



DELTA CAFÉS (PORTUGAL): SUSTAINABLE BUSINESS DEVELOPMENT

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ABSTRACT

In the case study of *Delta Cafés* we discuss the sustainable development of the Portuguese company and brand over the 55 years of their existence. *Delta Cafés* has already been analyzed in terms of marketing activity, social responsibility, management control systems, etc. In this paper, we refer to these studies, and we reach the sources, i.e. the information provided by the *Delta Cafés* itself. Due to the nature of the coffee market and the use of case study methodology, we start the presentation of this case from a broader context, describing the coffee market in the world and characterizing the coffee market in Portugal as well. Then we present the history of the development of the company and the brand *Delta Cafés*. The paper ends with concluding remarks in which we discuss the issues of social and environmental responsibility in the light of the development of *Delta Cafés* business and brand strategies.

Key words: Sustainability, Corporate Social Responsibility, Case Study, Strategy, Coffee Market, *Delta Cafés*, Portugal.

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DELTA CAFÉS (PORTUGAL): DESENVOLVIMENTO SUSTENTÁVEL DO NEGÓCIO

RESUMO

No estudo de caso da *Delta Cafés* apresenta-se o desenvolvimento sustentável da empresa e marca portuguesa ao longo dos 55 anos da sua existência. *Delta Cafés* já foi analisada em termos de atividade de marketing, responsabilidade social, sistemas de controlo de gestão, etc. Este artigo refere-se a estes estudos e explora também as fontes, ou seja, informações fornecidas pela própria *Delta Cafés*. Devido à natureza do mercado de café e às exigências da metodologia de estudo de caso, a descrição do caso começa com a sua inserção num contexto mais amplo,

descrevendo o mercado de café no mundo e caracterizando o mercado de café em Portugal. Em seguida, apresenta-se a história do desenvolvimento da empresa e da marca *Delta Cafés*. O artigo termina com observações finais em que se discutem as questões de responsabilidade social e ambiental à luz do desenvolvimento estratégico do negócio e da marca *Delta Cafés*.

Palavras-chave: Sustentabilidade, Responsabilidade Social Corporativa, Estudo de Caso, Estratégia, Mercado de Café, *Delta Cafés*, Portugal

DELTA CAFÉS (PORTUGAL): EL DESARROLLO SOSTENIBLE DEL NEGOCIO

RESUMEN

En el estudio de caso de *Delta Cafés* se discute el desarrollo sostenible de la empresa portuguesa y su marca durante los 55 años de existencia. *Delta Cafés* ya ha sido analizada en términos de actividad de marketing, responsabilidad social, sistemas de control de gestión, etc. En este artículo se hace referencia a estos estudios y también explora las fuentes, es decir, la información proporcionada por la *Delta Cafés*. Debido a la naturaleza del mercado de café y a los requisitos de la metodología de estudio de caso, la descripción de este caso se inicia con su inclusión en

el contexto más amplio, en que se describe el mercado de café en el mundo y caracteriza el mercado de café en Portugal. A continuación, se presenta la historia del desarrollo de la empresa y la marca *Delta Cafés*. El artículo concluye con unas observaciones finales en las que se discuten los temas de responsabilidad social y ambiental a la luz del desarrollo estratégico del negocio y la marca *Delta Cafés*.

Palabras clave: Sostenibilidad, Responsabilidad Social Corporativa, Estudios de Caso, Estrategia, Mercado del Café, *Delta Cafés*, Portugal.



INTRODUCTION

Delta Cafés, as a brand and company, was founded in 1961 in central-eastern part of Portugal, near the border with Spain. It was founded by 30-year-old Rui Nabeiro, who after 17 years of working in the coffee roasting plant belonging to the deceased father and uncles started with three employees his own venture roasting coffee with its own brand in a warehouse with an area of 50 square meters, and two ovens with a capacity of 30 kg (Lendrevie, Lindon, Dionísio, & Rodrigues, 1996).

At the time, Portugal was not only an importer and a target market for sales of coffee, but also a producer, since part of its territory was in the tropical areas outside Europe.

The history of *Delta Cafés* is a long period of time. In this period of time the regime, the economy and social relations of Portugal have changed. The country emerged in 1974 from a certain type of autarky and socio-economic, as well as cultural backwardness (e.g. Santos, 1994), and began to be hit by cyclical economic crisis, typical of an open economy. *Delta Cafés* also had to adapt to the new constraints, threats and opportunities.

The social awareness of triple bottom line problems in Portugal and in Europe has also increased, if we look from a perspective as distant as the 55 years since 1961. As Elkington (2006) states in his three great waves perspective of the pressure exerted on business to assume the triple bottom line in their activity, the first pressure wave started in the 1960s and had its peak in the passage from the 1960s to the 1970s. Few years later Portugal started to implement economic and social changes as a result of the “Carnation Revolution”, but the concern of business with social and environmental dimensions came much later.

Today, *Delta Cafés* is no longer a small enterprise, but an international and diversified holding company, managed by three generations of the Nabeiro’s family: children, grandchildren and the founder of the company. In the company’s development we can see some turning points, generated both by external conditions as well as by the company itself, and the use of different management strategies (differentiation, costs reduction, internationalization, vertical integration, acquisitions, alliances and others). The only constant elements in its development seems to be just the raw material, i.e. coffee, *Delta Cafés* brand and direct contact with customers, around which the remaining projects were developed as well as the entire holding.

In the World and European, highly concentrated, coffee trade market (Fitter & Kaplinsky, 2001) *Delta Cafés* is an irrelevant player, but in Portugal where it carries nearly 80% of its business, it is the undisputed market leader in several categories.

Delta Cafés is now a well-known and respected brand in Portugal (Andrade, 2013; Rodrigues, Real, Vitorino, & Cantista 2011) and it is considered one of the richest in human values companies operating in the Portuguese market.

Delta Cafés did not lose completely the initial character of a small, family business, where a strong influence continues to exert traits of character, passion, vision and vitality of the 85-year-old founder, although some of his ideas certainly have been developed by others and the initial values extended. Rui Nabeiro has played and still plays an important strategic role, because, as emphasized by Watson (2003) and Aguinis and Glavas (2013), in the development and implementation of organizational strategy, strategists constantly bring their own values, projects and priorities that affect strategy-making process, and are affected, at the same time, by the process of strategy-making in which they are engaged.

In family businesses, the founder exerts a huge influence on the culture and performance of the company (Edwards and Meliou, 2015), nevertheless “empirical evidence suggests that family involvement affects the performance of large firms” (Chrisma, Chua and Sharma, 2005, p. 559). Miller, Steier and Le Breton-Miller (2003) point out, that succession in family business is predetermined by personal factors and the main question is how to identify and deal with succession problems and not so much which of the successors will be the best manager.

In family-owned enterprises, the source of competitive advantage (key assets of the firm) may result from deep knowledge and extensive expertise family members have acquired since early age, close relationships (Kets de Vries, 1993; Edwards and Meliou, 2015) and from the absence of the need to disclose as much information as in publicly held corporations (Kets de Vries, 1993). Less impersonal and less bureaucratic relationships in family firms, mutually supporting relationships among employees, tight integration with local communities, as well as a tendency of family firms to have a longer-term view of their business, which gives the company leaders a different perspective on their principal stakeholders (employees, clients, community, etc.), can positively affect the quality of their products and bring benefits to the firm (Kets de Vries, 1993; Edwards and Meliou, 2015).

The critical point of family business according to Kets de Vries (1993) is the potential incompatibility between the two systems that make it up and interact with each other, i.e., one is the family and the other is the business. Edwards & Meliou (2015) reject this dichotomous and exclusive view, because leadership is not just about family logic and market logic. For these authors leadership in family-owned enterprises is a collaborative, communication-centered process, “an active engagement in value judgment” (p. 1277),



that produces practical effects, when they go beyond resource constraints, innovating and developing ways of working based on ad hoc solutions. “Strategic decisions are not determined by actors as ‘family’ or ‘commercial’ agents but as individuals confronted by complexity and informed by different personal preferences” (Edwards & Meliou, 2015, p. 1283).

According to Edwards & Meliou (2015), the study of leadership in family firms (of reflective actors) should reflect the complexity of the social context (meaningful context). Therefore, it should contemplate the historical analysis, including the biographical analysis of the leaders, as well as other dimensions, beyond the family and the market.

Since companies support costs of assumed social and environmental responsibilities (CSR), they want to use these initiatives to differentiate from competitors in the sector and to inform their stakeholders what they do and what is the purpose of it; so, they must inform or report on these initiatives (Jahdi & Acikdilli, 2009).

Cause-related marketing (CRM) is considered one of the effective strategies to communicate the company's effort in its social responsibility, to strengthen its reputation and to enhance the brand image (Baghi, Rubaltelli & Tedeschi, 2009); charitable donations and marketing tied to important social and/or environmental goals is a way of firm and brand differentiation to increase its market share, which has a positive effect on employee morale, and when necessary, it can contribute to the healing tarnished the company's reputation (Baghi et al., 2009; Cone, 2012, 15 August). CRM or philanthropy as a form of company's CSR raises a lot of emotions and ethical concerns (Baghi et al., 2009), but also raises doubts about its strategic value (Porter & Kramer, 2002; Gautier & Pache, 2015).

Recently, CSR or sustainability reports are becoming more popular; they can serve as an instrument of company management, to measure its economic, social and environmental responsibility and to engage company's stakeholders in its CSR initiatives and their communication (Pichola, 2012). Decision leading to the creation of the CSR/sustainability report is a major step forward in CSR's strategic management (Pichola, 2012). This type of report, in addition to usual forms of communication with stakeholders, also serves to obtain the goodwill of society in general and strengthen the brand reputation, and it is less expected from a family firm than a publicly held corporation (Moravcikova, Stefanikova, & Rypakova, 2015). Companies that communicate about their CSR can cause positive effects (gaining legitimacy, increased confidence, positive brand image, better reputation) or/and negative ones (skepticism, mistrust, negative brand image, reputation damage) among stakeholders (Morsing & Schultz, 2006; Jahdi & Acikdilli, 2009; Tam, 2015), because different groups assign different

meanings to it and have different expectations regarding CSR (Tam, 2015). Available marketing communication tools (public relations, publicity, etc.) are not generally well regarded by consumers and a significant part of the business (Jahdi & Acikdilli, 2009), while communicating on the CSR achievements of the company through external stakeholders is considered one of the most effective communication strategies (Morsing, 2006; Morsing & Schultz, 2006).

In this paper, we assume the concept of sustainability as equivalent to that of CSR, and how it is predominantly understood in Europe (e.g. European Commission 2001, 2011) due to the dissemination effort of European Commission, member states and their governments and agencies (Albareda, Lozano, Tencati, Midttun, & Perrini, 2008). We also assume it as equivalent to that of triple bottom line (or people, planet and profit) as it was coined by Elkington (2006) in 1994, as well as assumed in Global Compact initiative of the United Nations (2000). In this sense, and for the present purpose, we use the term sustainability interchangeably with that of CSR defined as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission, 2001, p.6). According to the results of Bergman's, Leisinger's, Bergman's and Berger's (2015) analysis of the conceptual scope of this term, one of the most widely used meanings of CSR is based on three pillars or domains of sustainability, namely, economic (e.g. increasing competitive advantage, increasing productivity or/and revenue, increasing investment, improving brand reputation, gaining publicity, saving money, avoiding risks.), social (e.g. poverty reduction, health concerns, sustainable societies), and environmental (e.g. eco-friendly and green production, global warming issues, depletion of natural resources, energy efficiency, carbon footprint strategies, investing in specific environmental projects).

As Kolk (2012) notes, in the coffee supply chain multinationals (roasters and manufacturers) play a crucial role in many of the sustainability issues of this sector, while the sustainable coffee market is still immature. Coffee is produced in developing tropical countries like Brazil or Colombia, but it is consumed essentially in the north; as an agricultural commodity, it is considered a buyer-driven chain, i.e. a labor-intensive sector, with production outsourced, while branding, merchandising, advertising, product design, and advanced management systems of the supply chain are concentrated in the hands of large retailers, roasters and traders in industrialized countries (Ponte, 2002; Mehta & Chavas, 2008).

The link of CSR with the company's business strategy has often a different nature in small and medium-sized enterprises than in large companies



(Harangozó & Zilahy, 2015; Lamberti & Noci, 2012; Morsing & Perrini, 2009). Lamberti and Noci (2012) ascribe to medium-sized enterprises certain characteristics concerning the relationship between strategy and social responsibility that distinguish them from small and large companies. It seems that some of these features can still be found in the declared and implemented activities of *Delta Cafés*. As Lamberti and Noci (2012) argue these firms have some of the characteristics typical of small firms (e.g. a risk-based approach to CSR, sociotropism, environmental and social dependence) while others are typical for large companies (e.g. availability of funds and management skills). However, both small and medium-sized enterprises as well as large companies assign different priority to various stakeholders, prioritizing regulatory authorities and shareholders, setting the environmental organizations and local community groups in a lower position (Harangozó & Zilahy, 2015).

The purpose and the aim of the study consist of the analysis of how *Delta Cafés* has developed its business (the firm and the brand), and how it has integrated into its corporate strategy the social and environmental dimensions, in conjunction with the economic one, throughout 55 years of existence; the study also questions if the case can be called sustainable and prone to be replicated as a set of good practices by companies and their leaders.

The activity of *Delta Cafés* during a large part of its history and development was focused mostly in Portugal, more than three quarters of its production is destined for the domestic market and more than three quarters of employment is associated with the national labor market. It is therefore assumed that the main actions should be limited to this country and its economic, social and environmental reality (e.g. market demand for high quality of coffee, changes in coffee consumption habits, strong competition between existing brands, etc.; relatively high unemployment and school dropout rates in comparison with other European Union countries, a large proportion of older people living alone and with health problems, depopulation of the interior territory of the country and concentration of the infrastructures on the coast, etc.; increase in energy consumption associated with the production of coffee capsules, recycling of the materials used in the production, packaging and consumption of coffee, including used capsules, etc.).

Delta Cafés from its beginning is essentially a roaster company and supplier of final products, but it cannot conduct business without the least worry about the social, economic and environmental issues the industry causes at the origins of its raw material in developing countries, because coffee grow and processing cause huge environmental impact, the coffee growers (millions of people with their families) are the weaker part of the coffee value chain, etc. (Cornelli 2014). It is therefore assumed that there is a

need to take some economic, social and environmental actions at coffee origins.

It is difficult and probably not very contributory to the purpose of this study to analyze a case of sustainable business development such as *Delta Cafés* from a unique and predetermined approach or a single perspective. The case has multiple facets of possible analysis that contribute in their own way to the image and evolution of the *Delta Cafés* business as a whole: as *Delta* is a family holding company, it could be approached from the family business perspective; as it is a large company now, but 55 years ago, started as a microenterprise, hence the company size and its corresponding characteristics might constitute an alternative approach to this case; *Delta's* core business - coffee raises issues related to supply chain management and the inseparable value chain problems, which could also provide an alternative analysis of the case, etc. But all these scopes together contribute to the uniqueness of the *Delta* case.

This case is also purposefully not subordinated exclusively to a specific theory (e.g. resource-based view, stakeholders' theory, agency theory, social capital theory), because that would impoverish the case, as some of them (e.g. resource-based view, stakeholder theory, social capital theory) may have important contribution. Therefore, we assume an eclectic perspective here, which in this case seems to be the most appropriate.

METHODOLOGY

To analyze the company and the brand of *Delta Cafés* we use the case study technique, which provides a comprehensive and in-depth analysis of the study object in conjunction with the context in which it is embedded, i.e. its real circumstances (Baskarada, 2014; Lessard-Hérbert, Goyette & Boutin, 1994; Yazan, 2015). The case study analysis is an interpretative and idiosyncratic method. We do not confuse the analysis of the case described here with the method used in teaching, didactics (Lessard-Hérbert et al., 1994), although we try to make the analysis of *Delta Cafés* also useful for this purpose.

In case study, researchers collect data from different and multiple sources (archives and documentation, interviews and questionnaires, direct and participant observations, physical artifacts, etc.), in order to capture the complexity and entirety of the case under study (Eisenhardt, 1989; Baskarada, 2014; Yazan, 2015). The collection of data and their analysis is usually a simultaneous process, in which researchers consolidate, reduce, interpret and triangulate information to produce analytical generalization (Yazan, 2015).

The present case study of *Delta Cafés* is essentially a qualitative and descriptive study.



In the process of collecting information from multiple sources, the authors initially sent an email to info@delta-cafes.pt in March 2015 in order to request documents, information and the possibility of meeting/interviewing. However, this first contact remained unanswered. In July 2015, the authors visited the Coffee Museum at the company's industrial plant in Campo Maior. This visit allowed a subsequent personal contact and interview with one of the top managers of the company, who did not have any family ties with the owners.

In this study, we used simultaneously different sources to collect data: internet sources (websites, blogs and social networks), printed/written materials, our own experience (the authors are familiar with many of *Delta Cafés'* products, as well as descriptive case studies carried out for didactic purposes and published in marketing and strategic management textbooks in Portugal), a personal interview and some visits to the company (headquarters in Campo Maior and warehouse in Lisbon).

In this sense, data and information were collected from: official documents issued by *Delta Cafés* (sustainability reports, annual accounts reports, company and brand presentations, "Delta Magazine" published quarterly by the company, etc.), all of them accessible on the firm's official websites (www.deltacafes.pt; www.planetadelta.pt), but some of them were sent to the authors by the same top manager before their publication in the internet; scientific works (publications in books and scientific journals, doctoral theses and master's degree dissertations), accessed using *Google* and *B-on* search engines or in some cases in a printed form; news and journalistic articles, blogs and social networks related to coffee and the *Delta* brand, using, among others, the following search words "Delta Cafés", "Rui Nabeiro", "coffee", "coffee market" and "café".

The authors had a working meeting and an interview at *Delta's* warehouse in September 2015 in Lisbon with the top manager mentioned above; the issues were presented before the meeting (sent by e-mail) in the form of a set of questions and doubts (Appendix A). The purpose of the meeting was to clarify some doubts and shortcomings in the company's history and its activity, as well as the main turning points (e.g. lack of information about the company's activity in social and environmental dimension before 1974; potential outsourcing practices or collective dismissals, displacement of headquarters outside the country, possibility of the use of fiscal and financial advice of consulting and auditing firms for tax avoidance or evasion, etc.). Later questions were asked via email (Appendix B) with the same person and answered by phone. From the working meeting (the interview and the phone call) we have taken short notes that complemented our view of *Delta's* development in the three dimensions.

Almost all the sources of information used in this process and cited above, brought some, sometimes excessive, redundant information, i.e., reported identical facts, transcribed the same information and data, told the same stories and referred to the same sources. The main redundant themes were the following: the company's founder's life story and its humble roots, the principles of his business, the slogans "the brand with a human face" and "the customer is a friend". Therefore, several documents or their parts with duplicate and redundant information were omitted from the analysis, while others were subjected to a critical analysis, eliminating inconsistencies and demagogic expressions (including advertising and public relations), with the main criterion being the complementarity of the information. To explore the data and information in this case study we used a constant comparative method (Yazan, 2015).

The *Delta Cafés* brand has a huge emotional charge for the Portuguese, so it is very difficult to separate factual from affective information.

COFFEE AND COFFEE MARKET IN THE WORLD

Coffee are dried or fermented ("green" coffee) and usually roasted grains of coffee tree, sold as whole, ground and processed coffee, and as hot or cold drinks made out of it. Coffee comes from North-east Africa and the Arabian Peninsula and is cultivated in more than 70 countries located around the equator (ESCAP, 2011; Marques, 2013). Coffee does not like cold (ICO, 2014), grows best on the forested slopes of the mountains and is mostly cultivated by small, independent or associated in cooperatives farmers (McMurtry, 2008). Coffee tree takes four to five years to start producing coffee and stays productive for fifteen to twenty-five years thereafter (Mehta & Chavas, 2008).

Of the nearly 100 species of coffee, two of them are more common, i.e., Arabica, more appreciated and milder, and Robusta more resistant but bitter in taste (Fitter & Kaplinsky, 2001; Henriques, Carvalho, Narciso, Deus, & Lucas 2014). Coffee is one of the main commercial goods in the world (Ghoshray, 2010; Marques, 2013; Ponte, 2002); it is a cash crop (Pokorná & Smutka, 2010). According to some statistics, coffee is the second in the world most popular commercial commodity after petroleum (ESCAP, 2011; Fitter & Kaplinsky, 2001; McMurtry, 2008; Ponte, 2002) and the second most consumed beverage in the world after water (ABIC, 2010; AICC, 2011).

According to the annual report of the International Coffee Organization (ICO) World production of "green" coffee in 2013/14 totaled 146.8 million bags of 60 kg, while coffee export in the same year was 111.8 million bags; among them the export



of Arabica reached 69.1 million bags, while Robusta exported 42.7 million bags (ICO, 2015).

Coffee grows in developing countries and represents one of their main export commodities (Ponte, 2002; Marques, 2013). In East Timor, for example, up to 80% of export revenues come from coffee exportations. (Henriques et al., 2014). As McMurtry (2008) emphasizes, coffee economy, as in the case of goods such as coconuts/copra, tea or bananas, is based on economic relations inherited from colonial times, where the crop/getting the raw material takes place in the "south" and its added value and consumption takes place in the "north". The largest consumers of coffee, according to data from 2011, are the United States (17% of world coffee consumption), Germany (7.8%), Japan (5.8%), Italy (4.5%) and France (4.5%), (ICO, 2012).

The cultivation of coffee requires a lot of human labor force, because it doesn't allow mechanization. Coffee is also the only source of livelihood for millions of people employed in its cultivation and their families. It is estimated that the revenues of 25 million of small producers and their families depend exclusively on coffee (Fitter & Kaplinsky, 2001; Pokorná & Smutka, 2010). Overproduction of coffee, just as it happened in the first half of the twentieth century in the history of Brazil – the biggest producer of "green" coffee in the world, often led to the destruction of huge amounts of coffee, in order to increase its prices on the market (ICO, 2014). The market is characterized by low price elasticity of coffee supply and demand (Ponte, 2002; Mehta & Chavas, 2008) and "the consumption of coffee tends to increase as income rises, but levels off at the highest income levels" (Ponte, 2002, p. 1104).

Extensive cultivation of coffee with the use of pesticides, fertilizers, irrigation of the fields, etc., has a negative impact on the natural environment: it deprives the birds of their habitats; it causes tropical deforestation, soil pollution, etc. On the one hand, coffee tree is an important contributor to carbon sequestration (hence it is an evergreen shrub), and is effective in stabilizing soils, but on the other hand, one of the main problems for some regions is water pollution arising from wet processing of coffee beans (http://www.ico.org/sustaindev_e.asp); it has a significant "footprint" in developing, poor countries (Fitter & Kaplinsky, 2001).

The problems associated with large oscillations between supply and demand of coffee and the resulting price volatility of the commodity led to attempts of regulating the market by means of international agreements, the creation of different supervisory institutions and the quota system for import/export since the beginning of the twentieth century (ICO, 2014).

After ratification of the International Coffee Agreement of 1962, negotiated in New York under the auspices of the United Nations, the ICO was founded

in London in 1963 in order to "facilitate the expansion and transparency of international trade in all types and forms of coffee" (ICO, 2012, p.1), and to promote cooperation between exporters and importers of coffee (ICO, 2015). ICO is an intergovernmental organization whose mission is the sustainable development of the coffee sector and the reduction of poverty in developing countries (ICO, 2015). Members of the ICO are the biggest producers and consumers of coffee, together representing 94% of world production and 75% of world coffee consumption (ICO, 2015).

The consumption of coffee in the world is growing at 2–2.5% per year and in the near future this trend is expected to continue (ICO, 2015), therefore it is considered that coffee market is in the stage of maturity (Ponte, 2002). From 1960 to 2010 production of "green" coffee almost doubled (Pokorná & Smutka, 2010).

Due to the international (economic, social and environmental) importance of coffee, different organizations were created all over world, whose primary objective is the promotion and sustainable development of this sector of the world economy. But they also support objectives such as the growth and awareness of the role of women in the coffee sector, social and environmental responsibility of consumers, distributors and manufacturers, fair trade, etc., as for example *European Coffee Federation* (<http://www.ecf-coffee.org/>), *International Women's Coffee Alliance* (<http://www.womenincoffee.org/>), *Association for Science and Information on Coffee*, (<http://www.asic-cafe.org/index.php>).

In the world coffee market, there are four main types of certified coffee, based on standards of sustainable cultivation, processing and trade: *Fairtrade*, *Rainforest Alliance*, *Organic* and *Utz* (Kolk, 2012). Kolk (2012) emphasizes that the multinational companies, such as *Nestlé*, *Kraft* and *Smucker* and previously *Procter & Gamble*, play a particularly important mediating role in the chain of coffee processing between producers and consumers. The share of coffee, based on the standards of sustainable cultivation, processing and trade in the world coffee market, i.e., the four basic types of certified coffee, including the programs of *Starbucks* (*Coffee and Farmer Equity Proactive*, CAFÉ), *Nestlé* (*AAA Nespresso*) and *4C* (*Common Code for the Coffee Community*), represents only about 6% (Kolk, 2012).

The amount of coffee cultivated in conditions favorable to the environment or people is small (Pokorná & Smutka, 2010; Kolk, 2012), and the international coffee trade insufficiently supports developing countries, resulting in an unequal distribution of revenues generated from the production and trade of coffee by the various parties involved in the creation of its value chain (Fitter & Kaplinsky, 2001; Henriques et al., 2014; Pokorná & Smutka,



2010). Although in recent years the situation seems to be changing positively, because many companies (*McDonalds, Ikea, BP, Walmart, etc.*) are developing projects based on social responsibility, either in the form of an overall strategy of sustainable development of the company, or just stocking up on certified coffee (*Utz, Fairtrade, Rainforest Alliance or Organic*), this cannot be seen in existing statistics, as they refer to historical rather than current data (Kolk, 2012).

While coffee commodity market does not internalize into its prices the real social and environmental costs of production, sustainable coffees market (organic, eco-friendly, biological, fair trade, shade grown, bird-friendly, ethical, responsible, etc.) is among the faster-growing market niche (average sales growth in recent years has been five times greater than that of conventional coffees) (ICO, 2003). It gives greater profits all along the supply chain, rewards with premium prices, mobilizes cause-conscious consumers, influences labor standards in developing countries and corporate social responsibility, brings positive externalities at the producer side (e.g. improved natural resource management; biodiversity conservation; crop resilience to weather and climatic risk; on-farm diversification and fewer external input costs reduce financial exposure; community or organizational development and increased use of rural labor; fewer health risks due to misuse of pesticides and fertilizers), but it needs independent third party verification of sustainable practices for certification and, normally, a high quality products (ICO, 2003).

The participation of Portugal in world imports of coffee from the years 1997-2011 amounted to only 0.7%, according to market research conducted by *Euromonitor International* of 21 countries importing coffee (ICO, 2012). The main countries from which Portugal imports coffee are Spain (14.8%), Brazil (12.6%), Vietnam (9.6%), Uganda (8.5%) and Ivory Coast (7.4%) (ICO, 2012), but it differs in other years.

Annual consumption of coffee in Portugal in 2011 amounted to 4.7 kg per capita, which is below the European average of 6.4 kg (ICO, n.d.; Lusa, 2014, April 13).

Statistics from the years 1997 - 2011 show that roasted coffee represents 83.5% of the total coffee consumption in Portugal (89.3% in 1997 and 82.6% in 2011), while instant coffee refers to 14.7% (ICO, 2012). The same statistics show that Portugal is one of the few countries where most of the coffee is consumed outside home (60.3%), and only 39.7% at home. Most coffee consumption outside home takes place in independent, owner-operated coffeehouses and restaurants, and only a small percentage applies to coffeehouse chains. In recent years, however, one can observe an opposite tendency, i.e. a decrease in the consumption of coffee outside home and an increase in the consumption of coffee at home (ICO, 2012). Ribeiro Silva and Castro (2012) justify it with a

change in the habit of coffee drinking: moving away from the traditional mode of consumption towards more valued and high quality coffee in capsules. The consumption of coffee in capsules, in 2010 increased by 75% (in value) and 61% (in quantity), reaching 49% of the total coffee market in the country (Ribeiro et al., 2012).

The research conducted by Marques (2013) in a non-random sample of 919 individuals, shows that the most popular coffee brand (top-of-mind awareness) in Portugal is *Delta Cafés*, followed by *Nespresso*. The same survey shows that 55.2% of consumers are loyal to their preferred brand of coffee.

In Portugal, there are 16 coffee producers who own 40 coffee brands in sales, accounting for 85% of the domestic market, while the remaining 15% belong to 15 companies with a small market share (Marques, 2013). *Delta Cafés*, together with the brand *Camelo*, both belonging to *Grupo Nabeiro*, and brands *Buondi, Sical, Tofo, Christina, Nespresso, Nescafé, Nescafé Dolce Gusto*, belonging to *Nestlé*, are the most popular brands of coffee in Portugal (Marques, 2013).

Almost all these brands and companies have a social and environmental responsibility inscribed in their missions or develop a variety of projects and activities associated with it, also because "corporations' success in creating positive CSR news stories is advantageous in protecting their image during crises" (Tam, 2015).

DEVELOPMENT OF DELTA CAFÉS COMPANY AND THE BRAND

Since the beginning, *Delta Cafés* is headquartered in the village of Campo Maior, currently inhabited by about 7,500 residents, located in the Alentejo region. This region, as the largest part of Portugal, not to mention the coast, is constantly depopulated. The chance of finding employment there is little or none.

The beginnings of *Delta Cafés* focused on gaining market trust and building brand image. For this purpose, over the years, it expanded a network of friends who, in turn, recommended the brand to their friends and acquaintances, gaining customers loyalty (*Delta Cafés*, n.d.). The management principles followed by Rui Nabeiro are expressed in the slogan promoted by *Delta Cafés* "the brand with a human face", as well as in the trade relations based on the assumption that "the customer is a friend" (*Delta Cafés*, 2012; Lendrevie et al, 1996; Lindon, Lendrevie, Lévy, Dionísio, & Rodrigues 2010). The tactics consisted of an individualized approach to customers; each situation was treated as a unique and distinct from the other, which in practice meant direct contact and physical closeness with customers (*Delta Cafés*, 2012; Lendrevie et al, 1996).

Before 1974, *Delta* was a micro, a small, and then a medium-sized company. As the founder,



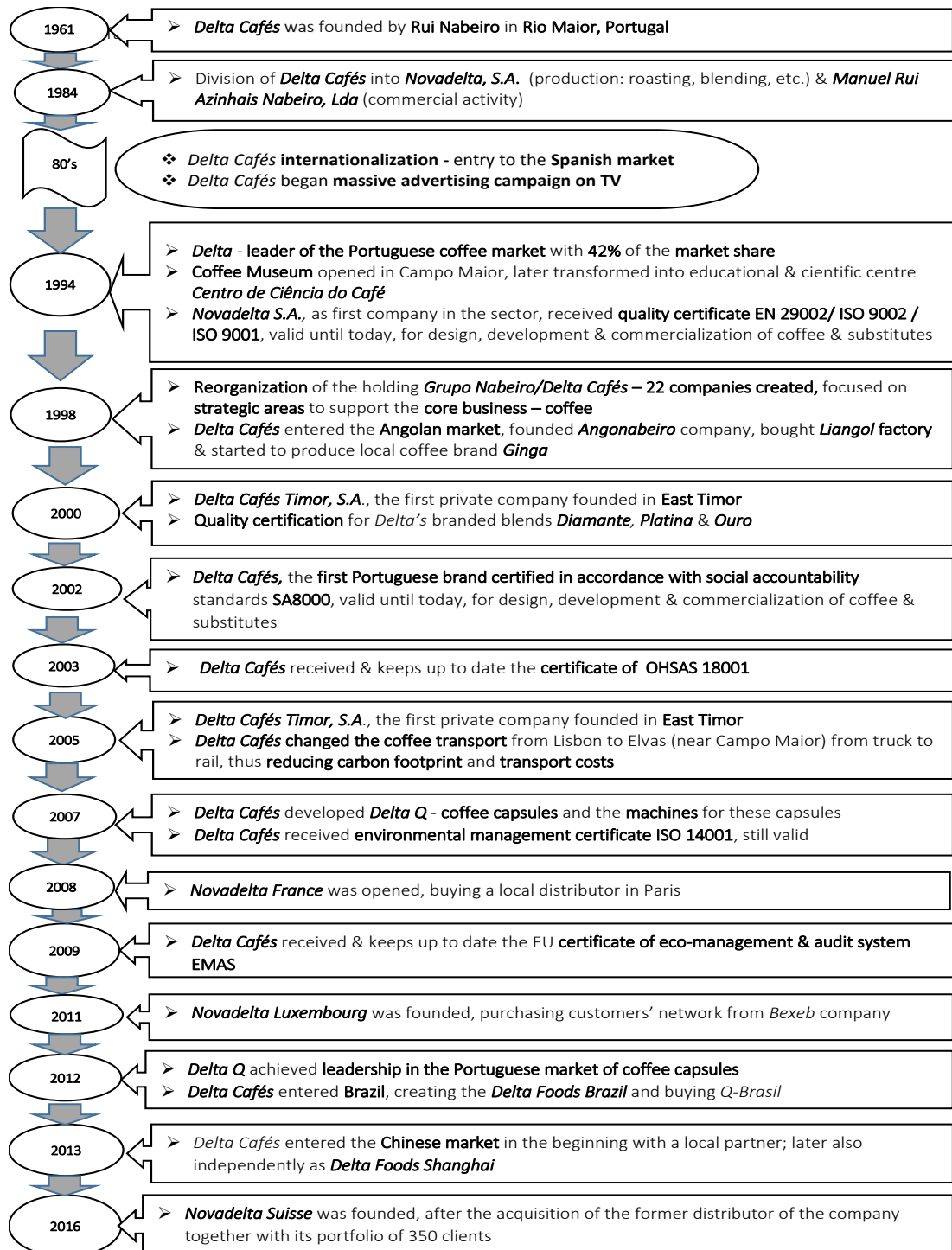
himself recalls: "At that time there was industrial and product conditioning, the businessman was always under pressure (because of the Treasury), the family had already done what it could to keep the employees "happy", although the *Estado Novo* took the workers to work longer hours than what it was supposed to" (Lusa, 2014, April 25).

In 1974, the year of "Carnation Revolution", *Delta* employed 77 workers.

In the years 1972-1986, with a short break, the founder of the company/brand *Delta Cafés* managed the company and was also the mayor of the village of Campo Maior. This gave him the opportunity to look at the broader socio-economic and environmental problems.

Selected historical marks of *Delta Cafés* development are presented on figure 1.

Figure 1. Timeline of *Delta Cafés* firm and brand development





Delta Cafés holding develops strategy of only one brand *Delta Cafés* and implements or creates a variety of services divided into segments based on the strategic business units and communication with the market (*Delta Cafés*, n.d.), while the process of internationalization followed the route of the Portuguese diaspora.

Currently, *Delta Cafés* belongs to the *Nabeirogest SGPS, S.A.* holding, which owns 27 companies in various industries such as transport, distribution, services and trade, hotels and restaurants, real estate, agriculture and food industry (including wines and olives processing), car repair, installation of industrial equipment; this diverse activity developed around the basic product which is coffee (*Delta Cafés*, 2015).

Delta Cafés employs over 2.5 thousand of employees, serves more than 61 thousand of direct clients in the Iberian market, has 22 sales offices in Portugal and 16 in Spain, is present in 30 countries, leading direct operations in 7 of them, brings coffee from over 60 different origins (*Delta Cafés*, 2015; Lopes, 2016, 11 February).

Some of the projects in which *Delta Cafés* is or was involved with multiple partners are:

- As a part of the "Sustainable Development in the Origins" program, *Delta Cafés* has supported the training of local workers and contributed to the development of local communities, a small coffee farmers, in East Timor, Angola, Brazil and São Tomé, with the purpose of promoting environmentally friendly actions, including the rational cultivation of soil, the sustainable development of planting, water conservation and use of renewable energy sources (Lindon et al., 2010). The project is continued only in Angola.

- *Um Café por Timor* was a campaign organized within the initiative "Sustainable Development in the Origins", whose aims were to build up local infrastructure, reconstruction and equipment of schools, provision of equipment for the processing of "green" coffee, practicing fair price; EUR 0.25 from each sold pack of coffee blend *Delta Timor* was sent to East Timor (*Delta Cafés*, n.d.; Lindon et al., 2010).

- In 2000, employees voluntarily took the initiative named *Um Coração Chamado Delta* to collect clothes, books and toys for families in need in Portugal, Angola, Mozambique and East Timor. In 2005, this project was transformed into an association of social assistance named *Coração Delta - Associação de Solidariedade Social*, with the involvement of the holding companies and their employees. As a result of its activity among others, in 2007, the educational center *Centro Educativo Alice Nabeiro* was

established in order to care for 115 children and develop, *inter alia*, their entrepreneurial skills (Lindon et al., 2010; Andrade, 2013). The project of entrepreneurship development among young people continues in different age groups (3-12 years and 13-18 years), and it has also developed textbooks of entrepreneurship for them.

- *Planeta Delta* was an initiative launched in 2007, associated with climate changes occurring on the planet (Andrade, 2013; Lindon et al., 2010).

- The "Rui Nabeiro - *Delta Cafés*" Biodiversity Chair, created in 2008, resulted from the partnership between *Delta Cafés* and the University of Évora, as the first in Portugal with exclusively private funds. Its main area of action is research on environmental and climate changes and its impact on biodiversity at local, regional and global levels, but it also aims to support scientific development, the promotion of advanced training and the dissemination of scientific knowledge. *Delta Cafés* contributed to this initiative with 100,000 euros per year for a period of five years. The initial financing of *Delta Cafés* allowed to raise national and international funds in an amount three times superior to the initial investment (*Delta Cafés*, 2009; Cátedra "Rui Nabeiro - *Delta Cafés*" Biodiversidade, 2013).

- *ReThink* (2009-2011), a pro-ecological research project, that would close the product cycle, developed within the initiative *Planeta Delta*, aiming to recycle coffee grounds and capsules of *Delta Q*, and to replace plastic in the manufacturing of capsules by biopolymers (Andrade, 2013; Lindon et al., 2010).

- *Q Innovation* (2011-13) was a project aimed to raise the competitiveness of the company, increasing its share in the domestic market, exportation and penetration of new markets; it also aimed at increasing plant productivity and the performance of teams, improving information efficiency, control, etc.

- *Coffeeart* (2012-14) it was a project developed by the company, serving the development of a new market for coffee consumption, involving the development of a new concept of coffee, based on research (consumer behavior, coffee value-added analysis, etc.) in combination with design and artistic creativity, because as Fitter and Kaplinsky (2002) said, "coffee is a product with enormous potential for differentiation" (p.4).

- *Grão Maior - Escola Barista Delta Cafés* - the foundation of a professional school for bartenders operating in the *Centro*



Internacional de Pos-Graduação Comendador Rui Nabeiro in Campo Maior, aiming to train bartenders, to expand the profession, and to organize bartenders' competitions (Delta Cafés n.d.).

- *Café Memória* is an initiative aimed at combating the symptoms of Alzheimer's disease (*Delta Magazine*, 2014, October-December).

- *Tempo Para Dar* is an initiative associated with volunteering and creating a network of local partners to ensure the satisfaction of basic needs of the elderly.

- *Campo Maior Vila Solidária da Europa* aims to promote successful learning, the integration of the Romani population, promoting entrepreneurship and economic activity (*Delta Magazine*, 2014, April-June).

TRIPLE BOTTOM LINE STRATEGY OF THE COMPANY AND THE BRAND OF *DELTA CAFÉS*

As the example comes from the top and influences the others, so many authors (e.g. Castro, 2012; Lendrevie et al., 1996; Silva, 2013) attribute the success achieved by *Delta Cafés* to its founder Rui Nabeiro - his character features, work ethic and skills to live with people. Rui Nabeiro, whose school leaving education was primary school, is a humble person – according to various sources quoted in this text, with great personal dignity and proud of his heritage.

Rui Nabeiro is considered an entrepreneur and an expert in the rules that govern coffee market (Delta Cafés, n.d.); a visionary person (Lindon et al., 2010), who knows personally 90% of its direct customers (Lendrevie et al., 1996), and who manages the company in a way dedicated to people (Lendrevie et al., 1996); who could instill in employees the philosophy based on humbleness, teamwork and dedication to the company, which contributed to the development of good and lasting relationship with customers (Castro, 2012; Lendrevie et al., 1996). This type of relationships with internal and external stakeholders allows this company as well as many others family-owned enterprises to reap social capital (Chrisman, Chua and Sharma, 2005).

Some interlocutors from *Delta Cafés* emphasize that being a mayor of the village of Campo Maior for several years, and being a manager of the largest company in the region at the same time, significantly influenced his attitude, knowledge and interest in local affairs (the people, their conditions of existence and the environment).

According to Lendrevie et al. (1996), the activity of the company is based on four main pillars: continuous attention to quality of products and

services; management of the company based on the slogan "the brand with a human face" and trade relations based on the principle of "the customer is a friend"; providing an overall services, supported by training, technical knowledge with the use of promotional materials; active cooperation with social groups in need, in order to lessen their shortages.

Lindon et al. (2010), in turn, write about the three levels on which *Delta Cafés* is developing an integrated system of social responsibility: the business level, which focuses on innovation, self-directed learning and visionary leadership, with the aim of sustainable development of the company; the human level, trying to instill upon coworkers the willingness and ability to change, while respecting their development and the development of their families; the commitment to social issues in order to support them.

The company's culture visible to the outside, developed on principles such as humbleness, perseverance, teamwork, dedication to the company, respect for others, which contributed significantly to the loyalty and commitment of consumers to *Delta Cafés* and meant that the company is one of the richest in human values companies operating in the Portuguese market (Castro, 2012; Lendrevie et al., 1996). Andrade (2013) depicts it as a case of organizational happiness and adds some other features such as solidarity, security, technical competence and a strong will to learn. The values promoted by the company itself are integrity, transparency, loyalty, total quality, responsible innovation, sustainability, solidarity and truth (Delta Cafés, 2011; Delta Cafés, 2015). In the family firm workers "share the family's outlook toward customer service, quality, and productivity. This is a covenant that works both ways" (Kets de Vries, 1993, p.63).

One of the main strategic goals of the company since the beginning of its activity was not so much expanding market share, but rather to maintain customer loyalty, hence "each situation was considered to be exceptional and treated individually" in the *Delta Cafés* (Delta Cafés, n.d.; Lendrevie et al., 1996). This strategy demonstrates the sociotropism, the social dependence of the firm, as well as years of work on the reputation of the brand. Further foreign expansion, unrelated diversification and the growth in the market share were other strategic goals, which began to dominate with the entry to the board of the third generation of the family Nabeiro, which is reflected in their activities (e.g. Silva, 2015, 24 May). The future will show whether this is the right, wrong or complementary direction, because the individual treatment of customers and the quantitative expansion in the market seem to create tensions and impose necessary trade-offs. However, as Chrisman, Chua and Sharma, 2005) state, the social capital accumulated by a large and diversified family-owned enterprise can generate economies of scope and can be used by the



firm as a competitive advantage. On the other hand, we must not forget the small size of the national market, its saturation, and the need for *Delta* to have more funds to support, for example, environmental and social initiatives and projects.

The future strategic development of *Delta Cafés* is inextricably linked to the new markets of countries producing green coffee (developing countries) and the so-called emerging economies, because coffee consumption in these countries is increasing more than in the rest of the world (ICO, 2003; Oliveira, 2014). *Delta Cafés* is already present in some of these countries: in Angola by *Angonabeiro S.A.* is developing selected coffee blend of *Delta Mussulo* and directly supports the local coffee growers; in Brazil it is developing selected coffee blend of *Delta Manaus* through a strategic partnership with *Fazenda Ipanema*, managed on the basis of *Delta Cafés* ethical principles (Lindon et al., 2010), while in China, exclusively online sells coffee machines and capsules of *Delta Q* (Silva, 2015, 09 October). According to the data of sustainability report (Delta Cafés, 2009), in 2008, *Delta* had already purchased 30% of coffee from local suppliers in the origins of the coffee.

Delta Cafés has always actively participated in philanthropic activities for the community (at the local, regional, throughout the country and at the international level), for which the company received numerous awards and distinctions, while Rui Nabeiro was considered a trustworthy person (*Delta Magazine*, 2015, January-March). Campaign for East Timor *Um café por Timor* brought her in 2003 international prize "The positive impact on society" given by *Social Accountability International*. The project in East Timor had no follow-up, due to the unstable political situation in this country and the devastation of *Delta* property in 2000. Yet, the company still imports coffee directly from East Timor. As to partnerships and support to growers that foster environmental sustainability *Delta* focuses in Angola. In Angola, where it has been present for many years, *Delta* buys coffee, providing income to about 40,000 families, encourages a culture of responsible coffee cultivation, providing training to coffee growers (soil conservation, sustainable plantation management, use of renewable energies) and inculcates the adoption of best practices by them. The purchase of coffee in Angola is subject to fair trade rules and results from the partnership with the NGO *Equação* and the *CTM – Altomercato* consortium.

Delta Cafés did not change its headquarters from the small provincial village to the large urban center like Lisbon or Porto. It is situated in the *Alentejo* region that like all the interior regions of Portugal, excluding the coastline, is depopulating. Conversely to other companies, *Delta Cafés* did not transfer its headquarters to tax heavens, did not transfer it abroad in order to reduce production costs

(*Delta Cafés* coffee brand has never been produced outside Portugal) (Oliveira, 2014), and this behavior contributes to the image and reputation of the company and the brand as a trustworthy and socially responsible one.

Delta invests in human capital, providing its employees (they all work in full-time) health insurance with access to a network of health care services, shuttle service and dining, all free of charge, as well as training in adapting to technological developments, etc. (Delta Cafés, 2015). In relation to the environment, it has implemented an environmental management system, which is part of the integrated management system; *Delta* has also implemented the environmental certification standards according to the norm NP EN ISO 14001; the level of water consumption at *Delta* has to do with showering and facilities cleaning, but water does not intervene in the productive process; fuel consumption is related to transport and this, in turn, to the type of *Delta* business, etc. (Delta Cafés, 2015).

Delta Cafés and Rui Nabeiro play an important social role, supporting more than 40 social institutions (Lendrevie et al., 1996), like fire departments, schools, including special schools, parents associations, organizations to fight AIDS and cancer, Portuguese Red Cross; the firm organizes professional trainings and practices, participates in UN Global Compact Network Portugal (<http://globalcompact.pt/>), supports scientific researches, amateur sports, artistic activities, the Portuguese Olympic Committee, etc. It is involved in several projects that fit in with the wider social, environmental and economic responsibility or triple bottom line: it contributes to the socio-economic development of the local community (development of young people, care for the elderly or the sick people, including the Romani minority), cares about the quality of life of employees and their families, sponsors sport projects, funds scientific researches, tries to rationally manage natural resources (it reduces the consumption of water and electricity), cares for the environment (it increases the recycling of waste, water treatment, makes reuse of capsules, etc.), expands trade in a sustainable way (it imports coffee, although in small amounts, from certified sustainable cultivation/trading origins like *Rainforest* and *Utz*; while taking care of biodiversity, it brings coffee from over 60 different origins, sometimes buying it directly from growers, as is the case in Angola), supports employee voluntary work, working with NGO's, etc. (Delta Cafés, 2015; Lindon et al., 2010).

The strategy of sustainable development and social responsibility is inscribed in the mission of *Delta Cafés*, while the company itself publishes reports on sustainable development for years, including on-line on its website (www.deltacafes.pt). Last November, it had already published its seventh report in accordance with the guidelines of the Global Reporting Initiative – GRI G4 (Delta Cafés, 2015).



This report has been verified by an independent external auditor from PricewaterhouseCoopers. Based on the GRI standard, *Delta Cafés* can use the sustainability report to determine its strategic objectives and obligations in terms of CSR as well as measuring the level of their performance (Pichola, 2012). In addition, the selection of the topics considered most important for the sustainability report of *Delta Cafés* resulted from the consultation (interviews and online survey) with its main stakeholders (investors/Nabeiro family, clients/consumers, employees, community, State and local authorities, NGOs, suppliers).

Contrary to the theses raised by Harangozó and Zilahy (2015) on differentiation made by firms between stakeholders, *Delta Cafés* not only does not marginalize the environmental organizations and the

local community groups, but also treats them on an equal footing. It is enough to remember the initiative *Um Coração Chamado Delta* and the project of entrepreneurship development among young people in the local community of Campo Maior, the initiative *Café Memória* which aims to combat the symptoms of Alzheimer's disease; the initiative *Tempo Para Dar* associated with volunteering and creating a network of local partners to ensure the satisfaction of basic needs of the elderly people; the initiative *Campo Maior Vila Solidária da Europa* which promotes the integration of the local Romani population and their economic activity, etc.

Selected indicators of *Delta Cafés* economic, social and environmental performance from the last five years are presented on table 1.

Table 1. Selected indicators of *Delta Cafés* performance (2010-2014)

	2010	2011	2012	2013	2014
Sales in euro	263.335.895	282.974.001	285.971.048	288.187.508	307.085.081
ROE-return on equity	24,40%	7,86%	1,69%	7,48%	19,61%
ROA-return on assets	9,69%	2,98%	0,59%	3,03%	9,30%
Total number of employees	1929	2051	2454	2435	2516
Employment in Portugal	1505	1596	n.d.	1936	2002
Water consumption (m³)	58.303	38.872	67.016	62.683	56.181
Emission of CO ₂ in tons per sold coffee	0,57	0,57	0,69	0,72	0,73
Energy consumption (GJ)	201.458	206.938	233.015	230.923	233.103

Source: Elaborated based on data from Delta Cafés (2011, 2012, 2015).

Delta's corporate social responsibility policy has positive effects on the image of the brand, because consumer associations triggered by *Delta Cafés* influence their behavior (increases brand loyalty); this in turn affects the willingness of consumers to pay higher prices (premium price) for its products, increases the effectiveness of the marketing instruments and causes that the company achieves better economic results (Rodrigues et al., 2011). However, as pointed out by Oliveira and Rodrigues (2012) in the summary of their study on competing brand *Nespresso*, even though the company policy related to social responsibility is important to build a strong brand image, which affects consumer loyalty and which is reflected in the willingness to pay higher prices for goods and services, the relationships between variables (a good brand image and/or firm reputation) with a tendency of consumers to pay higher price (premium price) are fragile and cannot survive economically difficult times.

The exemplary journey of a company as this one usually raises questions: Is this all true? Is there anything hidden behind? Was there any problem in the economic, social or environmental dimension?

Therefore, we sought after, as more appropriate, in weblogs and in journalistic news information about scandals, complaints, frictions, dark sides and reports of improper conduct. The only things we found were the turning points in the *Delta's* and his founder's history, presented below. But there was no negative news anywhere.

Skillfully and with a smattering of luck *Delta Cafés* has used to its advantage several critical moments (turning points) in its history.

- During the corporatist, authoritarian regime of so-called *Estado Novo* before 1974, despite the harassment by the tax authorities, the company survived in the market and even developed.

- After the "Carnation Revolution" in 1974 the company had difficulties in obtaining raw materials, because Portugal lost its former colonies, where coffee was grown. Then Rui Nabeiro in a decisive but risky action solved the problem – this can be considered an example of ad hoc solutions of a family-owned enterprise leader to overcome obstacles in practice given in literature (Edwards &



Meliou, 2015). He put everything on one card, chartered a ship and brought all the necessary “green” coffee from Luanda (Angola) to Campo Maior.

- After 2000, shortly before the recession, which had severe consequences for Portugal and the Portuguese, the company has developed capsules of coffee *Delta Q*, gaining leadership in 2012 in this market *ex aequo* with the *Nescafé* line of *Dolce Gusto*. When entering a new market, with a strong upward trend, it had to overcome the existing market barriers (R&D costs of new product, a small 10 million domestic market, a strong multinational competitor, etc.), but it has joined forces with other national companies, used the campaign in favor of domestic production (*Compro o que é nosso* - “I buy what is ours”) and the brand image and reputation of the national company with a recognized quality (Ribeiro, Silva, & Castro, 2012). In this way, *Delta* opposed the recession, reaching a 6% increase in sales, being 90% of this growth achieved by sales of coffee capsules (Lopes, 2012, 01 February). It seems, however, that *Delta Cafés* did not really actively oppose the recession, but rather the recession with social and institutional support of domestic production helped *Delta Cafés* achieve success in this case.

- The CSR communication strategy affects not only the company's reputation and trust among the external stakeholders, but it has also an impact on its internal members, their identification with the workplace, loyalty, etc. (Morsing, 2006). *Delta* knows the importance of communication and cooperation with stakeholders, and therefore is open to suggestions and to take up projects in partnership, but it is also sensitive to any potentially negative connotations. In 2006 it became the target of a tax police operation as a result of suspected tax fraud; in response to the media, *Delta Cafés* stressed “the gravity of the facts (violation of investigation confidentiality) to the national and international image of the group” (Candoso, 2006, 08 December).

CONCLUDING REMARKS

The strategy of proactive development in three dimensions (economic, social and environmental) of the company and the brand *Delta Cafés* over the years resembles an incremental methodology (confirmed by *Delta* in their last sustainability report, *Delta Cafés*, 2015), since awareness of the social and environmental problems of the company's leaders increased as the business grew and brand's credibility

was strengthened. An example of this is the diversity of problems actively pursued by *Delta*, as well as the quality of the response it has given to these problems.

Concerning the first specific question about *Delta's* activity in economic, social and environmental dimensions limited to the Portugal, where it operates mostly, after analysis of the presented material, we have to confirm *Delta's* dominant engagement in promotion of sustainable development of its business and complementary activities, with main initiatives tightly related to its core business.

The reputation of *Delta Cafés* brand in the Portuguese market, as socially and environmentally responsible, as well as purely national, raises expectations that it will embrace more causes. However, to solve these additional problems, more human, financial, and organizational resources are needed. Just as Portuguese society became dependent of the *Delta Cafés* help and support, so the company has become dependent on its image in society and market. Any deviation from this pattern may have unpleasant consequences for *Delta Cafés*.

Much of the initial development of the company and the brand is inseparable with the founder's personal life. He is a man of action, who seems to face the problems and challenges based on his experience, but also intuitively using the methodology of trial and error, as well as ad hoc practical solutions. His sensitivity to social and environmental problems was reinforced by the awareness gained throughout his experience of life and work. Despite his vitality, he is already old, so here the issue of succession in family-owned enterprise arises.

Regarding the second specific issue of *Delta's* activity at origins, in countries where coffee grows, considering initiatives in East Timor, Angola, etc., we also have to confirm *Delta's* strong involvement in economic, social and environmental dimensions and compromise in promotion of sustainable development of its suppliers.

Building a sustainable development strategy is a continuous and dynamic process in which not everything and not always runs smoothly. As it often occurs, when a company tries to combine the economic dimension with the social and environmental one, failures and necessary changes happen. This general statement is confirmed by some critical moments in *Delta's* history, described in the previous section, as well as the discontinuity of the project in East Timor.

After a thorough analysis of documents, data and information from various sources, no negative facts were found. However, the partnership with the Angolan government in the coffee factory/business (*Ginga* coffee brand) is at least dubious, since this government is considered by Transparency International as one of the most corrupt. But here another question arises: In a highly competitive



market in which *Delta* competes, could it leave this opportunity and the door open to competitors? Who

would support the Angolan coffee growers in its absence?

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- Appendix A.** The set of questions and doubts which guided the interview with the top manager of the *Delta Cafés* sent by e-mail before the meeting, in the European Portuguese original and the English translation



The original question in the European Portuguese	The English translation of the question
1. Qual foi o contributo da <i>Delta Cafés/Grupo Nabeiro</i> para o desenvolvimento sócio-económico da região (grandes passos) em que está inserido ao longo dos anos?	1. What was the contribution of <i>Delta Cafés/Nabeiro Holding</i> to the socio-economic development of the region (great steps) in which it has been inserted over the years?
2. Desde 1961 (ano da fundação) até ao início de 1980 não há informação sobre o que <i>Delta Cafés</i> fez (em termos daquilo que hoje em dia consideramos como responsabilidade social)? Nos casos elaborados sobre <i>Delta Cafés</i> , inclusive mestrados e doutorados (que repetem a mesma informação), assim como no próprio site da empresa, excepto uma informação imprecisa sobre a construção habitacional para os trabalhadores, não encontrei nada.	2. Since 1961 (foundation year) until the early 1980's there is no information about what <i>Delta Cafés</i> did (in terms of what we nowadays consider social responsibility)? In the cases elaborated on <i>Delta Cafés</i> , including master's degrees and doctorates (which repeat the same information), as well as on the company's own website, except for inaccurate information on housing construction for the workers, I did not find anything.
3. Em que consiste a responsabilidade social e ambiental ("triple bottom line") da firma <i>Delta Cafés</i> ? Qual é a história da responsabilidade social da <i>Delta Cafés</i> ?	3. What is the social and environmental responsibility ("triple bottom line") of <i>Delta Cafés</i> firm? What is the history of <i>Delta Cafés</i> ' social responsibility?
4. A sede da <i>Delta Cafés</i> para fins tributários é em Portugal ou no estrangeiro?	4. The headquarters of <i>Delta Cafés</i> for tax purposes is in Portugal or abroad?
5. <i>Delta Cafés</i> recorre à consultoria (inclusive auditoria) fiscal e financeira das empresas de consultoria/auditoria do tipo <i>Deloitte & Touche</i> , <i>PriceWaterhouseCoopers</i> , <i>Ernst & Young</i> ou <i>KPMG</i> no sentido de elisão e/ou evasão fiscal (tax avoidance or evasion/planeamento fiscal)?	5. <i>Delta Cafés</i> makes use of the tax and financial consultancy (including auditing) of <i>Deloitte & Touche</i> , <i>PriceWaterhouseCoopers</i> , <i>Ernst & Young</i> or <i>KPMG</i> consulting and auditing firms in the sense of tax avoidance or evasion?
6. A <i>Delta Cafés</i> utiliza (ou recorre à) "outsourcing"? Caso sim, em que áreas e porquê?	6. Does <i>Delta Cafés</i> use (or resort to) outsourcing? If yes, in what areas and why?
7. A <i>Delta Cafés</i> já fez despedimento de trabalhadores, refiro-me ao despedimento em grupo ou fora de Portugal?	7. <i>Delta Cafés</i> has already dismissed workers, I mean the collective redundancies or outside Portugal?
8. Como evoluíram as vendas em euro e os resultados financeiros da <i>Delta</i> (gostava de saber em termos genéricos a evolução ao longo dos anos, eventualmente com justificação das dificuldades ou crescimentos súbitos)?	8. How did sales evolved in euro and what were the financial results of <i>Delta</i> ? (In general terms how was the evolution over the years. Could you mention (possibly with justification) the reasons of difficulties or sudden growths)?
9. Quantas pessoas no total emprega a <i>Delta Cafés/Grupo Nabeiro</i> ?	9. How many people in total employs <i>Delta Cafés/Nabeiro Holding</i> ?
10. Qual é a estrutura de propriedade da <i>Delta Cafés</i> e das empresas do grupo?	10. What is the ownership structure of <i>Delta Cafés</i> and holding companies?
11. Quem são os maiores concorrentes da <i>Delta</i> (<i>Torrié</i> , <i>Buondi/Sical</i> , <i>Néstle</i> outros)?	11. Who are <i>Delta's</i> biggest competitors (<i>Torrié</i> , <i>Buondi/Sical</i> , <i>Néstle</i> others)?
12. Como descreveria a situação concorrencial da <i>Delta</i> no mercado de cafés em Portugal?	12. How would you describe <i>Delta's</i> competitive position in the Portuguese coffee market?
13. Porque é que não compram <i>Negríta</i> ou outra marca para concentrar o mercado? Já fizeram OPAs?	13. Why don't you buy <i>Negríta</i> or other brand to concentrate the market? Have you made takeover?
14. Será verdade que os cafés/bares sobrevivem graças à margem cobrada vezes a quantidade vendida/servida de cafés mais do que da venda de outras coisas/refeições?	14. Is it true that coffees bars/houses/restaurants survive thanks to the margin charged multiplied by the amount of coffee sold/served more than the sales of other things/meals?
15. "O modelo de fornecimento preferencial é a Auto Venda, apoiado em equipas especializadas de assistência técnica, sistemas de linhas verdes e <i>marchandising</i> personalizados" - o que isto significa (porquê)?	15. "The preferred supply model is Auto Sales, supported by specialized technical assistance teams, green line systems and personalized <i>marchandising</i> " - what does it mean (why)?

Appendix B. The new set of questions and doubts sent by e-mail to the same top manager of the *Delta Cafés*, in the European Portuguese original and the English translation



The original question in the European Portuguese	The English translation of the question
1. Qual é a situação da <i>Delta</i> em Timor? Ainda tem alguma actividade aí? A <i>Delta</i> continua comprar café de Timor? Caso sim, dos traders internacionais, importa directamente ou de outra maneira? Disse-me que as instalações da <i>Delta</i> foram devastadas em Timor, mas o que aconteceu mais e em que altura isto ocorreu?	1. What is <i>Delta's</i> situation in Timor? Does it still have any activity there? <i>Delta</i> continue to buy coffee from Timor? If so, does it buy through international traders, import directly or otherwise? You told me that the <i>Delta</i> facilities were devastated in Timor, but what happened over there and at what point did this happen?
2. O que <i>Delta</i> faz em Angola? Qual é a relação da <i>Delta</i> com os pequenos produtores/agricultores de café (ou cooperativas)?	2. What does <i>Delta</i> do in Angola? What is <i>Delta's</i> relationship with small coffee growers/farmers (or cooperatives)?
3. Auto-venda de que falámos refere-se também ao VMI-vendor managed inventory/SMI-supplier managed inventory (Inventário Gerido pelo Fornecedor/Programa de Reposição Contínua)? Qual é a proporção de vendas da <i>Delta</i> através de VMI/SMI?	3. Auto sales we talked about also refers to VMI-vendor managed inventory/SMI-supplier managed inventory? What is <i>Delta's</i> sales ratio through VMI/SMI?