

Teaching Case

PRÍNCIPE HUMBERTO (Original title)

Translates as Prince Umberto

- Universidad ORT Uruguay and the Carolan Research Institute invited faculty members from undergraduate and postgraduate programs affiliated with Universidad ORT Uruguay to participate in a case writing initiative. The objective of this initiative was to develop cases in Marketing and related areas that would directly or indirectly contribute to incorporating and/or disseminating the thinking of Dr. Geraldine Fennell.
- For more information on the thinking of Dr. Fennell visit <http://FennellStory.com>

March 2023

Balestero, V.

Universidad ORT Uruguay

Note: This case was written in Spanish. This English-language version was created by Fennell Story Insights (<http://fennellstory.com>)

Príncipe Humberto

"It's a classic snack in the schoolyard, high school, or university, it 'curbs hunger' between meals and sweetens afternoon coffee. Alfajores¹ are part of Uruguayans' diet, so much so that they eat about 10 million every month and their market reaches 30 million dollars a year²."

[side note for those unfamiliar with the product: An alfajor is a South American dessert item, sometimes described as a sandwich cookie, it consists of two rather delicate cookies held together with a sweet filling, usually dulce de leche, with two delicate, crumbly cookies held together by a sweet filling, typically dulce de leche. It is often covered with coconut flakes, powdered sugar, or chocolate. Very early versions were first seen in the Middle East, from there they made their way to Spain and South America.]

Every consumer has their preferred brand in a market that continues to grow steadily, and where there are big players like Portezuelo and Punta Ballena. However, new offerings had entered, focusing on niches such as Marley with its "bajoneros alfajores" aimed at urban groups, Juana la Loca³, innovating by replacing the cookie with chocolate sausage, and vegan options.

In this context, and with the trends of incorporating healthy eating into the diet of children (main consumers of alfajores) and adults, one might wonder if there was room for a new proposal, and, in any case, if consumers still did not find products with which to adequately satisfy their need for sweet consumption, snack, or treat.

However, this question was not on Martín's radar when he decided to incorporate a line of alfajores into the classic products that his family's company, "Príncipe Humberto," had been offering for more than 25 years.

The Company

Príncipe Humberto⁴ was founded in 1997 by Martín's parents. After his parents separated, the corporate ownership changed, consisting of Andrea (Martín's mother) with 80%, and the remaining 20% held by Jorge, who had been the company's financial/accounting advisor for 16 years and is not part of the family.

Martín's family frequented a restaurant and always ordered the same dessert: a kind of mixture of cream, dulce de leche, and meringues, which they loved. At that time, they asked the cook if she was willing to make that "delicacy" for a possible venture, and she was enthusiastic about the project. After a while, they presented the product to one of Uruguay's most renowned large retailers (Tienda Inglesa), which placed a significant order, and that's when it consolidated and began its growth with its own brand: Príncipe Humberto.

By 2021, the company, which employed 20 people, was considered an emblematic and exclusive brand in Uruguay, and it could even be said that "everyone" had tried the star dessert that bore the same name as the company. Its offerings included: desserts of other flavors, in family and individual presentations, as well as "masitas": dulce de leche pastry, quince, yo-yo, pastries, and cornstarch alfajores.

"Príncipe Humberto has a royal name; our products are of quality; we use very good ingredients."

Behind this phrase lay a sought-after positioning, which was achieved through the design of the product mix, sales channel, and communications. However, over the years, one might wonder if it remained the same.

According to information held by the company, the brand was known or familiar to people over 36 years old and was associated with the ice cream dessert, "a classic," "Uruguayan product," and "quality." It is a dessert known and remembered by adults, having a weak presence among consumers under 30.

Martín in the Family Business

Martín's arrival at the company had been unsettling, as the context and the numbers showed that it was impossible to bear the cost of a salary that his position would require, which generated resistance from the board.

Regarding his management, Martín (at 36 years old and having gained extensive experience in commercial areas in recognized companies in the market) was convinced that if the activities he took under his responsibility were not developed, the company would fail. After some time with the company, he had already implemented new ways of working, especially in marketing, an area that had not been developed in the company, for example: packaging changes, website development, new sales channels (medium-sized retailers and gas stations), incorporation and liaison with the community manager, approaching supermarkets (channels that were neglected and with low product presence), negotiation and new contracts with suppliers, and digitalization, among others. Although these actions were positively evaluated by both Martín and the board, part of the board continued to disapprove of Martín's management, arguing that it was not necessary to develop marketing activities, as the company's marketing "was fine."

This stance meant that Martín did not have their support, a specific position or role, nor a remuneration commensurate with his responsibilities within the company.

The Príncipe Humberto Alfajor

After a year in which Martín had dedicated himself to the company, achieving good results with outstanding commitment to the family business, he still wasn't receiving remuneration. So, he decided to develop a new product from which he could receive a percentage of profits and, at the same time, demonstrate (or continue to demonstrate) his business acumen.

"An alfajor! Of course, it goes perfectly with the kind of products we make, and I love alfajores."

That's how he spent another whole year developing the Príncipe Humberto alfajor (See Appendix I). All his hopes for growth were placed on that alfajor, which underwent several tests and had the participation of some plant personnel, as well as a renowned supplier who produced it as a white label (a product to be branded by Principe Humberto).

The alfajor was presented in individual format or boxes of 12 units. It had a bittersweet chocolate coating and dulce de leche filling, with a chocolate cookie. Its quality was intended to be conveyed through specially selected premium ingredients and its packaging with a strong black presence. It was a product that competed with the Cachafaz or Havana categories. The Príncipe Humberto alfajor had no preservatives, so a shorter shelf life (45 days) than most competing products (180 days), due to its lack of preservatives than most alfajores on the market (180 days).

Its packaging read: "Semi-bitter alfajor," which was intended to be a differentiator which was not exploited in the company's communication beyond the packaging. Martín intuited that the guilt of those who consume alfajores (and wanted to consume healthy foods) could be minimized by exploiting the fact that it was more bitter and fresher, without additives or preservatives. However, he did not pursue this idea.

According to a survey conducted by the company, those familiar with the Príncipe Humberto brand would like: their alfajores to have "a lot of dulce de leche" (20%) and "the same taste as the dessert" (17%), "quality" (17%), "to be frozen" (8%), and "good taste, to be delicious" (8%). The product met some of these aspects, such as the dulce de leche, quality, and flavor. But in some ways, the alfajor was markedly different from the company's star product, in terms of flavor and not being frozen.

Although its beginnings were in the midst of the pandemic and its sales were via Instagram⁵, sales channels were a point to be developed, as they did not share the same sales channels as the other products offered by the company. On the other hand, the points of sale that would be suitable for the category were oversaturated with similar proposals. 99% of alfajor sales were made in medium-sized retailers (neighborhood supermarkets, minimarkets, and gas stations) and in Montevideo (70%) and the interior (30%). Príncipe Humberto sold this product as part of its offering through a sales force, mostly in gas stations, and had the capacity to incorporate other points of sale (like kiosks) or deliver products sold online.

Alfajor Market

According to a Fast Track Alfajores study conducted by Opción Consultores in 2011, "the most important thing when choosing the best alfajor is 'the quantity and quality of the filling,' with dulce de leche being the most valued filling by consumers" and those with chocolate coating. "Some purely brand-related aspects also weigh in on the choice of the best alfajor. 'Habit,' 'tradition,' 'reputation,' and being 'Uruguayan' are among the reasons for preference. Finally, 'price' and 'presence at points of sale' are also mentioned."

Influences on consumers' choice of an alfajor brand:

- Habit
- Tradition
- Reputation
- being 'Uruguayan'
- 'price'
- 'presence at points of sale'

"...Brand preference does not always determine the brand acquired by consumers. In the case of alfajores, only 67% of consumers state that they acquired their preferred brand in their last alfajor purchase. The remaining 33% of consumers state that they consumed another brand in their last alfajor purchase. This difference is explained, among other aspects, by a greater presence of some brands at points of sale, by the influence of prices on purchasing decisions, the impulse and curiosity to try new products, the absence of the preferred product at the point of sale, and the purchase of the product for third parties, among other reasons that determine the choice of a brand different from the preferred one."

Reasons consumers did not purchase their favorite brand:

- presence of some brands at points of sale
- influence of prices on purchasing decisions
- impulse and curiosity to try new products
- absence of the preferred product at the point of sale
- purchase of the product for third parties

Another important aspect to consider is the consumer's age, as the public between 3 and 15 years old are the biggest consumers of alfajores and for whom price is important. However, those older than these ages value other product attributes such as taste, the sensation and mix of textures, and quality, among others.

According to a survey conducted by the company, those who usually consume alfajores, mostly do so 2 to 3 times a week (27%) or once a week (26%). The favorite alfajor is chocolate-covered (68.5%) and filled with dulce de leche (76%).

Favorite brands (See Appendix II) are closely linked to the age of the respondents in the study, with Portezuelo and Punta Ballena preferred by younger people, and Havanna, Marley, Milka by those over 36 years old. The latter also identify their preferred consumption occasion as having "a craving for something sweet" (55.4%) followed by "mid-

afternoon" (38%) and "to treat myself" (27.2%). Although "for dessert" and "for a snack" also have high response percentages, both reaching 26.1%.

Consumption Occasions Identified by Older Consumers:

- having "a craving for something sweet"
- "mid-afternoon"
- "to treat myself"
- "for dessert"
- "for a snack"

Alfajores are a product that consumers prefer because they are: "tasty, easy to access, and practical to eat" (See Appendix III). Some findings from the survey are:

- "Covers several needs in one product. It's a mini cake... I like the soft sponge cake, soft dulce de leche... a nice sweet shock with a touch of complexity."
- "It depends on what you compare it with: practicality and price, if I compare it with a cake."
- "Easier, faster, and ALWAYS delicious."

What they value most when choosing the product is knowing the flavor and the price. On the other hand, they value easy purchase by choosing it in one place and the practicality of being able to consume it right away.

These products are mostly substituted by other sweet products, with chocolate bars (22%) and sweet cookies (17%) being the most mentioned.

There are 46% of people who try different brands of alfajores, which are generally consumed alone and purchased at gas stations (62%), followed by kiosks (58%) and supermarkets (48%).

Alfajor Results

One year after its launch, the alfajor had not achieved the expected results (its sales represented 2.5% of the total, while it was expected to be 5%) and had received some negative comments regarding the alfajor, both from customers and retail channels:

- "It should be bigger" (customer)
- "I bought one and it had mold!" (customer)

- "I already have many alfajores to offer, what's different about this one?" (retail channel)

A significant portion of people (61%) who, even though familiar with the Príncipe Humberto brand, were unaware of the alfajor's existence. The situation was aggravated by the fact that those who heard about it and wanted to try it could not easily find it: "I don't see it anywhere" (potential customer).

On the other hand, positive feedback had also been received regarding the alfajor from those who had tried it:

- "One customer raved, 'The alfajores are a dream.'"
- "It already has everything I could ask for."
- "It has everything you look for: excellent quality and flavor."

Martín questioned whether the alfajor should remain on the market, because if it continued as it was introduced, the company could lose customers and brand image. However, its launch had demanded a lot of work from the staff, there were high hopes for its success, and it offered the possibility of positioning itself more strongly within the company and with Jorge the company's finance/accounting advisor and part owner. Martín also believed it had significant profit potential.

The information the company had was limited; it came from secondary sources and surveys conducted among people who might be biased due to knowing Martín or the company beforehand. However, it had to be taken as a basis for making decisions, as it was not possible to invest in other types of studies. Martín was aware of this and had no alternative but to assume the risk involved in making decisions with scarce market information.

In this context, Martín and the company specifically asked themselves: Should this product remain on the market, should anything be changed (if so, what?), or should it be removed from the market as soon as possible?

APPENDICES

APPENDIX I: Príncipe Humberto Alfajor Presentation



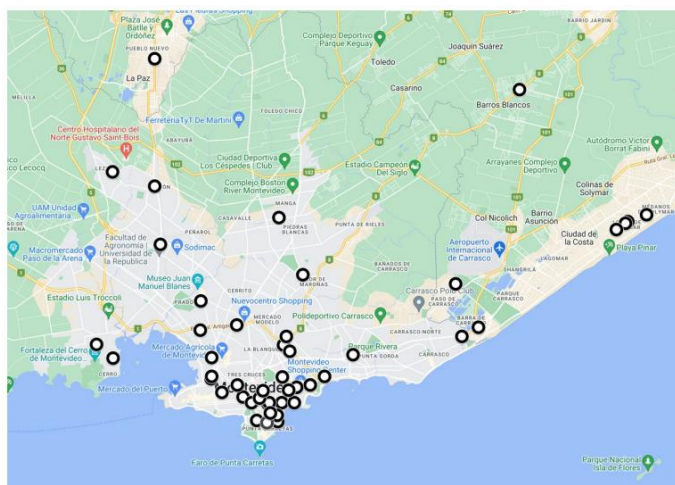
Príncipe

Humberto Alfajor, semi-bitter chocolate, dulce de leche filling, weighing 70grs.

Below: presentation in a box of 12 units.



Currently, the alfajor is available for sale in 47 locations, including gas stations, supermarkets, and convenience stores, in Montevideo and Ciudad de la Costa:



APPENDIX II Direct Competition in Alfajores

Havanna, currently no presence in Uruguay. <https://www.havanna.com.ar>



Cachafaz <http://cachafaz.com.uy/#!/bienvenido/>. Offers various flavors of alfajores and "pinitos." They are found in supermarkets and kiosks alongside a new brand: **Juana la Loca**, which offers alfajores with chocolate sausage dough.



Marley <https://www.alfajoresmarley.com.uy> Offers Uruguayan alfajores and other sweet products for sale in Uruguay and Argentina.



Milka – Argentine industry, <https://www.mondelezinternational.com>

Fennell Story Insights – <https://fennellstory.com/>



<https://www.distrishop.com.uy>. Also offers chocolate bars of various weights and chocolates.

Sierra de Minas, offers cake-type alfajores, due to being sponge cake-like dough, with snow and chocolate. - <https://www.instagram.com/alfajoressierrasdeminas>



Comparative table of direct competitor alfajores:

Brand	Weight	Price
Milka	45 gr	\$26
Sierras de Minas	75gr	\$66
Marley	70gr	\$74
Cachafaz	70gr	\$70
Príncipe Humberto	70gr	\$45

Additional Market Insights from Pablo Hartmann (former marketing manager at Portezuelo):

- Leading brands in Uruguay: *Punta Ballena* and *Portezuelo*, primarily targeting a young audience.
- Product differentiation includes variety in flavors and high availability in impulse-buying outlets.
- Packaging matters: polypropylene offers better preservation; transparent nylon gives a handmade feel; high-end alfajores often use gold or black in their packaging.
- The market for imported alfajores has grown, including Havanna, Cachafaz, and Milka.
- Some local brands like Portezuelo also manufacture for third parties.
- Niche brands are emerging to cater to consumers wanting alternatives to mass-market products (e.g., Marley, Nativo).
- Some brands leverage unique ingredients or formats (e.g., Juana la Loca's chocolate sausage dough, Los 4 de Julia's alternative fillings).
- Social media (especially Twitter) has become a viable sales channel for new brands.
- Impulse buys on social media are linked to planned purchases at home, especially for children.

APPENDIX III Consumer comments on alfajores that reflect their motivations and frustrations regarding the product category

- "After eating an alfajor, my soul is happy; it's not the same if I eat a chocolate bar."
- "After eating an alfajor, I feel happiness and guilt at the same time."
- "If I want to pamper myself or treat myself, I choose to eat alfajores; I deserve it."
- "It's Friday, you're at work, you know you have the whole afternoon ahead, it's been a complicated week... only an alfajor can lift you up and give you courage and strength to get through it."
- "The bad thing is that I need water or something to drink to wash it down."
- "I love them, but I consume them as an exception, really when I need them, when I have that craving for something sweet and delicious because I try to take care of myself."
- "It doesn't disappoint me; I don't feel like it's going to run out and I'll be hungry or want more."
- "I choose to eat alfajores when I'm looking for something sweet that fills me up and I don't need anything else."
- "It's simple to buy and carry, and after eating it, I don't feel like I'm eating my life away."

Footnotes

1. According to the RAE (Royal Spanish Academy), an alfajor is a sweet made up of two thin slices of dough stuck together with candy and sometimes covered in chocolate, meringue, etc. This sweet is typical of southern Latin American countries, and the same name in other countries such as Mexico and other parts of Europe has different meanings, although always related to sweet cuisine.
2. Source: Alfajor brands expanded their sights - The Food Tech.pdf
3. According to Matías Larrañaga, director of Juana la Loca, in an interview with “Empresarios de Aquí,” there is room in the market to grow by offering different products, which his company puts into practice in its premium line of products. However, he points out that sales of alfajores have decreased slightly because people are consuming other light, vegan, healthier lines; they will not stop eating sugar but they will take better care of themselves.
4. www.principehumberto.uy ó <https://www.instagram.com/principehumbertouy>
5. Digital purchases in Uruguay have grown stronger since the pandemic. According to a survey conducted by the consulting firm Cifra for CEDU's Digital Consumption Trends Report, 70% of Uruguayans have a good internet connection and 80% use a smartphone to search the web, far surpassing other devices such as notebooks (5%), PCs (4%), and tablets (1%). 57% indicated they use their online time to search for or purchase products and services. <https://cuti.org.uy/destacados/cedu-presento-datos-que-confirman-la-consolidacion-del-comercio-digital-en-uruguay/>