

NATA PURA

Partnering for success with a cup of kindness

Abstract

In an increasingly competitive global market, firms try to conquer a special place in customers' minds and – when possible – hearts, in order to succeed. Through a competitive strategy based on differentiation, companies tend to focus their efforts in creating a value proposition not only for consumers but also for all the parties that constitute the value chain, establishing upstream and / or downstream partnerships based in win-win relationships.

Hence, when expanding their brands to new foreign markets, firms may choose to follow a relational approach, concerning international markets selection, which can be combined with an opportunistic approach that may offer distinct opportunities to the firm.

This case study was focused on Nata Pura, a rather young Portuguese firm that has built its project based on exporting a traditional product using innovative solutions to produce and promote an organic pastry made with high quality ingredients: pastel de nata.

Keywords: Differentiation, Internationalization, International Markets Selection, Adaptation, Marketing mix, Portugal, Pastel de Nata, Nata Pura.

Introduction

In January 2012, during a press conference regarding the internationalization of the Portuguese economy, the minister of economy and employment Álvaro Santos Pereira stressed the fact that despite its success, heretofore there hadn't been any entrepreneur – Portuguese or foreigner – willing to promote and commercialize one of the most famous products in Portugal: the pastel de nata (TSF, 2012). At the time this statement hit the headlines of newspapers, but many tended to welcome it with disregard, because there were already several companies exporting this product to different host markets around the globe. Nevertheless, none of them was promoting pastel de nata as a Portuguese delicacy, but rather as a no branded commodity.

Although not in line with the incentive of the minister, more than one year later, in May 2013, Mabilio de Albuquerque and his partner Gonçalo Albuquerque decided to joint efforts and search for traditional Portuguese agri-business products that could be worldwide accepted and also exported to any part of the planet. Originally they considered three distinct products: olive oil, wine and pastel de nata. However, the first two items were already well established in the market and were dominated by major players, creating strong barriers to the entrance of new

comers, and increasing the chances of failure. Hence, the two entrepreneurs opted to spread their chances of entering foreign markets with a product that they thought to be less difficult to introduce, due to its uniqueness, good quality, and tradition. They also stressed that regarding pastel de nata it could also be fully controlled in terms of production quality. Moreover, this delicacy offered them the opportunity to tell a story, which combined with a strong tradition in the country of origin – Portugal – could allow the two partners to differentiate Nata Pura from their competitors, following a business strategy based on differentiation, rather than on costs (Palavras, 2014). In fact, according to Nata Pura's CMO, Nuno Costa, it seems that "clients especially end consumers, like to know that there is a story behind the product".

The CEO of Nata Pura, Mabílio de Albuquerque, considered that differentiation was an extremely relevant part of the internationalization project, because it added credibility and sustainability not only to the product, but also to the business, especially when competing in foreign markets. Furthermore, branding and promotion of the product were also regarded by the firm as being very important to achieve differentiation and the correct positioning that was still missing concerning pastel de nata in international markets. Therefore, this Portuguese custard tart could allow the firm Nata Pura to develop a contemporary and dynamic wise-activated brand, which could easily turn into a global concept of delight. Simultaneously, the brand was thought to be created and designed to be adopted and recognized in any part of the world, permitting it to be used in distinct situations, not only in terms of marketing but also considering its concept (Palavras, 2014).

Pastel de nata: The story behind the product

Pastel de nata is a Portuguese traditional pastry that can assume different names around the world, such as egg tarts, custard tarts, cream custards, or even Portuguese style cakes – the latter is the name adopted by McDonald's (Pinto, 2015). According to The Guardian (Fox, 2009), pastel de nata was considered one of the best foods in the world (ranked at number 15, among 50). In fact, these "creamy, flaky custard tarts – served with cinnamon – are one of Portugal's great culinary gifts to the world" (Fox, 2009).

Although the origin of this pastry cannot be traced with accuracy, people usually tend to state that pastel de nata was originally produced in the 18th century by Jerónimos' monks, who lived in a monastery located in Belém – currently part of Lisbon, but at the time considered an independent village. Over the years, many people have tasted this cake not only in Portugal, but also in other countries where pastel de nata is, most of the times, combined with an espresso, which is the traditional way of consuming this product in Portugal. In many cases, the espresso, a small shot of caffeine that most of the Portuguese consume several times a

day – 80% of the Portuguese population drinks coffee on an everyday basis (RTP, 2015) – is bundled with a pastel de nata, a tradition that has already been incorporated by McDonald's, which has created a specific menu for Portugal that includes a coffee mingled with the pastel de nata (Brito, 2011). Hence, since it tends to be mandatory for any spot that sells pastries to always have these sweet custard tarts available, in Portugal one can find pastel de nata in any bakery, pastry or coffee shop, which stresses the idea that more than popular, pastel de nata is considered a tradition in its country of origin.

One of the most well-known pastries selling pastel de nata is located in Lisbon and has branded this cake as Pastel de Belém. This shop is not only considered by many as the birthplace of this custard tart, but it also contains the story that its founder bought the original secret recipe from the Jerónimos' monks in 1837. Currently, the shop is owned by the descendants of the person who has purchased the recipe in the 19th century, and it is the only one that, until 2013, had indeed branded this product, trying to convince consumers that other coffee shops, bakeries and pastries simply sell copies of the original cake that is produced by this store. The positioning of that brand in Portugal allowed the firm to benefit from an excellent reputation, that allows it to charge a premium price for the product and at the same time have customers queuing for hours just to buy the traditional cakes. Thus, Pastel de Belém attracts people from different parts of the world – mainly tourists visiting Lisbon – as well as locals.

Regarding the international market, according to the available information (Garcia, 2012) from London to Los Angeles, through Paris and Berlin, there are many places where one can find pastel de nata, since, for decades, Portuguese have been selling this product abroad, especially in shops located near Portuguese diasporas. However, in light of the aforementioned facts, it was indeed pertinent to think that pastel de nata could go further than just playing a small role as an exquisite tart once tasted by Nicole Kidman and Al Pacino. It was a challenge, though, that previous firms already exporting this product were not doing yet. So, this was the quest that Nata Pura decided to embrace back in 2013. Indeed, the company was able to verify that this delight was becoming popular not only among Diasporas.

When looking at the percentage of Portuguese buying pastel de nata at Kensal Town, London, which has been decreasing over time and substituted foreigners (70% of the buyers are not Portuguese) or when confirming the increasing number of recommendations posted on TripAdvisor, one may state that pastel de nata is no longer a delicacy that Portuguese living abroad like to purchase in order to experience something from their home country. In fact, it seems that pastel de nata is definitely conquering the market, which is supported by the current purchase of this delicacy in cities like New York, Paris and São Paulo (in the latter it is also possible to find shops fully devoted to this pastry).

Nata Pura: Paving the road to success

Nata Pura is a rather young company funded in 2013, which has currently five people working in international sales management, design, marketing, and communication. Since day one, the firm wanted to have a project based on exports that was also driven by the desire of having a product that could be an international sales champion, built on a clean label and a free form creation. Hence, Nata Pura started developing a business on the basis of an organic product, made with high quality ingredients, combining tradition with innovation. The firm currently sells the pastel de nata made with high quality ingredients in a business model characterised by upstream and downstream partnerships, as we will describe next.

According to Nata Pura's CEO, Mabilio de Albuquerque, the entry barriers to this market can be considered low, especially after getting experience in this business, which was not, however, this case. Having obtained the experience in the production of pastel de nata, Nata Pura realized that with fewer incremental costs, it was possible to serve different markets using distinct channels: indie coffee shops, coffee chains, catering services, department stores (gourmet), restaurants, hotels, and supermarkets ("Nata Pura," 2016).

In the road to the achievement of testing the concept, the product, and the brand in foreign markets, Nata Pura decided to attend events in several places, starting by the Waldorf Hilton Hotel in London, the Portuguese consulate in Seville, as well as other in some Middle Eastern markets, such as the United Arab Emirates. The result of these events was extremely positive for the firm which was able to get constructive and encouraging feedbacks that helped to define Nata Pura's strategy, placing the project in a more focused and effective path. In one of these events, Nata Pura was also able to meet and establish a fruitful relationship with AICEP Portugal Global which offered the company full support, provided by a team of experts in the international business and marketing arenas (Palavras, 2014).

Nata Pura considers itself as a marketing firm that wants to sell a product using a differentiation approach, focused on quality, texture, colour and lightness, which are the result of producing pastel de nata only with fresh and high quality ingredients. Therefore, to reach distinct host markets, Nata Pura's internationalization process is based on finding the right partners with whom it can develop a win-win relationship, where the firm provides not only the product and the brand, but also all the marketing tools necessary to penetrate the market and engage consumers into a long lasting relationship. This way the firm believes to be able to increase its sales and help its partners to achieve customer loyalty through customized communication that can go from ads to social media, through an appealing packaging as well as the promotion of events ("Nata Pura," 2016).

At the moment, the firm has already conquered markets over the European Union, as well as Saudi Arabia and the United Arab Emirates – in the latter it opened a kiosk at the Barsha Mall, Dubai. The same way the firm is currently serving far distant markets, such as South Korea, Australia and New Zealand will be targeted during 2016, along with other European markets like the Nordic countries. Regarding the European market, Nata Pura established a partnership with a reference partner in the UK. These partnerships allow the firm to access foreign markets and retrieve information about them (“Nata Pura,” 2016). This has been, in fact, the *modus operandi* that the firm found to be effective in the **international markets selection** process: Nata Pura establishes partnerships with partners met in trade fairs that point the firm to its next markets. So, the firm mainly follows a relational approach, concerning international markets selection, and also an opportunistic approach as it allows opportunities to which the firm is exposed to lead the process instead of it having a systematic way of reading the market through the lens of any possible framework.

Adaptation versus Standardization: which path should Nata Pura follow?

Product

Following the guidelines that resulted from Nata Pura’s research and development activities, the product is decided to be produced only with high quality **ingredients**, such as real eggs, fresh milk and sugar cane – avoiding the use of High Fructose Corn Syrup (HFCS) which is considered to be related to health problems like diabetes. Nata Pura concerns about food safety and the key role played by **certifications** (that in the food industry can be considered by end consumers as more relevant than the brand *per se*) have led the company to search for a manufacturer that would be able to comply with certifications like the standardization of quality, safety, operational criteria, and legal obligations (i.e. BRC – Grade A), International Featured Standards (IFS) and Halal – an extremely important certificate for Muslim communities. Moreover, due to the relevance of the Jewish community in some of the countries where Nata Pura is present, the company is now aiming to get the Kosher certification. In fact, in order to reach certain markets, partners like Harrods, or even to be eligible to participate in some events, Nata Pura is now aware of the relevance and need of having some of the aforementioned certifications which at the same time seem to help the company to differentiate its products from others in the market, while establishing its own standards for the quality of its pastel de nata. Despite not being produced at Nata Pura’s facilities, the pastel de nata is manufactured according to the firm’s orientations, under strict rules in terms of ingredients and specific certification standards.

The firm was awarded with two of the three stars granted by the Great Taste Awards in 2015 (see Figure 1).

As part of the **differentiation** strategy, Nata Pura tries to adapt the product to the tastes of consumers from distinct markets. After attending some trade shows and processing all the information retrieved from the interaction with potential partners and clients, as well as other players, the firm realized that in order for its pastel de nata to thrive in the international market, Nata Pura would have to show the superior quality of the product through the use of high quality ingredients, such as margarine (or butter, as the team subsequently learned to be almost mandatory when producing for the French market), leaving behind the use of powder eggs, powder milk, trans fats and HFCS. Thus, the incremental innovation used in the production of pastel de nata enabled Nata Pura to excel and call the attention of trade visitors that are invited to taste the product during international events where the firm is exhibiting.

This openness to **innovation** is not only in terms of product, but also of the markets where the company is – or wishes to be – present, which seems to be set by the rule: “be where the market requests us to be”, as once said by Nuno Costa, Nata Pura’s CMO. In fact, it was with this mind-set that in the ANUGA Food-Fair in Cologne in 2013 the firm ended up by getting acquaintance with a Japanese chef that was delighted with the brand of pastel de nata. The chef was so enthusiastic about this delicacy that he requested some product adaptation to Japan, in order for the tart to be included in Japanese restaurant Yosushi menus. This was the seed for the development and production of pastel de nata with green tea flavour (that ended up being added to the inner part of the pastry), which resulted in a new creation that was successfully introduced in other South Eastern markets like South Korea, where the brand can currently be found in 79 shops. In this specific case, the firm not only adapted the product to the market, as it also changed its entry mode choice which resulted in a full conjoint partnership with the local associate. Furthermore, in this situation it was not the firm that selected the market, it was the partner who chose to enter in the host country with Nata Pura’s products. This shows firm’s adoption of the before mentioned relational approach to **international markets selection**.

In terms of product adaptation, it is also important to stress the fact that instead of the determined attitude revealed by some players about not changing the traditional recipe of pastel de nata, the company decided to introduce some changes and capitalize on a modification that seems to be effective and fruitful for all parties involved. In fact, the CEO of the firm stated that “we know about the product, but they know about the market. Thus we have to rely on their knowledge of the local preferences and if the market requests a green tea and a passion fruit pastel de nata, that is what we are going to develop”. According to Nuno

Costa, adaptation pays off when it is technically viable. Thus, after considering the knowledge of the market of the selected partners, it can be transformed in a win-win situation with appealing outcomes for both parties. Thus, as Mabilio Albuquerque commented, apart from having the original formula, Nata Pura also produces other flavours, such as chocolate, passion fruit, green tea and wild berries (see Appendix 1), and although the latter may “definitively not be successful in Portugal”, the CEO argues that this is not one of the target markets, mainly due to the fact that only 0.5 million people will be willing to purchase these products. Hence, Nata Pura focuses its attention and efforts on more attractive markets like the UK, where it is possible to find 15 million people keen to buy premium pastel de nata with different flavours, as well as the French market with its 10 million potential consumers for this kind of product. Moreover, Nata Pura’s CEO assumes that “Europe is our home market, not Portugal”. To sum up, **originality** and a possible **country of origin effect** do not seem to be the key drivers of the success achieved by Nata Pura in its host markets (where South Korea and Saudi Arabia tend to play a key role), since the intrinsic quality of the product tends to be the real motivator for partners to start a business relationship and for customers to buy this delicacy and become loyal. Regarding the firm’s perspective, one of the key elements for the success of its strategy is, indeed, the partner selection stage in the overall internationalization process.

Surprisingly, in most of the international markets the product, as it is known in Portugal, seems to be sometimes considered as overcooked, due to its brownish crispy surface which has a rather different observation in Portugal, where consumers tend to see this as the normal colour of this kind of products. Bearing in mind the reaction of potential and actual clients in the host markets, Nata Pura decided to decrease the tanned surface in the overall area of the top, leaving the pastel de nata with a more yellowish tone.

Figure 1. Pastel de Nata



Promotion

As far as **communication** is concerned, Nata Pura chose to use international trade shows as the main communication vehicle, mostly driven by pastry tasting, which tends to help the brand to establish contacts with several agents, distributors, retail chains, restaurants, hotels, coffee chains, indie coffee shops, as well as catering service providers. These are usually contacted after the end of the event. So far this approach has granted the firm a number of partnerships that have been subsequently developed and seem to set the path in terms of market selection. In fact, as the CEO of the firm said: "in our presence in these fairs, we were not constrained by any previous decision in the markets to enter. We may have been thinking about entering the French market, but we have always remained open to other possibilities that might appear".

As part of Nata Pura's communication strategy, the firm relies on being innovative and traditional in both approaches: **above and below the line**. It mainly communicates in the B2B market, but the company also wants to assist its partners by developing B2C communication campaigns which tend to increase top-of-the-mind awareness for these delicacies. Moreover, the image and the brand activation are developed inside the firm, as well as the creation and making off of the videos that try to inform about the product and, at the same time, tease consumers by positioning the product as the second best delight in the world – since there is no consensus about the first one..., as the firm's slogan mentions (see Figure 2). Concerning brand activation, as previously stated, Nata Pura prefers to partner with its local intermediaries and in most of the cases the brand relies on **degustation** which not only is inexpensive, but also a good way of associating the product with the experience of seeing, touching, smelling, and tasting it. The firm has also elected some events to sponsor, such as the London Coffee Fest, BBC Good Food, and the RHS Flower Show, which in its opinion highlights the right associations to the brand, as the CMO recognized. In the absence of another place to insert the brand, the company chose to imprint it on the paper cup in which the pastel de nata is served that is simultaneously essential to absorb any fat left by the pastry.

Regarding Nata Pura's **presence online**, the firm has created two domains: a '.biz' for distributors and a '.com' for end consumers. Moreover, the brand has a Facebook page as well as a YouTube channel that have been activated by the generation of new contents, where the core message is focused on the presentation of a new product, with an innovative approach to the requisites of the market, taking into account the local preferences of consumers. At the same time, the note also carries a traditional value proposition, since it refers to a product that transmits hundreds of years of history.

Figure 2. Nata Pura: The world's 2nd best delight



Source: "Nata Pura" (2016)

Placement

As for **placement**, the company relies on a structure that includes the partner's retail chain, hotels, restaurants and coffee shops, as well as food retail stores. Thus, Nata Pura provides some solutions for partners in the retail business, distributing and marketing the product (see Figure 3). However, the firm does not tend to do the same thing when dealing with the latter (i.e. hotels, restaurants and coffee shops, as well as food retail stores) that are normally more independent in these decisions.

As for the transport of the products, in order to maintain the original quality of the pastries, they need to be sealed in refrigerated containers which are needed to move the frozen pastel de nata. Then, the product flies into the destination markets and remains appropriate for consumption for a long period as it has, at least, a twelve-month shelf life. Furthermore, Nata Pura's products can go straight from the freeze to the oven, reducing wastes and shortening the need for space – especially in small coffee shops – since these pastries can be baked as they go (see Appendix 2). This way Nata Pura's clients welcome these features very well.

Figure 3. Packaging for Retail



Source: "Nata Pura" (2016)

Pricing

Regarding **price**, even though in Portugal a typical coffee shop can sell pastel de nata at a price that ranges from 0.75 euros to 1 euro, in the UK, for instance, it is marketed at 2 pounds, and can easily reach 2.5 pounds in some stores. This provides distributors a good margin, which also contributes to the success of the product abroad.

The Future

The strategy pursued by the firm is granting it the success that Álvaro Santos Pereira longed for in 2012. Nata Pura has been able to combine tradition with innovation in a combination where the accomplishment of its partners' suggestions has been playing a keystone role as well.

It is important to observe that in Nata Pura's strategy, international markets are not regarded as extensions of the domestic one. In fact, the firm is not even basing on any previous domestic-based experience before going abroad. It was already born international. The same way it did not insist – as many did before – in using the "Portuguese" traditional formula of pastel de nata to be sold, similarly, abroad. The firm reveals to be open-minded enough to accommodate changes suggested by its international partners, to whom Nata Pura recognized a market knowledge that several other Portuguese firms in this sector show to be unaware of.

Nata Pura cannot be considered a success on the basis of radical innovation, which would definitely be a riskier and more expensive option. The firm is, however, a case in what comes to incremental innovation and product adaptation. This way we can say that being open to adaptation made this traditional product a key element and displayed an openness to innovation not so common when it comes to traditional delight market. Thus, even though Nata Pura may have hindered the "portugueseness" of pastel de nata, it has for sure shown to be able to promote the country in the innovation carried in what can be considered the second best delight of the world.

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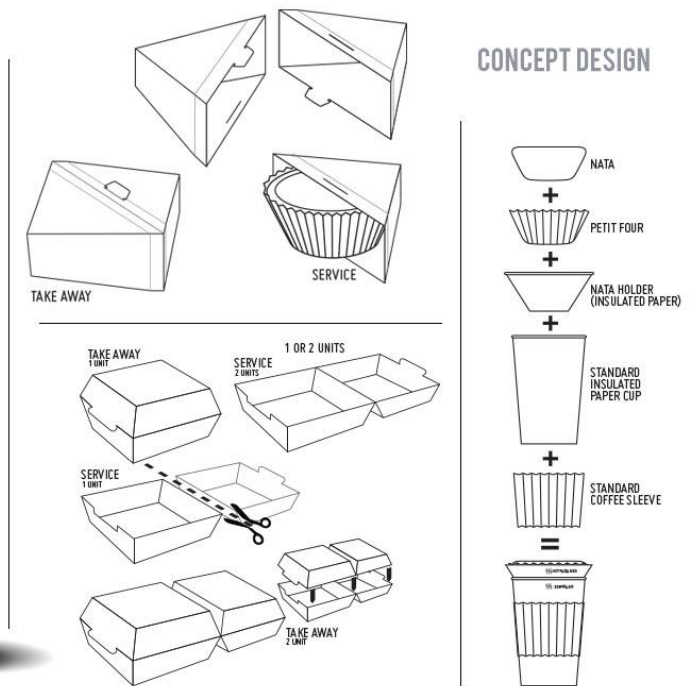
Appendix

Appendix 1. The five different kinds of Nata Pura's pastel de nata

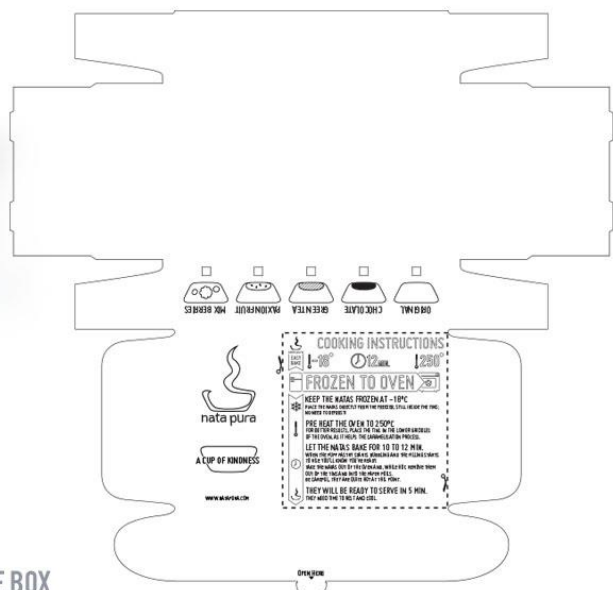


Source: "Nata Pura" (2016)

Appendix 2. Packaging solutions



FOODSERVICE BOX
12 UNITS



Source: "Nata Pura" (2016)