

## PASTÉIS DE BELÉM: TURNING A SECRET RECIPE INTO A STRATEGIC ASSET

*Pedro de Faria and Wolfgang Sofka wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*

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Antiga Confeitaria de Belém, in the Belém district of Lisbon, the capital of Portugal, was a bakery with a century-old tradition. Its name translated into English as “the old pastry shop of Belém.” Lisbon was full of bakeries and cafés offering a dazzling variety of elaborate sweets, cakes, and cookies, but Antiga Confeitaria de Belém stood out. Demand for its products was so high that long lines of locals and tourists could be seen every day on the street outside the bakery.

The success of Antiga Confeitaria de Belém was built around the uniqueness of its signature product: The Pastel de Belém<sup>1</sup> was a small egg custard cake with a flaky dough exterior (see Exhibit 1). Many comparable custard cakes using largely identical ingredients, known as pastéis de nata,<sup>2</sup> were available, but the bakery had established its Pastel de Belém as a distinct one, with the power to attract tourists from all over the world. The bakery’s Pastel de Belém stood out because its recipe had been a well-kept secret for decades. This success had made Antiga Confeitaria de Belém reluctant to consider other business opportunities, such as those its competitors had found in export or franchise concepts. However, the restrictions imposed during the COVID-19 crisis in 2020 exposed the limitations of the bakery’s existing business model. The various lockdowns had propelled Antiga Confeitaria de Belém to experiment with new ways of selling its products outside of its single shop location (e.g., through Uber Eats). This experimentation could trigger new business opportunities for the future. In early 2022, Miguel Clarinha, chief executive officer of the bakery and the small café attached to it since 2016, had to assess whether it would be enough for Antiga Confeitaria de Belém to return to business as usual after the pandemic or whether it should expand into new business opportunities.

<sup>1</sup> Pastéis de Belém was the plural of Pastel de Belém in Portuguese (the same applies for Pastel de Nata and Pastéis de Nata).

<sup>2</sup> While Antiga Confeitaria de Belém’s recipe for Pastel de Belém was a secret, many recipes for the comparable pastéis de nata were publicly available. Pastéis de nata recipes had been featured, for example, on the BBC’s food blog and on the television show *The Great British Bake Off*. See Nuno Mendes “Pastéis de Nata (Portuguese Custard Tarts),” *BBC Good Food* (blog), accessed May 30, 2022, <https://www.bbcgoodfood.com/recipes/pasteis-de-nata>; Paul Hollywood, “Paul Hollywood’s Pastéis de Nata,” *The Great British Bake Off*, accessed May 30, 2022, <https://thegreatbritishbakeoff.co.uk/recipes/all/paul-hollywood-pasteis-de-nata/>.

## HISTORY OF PASTÉIS DE BELÉM

In the eighteenth and nineteenth centuries, nuns and monks in convents and monasteries across Portugal created the recipes of many of the traditional desserts that were now a central component of Portuguese cuisine. One of those monasteries was the Jerónimos Monastery in the Lisbon district of Belém, where the recipe for the Pastel de Belém was created in the early 1800s.

Following the Portuguese liberal revolution in 1820, an anti-clerical movement led to the closure of many of these convents and monasteries, including the Jerónimos Monastery. These turbulent times created an opportunity for an entrepreneur, who saw the potential of the Pastel de Belém and acquired its recipe with the objective of commercializing it. As a result, Antiga Confeitaria de Belém opened in 1837. Much had changed since then, but the bakery was still the only place in the world where one could find the authentic Pastel de Belém.<sup>3</sup>

During the rest of the nineteenth century and most of the twentieth century, business remained stable for Antiga Confeitaria de Belém. However, the popularity of the pastel de nata, a pastry very similar to the Pastel de Belém in shape and ingredients, grew considerably. It could be found in most cafés across Portugal, and having one with an espresso became a routine for many Portuguese. However, Antiga Confeitaria de Belém only partially benefited from this growth in the popularity of the pastel de nata since the Pastel de Belém was perceived as a high-end product due to its relatively higher price.

Portugal joining the European Union in the 1980s led to a considerable increase in per capita income. The average Portuguese citizen started to spend more money on non-essential goods, and this brought opportunities for companies like Antiga Confeitaria de Belém. These companies were able to brand their products at the national level and to attract tourists who visited the Belém district, which was home to some of the most famous monuments celebrating Portuguese history, including the Jerónimos Monastery and the Tower of Belém. Around the turn of the century, Antiga Confeitaria de Belém benefited from the increased popularity of Lisbon as a tourist destination and became an internationally recognized brand. Many tourists who visited Lisbon to attend the Expo '98 World's Fair or the Union of European Football Associations (UEFA) Euro 2004 football tournament went back home and shared their experiences of tasting a traditional pastry from a secret recipe. In recent years, Lisbon had experienced a boom in tourists from all over the world, and the lines outside Antiga Confeitaria de Belém became longer and longer. Eating a Pastel de Belém and sharing a picture of its unique blue-and-white-tiled package on Instagram became a must-do for tourists visiting Lisbon.<sup>4</sup> The prices for a Pastel de Belém reflected the increase in demand (see Exhibit 2 for the price history). One could have bought a Pastel de Belém for €0.75<sup>5</sup> during the European football championship in 2004; this price was 60 per cent higher in 2022, at €1.20. For comparison, pastéis de nata at the bakery of the national supermarket chain Pingo Doce sold for €0.35 (regular) and €0.75 (gourmet) in 2022.

## STRATEGIC CHALLENGES

The increased popularity of the Pastel de Belém in the last four decades had led to considerable growth for Antiga Confeitaria de Belém. The bakery's increase in production from 3,000 to about 20,000 Pastéis de Belém a day implied a considerable increase in revenues—to about €9 million in 2019—but also new challenges. Antiga Confeitaria de Belém had to adapt itself to the new demand without changing its culture

<sup>3</sup> Pastéis de Belém "History," Pastéis de Belém, accessed November 1, 2021, <https://pasteisdebelem.pt/en/history/>.

<sup>4</sup> Tânia Pereirinha, "Miguel Clarinha, o Guardião dos Pastéis de Belém," *Observador*, February 25, 2017, <https://observador.pt/especiais/miguel-clarinha-o-guardiao-dos-pasteis-de-belem>.

<sup>5</sup> € = EUR = euro; €1 = US\$1.135 in January 2022; currency amounts are in € unless specified otherwise.

and hurting the clients' experience. Eventually, Antiga Confeitaria de Belém opted for sticking with its traditions and keeping all activities, from production to sales, at the original location in Belém, even though this limited its capacity. This allowed the company to maintain a strong family-like culture among its 180-employee workforce and to preserve a unique experience for its customers.<sup>6</sup>

While Antiga Confeitaria de Belém was moving along this sustained growth path, the market for the less prestigious pastéis de nata was developing much more dynamically. The pastel de nata had been the most popular pastry in Portugal for some time, and several firms started exploring how the pastry could reach international markets. The year 2012 provided an extra push when the Portuguese government stimulated the international promotion of the pastel de nata as a unique Portuguese product.<sup>7</sup> This increase in visibility motivated several entrepreneurs to start businesses and brands focused on the pastel de nata. Two illustrative examples were Nata Lisboa and Nata Pura.

In 2012, Nata Lisboa developed a franchising concept around the pastel de nata. José Carlos Campos, an award-winning advertising executive, teamed up with a group of entrepreneurs to develop a business model based on the rebranding of the pastel de nata. They worked together with expert bakers to develop a high-quality product, but what differentiated them from competitors was their innovative marketing approach: at the heart of the concept was the idea of selling not just a product but also the experience of a Portuguese café.

These cafés were operated by local partners (franchisees) and initially sprang up only within Portugal. The cafés were built around the pastel de nata as the main product, and they used the same concepts—ranging from store design and branding to product selection and procurement. Franchisees were independent operators who paid Nata Lisboa for the use of the concept and the management of the brand. This franchise concept lent itself to internationalization. Benefiting from the government stimulus to promote the pastel de nata, Nata Lisboa had dozens of franchised shops located all over Portugal and on three continents, including in Vienna, Berlin, Abu Dhabi, and Luanda, by 2021.<sup>8</sup>

Founded in 2013, Nata Pura had a different approach to internationalization that was mainly driven by the view of its founders, two serial entrepreneurs with marketing and retail backgrounds. Inspired by the increased popularity of Portugal as an international brand, they saw the opportunity to sell traditional Portuguese products abroad. After considering wine and olive oil, they focused their efforts on the internationalization of the pastel de nata. To do so, they did not invest in the business-to-consumer market but rather created partnerships with large retailers that sold pastéis de nata in supermarkets all over Europe, exporting the pastel de nata simply as a product.

This export model was possible because Nata Pura made use of a deep-freezing technology that preserved quality of the product as much as possible. Its pastéis de nata could be produced in Portugal, frozen, transported internationally, and thawed before they reached the shelves. Moreover, Nata Pura offered pastéis de nata in non-traditional flavours (e.g., mango-mint and salted caramel), new formats (e.g., a mini size), under its own brand name, and as private label options for retailers. Based on this strategy, Nata Pura's pastéis de nata reached many markets worldwide.<sup>9</sup>

The success of the pastel de nata competitors did not directly affect the sales of Antiga Confeitaria de Belém, but it did lead Clarinha, the bakery's chief executive officer, to reflect on the strategic alternatives.

<sup>6</sup> Miguel Clarinha, chief executive officer of Antiga Confeitaria de Belém, in discussion with the case authors on August 25, 2017, and November 25, 2020.

<sup>7</sup> Alice Kantor, "The Unlikely Rise of the Pastel de Nata, and Why It's Suddenly Everywhere," Bloomberg, April 15, 2019, <https://www.bloomberg.com/news/features/2019-04-15/portuguese-pastry-pastel-de-nata-takes-over-the-world>.

<sup>8</sup> "Home Page," Nata Lisboa, accessed November 1, 2021, <https://www.natalisboa.com>.

<sup>9</sup> Kantor, "The Unlikely Rise."

The increased visibility of the pastel de nata and the developments in deep-freezing technology had the potential to create expansion opportunities for the company. However, Clarinha was skeptical about selling Pastéis de Belém outside of the old bakery. He was convinced that the success of the product was related not only to its fresh quality and uniqueness but also to the fact that it could only be consumed in one specific location. The combination of the location, the brand, and the recipe constituted the identity of Antiga Confeitaria de Belém. Expanding to different locations or reselling the product making use of deep freezing, would hurt the quality and uniqueness of the bakery's Pastel de Belém.

However, as a result of the COVID-19 crisis in 2020, Antiga Confeitaria de Belém found itself under considerable pressure. Like many other countries, Portugal introduced substantial lockdown measures for some time, and tourism was disrupted substantially. Both factors had significant consequences for the financial performance of Antiga Confeitaria de Belém. While the bakery did not disclose specific numbers publicly, a survey conducted by Statistics Portugal and the Bank of Portugal indicated that more than 60 per cent of firms in the industry saw a drop of more than 75 per cent in their sales revenue during the peak of the lockdown in 2020.<sup>10</sup> The crisis situation also revealed how dependent Antiga Confeitaria de Belém was on its single sales location. The bakery reacted flexibly, however, by experimenting with new ways of reaching customers, such as deploying a “shop on a bike” mobile unit to serve customers in the Belém neighbourhood<sup>11</sup> and offering Pastéis de Belém via the delivery service Uber Eats.<sup>12</sup> These creative crisis responses raised the broader question of whether Antiga Confeitaria de Belém had been leaving substantial business opportunities untapped and whether its current organization could sustain new business development.

## HOW TO KEEP PASTÉIS DE BELÉM UNIQUE

The secret recipe was at the core of the uniqueness of Antiga Confeitaria de Belém's Pastel de Belém. In general, “secrecy” encompassed all firm procedures that constrained the visibility of a firm's strategic assets, for example, restricting access to important facilities or limiting databases to authorized personnel. Antiga Confeitaria de Belém had a structured and rigorous secrecy procedure in place. In total, only seven people knew the secret recipe: three owners and four bakers, known as “secret masters.” All other employees who worked in Antiga Confeitaria de Belém's kitchens knew only specific parts of the recipe since the production process was implemented sequentially, in different rooms by different teams. There was a special room with restricted access—the “office of the secret”—in which the secret masters worked on the first step of the recipe using concealed ingredients and processes. Further assembling of the Pastéis de Belém was then shifted to a different room to minimize the risk of knowledge leakage. Furthermore, some steps of the recipe, such as producing and handling the dough, were intricate and difficult to replicate without intense training. Thus, with the exception of the secret masters, who knew the entire recipe and all techniques necessary for its implementation, no one else could independently bake an authentic Pastel de Belém.

The secret masters, therefore, played a crucial role at Antiga Confeitaria de Belém and worked closely with the management team. They were responsible for the quality of the product and acted as guardians of the secret recipe. The training to become a secret master could take up to one year since the learning process was complex and intricate: it was solely conducted by word of mouth, and no written notes were provided or taken, to minimize the risk of knowledge leakage. Prospective secret masters went through a long vetting

<sup>10</sup> Banco de Portugal, “What Are the Impacts of COVID-19 on Companies?,” Banco de Portugal, accessed November 1, 2021, <https://www.bportugal.pt/en/page/what-are-impacts-covid-19-companies>.

<sup>11</sup> Valter Leandro, “Há pastéis de nata à venda nos jardins de Belém,” *Lisboa Secreta*, July 26, 2021, <https://lisboasecreta.co/pasteis-de-nata-jardins-belem/>.

<sup>12</sup> Sebastião Almeida, “Pastéis de Belém Passam a Estar Disponíveis na Uber Eats,” *Time Out Lisboa*, June 9, 2020, <https://www.timeout.pt/lisboa/pt/noticias/pasteis-de-belem-passam-a-estar-disponiveis-na-uber-eats-060920>.

process, sometimes up to twenty years, after which they signed a confidentiality contract. However, the development of a trust-based relationship with the other secret masters and the owners was the most effective protection method. Consequently, all secret masters stayed at Antiga Confeitaria de Belém for their entire careers and developed a strong, sentimental relationship with the company.<sup>13</sup>

The secret recipe was also part of the branding effort. Hardly any Lisbon travel guide failed to mention it. When visiting the Antiga Confeitaria de Belém, tourists could have a peek into one of the kitchens and read the story of the company as well as the origins of the secret recipe on the bakery's menu. Tourists were intrigued by the existence of a secret recipe and, back at home, liked to retell the story of the small bakery in Lisbon that was the guardian of a recipe developed by eighteenth-century monks. Moreover, the secret recipe attracted the attention of national and international media, which provided extra visibility to the Pastel de Belém. Antiga Confeitaria de Belém hardly needed to spend resources on advertising since tourists were driven to the bakery by the stories they read online, in the press, or in travel guides like *Lonely Planet*. Then again, Antiga Confeitaria de Belém needed to meet tourists' high expectations of the quality and uniqueness of the bakery's unique Pastel de Belém so that they would spread the word about it.<sup>14</sup>

At the same time, the brand needed its own protection. Somebody might simply sell similar-looking cakes in a box with the name Pastéis de Belém on it, in which case Antiga Confeitaria de Belém would lose not just sales but also control over the quality of the product. A customer might try a soggy, dry, or tasteless fake Pastel de Belém and never buy one again. Even worse, disappointed customers might spread the word about their poor experiences. Hence, sub-standard, fake Pastéis de Belém might eventually eliminate the brand value of a product of superior quality. It was therefore not surprising that Antiga Confeitaria de Belém registered the brand name "Pastel de Belém" as a trademark in 1918 in Portugal and later in Europe as a whole. It also trademarked its iconic hexagon-shaped packaging (see Exhibit 3); the owner of a slogan, name, shape, or mark could register a trademark for it.<sup>15</sup> Trademark protection was similar to patents, which protected technologies. However, patent applications required detailing the composition of a technology, and this description was subsequently published. This was not an attractive proposition for a secret recipe and made trademarks comparatively more attractive. Once trademark registration was complete, the owner of a trademark could keep others from using the trademarked name, sign, shape, or design and enforce this right in court.

Registering a trademark followed certain rules. Anybody could register a trademark for a sign or design that was not yet registered and thus distinguish their product (or service) from those that were similar. Hence, a trademark was about distinction, not about new technologies (as with patents) or about describing a general product using the words "pastel" or "cake." Applicants needed to identify specific product categories for which trademark protection would apply; for example, in the case of Pastéis de Belém, this was product class 30 in the Nice Classification,<sup>16</sup> which included biscuits, cakes, cookies, sweets and pastries, confectionery, and pastry products. The trademark was not protected for other categories, such as the name of a hotel (Nice class 43). The protection provided by trademarks did not expire as long as they were being used by their owner. If Antiga Confeitaria de Belém had registered "Pastéis de Belém" in the hotel category without using it for a hotel, for instance, the trademark would have expired.

For Antiga Confeitaria de Belém, trademark protection was not just an abstract concern. There had been multiple attempts to trademark the brand name "Pastéis de Belém" all over the globe, including in Brazil,

<sup>13</sup> Miguel Clarinha, in discussion with the case authors.

<sup>14</sup> Clarinha, in discussion with the case authors.

<sup>15</sup> For details, see European Union Intellectual Property Office, "Trade Mark Definition," European Union Intellectual Property Office, accessed November 1, 2022, <https://euipo.europa.eu/ohimportal/en/trade-mark-definition>.

<sup>16</sup> The Nice Classification (NCL) was "an international classification of goods and services applied for the registration of marks." World Intellectual Property Organization, "Nice Classification," WIPO, accessed May 30, 2022, <https://www.wipo.int/classifications/nice/en/>.

Japan, Canada, and the United States (see Exhibit 4). In these cases, trademark offices typically identified Antiga Confeitaria de Belém's existing trademark and informed the applicant about it. In most cases, these applicants did not make the effort to argue their cases. However, enforcing the trademark against sellers of fake pastéis de Belém was a completely different challenge. It took time, resources, and attention to identify cases in which the brand was used, track down the perpetrators, and start the legal process. Clarinha relied on a specialized agency to track trademark infringements. Still, many cases went unnoticed. Others were not worth the time and effort of enforcing them. However, some cases ended up in court.

When the agency Clarinha relied on contacted him to inform him of a Brazilian bakery and café chain called B.lém, he decided to take action. He was concerned that consumers who had never visited Antiga Confeitaria de Belém nor tasted its Pastel de Belém could be misled into believing that this bakery was selling Antiga Confeitaria de Belém's product. B.lém was producing similar pastries and using the slogan "Confeitaria de Portugal" and a picture of the Tower of Belém, one of the main tourist attractions of the Belém district in Lisbon, in its logo. Hence, there was a real concern that unsuspecting buyers in Brazil might be misled.

However, the court did not have the same reading of the situation and ruled that B.lém was not infringing on any trademarks owned by Antiga Confeitaria de Belém. The ruling explained that the names B.lém and Belém were very similar phonetically but that this likeness was not enough to confuse consumers; it was the expression "Pastel de Belém" and not "Belém" that was associated with Antiga Confeitaria de Belém. Moreover, "Belém" was a much broader term that was associated with the famous district in Portugal and not just with the pastries.<sup>17</sup> This outcome was disappointing for Clarinha, given the time and resources the company had taken to go through the legal procedure. At the same time, however, the immediate consequences were limited because they affected mostly tourists from Brazil, many of whom might not even have been aware of B.lém. However, it raised a larger question for Clarinha about the effectiveness of trademark protection and whether going to court to enforce the trademark was worth the effort.

## CONCLUSION

Antiga Confeitaria de Belém had been successful for more than 180 years not just in producing a high-quality product but also in defending the product's uniqueness from the competition. The secret recipe had been foundational for this success, but its strategic effect had emerged in combination with several other factors including a prime location, charming customer experience, strong employee loyalty, attractive media coverage, high brand value, and long-standing trademark protection. At the same time, this strategy seemed to limit the growth potential of Antiga Confeitaria de Belém because the bakery could only serve customers who could come to its single location in Belém. Outside of this narrow circle, there seemed to be a lot of untapped demand, which Antiga Confeitaria de Belém was currently ceding to competitors who had lower quality products and less prestigious brands. This situation challenged Clarinha to take a fresh look at the business strategy and reevaluate which strategic choices were inevitable for further growth and which would do more harm than good.

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<sup>17</sup> Court Sentences from the "Tribunal da Propriedade Intelectual," Proc. n° 382/17.5YHLSB, 19-03-2018 and n° 382/17.5YHLSB, July 12, 2018.

## EXHIBIT 1: PASTEL DE BELÉM



Source: Pastéis de Belém (website), accessed November 1, 2021, <https://pasteisdebelem.pt>.

## EXHIBIT 2: PRICE HISTORY FOR THE PASTEL DE BELÉM

Year	Month	Price (Escudo)	Price (Euro)	Year	Month	Price (Escudo)	Price (Euro)
1971		2.00	0.01	1992	June	85.00	0.42
1973		2.50	0.01	1994	February	95.00	0.47
1974		3.00	0.01	1995	February	100.00	0.50
1979		10.00	0.05	1996	June	110.00	0.55
1980	November	12.50	0.06	1997			
1981	April	15.00	0.07	1998	April	120.00	0.60
1981	December	20.00	0.10	1999			
1983	July	25.00	0.12	2000	April	130.00	0.65
1984	January	27.50	0.14	2001	April	140.00	0.70
1984	July	30.00	0.15	2002			
1984	November	35.00	0.17	2003	June		0.75
1985	August	40.00	0.20	2004			
1986	August	45.00	0.22	2005			
1987				2006	January		0.80
1988	April	50.00	0.25	2007	August		0.85
1989	April	55.00	0.27	2008	March		0.90
1990	January	60.00	0.30	2011	April		0.95
1990	September	65.00	0.32	2012	January		1.05
1991	March	70.00	0.35	2017	February		1.10
1991	October	75.00	0.37	2019	February		1.15
1992	February	80.00	0.40	2022	January		1.20

Note: € = EUR = euro; €1 = US\$1.135 in January 2022; Escudo = the basic monetary unit of Portugal (€1 = 200.482 escudos).  
Source: Company documents.

## EXHIBIT 3: TRADEMARKED PACKAGING



Source: EUIPN European Union Intellectual Property Network, "Pastéis de Belém," TMView, accessed April 22, 2021, <https://www.tmdn.org/tmview/#/tmview/detail/PT500000000509429>.

## EXHIBIT 4: ATTEMPTED TRADEMARK APPLICATIONS

Trademark Name	Trademark Office	Goods and Services (NCL Codes)	Application Date
Pasteis de Belem	Brazil	30	04-01-2001
Pasteis de Belem	Canada	30, 35, 40	16-01-2012
Pastéis de Belém	United States	30, 35	25-06-2019
Pasteis de Nata "Belem"	Brazil	30	27-09-2004
Pastéid de Belém Cá & Lá	Brazil	30	22-04-2013
Pasteis de Belem \ パステ イス デ ベルム	Japan	30	09-05-2002

Note: NCL = Nice Classification.

Source: EUIPN European Union Intellectual Property Network, "Trade Mark Name: Pastéis de Belém," TMView, accessed November 19, 2020, <https://www.tmdn.org/tmview/#/tmview/results?page=1&pageSize=30&criteria=C&basicSearch=Past%C3%A9is%20de%20Bel%C3%A9m>.