception to completion; inspiring participation, informing contributors, enabling decision-makers and improving results. Staff commitment and involvement is rewarded through a recognition system.

Delta's employees are a key component of its success, with the company working hard to attract and keep the best talent in the industry. Delta also builds strong long-term relationships with its suppliers and distributors as well as its loyal customers.

About the European Business Awards

Since 2007, the European Business Awards programme has been shining a light on the most pioneering businesses on the continent by promoting excellence, best practice and innovation in the European business community. The awards programme recognises excellence in all disciplines of business including individual business functions. Last year entrants ranged from fish farming organisations to renewable energy firms. Together they had a combined turnover greater than €1 trillion Euros (8.23% of EU GDP) and employed over 2.7 million people between them.

Businesses from over 30 European territories entered the Awards. The competition for is fierce with many of the Europe's most established brands being represented. Entrants are judged by a panel of experts in their fields who bring experience, business acumen and understanding to the board.

Country Representatives are deemed by the judges to represent the very best companies in each territory. In 2011, the standard was particularly high, with the programme engaging with over 15,000 companies in the initial stages.

Delta 

**European
Business
Awards**™