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CASE STUDY & TEACHING

Bacio di Latte: gastronomic experience of excellence on digital channels

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Abstract

Born in the city of São Paulo, Bacio di Latte is one of Brazil's benchmarks in the high added value ice cream – or *gelato*, as they prefer – segment. In just over 10 years of a successful trajectory, the ice-cream parlor has established itself throughout Brazil, with more than 130 of its own units, as well as a growing and successful distribution operation in supermarkets. You have just been hired as head of marketing and find a company that has been going through a delicate period in its operations, given the closure of shops and shopping centers due to the pandemic. However, you also realize that the crisis has accelerated the food business towards digital channels, which brings both opportunities and challenges. It will be up to you to lead this project, which could represent Bacio di Latte's next leap in growth.

Keywords: Digital marketing. E-commerce. Delivery. Channel strategies. Digital transformation.

Bacio di Latte: experiência gastronômica de excelência em canais digitais

Resumo

Nascida na capital paulista, a Bacio di Latte é uma das referências brasileiras no segmento de sorvetes – ou *gelato*, como eles preferem – de alto valor agregado. Em pouco mais de 10 anos de uma trajetória bem-sucedida, a sorveteria se estabeleceu em todo o território brasileiro, com mais de 130 unidades próprias, além de uma crescente e vitoriosa operação de distribuição em supermercados. Você acaba de ser contratado como *head* de marketing e encontra uma empresa que tem passado por um período delicado em suas operações, dado o fechamento das lojas e dos shoppings em virtude da pandemia. Porém, percebe também que a crise acelerou os negócios de alimentação em direção aos canais digitais, o que traz oportunidades e desafios. Caberá a você a liderança desse projeto, que pode representar o próximo salto de crescimento da Bacio di Latte.

Palavras-chave: Marketing digital. *E-commerce. Delivery*. Estratégias de canais. Transformação digital.

Bacio di Latte: experiencia gastronómica de excelencia en canales digitales

Resumen

Nacida en la ciudad de São Paulo, Bacio di Latte es una de las referencias brasileñas en el segmento de helados – o *gelato*, como prefieren ellos – de alto valor añadido. En poco más de 10 años de exitosa trayectoria, la heladería se ha establecido en todo Brasil, con más de 130 unidades propias, además de una creciente y exitosa operación de distribución en supermercados. Acabas de ser contratado como responsable de marketing y te encuentras con una empresa que atraviesa un momento delicado en sus operaciones, dado el cierre de tiendas y centros comerciales debido a la pandemia. Sin embargo, también te das cuenta de que la crisis ha acelerado el negocio de la alimentación hacia los canales digitales, lo que conlleva tanto oportunidades como retos. A ti te tocará liderar este proyecto, que podrá representar el próximo salto de crecimiento de Bacio di Latte.

Palabras clave: Marketing digital. Comercio electrónico. *Delivery*. Estrategias de canal.

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INTRODUCTION

Founded by Italians and with origins in Brazil, Bacio di Latte is a brand that stands out for the high quality of its products and has dedicated itself to expanding both its physical and digital presence. The search for excellence and constant innovation are part of the brand, which has more than 140 points of sale throughout Brazil. Of family origin and structure, the brand has become a reference in the production of gelato and, in addition to stores, it is present, with its retail line, also in supermarkets, bakeries and convenience stores (MoneyTimes, 2021).

The ice cream market in Brazil has seen a drop in import volume, from 12.94 million dollars in 2020 to 8.82 million in 2021. The profit obtained from the sale of products in this category reached 977 million dollars in 2023. In Brazil, there are more than 10 thousand companies dedicated to the manufacture and sale of ice cream. The demand for these products in the country is high, mainly due to the tropical climate and the eating and cultural habits of the population, who consider gelato part of their daily routine (Statista, 2023).

In Brazil, per capita consumption is around 5 liters per year (O Globo, 2023), a value considered low compared to countries such as the United States, where consumption is 25 liters per year (Nielsen, 2023). In Europe, this value reaches 15 liters per year (Euromonitor, 2023). The demand for ice cream is linked to several factors: economic, climatic and cultural. In Brazil, it is perceived more as a summer food, while in Europe, it is mostly seen as a dessert. Furthermore, tourism in specifc regions of Europe influences and drives product demand.

The COVID-19 pandemic impacted several markets, including ice cream. With the interruption of activities in physical stores and the increase in sales through digital channels, companies needed to adapt to meet consumers' new purchasing habits (R7, 2022). Furthermore, it was necessary to overcome the challenge of making delivery viable for frozen products, facing the risk of deliveries of already melted products, in unacceptable violation of the quality standards established by the brand and by the consumers themselves.

Bacio di Latte, during this period, faced a significant change in its channel strategy. Before the pandemic, only 5% of total sales volume came from the digital channel. With the closure of physical stores, the company was forced to completely migrate to the digital channel, which had a strong impact on production, logistics and marketing processes. The company faced not only the challenge of maintaining sales, but also of transforming the mentality and work methodologies of its internal teams. COVID-19 accelerated the need for innovation, and Bacio di Latte needed to find a way to maintain high standards of experience and excellence while responding to changes in the external environment.

Marketing products only through the digital channel forced the company to change its mentality and working methods to respond to changes in the external environment. The biggest challenge was balancing maintaining quality without being able to rely on the experience of physical stores, seen as a precious artifact of customers' consumption journeys.

Thus, adapting to a new consumption behavior, driven by the pandemic and the growth of digital channels, as well as choices to be made regarding the experience, considering the importance of physical stores in this process, presents a dilemma for the brand. These questions require reflections on channel strategies, processes, consumer experience and innovation. Based on this case, the aim is to develop practical proposals and relevant discussions aimed at influencing the business strategy and sales channel.

GROWTH HISTORY AND CHALLENGES

Bacio di Latte is a food retail company founded in São Paulo, in 2009, by the Italian Edoardo Tonolli, a gelato lover, with an initial investment of 1 million reais and which, today, has an annual turnover of 300 million reais. The Milanese man had a very curious story in creating the business, having initially come to Brazil to work as a volunteer in philanthropic hospitals in the Northeast and became attached to Brazilian culture. Edo, as he is called in the company's corridors, returned sometime later to Italy, which, at the time, was going through a serious financial crisis. So, with his brother, Gigi, he decided to embark on a venture: return to Brazil and open a coffee shop and a *gelateria*. This entrepreneurial drive led the brothers to delve deeper into the recipes and secrets of *gelatto*.

As part of the launch of the business, the first store was opened on Rua Oscar Freire, in 2011, an important shopping street in the luxury market in the city of São Paulo. Without a defined marketing strategy, Bacio di Latte invested in the ingredients, experience, preparation and quality of its product's raw materials, a catalyst for its organic growth. In 2012, the brand ended the year with three points of sale, something surprising, given that, at that time, gelato had not yet been popularized in the country. The few copies sold were of low quality, mainly reflecting the effects of the tropicalization of the recipe.

At the time of launch, the most visible competitor was Gelateria Parmalat, which had started operating with its own stores in 1996. As of 2022, however, the company began to operate only through the franchise system. This was an essential difference between the operations of Bacio di Latte and Parmalat: while the first chose to expand its own stores – all 140 points of sale are –, the second opted for the franchise model, maintaining only two stores under its management.

THE PANDEMIC AND ITS IMPACT ON THE BUSINESS

Bacio di Latte was impacted by the pandemic, like all Brazilian retail in general. Before this happened, only 5% of the brand's revenue came from digital channels, such as delivery. The other 95% of revenue came from physical stores. Another relevant piece of data is the 200,000 customers registered in its loyalty program, which rewards each consumer with a cone for each new individual registration, identified by CPF.

With the closure of stores, there was a significant spontaneous growth in digital sales. One of the dilemmas that arose, then, was that of experience: how to provide, via delivery, an experience similar to that in stores? The challenge was the lack of consumer confidence in the delivery of the product, which could arrive melted. This dissatisfaction had already been reported before, in other unsuccessful delivery experiences by the brand itself.

To overcome this challenge, Bacio di Latte changed its marketing strategy, concentrating efforts on digital channels. This movement was seen as an experiment, and there was no reduction in investment in media. This change forced the company to reinvent its processes, both production and marketing, since, until then, the business had grown almost exclusively through sales in physical stores.

It is worth mentioning that the delivery of chilled products has always been a challenge for any brand that works with them. The logistical complexity of delivering a product at the ideal temperature and the store experience are barriers to the success of this format. Furthermore, other challenges are created. As the majority of delivery services on the market are not proprietary, but operated by platforms such as Rappi and iFood, the consumption experience is shared with them, in addition to the operation and relationship with consumers. This is one of the challenges of open innovation, which consists of bringing into the internal environment partners who become true extenders of the consumer experience. While Bacio di Latte focuses on quality and refined service, the platforms are focused on accelerated growth, a very common characteristic of technology startups. This difference, from the perspective of experience management, is often the result of strategic conflicts between partners and suppliers.

In addition to the external public (consumer) and marketing challenges, there were other issues for the brand to consider, such as breaches of contracts with shopping malls, renegotiations with suppliers and labor, which was not prepared for a 100% delivery operation. In addition to the market context, human resources needed to be rethought. How can we train and provide sufficient technology and knowledge for an operation so accustomed to physical flow?

Challenges in the consumer journey were also constant. The loyalty program, for example, was not adapted to receive the flow of digital purchases nor did it have a user-friendly interface that responded to the new demand. The lack of integration of legacy systems and partner platforms was a challenge. Likewise, the structure of the marketing and operations team was impacted by the pandemic. Previously a legacy operation with a physical base, with employees coming from the largest fast-food chains on the market, these providers now found themselves faced with a completely different reality of demand. If before the flow of stores and the management of operational issues were the company's focus, now the technological transition and demand management are what mattered. The brand's technology team was not prepared for such a transformation. Infrastructure was the main focus of the brand's technology resources, and integration with the marketing team was almost non-existent.

A relevant factor in this adaptation is the decision regarding the technology structure and the development of technological artifacts that will support new marketing strategies: structuring an internal team?; hire an external team?; How would the relationship between marketing and technology be designed in this new scenario?; how would the operational teams be adapted, with the speed to respond to the event, to a more agile operation?; How would the consumer be educated, even without the habit of purchasing frozen foods through digital channels?

Dilemma

At this point, the reader should consider the following hypothetical situation: you have just been hired as digital marketing manager at Bacio di Latte. As a stakeholder in the area, he followed what has been happening with the company during the pandemic through the press. You find a company that has been going through a delicate period in its operations, given the closure of stores and shopping malls. However, he realizes that the crisis has digitally accelerated the food business to go digital. Therefore, it receives the following challenges from its director: how can we take advantage of the change in consumer behavior, who is now purchasing more online?; How can we transmit our experience of quality and excellence from stores to digital channels?; how can we expand the digital relationship with our consumers, given that our product is physical?; how can we deal with operational challenges, especially demand management?; How can we drive this transformation in a company that has, in its history, little use of digital tools?

You have the following data and information available:

- The company does not have an internal development structure for technology.
- One of the company's dilemmas is whether to build an internal technology and acquisition structure or hire outsourced labor.
- The company's hypothesis is co-creation with consumers through these new channels.
- The company wants to understand how a new channel – in this case, e-commerce – will interact with its already defined price, place, product and promotion strategies.
- Contracts with the brand's strategic partners need to be reevaluated.
- There are two possible partners to expand the delivery operation: Rappi and iFood. The first has a history of being aggressive in its acquisition strategies, making great use of coupons. The second is known for having a more qualified base, with a more robust operational model.
- Logistics is one of the challenges. With its own structure, there is the advantage of control and management of the fleet, of good practices by delivery drivers. However, there is also the risk of labor processes and safety management. In the case of a third-party fleet, the advantage is that management is shared, putting less burden on the structure and having access to partners who have technologies and experience with the specific delivery process.
- Stores are not prepared to operate 100% in delivery, considering that the operation was always designed to provide the in-store experience.
- Store employees have no training or experience in handling high digital demand, in addition to having little experience with 100% delivery operations.

All of these issues are linked to the cause (pandemic) and the organization's own culture. You, as the protagonist of the transformation and responsible for responding to the effect caused by the environment, will have to build a plan that mitigates such effects, takes advantage of the business opportunities generated and makes the environment cohesive with the digital transformation agenda, clearly delayed at the time of occurrence of the reported phenomena.

In your position as digital marketing manager, what would be the main actions to be taken to address the challenges exposed? Such discussion should be guided by the questions proposed in the teaching notes.

TEACHING NOTES

The teaching notes have restricted access and are only available to professors and instructors associated with an academic institution upon request at: https://periodicos.fgv.br/cadernosebape/article/view/92029/86342

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DATA AVAILABILITY

The dataset supporting the results of this study is not publicly available.

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