



**CATOLICA
LISBON**
BUSINESS & ECONOMICS

Delta Cafés - Going to China: Choosing Who to Target and Where to Sell

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152114042

Dissertation submitted in partial fulfillment of requirements for the degree of International MSc in
Business Administration, at Universidade Católica Portuguesa, 31st May 2016

Title: Delta Cafés, Going to China: Choosing Who to Target and Where to Sell

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ABSTRACT

This dissertation has the objective of studying Delta Cafés, the leading company in the Portuguese coffee market. The case study presented occurs in 2014, and is set to clearly detail the process of internationalization of Delta Cafés in the Chinese market. Rui Nabeiro, the company's CEO, had to decide which would be the best entry strategy to conquer the highest market share in such an intriguing, yet powerful market. The choice of entry was debated amongst two main strategies, the first one of following an approach where the brand would be launched as a Luxury brand and a second one, where the company would focus in a Mass Brand strategy. A detailed study of Delta and its consumers was elaborated in order to determine the most viable decision concerning the two possible entry strategies. The global coffee market was taken into deep consideration, given that, Delta's decision would be based not only on the current market situation, but also in future trends that the market may follow. When considering all the dimensions above, a thorough analysis was pursued when answering the questions in order to define the appropriate entry strategy, with the purpose of achieving the most viable decision.

Keywords: Delta Cafés, Coffee Market, Chinese Market, Mass Market, Luxury and Future Trends

RESUMO

Esta dissertação tem como objetivo o estudo da empresa Delta Cafés, empresa líder no mercado de cafés em Portugal. O caso apresentado, ocorre em 2014 e destina-se a relatar o processo de internacionalização da empresa para o mercado Chinês. O CEO, Rui Nabeiro, teve de decidir qual a melhor estratégia para conseguir conquistar a melhor quota de mercado dentro do país alvo. A dúvida baseou-se em duas estratégias, em que a primeira teria por base o lançamento da marca Delta como uma Marca de Luxo e uma segunda, onde a empresa se iria focar no mercado comum. Para ilustrar a decisão, foi feito um estudo global, tanto do consumidor como da empresa. O mercado global do café foi igualmente tomado em consideração, na medida em que a decisão da empresa se baseará não só na situação atual do mercado, mas também nas tendências futuras que este mercado poderá apresentar. Considerando todos estes fatores, uma análise profunda foi tida em conta na resposta às questões, de modo a definir uma estratégia apropriada no sentido de obter uma decisão o mais viável possível.

Palavras Chave: Delta Cafés, Mercado de Cafés, Mercado Chinês, Mercado Comum, Luxo e Tendências Futuras

ACKNOWLEDGEMENTS

The support of several people was crucial to the successful development of this Marketing dissertation. First of all, I want to say thank you to my family that always motivated/supported me to complete my studies and become the person that I am today. Secondly I want to thank my supervisor Professor Paulo Gonçalves Marcos for all the suggestions and motivation during hard periods in the thesis development and to Jennifer Pestana, that was my partner in the thesis process, helping me with all the corrections and needs. Thirdly, I want to thank Pedro Filgueiras Soares Ferraz for all the suggestions and partnership during the thesis development and João Antunes Gonçalves for all the help during group works in many Católica semesters. Nuno Cornélio da Silva (Erasmus Partner), Francisca Simões de Almeida, Joana Gabirra, Mariana Sousa Morais, Joana Lisboa, Catarina Ribeiro and finally Rita Guimarães deserve a word of recognition for always challenging me and making me a better student and friend.

Last but not least, I want to thank all my best friends, besides those ones stated above, for having enough patience to deal with me every day.

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INTRODUCTION

The aim of this paper is to build up a case study clarifying a Marketing Dilemma faced by a Portuguese company. The case study will illustrate a normal day inside the company, that turned into a huge decision. The topic is essentially about an internationalization strategy that a company like Delta Cafés faced, when undecided about what path to choose to have a good performance in a complex market like China.

Delta Cafés is the leader in the Portuguese coffee market and due to the stagnation of the economy, the company decided to operate outside its national borders. After the internationalization to many European countries and to South America, they decided that the right choice was to go to Asia, more precisely, to China. Knowing that the Chinese consumer is special, the right approach needed to be studied. So what should they do to conquer the Chinese market? The first move made in 2012 was already clear – same logo image in all countries – so what should be the next steps?

This dissertation is intended to be used as an educational tool for readers and was divided in two key parts: the case study and the teaching note. The case study will describe the decision day followed by the presentation of the hero, the company itself, the coffee industry and finally, the dilemma faced. Additionally, the teaching note will include a synopsis, suggested assignment questions to the readers, use of the case, and a theoretical component as a support material.

With this dissertation, is intended that the readers will be able to understand better all the main dynamics of a leading company in Portugal, the dimensions of a process of internationalization, some aspects of consumer behavior and finally, how different strategies should be attained.

CASE STUDY: Delta Cafés, Going Abroad, Going to China

On a rainy morning, in January 2014, Rui Nabeiro, CEO of Delta Cafés entered his office somewhat stirred. This tumultuous entrance caused some panic to the company's workers. Many wondered, were it a health problem with the CEO, was it the crisis settling inside the company without no one understanding, or something else? The doubt was big and a lot of looks that remained cheerful in every work morning became now bleak looks. Later, other members of senior positions also entered the company with a similar look to the one made by the CEO Rui Nabeiro. Panic inside the company was now settled, and many workers wondered if that could really be their last day of work. After the arrivals, the senior members met in the conference room and the discussion started. The situation inside the company was calmer. Later, after two hours of discussion, the members of the superior council began to disperse. The panic came back to the various departments. The suspense was now bigger... Finally the CEO decided to address his faithful employees. The nervousness in the rooms was big, but soon was calmed by the CEO. Rui Nabeiro stated that an important decision in the company was about to be taken. Curiosity was present in the workers minds; the buzz was high inside the room. But the CEO raised his voice and announced that the internationalization strategy for China was fit to advance. The excitement was now settled inside the departments, employees were clapping and many pale morning faces had now become dreamy, strategic and cheerful looks. The decision was not expected at all. Even for the CEO himself, the decision was in fact one of the most important of his entire career. It is a fact that internationalization had already been made to many countries, but China, being such a special one, could require a different strategy from anything that had been done by the company in the past. The question that arose in many workers concerned differentiation. They wondered how this could be possible, knowing from the beginning how difficult it was to settle in that country, following some failures made from other companies. But in fact, the CEO Rui Nabeiro was the best person to answer these questions.

“Our model of management with a human face is in the DNA of the company. It comes from our core values, and it has given rise to a mission that is very much focused on our clients and a management model based on sharing and dialogue.”

-Delta's Mission

MANUEL RUI AZINHAIS NABEIRO, CEO Delta Cafés ¹

Rui Nabeiro was born in March of 1931. Despite only possessing the 4th grade in the basic school, Rui Nabeiro showed a deep interest for entrepreneurship since he was young. In the early beginning, he usually helped his mother and father in their grocery store. When he lost his father, he decided to go to his uncle's factory, where he later became one of the shareholders. Due to the civil war, Rui Nabeiro and his uncle decided to start selling in Spain to expand their business. But afterwards, he showed a feeling of unhappiness, with some behaviors/decisions that the company was following; therefore, selling his shares to his uncle seemed the only viable solution. Given this particular situation, Rui Nabeiro decided to open a new company called Delta Cafés, that sold food and coffee in all Portuguese regions, creating his own workplace. After, he decided to create a rudimentary machine to start producing his main product in bigger quantities. He bought the surrounding land creating a huge plant that in 1984 became the biggest land/factory of roasting inside the Iberian Peninsula. Nowadays, he is still the CEO. Rui Nabeiro classifies his coffee as being a "coffee with feelings", and has built his company with "a great will and the capacity of dreaming and imagining".

DELTA CAFÉS

How everything started...

Delta was born in 1961, by the CEO/Founder Manuel Rui Azinhais Nabeiro. Motivated by his uncle and by the loss of his father, Manuel Nabeiro decided to create a business around coffee. But this journey was not easy. In April 25th, during the Portuguese revolution, all businesses seemed to reach an end. Big quantities of coffee importations from Angola, made by Rui Nabeiro during that time, were now somehow grounded in the African Country due to the restrictions imposed by this revolution. Many Portuguese people that made part of the business in Angola ran from the country and left the coffee behind. Rui Nabeiro was not a man to surrender and therefore, he decided that if the coffee would not come to him, he would go after it. Against all odds, he took his chance. The result was good and during some years. Delta cafés became the

¹Interview made by three former Católica students, in 2013, (João Antunes, Madalena Carvalhos and Tomás de Lancastre) to Rui Nabeiro, CEO of Delta Cafés. (available upon request)

only company inside Portugal that was able to sell coffee². In the middle of the 80's, the company faced a split between the commercial and industrial area. 2008 was a great year for the company: being considered the favorite coffee brand in Portugal by consumers, with 45% of choices and showing an unusual quantity of sales (around 200 million). These astonishing results were somehow due to the huge presence of Delta inside the country, around 98% of "the Portuguese territory".³ Since then, Delta's primary focus has been set on internationalization.

Production...

Delta cafés production is done with the utmost care, following a process of ten phases to guarantee that everything done is made in perfect conditions. Besides that, 60 different coffee origins are acquired by the company to guarantee the biodiversity of the brand. Regarding the productive process, everything starts when the raw materials and the subsidiary products arrive to the factory. The workers make the reception of the materials and after that, they store the coffee in silos. Later, they clean the coffee using riddles and magnets. When everything is settled, the roasting process is set to advance. Afterwards, a mixture of different batches of coffee is completed. The next step is the milling and packing, processes followed by the palletizing. And finally, the last part of the process is the storage and the expedition of the so called final product.⁴

Delta around the world...

Strengthening Delta's position in the international market was already evident when the company renewed its brand in 2012, focusing on their core products and a unified image for all countries. Until then, Delta was somehow different from country to country.⁵

Delta is nowadays present in various countries, having an indirect presence in 35 countries and a direct presence in 5 countries (excluding the host country Portugal) – *Spain, Angola, France, Luxembourg and Brazil*, are the countries where Delta has a

²"Against all odds: the case of Rui Nabeiro" work done by three former Católica students, in 2013, (João Antunes, Madalena Carvalhos and Tomás de Lancastre) in Marketing subject

³Delta Q Case Study-From leader to follower-Católica Marketing Teaching Case

⁴Interview made by three former Católica students, in 2013, (João Antunes, Madalena Carvalhos and Tomás de Lancastre) to Rui Nabeiro, CEO of Delta Cafés. (available upon request)

⁵ Source: <http://www.publico.pt/economia/noticia/delta-quer-ser-uma-marca-global-e-prepara-entrada-em-dez-novos-paises-1567784>

direct presence. The first internationalization move was to *Spain*, due to the geography proximity and similarities with the Portuguese market. Rui Nabeiro's first factory of roasting was already making some progress in Portugal and therefore, the CEO understood that the step to Spain was really important to grow up his business. Delta Spain was established in Badajoz. Since the beginning and considering the dimension of the city Badajoz, the CEO Rui Nabeiro decided to export coffee, which was possible because Portuguese colonies were able to export enough quantities to satisfy both Portuguese and Spanish needs. The Spanish government was distraught during that time, similarly to the Portuguese, which made Portugal one of the best places to import coffee.⁶ *Angola* was one of the main places where the group Nabeiro was going to get the coffee before the treatment. However, in 1998 the company Angonabeiro that belonged to Delta Cafés was invited by the Angolan Government to settle with a rehabilitation of a unit production called LIANGOL. Rui Nabeiro stated in the interview that "Angola is a dream that came true". With this partnership, the Delta Cafés Company was able to start selling to the public in 2000.⁷ France was a big objective for the company, because they were already selling through a distributor. In 2005, Delta Cafés bought that distributor in Paris, allowing it to gain a direct and relevant presence inside the French Market.⁸ Regarding the Luxembourg case, Delta Cafés worked with a distributor since 2002, although in 2011, Delta decided to acquire this company with "the objective of improving the proximity with the Luxembourg clients and improve the client service"⁹. In Brazil, Delta products were made by distributors, while in 2012, Rui Nabeiro decided to launch a new company called "Delta Foods Brazil", located in São Paulo. Besides that, the company members decided to acquire the company Q-Brazil creating their own store. Nabeiro's group acknowledged the importance of Brazil, knowing that "part of their potential growth" could come from the Brazilian economy, particularly the coffee market".¹⁰ Due to that direct internationalization the company was able to develop and improve quickly no longer being just a usual exporter. The move to China was now a good strategy to conquer the Asian continent.

⁶Interview made by three former Católica students, in 2013, (João Antunes, Madalena Carvalhos and Tomás de Lancastre) to Rui Nabeiro, CEO of Delta Cafés.(available upon request)

⁷Source: <http://www.angonabeiro.co.ao/index.php?id=81&page=1>

⁸ Source: <http://www.dn.pt/arquivo/2005/interior/delta-cafes-compra-distribuidor-frances-e-ataca-mercado-626593.html>

⁹ Source:<http://www.hostelvending.com.pt/vending-cafe/noticias/delta-cafes-adquire-distribuidor-no-luxemburgo>

¹⁰Source:<http://marketeer.pt/2012/08/01/delta-cafes-abre-empresa-no-brasil/>

Discovering New Markets...

Since the beginning, Rui Nabeiro showed a deep interest in internationalization. The market in Europe was facing somehow a stagnant position, so the company decided to act. Delta Cafés, possessing more than 30 years of international experience, considered reaching new markets in the future as a huge objective. The business model used by the company when entering new markets was and it still is based on partnerships with local distributors.¹¹

COFFEE INDUSTRY

The beginning...

Ethiopia was the first place where the coffee plant was found and today, is still part of the vegetation of many places in Africa. In 1615, the coffee culture spread around the European continent. The first Europeans that were able to settle the coffee in the continent were the Dutch through ovens. French people were able to experiment this coffee sensation and due to that, they started to make some tests to find how they could be able to create that product. By the hand of European colonizers, the colonies and other places worldwide were presented with coffee and that was how everything started...¹²¹³

Coffee Market in Portugal...

The Portuguese Market is nowadays relatively stagnated and fragmented. The big brands seem to have slept due to their past success.¹⁴ The focus in internationalization appears to be bigger than excelling in the host country. In Portugal, 80% of the Portuguese people drink coffee on a daily, that fact being possibly linked with old habits that characterize the culture. Comparing with other countries in Europe, Portugal is still a country where each Portuguese drinks less coffee than the European average, although these values are getting smaller each year. According with the European Coffee Federation (2011), the average of consumption in Portugal is 4,7kg per year and the European average is 6,4kg per year. Moreover, the average price of a

¹¹ Source: http://www.delta-cafes.pt/pt/media/noticias/grupo-delta-cafes-reforca-aposta-no-mercado-internacional_9aab9026d391

¹²Source: <http://www.abic.com.br/publico/cgi/cgilua.exe/sys/start.htm?tpl=home>

¹³Book: Dr. Darcy Roberto Lima, 101 Razões para Tomar Café (Café Editora)

¹⁴Source: https://markzone.files.wordpress.com/2007/02/relatoriofinal_g1nb_ant_cabral.pdf

coffee in Portugal is 0.60 Euros¹⁵. Globally speaking, coffee is the second largest drink consumed and after oil, the second raw material more commercialized in the world. The consumption of coffee in Portugal still occurs more often outside of the household, although, thanks to the development of coffee machines and capsules, the consumption of coffee inside the house is getting bigger.

“According to data from Nielsen, the beginning of the year 2013 was marked by an increase in value of + 46 % and + 30% in volume on the capsules, with quotes of 105 million Euros and 2586 tons respectively.”“The international market is of utmost importance in the coffee sector in Portugal, given that, according to the INE, in 2012, exports exceeded 50 million Euros”¹⁶

It is expected that in 2021, the quantity of coffee consumed in Portugal will duplicate.¹⁷

Worldwide Competition...

Besides Delta Cafés, there are many international companies that are dedicated to the coffee roasting and commercialization inside the area of home selling and Horeca channels (Hotels, Restaurants and coffees). Delta Cafés has many worldwide competitors with a wide range of solutions. The main one's that are established in Portugal either direct (coffee) or indirect (selling substitutes like tea and cocoa) are: Lavazza that has its origins in Italy and their main product is coffee; Nestlé, with headquarters in Switzerland, with their primary product being coffee, tea and cocoa; Tetley from the United Kingdom that sells tea; Costa Coffee also from the United Kingdom, with coffee as its main product and finally; Starbucks, the American giant that has a huge participation in the word selling of Premium coffee.

As it is more than obvious, Nestlé dominates the international market of this type of beverages. The company has the biggest volume of sales, and it is the one that offers the biggest variety of different products. Lavazza appears as a huge competitor too, having an enormous presence inside the international market with 1.330 Million Euros in sales,

¹⁵http://economico.sapo.pt/noticias/preco-do-cafe-subiu-50-e-fumar-custa-o-dobro_134747.html

¹⁶ Source:<http://www.hipersuper.pt/2014/01/20/exportacoes-de-cafe-ultrapassam-e50-milhoes-em-2012-por-rui-nabeiro-aicc/>

¹⁷ Source:<http://www.cafepoint.com.br/noticias/mercado/consumo-de-cafe-em-portugal-devera-duplicar-ate-2021-82662n.aspx>

approximately 50% of them coming from international markets. (Exhibit 1). On the other hand, Tetley and Costa Coffees, at the present moment, do not have such a strong influence in the world, but an increase of focus in China is a future objective for these companies in the short-run. Last but not least, Starbucks is considered as an enormous company, reaching sales of 11,278 million Euros. In the Portuguese market, despite its recent entry, Starbucks already opened 8 stores (5 of them inside commercial centers) and it is considered as a major future threat to Delta Cafés due to their presence in China.¹⁸

The Trends...

After considering the coffee industry, it is somehow visible the trends presented in this market. Emerging markets are the ones that brands will focus in the future by creating appropriate strategies to captivate consumers. Nowadays practice and convenience are the most important variables for success in the coffee market. People are changing their habits; with the increase of home consumption, the wider range of choices paired with convenience has led to an increase in the consumption of coffee itself. Also, many companies are responsible for an important trend which is focusing in countries where tea drinking is dominant. Other trends are the fact that the coffee price is somehow attractive and capsules are renewing the traditional markets mainly in Europe and in the USA. Last but not least, the online market is growing in massive proportions and in order for a company to keep sustainable; it must quickly adapt and take up this strategy.

¹⁸Source: <https://repositorio.iscte-iul.pt/bitstream/10071/8484/1/Desenvolvimento%20Estrat%C3%A9gico%20Internacional%20da%20Delta%20Caf%C3%A9s.pdf>

THE DILEMMA: Which Strategy should be applied in China?

Problem Background...

After changing the base of Delta Cafés image in 2012, making it equal in all countries, it was more than plausible that the future focus of the company would largely be on internationalization. The strong bet on internationalization was even sharper when in 2014, the company decided to export to China changing the usual behavior and strategy of the firm. This decision was not taken lightly because Chinese customers are extremely special, and can be considered different from the ones that the brand was accustomed to. In 2013, the brand was already distinguished by the Reputation Institute that has the objective of evaluating the activity and image of brands inside Portugal and around the world. “In the consumption area, Delta is one of the companies that is distinguished inside the international area and that is somehow surprising”¹⁹

Regarding other prizes, Delta Cafés won the Human Resources Award that is focused in the category balance between family and company, which can guarantee national and international safeness and trust for Delta’s customers.

The year 2014 was very important for the company since if everything went well, the brand would give a huge step in reaching an enormous market, in terms of size and population. So the big question that still needed to be understood is which strategy the company should use to reach such market. Nabeiro’s group knew that this decision would influence the company’s actions for the next years so, studying the advantages and disadvantages of that decision was crucial.

China...

In the last decade, China has been seen as an extremely eye-catching market to invest.

China is one of the biggest countries in the world, just beaten by Canada and Russia. It is estimated that 22% of the world population belongs to China (1.35 billion people).²⁰ Many international companies see this country as a major player inside their businesses

¹⁹Source:<http://www.delta-cafes.pt/pt/media/noticias/delta-cafes-com-reputacao-internacional>

²⁰Source:<http://www.travelchinaguide.com/essential/country.htm>

in the future. The size of the country, low cost of man power and potential increase of the market, are advantages that companies are taking into account. But not everything is a bed of roses since these companies need to captivate customers, be distinguishable through differentiation, and align objectives with cost reduction.

China is characterized by a country with a secure political environment. Huge regulations from the government and legal issues sometimes remove the desire of investment although in the past few years, the development of online shopping is has been gaining some relevance, making it easier to enter the market. Regarding the economy, China has increased its GDP, which might have come from “abundant and skilled labor”, exportations or metropolitan growth.

When analyzing the society “*The literacy rate in China is over 90%. China emphasizes on education and the majority of the nation is literate.*” Demographic changes have an impact over trends and culture. Lastly, technology is also having a major impact in the society by facilitating new investments, “purchasing mechanisms” and making available easier distributions channels.²¹ The Chinese Consumer is mainly characterized as “*industrious, hardworking, peace-loving, hospitable, conservative, modest and in general easy to approach*”.²²

The Chinese Market...

“China is a mystery to many foreign investors, and for good reason. The country is vast and varied, its culture and traditions are profoundly different from those of the West, and its social, governmental, and economic systems are particularly complex.” “(...) foreign investors must add several other ingredients to the mix when considering investment in China.”²³

-Entering China: *An Unconventional approach* by Wilfried R. Vanhonacker

²¹Source: <http://pestleanalysis.com/pest-analysis-of-china/>

²²Source: <http://www.travelchinaguide.com/essential/people.htm>

²³Source: <https://hbr.org/1997/03/entering-china-an-unconventional-approach>

Actual coffee market situation in China...

It is more than evident that coffee consumption in China is getting bigger. Stating the numbers, in the last decade, the average consumption was 45.000 tons a year, being now around 453.000 tons (estimation for 2014). Despite that, tea is still the favorite drink of Chinese customers. The consumption of coffee is still low regarding the prominent purchasing power (\$11,530) of the Chinese customers. The actual coffee market in China is mainly concentrated in the Southern cities, with a percentage around 80% of the total consumption (Shanghai, Guangzhou, Shenzhen, Donguan, and Zhuhai). The type of coffee consumed in 2013, was divided between instant coffee (85%) and roasted coffee (15%) (See exhibit 5). The path of the company in Asia will be defined by the strategy that Delta Cafés decides to pursue when entering in China. The group already started to make contacts in the country and is trying to create a presence in Shanghai and Macau through partnerships.²⁴

Survey...

To gather further information regarding the Chinese coffee consumer, a survey was made to 83 Chinese citizens between 18-34 years old, with a disposable income below 2.000 Euros and that are usually under stress situations. The results of the survey can be found in Exhibit 9.

*Distribution Channels...*²⁵

Before reaching clients, coffee passes through an enormous process. Historically, Delta has two main strategies of selling. The first one is selling directly to the consumer through the creation of own stores and the second one, the one applied in China, which can be observed in Figure 1.



Figure 1 – Second selling strategy applied by Delta Cafés

²⁴Source: http://www.revistacafeicultura.com.br/index.php/envia_materia.php?mat=55414

²⁵Source: http://www.s-ge.com/de/filefield-private/files/43079/field_blog_public_files/22196

The development of distribution channels in China was somehow stagnant during the last decade. However, with the extraordinary growth that the Chinese economy faced, retailers were forced to grow up to. New approaches to distribute drinks were now required to keep up with the demand.

Regarding China's retailer channels we have:

- *Hypermarkets*

Are considered supermarkets that possess many departments. In China this distribution channel had the biggest growth over the past decade. Foreign companies had big influence on that success. (Carrefour leads the Chinese Market).

Entry Strategy: This player is considered the one that has more familiarity with foreign products due to its dimension. This idea is supported by the fact that these huge places are more aware about the international market and promotions than any other. Some agreements are possessed with good distributors. *Delta should focus on those to reach the market.*

- *Supermarkets*

Supermarkets faced an enormous growth since 1990 and 2006, existing by the end of this year more or less 70.000 stores in China. Since 2006, a 10% growth was observed in these stores until 2009 (Euromonitor 2009). After that period, they started to lose market share to hypermarkets. However, they are still seen by consumers as the most common urban store. (Lianhau and Hualian lead the supermarket market).

Entry Strategy: In this type of stores, foreign products are not usually seen, although Delta has the opportunity to change this behavior. Delta products are common products that are easily inserted inside the market. The best possibility for Delta is focusing on small supermarkets that can have better distribution, and will offer higher margins.

- *Special Stores*

Are focused on clients that value a better environment or higher quality in their products. These special stores are not so common and usually are only seen

inside big metropolis. Despite the fact that they are not common, their products are from foreign brands. (City Shop dominates this market with more than 80% of their products being from other countries)

Entry Strategy: The fact that these stores have already a lot of foreign products can help Delta to have an easier penetration in the market, due to registrations, distributors and licenses. Most of these distributors belong to the Horeca channel which can lead Delta to that section too of the market as well.

- *Convenience* *Stores*
This channel is not so developed as the others but with the right investment, it has potential to grow. Usually, it has a wide range of items but since they are usually not imported, there is a risk of low penetration.
Entry Strategy: Export via Bulk (without packaging and label). That does not seem what Delta is searching for in the Chinese market.
- *Horeca*
The Horeca channel has become, throughout the years, the main place to consume foreign products. The presence of European restaurants, hotels, bars and coffees in China that have a high reputation became an important tool for this development. A mature market is established when independent European coffees, bars, among others, can survive outside a hotel. It means that consumers, in this case Chinese one's, were attracted by the outstanding quality of such establishments and that was eventually translated into trust.

The Big Question...

After analyzing the Chinese market, the objective was clear. There was a need of starting to be considered as a world recognized brand, and the best way to do that was to focus on the Asian continent. After making the initial contacts and having the feeling that they could be established in a short period of time, both Rui Nabeiro and his team understood that the perception of the Chinese customers needed to be identified in order to further decide how to target consumers and how to place the brand. Should it be a Luxury (upscale) or a Mass Market brand?

*Luxury Brand (upscale)...*²⁶

Despite the crisis, the Luxury market faced a huge evolution in the last decade and moved an enormous amount of money. These luxury brands intend to reach the brain of the customers, convincing them about the advantages of high standards. Luxury is usually evaluated through:

- *Price*: which means that the product will be the most expensive.
- *Quality*: which makes the brand defend that their product is top of the line, never has defects and has a long life time/incredible flavor.
- *Rarity*: which means that the product, besides quality, has characteristics that make it unique? Brands needs to limit somehow the production and the place where products are sold.
- *Symbolism*: which leads customers to believe that they are buying the “best of the best”?

Knowing that, Rui Nabeiro was aware that the higher segment would be harder to reach, not just because of the tea influence, but because only brands as Starbucks are able to reach that segment more easily. Despite that, the CEO knew that the fact that Portuguese brands are not much recognized in China and are seen as more weak products and therefore, that could be a good point for Delta to establish itself as a luxury brand. It will motivate Chinese consumers to study about the company brand and see the prizes that Delta already won and this would further motivate the consumer to buy and would eventually create a sense of trust.

Mass Market...

With this focus, the company will aim to reach all consumer segments without a clear market segmentation. The production will be bigger to try to take the biggest potential out of the market. More people will be able to see and buy the brand, which will lead, probably, to a higher consumption, although the margins will be lower. The doubt is if it is possible to compete against the tea and coffee brands inside the Chinese market. To face that, the brand can lower the prices but by doing that, the competition with foreign market leaders would be lost. Betting on “Regular Standards” would make

²⁶Source: <http://www.conceptofluxurybrands.com/concept-of-luxury-brands/definition-of-luxury-brands>

good recognition inside the coffee market harder to obtain. Furthermore, a mass marketing experience can be a good bet inside some regions, but not in others. That would become a risk in a sense that China, is enormous and some “promotions” cannot be so well accepted in some regions.²⁷ Although it is known that the competition inside this industry is much stronger, the majority of the companies aim for those same customers. Despite that, focusing on Rui Nabeiro’s old decisions, the aim of Delta is to be “coffee for all classes”.

Key Challenges...

Despite all the enthusiasm, Rui Nabeiro stated since the beginning that some key points were important to study and implement, in order to get a good market penetration such as:

- Coffee education that is small until the moment, mainly due to the tea dominance. Main Chinese consumers do not know about the coffee benefits for daily life and Delta can teach those habits through some advertisement.
- Concept of capsules and machines is somehow strange, which can be an advantage due to their simplicity and fastness of use. Delta can use these characteristics to motivate the customer to buy.
- Portuguese’s bad image: Need to change the Portuguese image by investing in a premium brand and showing the consumer the potential of it, or by investing in a mass market brand, focusing and caring about people in a bad social position.
- Country that does not care much about traditions: Some old Portuguese traditions and habits can, across time, be transmitted to the Chinese.
- Market that has a lot of small markets: The dimension of the country makes it harder for the mouth-to-mouth spread marketing in order to reach many people. The fact that the differences between the South and North of China are enormous; Delta should take some insights about such differences and see how they could take action, for example using different solutions and products adapted from place to place.

²⁷ Source: <http://smallbusiness.chron.com/difference-between-mass-marketing-differentiated-marketing-20773.html>

What's the next step...

Rui Nabeiro, the CEO of Delta Cafés, was inside his office deciding the best possible solution to get in that market. Nabeiro decided to arrange another meeting with the board of directors to discuss these two paths. The CEO knew that whatever was decided in the meeting, will shape the company's behavior for the following years.

After a lot of considerations and after the arranged meeting, the decision was settled to achieve a higher success than the alternative option. The key challenges were considered too, and the company decided to start preparing people to invest on that.

Rui Nabeiro left his office with the decision taken and went back home to tell the good news to his family, not leaving behind his warm Delta coffee, that accompanies the CEO on his daily commuting.

EXIBITHS

Exhibit1 :Delta's Logo.



Source: Delta Cafés

Exhibit 2: Delta's Competitors.

Competitors	Country of Origin	Main Product
Lavazza	Italy	Coffee
Nestle	Swiss	Coffee, Tea, Cocoa
Tetley	United Kingdom	Tea
Costa Coffee	United Kingdom	Coffee
Starbucks	USA	Coffee

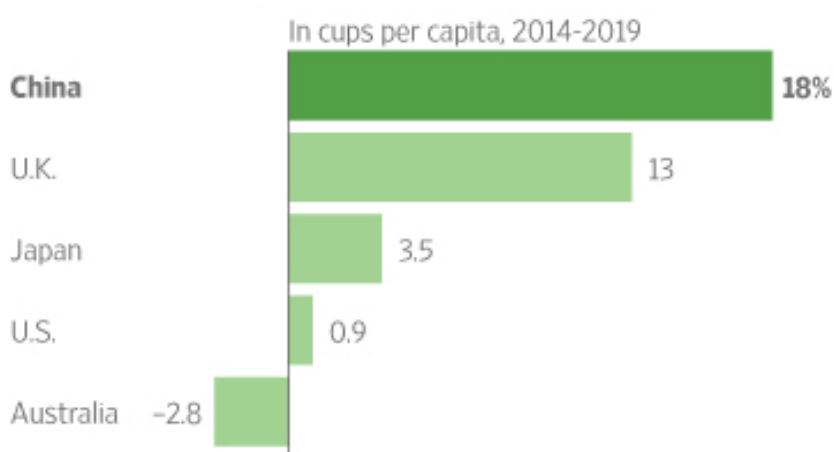
Source: Dissertation- O Desenvolvimento Estratégico Internacional da Delta Cafés-
Rafael João Domingues de Oliveira

Exhibit 3: Main Competitors- Fiscal Year 2012- Delta Cafés.

Competitors	N° of employees	N° of presence in countries	Sales (Millions)
Lavazza	+ 3.800	+ 90	1.330 €
Nestle	+ 100.000	+100	16.592 €
Tetley	2.218	40	314 €
Costa Coffee	13.000	+35	829 €
Starbucks	+ 200.000	62	11.278 €

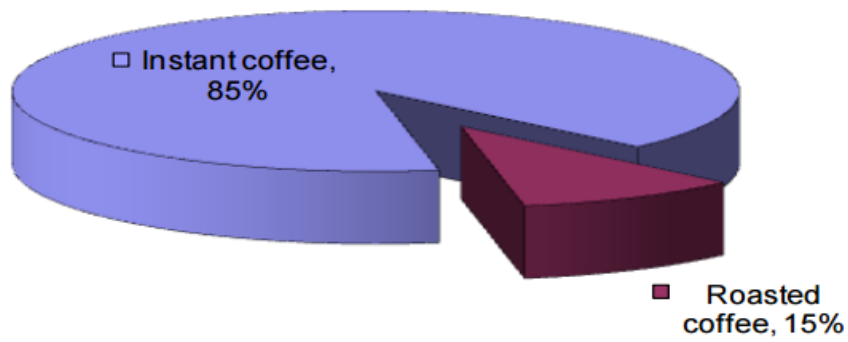
Source: Dissertation- O Desenvolvimento Estratégico Internacional da Delta Cafés- Rafael João Domingues de Oliveira

Exhibit 4: Forecast change in coffee consumption.



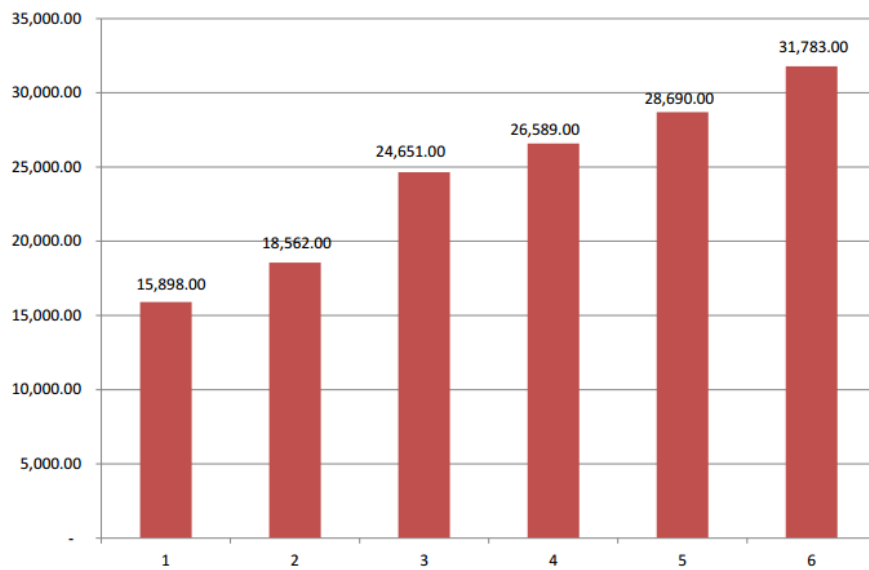
Source: Euromonitor International – The Wall Street Journal

Exhibit 5: Consumption by type in China (2013).



Source: The Uganda Coffee Strategy in China

Exhibit 6: Growth of coffee shops between 2007 and 2012.



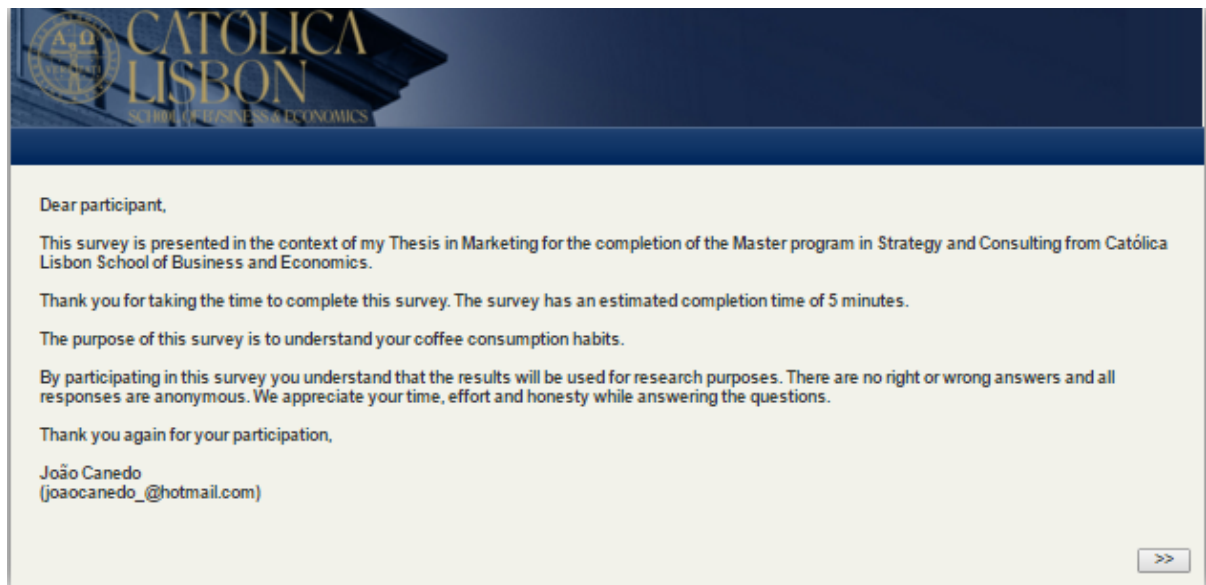
Source: The Uganda Coffee Strategy in China

Exhibit 7: Major Coffee Producers.



Source: National Geographic

Exhibit 8: A Survey launched in China to see the customer perception





Do you drink coffee?

- Yes
- No

>>



How many coffee's do you drink per day?

0 1 2 3 4 5 6 7 8 9 10

Number of coffee's

What is the average price (in Euros) you usually pay for a coffee? (1€ = 7.329 Chinese Yuan Renminbi)

0 0.2 0.4 0.6 0.8 1 1.2 1.4 1.6 1.8 2 2.2 2.4 2.6 2.8 3

Price

Where do you usually drink coffee?

- At home
- Out of home
- Both

When you buy coffee, where do you usually do it?

- Supermarket
- Grocery store
- Brand store
- Coffee vending machine
- Coffee shops

>>

 CATOLICA LISBON
SCHOOL OF BUSINESS & ECONOMICS

Name the three first coffee brands that come to your mind (please separate each one with a comma).

Logo of the brand Delta Cafés.




Do you know this brand - Delta Cafés?

Yes

No

>>

 CATOLICA LISBON
SCHOOL OF BUSINESS & ECONOMICS

Would you be willing to try a coffee from this brand?

Yes

No

Do you prefer white label brand or premium quality brands for coffee?

White label (e.g. supermarket brand)

Premium quality (e.g. Starbucks)

>>


 CATOLICA LISBON
SCHOOL OF BUSINESS & ECONOMICS

What is your overall perception of Portugal?

Extremely good Somewhat good Neither good nor bad Somewhat bad Extremely bad

Perception of Portugal

>>



What is your age?

- < 18 years old
- 18-24 years old
- 25-34 years old
- 35-44 years old
- 45-54 years old
- 55-64 years old
- > 64 years old

What is your gender?

- Male
- Female

What is the highest degree or level of school you have completed?

- High School
- Bachelor's Degree
- Master's Degree
- Doctorate Degree
- Other

What is your employment status?

- Student
- Unemployed
- Employed
- Other

What is your monthly income?

- < 500€
- 500-999€
- 1000-1499€
- 1500-1999€
- > 1999€

Exhibit 9: Survey Analysis

#	Answer	Response	%
1	Yes	46	55%
2	No	37	45%
	Total	83	100%

#	Answer	Min Value	Max Value	Average Value	Standard Deviation	Responses
1	Number of coffee's	0.00	6.00	2.30	1.28	46

#	Answer	Min Value	Max Value	Average Value	Standard Deviation	Responses
1	Price	0.10	3.00	2.07	0.80	48

#	Answer	Response	%
1	At home	4	9%
2	Out of home	8	17%
3	Both	34	74%
Total		48	100%

Statistic	Value
Min Value	1
Max Value	3
Mean	2.85
Variance	0.41
Standard Deviation	0.64
Total Responses	48

#	Answer	Response	%
4	Supermarket	3	7%
5	Grocery store	2	4%
6	Brand store	29	63%
7	Coffee vending machine	2	4%
8	Coffee shops	10	22%
Total		48	100%

Statistic	Value
Min Value	4
Max Value	8
Mean	6.30
Variance	1.15
Standard Deviation	1.07
Total Responses	48

#	Question	Extremely good	Somewhat good	Neither good nor bad	Somewhat bad	Extremely bad	Total Responses	Mean
1	Perception of Portugal	<u>5</u>	<u>20</u>	<u>15</u>	<u>8</u>	<u>0</u>	48	2.48

#	Answer	Response	%
1	< 500€	3	7%
2	500-999€	23	50%
3	1000-1499€	9	20%
4	1500-1999€	8	17%
5	>1999€	3	7%
Total		48	100%

TEACHING NOTES

Synopsis

Delta Cafés is a Portuguese brand leader inside the Portuguese market that works in coffee selling. They decided to expand their business to China through a partnership with a local company. The focus on internationalization comes already from the past, when the company successful went to countries like Spain, France, Brazil etc.

Delta was already in many countries, established as a brand of trust that people could rely on. Their first objective, being the market leader in Portugal, was accomplished, and therefore, why not dream with the international market? To become an important player in new markets, China could be considered as an important part of the equation. Many markets were studied, but Asia was the primary choice due to its last year's big development. The penetration was obviously slow and still happening, mainly due to the huge obstacle of tea consumption. But Delta understood that with the right knowledge, the education of the consumer through the product could be changed. So how should they enter the market?

Since the beginning, Rui Nabeiro was part of the company and always had the appetite to expand the business. Of course that the CEO faced many challenges from day one onwards, but one thing he knew for sure: this decision was one of the most important of his career. Having his coffee spread all over the world was an old dream that now seemed more near and this desire of being the best, always placed the company on the right track. Two main hypotheses that were on his mind, knowing from the beginning that it was hard to understand the Chinese ways of living, were: following the strategy of having a Luxury Brand or on the other hand, focus on a Mass Market strategy.

The presented marketing case study as well as all the information available, gives possibility to the reader to find the best decision that the company should pursue and to answer the suggested questions. These questions are crucial for a better understanding of the company, country, globalization, customer and brand awareness.

Suggested Assignment Questions

- 1. Market Analysis.** Investigate the coffee market in China using Porter's 5 Forces framework. **(20 min)**
- 2. Consumer Behavior.** Characterize China and the Chinese consumer. (Prerequisites- Hofstede's Cultural Dimensions and Economic attributes). **(15min)**
- 3. Competition.** Determine the position of this company inside the globe through the creation of a SWOT analysis. **(15min)**
- 4. Segmentation-Targeting-Positioning.** Study the Advantages and Disadvantages between the two presented targets in the case, Mass Market and Up Scale Market?
Regarding the advantages and disadvantages, and considering the Survey results presented in Exhibit 9 (Case Study) where do you think that Delta cafés should focus on selling? **(25 min)**

Teaching Objectives

The teaching objectives for this case Study are presented below:

1. To aid readers comprehend the process of internationalization of a company with this dimension.
2. To teach readers how important the consumer behavior is when deciding to move to a foreign country.
3. To analyze the challenges and opportunities that a company like Delta can face when moving to a country with this dimension.
4. Understand how important the distribution channels are to spread the brand name.
5. Study the advantages and disadvantages of two different strategies applying the Segmentation, Targeting and Positioning.

Use of the Case

This Marketing Case is to be used as a tool to develop the readers' learning process related to sub-topics such as internationalization, strategy, consumer perception, STP, and willingness to buy a brand. This Case Study was made following the procedures that were required by the instructor in topics as Market Analysis, Internationalization, Consumer Perception and Assessment of the brand. The following questions intend to be discussed inside a class with the contribution of a Mentor.

Relevant Theory

1. Michael Porter, "the Five Competitive Forces That Shape Strategy", *Harvard Business Review*, January 2008, pp. 25-40
2. Nancy J. Adler, Allison Gundersen, "International Dimensions of Organizational Behavior", 2008, 5th Edition, pp. 44-65
3. James Pershing, "Handbook of Human Performance Technology", "Principles, Practices and Potential", 2006, 3th Edition, Chapter Forty Seven, pp. 1089-1106 (SWOT)
4. J N Kapferer and V Bastien, "Luxury Strategy", "*Break the rules of marketing to build luxury brands*", 2nd edition, pp. 22-35 and pp. 114-133

In addition to the suggested readings, readers should take into account the following notions and frameworks in order for them to be able to answer the marketing case questions:

- **Brands Competition**

It is an interface between companies that dispute something. The impact of one company can make damages in the other's business.

- **Company Internationalization**

It is a process of a brand development. A company starts to commercialize their products outside their country of origin (Harris and Wheeler 2005).

- **Competitive Advantage**

It is an advantage that happens when a company develops some pioneer capabilities that differ, in a positive way, from the competition.

- **Culture**

A behavioral group of attitudes that influences the buying decision of a customer and his interaction with society.

- **Distributor**

The intermediary between the producer and the final consumer.

- **Experiments**

Data collection/analysis depending on a characteristic. Variables are manipulated according to the study objective.

- **Hofstede's 5 Cultural Dimensions**

It is a framework that explains the interaction between a certain culture and their members and how the values that they absorb from that can make them take certain decisions (Hofstede 1965).

- **Luxury**

Means something that is considered more than usual, including all desirable resources and goes beyond what is necessary and normal (Klaus Heine, 2012).

- **Mass Market**

It is a product or service that was not segmented and has the objective to reach every kind of customer. Usually retailers or independent stores offer it through mass distribution.

- **Niche Marketing** A strategy that is used to reach some sub segments inside a large market. This marketing is usually much more specific and intends to give a higher attention to a specific thing.

- **Partnership**
Cooperation agreement between two or more companies with the objective of achieving a common objective that satisfies both desires.

- **Positioning**
It is a plan that is made after segmenting and targeting that has the objective of defining criteria's to the product line. The 4 P's are usually used to complement the position ("product, place, price and promotion") (Harvard Business School Press).

- **Segmentation** Subdivide the market to see the customers that have the same needs. ("age, personal interests, special needs") (Harvard Business School Press).

- **SWOT**
It is a strategic tool that characterizes the environment using Strengths, Weaknesses, Opportunities and Threats inside a company's business (Humphrey 1960).

- **Targeting**
After segmentation, targeting is performed to understand the markets that have a major potential. This analysis is based on number, ability to reach, intensity of competition, forecast growth, etc. (Harvard Business School Press).

- **5 Forces Model**
It is a strategic tool used to study the competition between a company's business and the industry that it belongs to (Michael Porter 1979).

ANALYSIS AND DISCUSSION

Question 1 -Investigate the coffee market in China using Porter's 5 forces framework.

Regarding this first question, it is expected that the readers analyze the attractiveness of the market based on the 5 Forces Model identified by Michael Porter. It is expected that with this analysis, the readers can have a better understanding regarding the company's behavior and the external market.

Threat of new entrants

- *Partnerships with local companies:* As it was previously stated in the case study, a viable way that foreign companies have to exploit the Chinese market is doing partnerships with local companies. The Chinese policies imply that this is the only possible solution for foreigners to enter the market. As it is obvious, Delta followed this path by doing a partnership with local distributors (most common partnerships inside the country). Therefore, this type of partnerships might be seen as a disadvantage to new entrants due to the complexity that this type of agreements might have.
- *Potential of the Market:* China is one of the best countries to launch a new product despite the fact that consumers are culturally different. In China, tea is still a preferred product when compared to coffee (low market penetration)²⁸, although statistics show that this trend is changing.²⁹
- *Costs:* Regarding the dominance of tea, it is important to the brand not just to advertise but also, raise the attentiveness to drink coffee. That is considered of course, as a disadvantage to enter the market.

Regarding the three points stated above, the threat of new entrants is classified as low/medium threat, although thanks to the dimension of the country, every scenario of new entrants should be considered.

²⁸Source:<http://www.investopedia.com/terms/m/market-penetration.asp>

²⁹Source:<http://www.ico.org/documents/cy2014-15/icc-115-7p-study-china.pdf>

Threat of substitute products:

- *Availability of close substitutes:* Despite the growth in coffee consumption inside the country; Chinese people still consume almost exclusively tea in a proportion of ten to one (2013).³⁰
- *Ease of substitution:* As it was stated above, it is more than comprehensible that supplementary products can easily substitute coffee.

Analyzing these two points it is obvious that the threat of substitutes is clearly high, constituting a huge challenge to the company.

Bargaining power of customers

- *Buyer Price Sensitivity:* In fact, the Chinese consumer is not really sensible to price changes. The country is facing an interesting economic growth, having a huge purchase power. Besides that, Delta is trying to establish itself in the country, as a distinguished brand so obviously, the motivation to pay will be higher; therefore, the power of negotiation from a customer is moderate.
- *Uniqueness of the industry products:* The uniqueness of the product might not solely depend on Delta cafés, but rather, on customer perspective/taste. Besides that, Delta cafés appears in China as the first Portuguese brand to export coffee to that country; this may create a sense of emotion in the Chinese customer. Due to that, it is obvious that the power of negotiation is somewhat low.
- *Buyer Information Availability:* The company is about to begin its activity in the Chinese market. Consumers lack a power of decision due to a shortage of information. Furthermore, the brand intends to launch itself as a premium brand.

Taking into account these three points, the bargaining power of consumers can be identified as being moderate.

³⁰Source:<http://www.ico.org/documents/cy2014-15/icc-115-7p-study-china.pdf>

Bargaining power of suppliers

Delta Cafés coffee is imported from Central America, Brazil, Africa, India and Vietnam. After this, by mixing 60 types of different types of coffee, the company completes the process of production. Summarizing, Delta cafés needs to buy the coffee to the foreign producers. Having so many countries to get the coffee from, suppliers do not represent a threat to the business.

So the bargaining power of suppliers can be considered as low.

Intensity of rivalry among existing firms

- *Competitive Advantage:* Brands like Starbucks, Nestlé and Costa Coffee are the world's leaders and the same occurs in the Chinese market. As it is obvious, a strong bet in this market is being considered by all brands. This huge bet made by these companies is based on analysis/prediction of the future year's results. Many of them understood that being a leader in the Chinese market means the unquestionable leadership in the upcoming years.
- *Advertising:* to obtain and at the same time, try to diminish the competitors' advantage, the company needs to quickly raise the perception of consumers about the brand.

Analyzing these two facts it is obvious that the rivalry is high.

The reader should end up with the conclusion that the coffee market in China has a moderate attractiveness, due to the huge growth potential and, at the same time, extremely high costs of entrance.

Question 2 – Characterize China and the Chinese consumer. (Pre-requisites-Hofstede's Cultural Dimensions and Economic attributes)

In this characterization of society, it is important to be aware of *Hofstede's dimensions*. Regarding power distance, China scored 80, which means that the community easily accepts a difference between superior and inferior workers. China is considered has a collectivistic society, which means that they think as a group, instead of having an individual thinking. Regarding masculinity, Chinese appear as people that value achievements, success before family and relaxation activities. Uncertainty avoidance is explained by their rules that make Chinese persons to avoid uncertain and doubtful situations. Finally, Chinese people are somehow long term oriented and dedicate much of their time to objectives in order to achieve goals in the future (Exhibit 1). Focusing on that, we can state that China has an enormous number of old traditions, which is a good point for Delta in the sense that it is a respectful company that has already many years of tradition, so it might be easier to win over the respect of Chinese customers. Summarizing from what was stated above, readers can make a link between all of the dimensions and conclude that: the Chinese people first objective is getting richer, by being highly dedicated and ambitious; Chinese customers have much money to spend which leads to investments in new products and brands; and finally, the products that Chinese are more focused on are household products (due to cultural changes). If Delta is able to insert coffee in the daily life of a Chinese consumer, it will have a perfect chance of being successful.

Regarding Economic requirements, the major point is the fast growth rate that the Chinese economy is facing, which has led to a raise on purchasing power that later fostered an increase in consumption. Another fact is the “new appetite for borders”, since Chinese people are nowadays more open to foreign products contributing to the success of international companies.

In comparison to Portugal, China scores similar values in some dimensions inside this framework. Despite that, uncertainty avoidance and long-term orientations are completely opposites when studying Portugal and China. Regarding uncertainty avoidance, China is considered more adaptable and entrepreneurial, which leads to a better acceptance of a new product. Long-term orientation proves that China is not

cemented to its past culture, which is helpful for Delta in a sense that new products and experiences are welcomed.

Question 3 - Determine the position of this company inside the globe through the creation of a SWOT analysis.

Strengths:

- *Products diversity:* Thanks to huge product diversity, Delta Cafés is able to reach all the niches inside the coffee industry, even the market of soluble coffee, usually dominated by other brands. With that, Delta is able to gain both respect and recognition.
- *The only Portuguese Brand:* Delta Cafés appears as the only Portuguese coffee brand trying to invest in China, making it a pioneer. With that, the brand is able to captivate customers by the old tradition of quality, while showing a new technological dimension. Chinese customers will feel a sense of trust and a focus in the future.
- *Product Quality:* The fact that the brand imports a huge quantity of different raw materials can guarantee that the right and the best coffee are produced inside the company.
- *Brand focused on social concerns:* With the focus in charity and other social problems, Delta cafés is able to gain a future recognition inside the Chinese market showing that it is not just a company with focus on profit, but also on people.

Weaknesses:

- *Exportation Costs:* The fact that China is out of Europe, will raise the exportation costs of the coffee for the company.
- *Lack of help:* Going alone to new markets can be considered as a weakness because there will be a lack of backup if some unforeseen situations occur.
- *Competitors:* Delta competitors are bigger than Delta. Those brands can try to send Delta out of the market if they see that the company is gaining a huge power.

- *Advertisement and brand Awareness:* It can be hard to advertise inside the country due to differences across regions and general country size. This can, eventually, result in high advertising costs.

Opportunities:

- *Diversity and growth of the economy:* Knowing from the beginning that many Chinese customers drink tea, Delta Cafés, has the possibility to extend the range of products offered, by focusing on, for example tea or chocolate. This can be considered as a smarted move, when coupled with the fact that the economy is growing.
- *Partnerships with leading brands:* Create a partnership with, for example Unilever, due to its huge distribution network. It will give possible access to unachievable markets.
- *Premature Stage:* Delta is able to achieve a huge success inside the Chinese market, since the consumption of coffee is not yet seen as an irreplaceable product. With a right bet Delta can become a leader in the future.
- *Awareness Studies:* Various studies that promote the coffee consumption can be a huge bet on the Chinese market to convince people.

Threats:

- *Transition Process:* The fact that the brand is since the beginning led by the same leader, can be a threat in the future when the actual CEO decides to leave, despite the fact that his grandson is already trying to divide the control with him.
- *Energetic Drinks:* The increase of consumption of energetic drinks on kids and teenagers (Red Bull, Monster, Coca-Cola, etc.) can bring Delta advantages when introducing its products to the market.

The reader should reach to the conclusion that Delta Cafés is in a low medium position to become triumphant; in a way that it is an emergent product inside this market, so it is normal that major challenges will come up, but the company has enough quality and experience to surpass them. Despite that, Chinese customers must be more flexible in the future when choosing between coffee and tea.

Question 4.1–Study the Advantages and Disadvantages between the two presented targets in the case, Mass Market and Up Scale Market?

UpScale	
Advantages	Disadvantages
Growth in Luxury Market despite the crisis	Focus will be in less places
Consumer with more knowledge/mature	More costs associated
Not so culturally differentiated	Portugal Image for this upper segment
Better quality/ Communication of the brand	American Coffee brand with a strong monopoly
Agreements will be settled easier due to the brand being up scale	More intermediaries between the producer and final consumer
	Few companies have market share

MassMarket	
Advantages	Disadvantages
More retailers to sell	Many players inside the market
More available customers	This segment provides lower margins
Better turnover	Lack of luxury recognition
Lower investment	Price competition
Economies of scale	Tea Influence
	Homogenous products that need to be differentiated by marketing
	High volume production= Hard to change demand

Question 4.2 Regarding the advantages and disadvantages and considering the Survey results presented in Exhibit 9 (Case Study) where do you think that Delta cafés should focus on selling?

As it was stated during the entire dissertation, the Chinese consumer drinks much more tea than coffee. This survey was launched with the intent of reaching a segment of people inside China under conditions where coffee needed. Despite that, we can see that 45% of people that are in this niche still do not drink coffee.

Focusing now on the 55% of people that drink coffee, we can see that the daily average of coffees that are drunk are around 2.6/day, with an average price disposal of 2.07 Euros (approximately 3.5 times the average price of a coffee in Portugal), and that the consumption is made in both places, home and out of home. So, selling both regular coffee and coffee capsules can be a strategy that Delta might be able to pursue in China. Another interesting point is the fact that when the Chinese consumer thinks about buying coffee, they usually prefer brand stores and coffee shops (together 85% of the buying method). Another interesting fact is that the Chinese coffee customers consider, on average, that Portugal has somehow a positive image, which might lead to an increase of interest towards the brand. So regarding this survey, the price is somehow a strong point to this huge bet of Delta cafés and due to the small quantity of initial consumers, the brand can be launched as an upscale market, building around a more reliable and trustable brand image. Moreover, the fact that Delta could be launched as a luxury brand can leverage the advantages of certain distribution channels, such as Special Stores and HORECA, previously referred in the Case Study.

After answering question 4.1 (advantages and disadvantages) and 4.2 (survey understanding), the reader should be able to comprehend that the most viable solution is the upscale market selling.

Questions Exhibits:

Exibith1: Porter's 5 Forces Model.

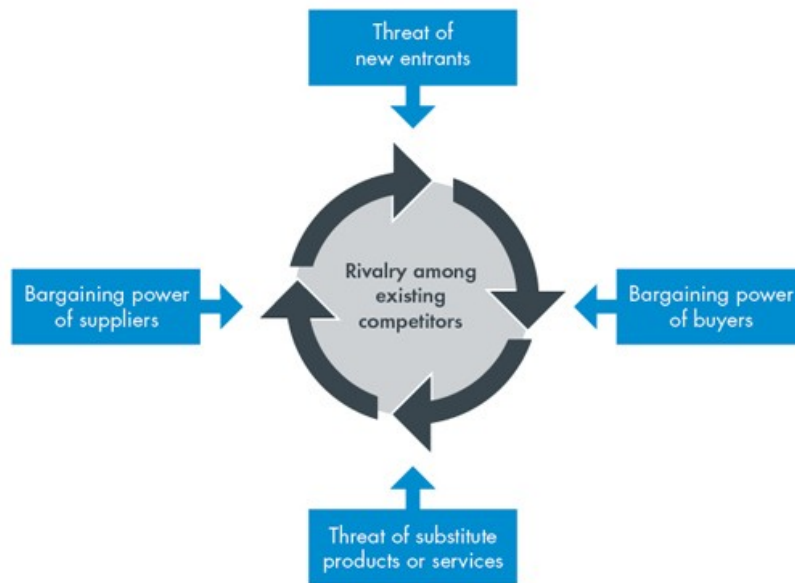
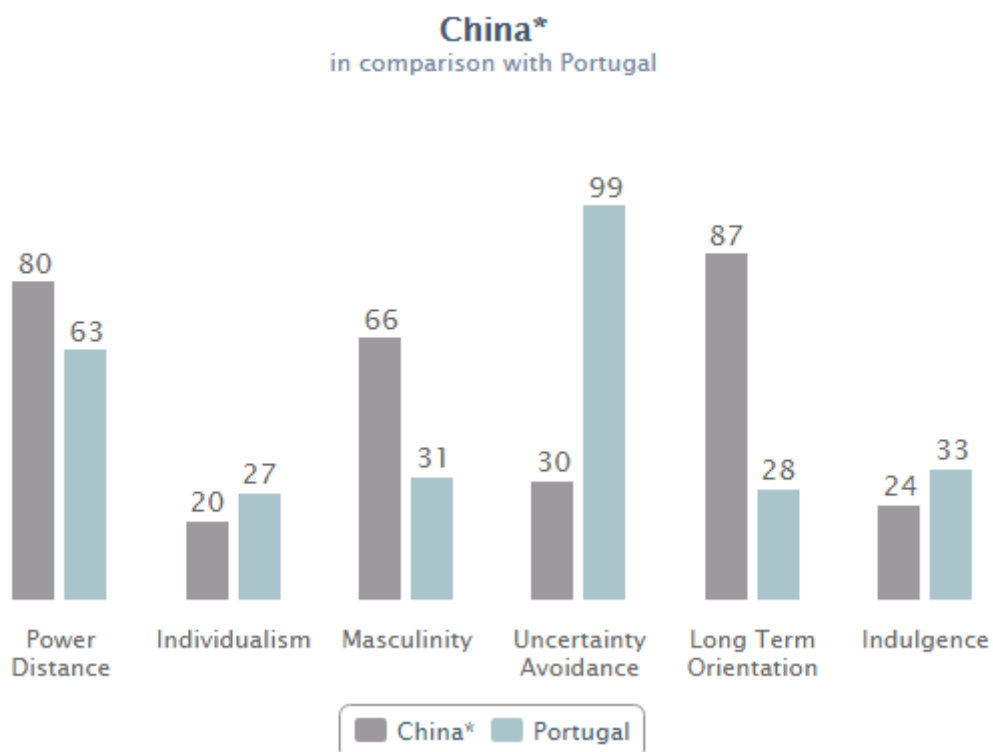


Exhibit 2: China's Dimensions at the eyes of Hofstede.



Source: The Hofstede Center.