



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 11/30/2001

GAIN Report #IT1029

Italy

Retail Food Sector

Report

2001

Approved by:

Lisa Hardy-Bass

U.S. Embassy Rome, Italy

Prepared by:

Dana Biasetti

U.S. Embassy Rome, Italy

Report Highlights: Italy is one of the most affluent countries in Europe, and their retail sector offers potential business opportunities to businesses interested in entering a relatively underdeveloped yet traditional market. The Italian food sector is a curious blend of tradition and modernity, which is expanding at a much slower pace compared to other European nations, while maintaining a high standard for quality food.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Rome [IT1], IT

Retail Food Sector Report - Italy

Table of Contents

Map Of Italy - Regions

Section 1. Italian Market Summary

Section 2. Road Map for Market Entry

A. Superstores, Supermarkets, Hypermarkets, and Discount Centers

B. Convenience Stores, Gas-Marts, and Kiosks

C. Traditional Outlets - Small Independent Grocery Stores

Section 3. Competition

Section 4. Best Product Prospects

Section 5. Further Information and Post Contact

Please note: The exchange rate used in this report is 1\$ = 2,100 lire.

Map of Italy Regions

North -

Val d'Aosta,
Lombardy,
Trentino
Alto Adige,
Friuli
Venezia
Giulia,
Veneto,
Liguria,
Piedmont

Center -

Emilia
Romagna,
Tuscany,
Marche,
Umbria,
Latium

South -

Abruzzo,
Molise,
Campania,
Apulia,
Basilicata,
Calabria,
Sicily,
Sardinia



Section 1. Italian Market Summary

Italy is one of the most affluent nations in Europe, and ranks as the world's sixth largest industrial economy. Gross national product in 2001 was 1.1 trillion USD dollars with a 2.9 percent growth, while per capita income was 39,076.600 lire (\$18,590.00). In 2001, Italy's national employment force was 23.7 million people, while the unemployment rate was 9.6 percent. Consumer price inflation for 2001 was 2.8 percent. Italy's resident population is presently 57.8 million people. (Source: ISTAT - Italian National Bureau of Statistics, 2001).

Per Capita Income 2000 - Source: SVIMEZ, Associazione per lo Sviluppo Industria Mezzogiorno, 2001, ISTAT

Italy	\$18,590.00
North	\$22,874.00
Center	\$20,052.00
South	\$12,431.00

Resident Population by Sex and Geographical Area - Source ISTAT - 21 June 2001

	Males	Females	Total
North	12,536,576	13,297,707	25,834,283
Center	5,388,773	5,770,810	11,159,583
South	10,169,508	10,680,643	20,850,151
Italy	28,094,857	29,749,160	57,844,017

According to the Italian Ministry of Interior, of the 57.8 million, 1.5 million residents are foreigners from 190 different nations. This is a 15.3% increase from last year. The leading foreign communities in Italy are the Moroccans (148,000), followed by the Albanians (142,000), Rumanians (69,000), Philippines (65,000), and the Americans (47,000). 51.3% live in the North of Italy, 30.5% in the Center and 18.2% in the South. 34% of the foreign population resident in Italy follow the Muslim faith.

Main Types of Households (of total population)- Source: ISTAT 1998

Couples with Children	Singles	Couples without Children	Single parents	Others

46 percent	22 percent	21 percent	8 percent	3 percent
------------	------------	------------	-----------	-----------

In Italy there are 22,226,115 households, with an average of 2.6 persons per household. Over the last few years, the Italian population growth rate has slowed down, with the latest forecast showing a much higher death rate than birth rate. In 2005, the Italian population is forecast to decline to 57.6 million, and to drop to 46 million by 2050. While Italians are living longer, they are also having fewer children and getting married at a much later age.

Overall, these figures show that the Italians are evolving from a strictly traditional society to a more modern and progressive one. 38 percent of Italian women work outside the home, (lowest rate of any OECD country). The fact that women are slowly entering the workforce has had a definite impact on child birth. In the 1960's the average number of children per family was 2.41. This figure has now dropped to 1.20 children per family.

In contrast to the shrinking family is the rise of a dynamic singles community. Singles now have a much more visible role in Italian society. Unlike before, there are many more young people venturing out from their family homes and living on their own, especially in the northern industrial cities. Singles are also starting to be recognized for their buying power as retail outlets have started to cater to their needs by offering single portion, ready made food products.

Nonetheless, Italy is geographically an extensive peninsula, and there are many cultural and economic differences between the North, Center and South as there are among the inhabitants.

Resident Population Living in Large Cities (numbers are in thousands of people).

Source: ISTAT - 1 January 2001

2644	1301	1003	904	684	636	381	377	338
Rome	Milan	Naples	Turin	Palermo	Genoa	Bologna	Florence	Catania

332	277	259	255
Bari	Venice	Messina	Verona

According to the Italian Ministry of Interior, 72% of the Italian population live in urban city centers. Although highly urbanized, the Italian population is widely dispersed among several medium and small cities. Italy's three largest cities – Rome, Milan, and Naples are home to 5 million people, less than 10 percent of the total population. This is an important factor to keep in mind when entering the Italian retail sector. There are many potential cities through which a company or product may access Italian consumers.

Average Monthly Consumption by Household Type and Category - Source: ISTAT, 2000

	Food	Clothing	Housing	Transport	Leisure	Other
Single under 35	14.5%	6.4%	31.4%	22.7%	7.2%	17.8%
Single 35-64	16.5%	6.4%	37.2%	15.8%	6.3%	17.8%
Single over 64	22.8%	4.0%	48.2%	6.5%	4.0%	14.5%
	Food	Clothing	Housing	Transport	Leisure	Other
Couple w/out children under 35	12.5%	7.3%	33.3%	23.0%	6.6%	17.3%
Couple w/out children 35-64	17.3%	6.3%	35.0%	18.8%	5.2%	17.4%
Couple w/out children over 64	23.4%	4.8%	41.4%	11.3%	4.1%	15.0%
Couple w/1 child	18.3%	7.0%	32.5%	19.1%	6.7%	16.4%
Couple w/2 children	19.2%	7.7%	30.2%	19.2%	7.6%	15.7%
Couple w/3 or more children	21.9%	8.0%	28.4%	18.6%	8.2%	14.9%
Single parent	19.1%	6.2%	33.8%	17.8%	6.8%	16.3%

Average Monthly Household Consumption Expenditures (converted to U.S. \$)

Source: ISTAT, 2000

Single under 35	\$1,619.04	Couple w/out children over 64	\$1,427.14
Single 35-64	\$1,474.28	Couple with 1 child	\$2,272.85
Single over 64	\$920.47	Couple with 2 children	\$2,460.00
Couple w/out children under 35	\$2,300.95	Couple with 3 or more children	\$2,387.14
Couple w/out children 35-64	\$2,103.80	Single parent	\$1,878.09

The ongoing socio-economic and demographic changes in Italy have had a definite impact when it comes to consumer spending. The Italians are spending more money on consumer goods and have started to eat out of the home on a regular basis. Eating habits have certainly evolved during the past 40 years. While the Mediterranean diet remains king, the Italians have discovered through their increased world traveling the so-called exotic/ethnic foods.

Food Consumption (% of total grocery expenditures) - Source: Largo Consumo, 2001

Commodity	1999	2000	Commodity	1999	2000
Meat	23,6	23,1	Fish/Seafood	7,8	8,6
Fruit and Vegetables	17,3	17,1	Sugar, Coffee, Chocolate	7,3	7,5
Bread and Cereals	16,2	16,7	Oil and Fats	4,3	3,8
Milk, Cheese and Eggs	14,1	14,0	TOTAL	100,0	100,0

ISTAT reports that in 1999 consumer spending on food, drink and tobacco totaled over \$500 billion dollars, a 3.8% increase over the previous year. While some food product consumption is on the decline, fish and seafood consumption has increased.

Section 2. Road Map for Market Entry

The north/south fragmentation within the Italian retail sector is very evident. The north of Italy has the largest number of hypermarkets, shopping malls and large supermarkets, which cater to the more prosperous regions of the country, with only a 5 percent unemployment rate. (Please see the map of Italy on page 2 for a breakdown of the North, Center and South regions). The south lags behind with very few large retail outlets and a 22 percent unemployment rate.

Historically, none of the Italian grocery store chains had a national coverage, spanning from north to south, but Rinascente and Gruppo GS have recently broken the mold expanding to the south through their foreign joint ventures with Auchan and Carrefour.

The Italian retail sector is still relatively underdeveloped and their food sector is a curious blend of tradition and modernity. The Italians are expanding at a much slower pace compared to other European nations, while maintaining a high standard for quality food. In this regard, the local small mom and pop establishments are an important segment of the retail market, maintaining a strong presence in the sector. The Italian consumer is extremely educated and discerning when it comes to food. Quality gourmet food is a very important part of the Italian way of life, and the consumer is willing to pay the price. The qualities of the Italian way of life are definitely reflected in their retail sector, with large retail operations making slow but significant inroads in the sector and the small local neighborhood food shops still dominating the market.

Distribution of Hypermarkets throughout Italy - Source: Italian Ministry of Commerce and Industry, 1999

	Number of Outlets	Number of Employees		Number of Outlets	Number of Employees
North	193	34,467	South	42	7,981
Center	69	9,730	Total	304	52,178

Italian Retail Outlets 1999-2000 - Source: Information Resources/Food, 2001

Format	1999	2000	New/Closed	% Change
Hypermarkets	219	237	18 new	8.2 increase
Supermarkets	6,834	7,006	172 new	2.5 increase
Superette	5,952	6,223	271 new	4.5 increase
Hard Discount	2,106	2,164	58 new	2.7 increase
Small Local Shops	15,718	15,240	478 closed	3.0 decrease
Independent/Traditional Shops	74,615	72,156	2459 closed	3.2 decrease

Italy is a country of contradictions, where the traditional family structure and retail sector has maintained their presence notwithstanding the countries desire to evolve, much as the rest of Europe. Italy is the only European nation where the local mom and pop store still plays an essential role in the retail sector, co-existing alongside the large multinationals and hypermarkets. Local independently owned food shops have actually flourished in the south of Italy, compared to the large retail outlets.

Led by a series of important foreign retail corporations, the strengthening and consolidation of the Italian retail sector has already begun. While key domestic players such as COOP Italia, CONAD, La Rinascente and Gruppo COIN have been busy holding onto their market share through mergers and corporate alliances, foreign retailers like Marbert, Carrefour, Auchan, Promodes and Sephora have been aggressively penetrating and expanding into the market during the last few years. Smaller retailers, such as Despar Italia, have been less active and may have to create their own alliances to remain competitive.

In 1998 Tengelmann established an alliance with Gruppo PAM, which incorporated Tengelmann's 48 Italian Superal supermarkets into the PAM distribution chain in exchange for 23 discount outlets.

In 1999, CONAD and COOP Italia decided to create a joint venture buying group called Italia Distribuzione, while in March 2000 Carrefour bought out Gruppo GS, and CONAD bought the Nuova Distribuzione Southern sales network.

In May 2001, Auchan/Rinascente finalized an eight year franchise agreement with its SMA supermarket food retailer 3A (120 small Superettes, 50 local/traditional stores and 6 large supermarkets). The agreement stated that all of the 3A retail outlets will be renamed SMA, including the 10 new stores that are scheduled to be inaugurated from 2001-2003.

In 1994 Rewe first entered the Italian market through a joint venture with Esselunga, however, the agreement only lasted until 1999.

Leading Retailers in Italy (Billion U.S. \$) - Source: Largo Consumo, 2001

Retailer	Operations	Sales	No. Outlets
COOP (IT)	Co-operative	6.593	1,320
CONAD (IT)	Multiple grocer	5.376	2,815
Rinascente/Auchan (IT/FR)	Multiple Grocer	3.738	235
Carrefour (FR)	Multiple Grocer	3.592	975
Esselunga (IT)	Multiple Grocer	2.518	111
Despar (IT)	SPAR Food Group	2.245	1,872
Gruppo PAM (IT)	Multiple Grocer	1.895	360
Gruppo Lombardini (IT)	Multiple Grocer	1.095	523
Nuova Distribuzione (IT)	Multiple Grocer	961	192
Ditexal	Multiple Grocer	665	36
Il Gigante	Multiple Grocer	482	27
Lidl (German)	Multiple Discounter	438	209
Rewe (German)	Multiple Grocer	426	267
Unes	Multiple Discounter	373	94
	TOTAL	30.403	8,799

Italy is still one of the few remaining European countries whose food retail sector is still largely controlled by co-operatives and buying groups. COOP Italia, thanks to a creative marketing campaign, has maintained their stronghold of the Italian retail sector, and CONAD seems to be following closely behind, seeking acquisition and joint venture opportunities and spending money in promotional campaigns in the Italian press and TV.

Noteworthy of mention in this report are the numerous buying groups who play a major role in the Italian retail food sector. Retailers differ from the buying groups in that they own their stores or operations.

Leading Buying Groups - Source: M+M Eurodata, Retail Intelligence 2001

	Sales - Billion U.S. \$	# Retail Outlets	# Cash and Carry
Insieme CMS	8.857	4,905	98

CONAD	7.095	4,891	none
COOP Italia	6.593	1,320	none
Intermedia	4.897	1,151	26
Interdis	4.571	3,164	33
SIRIO	3.761	7,814	19
Selex	3.857	1,611	60
Despar	2.297	1,872	4

Insieme CMS was created in 1998 as a merging of three major buying groups - C3, MDO and SISA.

Intermedia was founded in 1989 by Garosci, Gruppo Lombardini and Gruppo PAM. In 1994, SUN joined the group, while in 1996 Garosci departed. Dixetal recently joined Intermedia completing the buying groups' mix.

Interdis was born from the merge of Vege and Selex in 1998, and in 1999 La centrale joined the group. Interdis includes Maxi Sidis, Sidis, Scudo, Standa, Eurospin, Sosty, and Quali supermarkets.

Sirio was initially created in 1998 with the merging of two independent buying groups, Crai and Sigma. In 2001, Crai broke away from Sirio creating their own purchasing group called Secom. Selex was created in 1964, and in 1996 in collaboration with Vege founded the Euromadis buying group.

Retail Sector Strengths and Weakness - 2001

Advantages	Challenges
Italy is a wealthy, industrialized European nation with a high per-capita income.	The Italian retail sector is fragmented and still under-developed.
Italian consumers are extremely quality and brand conscious.	There are relatively few freight consolidators and importers available to handle large volume imports.
Italians are traveling more than ever, therefore discovering new and exotic cuisine and ingredients.	The E.U. has stringent import regulations - labeling, phyto and sanitary requirements.
The growing retail industry is constantly looking for new and innovative quality food.	Italy is world-renowned for their cuisine and quality food.
According to a study commissioned by Largo Consumo, 51 percent of the Italians are willing to purchase certified organic food.	The strong U.S. dollar has undermined the competitiveness of U.S. products.

Section 3. Competition

The Italian retail food industry is slowly, but surely developing. With the insurgence of foreign retail companies into the market, the sector has become more sophisticated and is expected to expand more rapidly. Large distribution chains and supermarkets not only offer a varied selection of food products but are also aggressively promoting their own private label brands. Companies like ESSELUNGA, COOP Italia, CONAD and Unes are all using their private brand lines as a way to promote organic, GMO free, and other specialized niche products.

U.S. Exports of Agricultural, Fish and Forestry to Italy (1996-2000) Source: U.S. Census Data, 2001

Millions \$	1996	1997	1998	1999	2000
Agricultural Products	789	757	684	497	553
Agricultural, Fish & Forestry	997	1,108	922	749	807

U.S. Imports of Agricultural, Fish and Forestry from Italy (1996-2000) Source: U.S. Census Data, 2001

Millions \$	1996	1997	1998	1999	2000
Agricultural Products	1,313	1,375	1,385	1,458	1,549
Agricultural, Fish & Forestry	1,385	1,469	1,487	1,565	1,677

Section 4. Best Product Prospects

A. U.S. products in the Italian market which have good sales potential:

Wild salmon from Alaska
 California wines
 Dried plums
 Tree nuts
 Wheat
 TexMex and other ethnic foods
 Dried beans

B. Products not present in significant quantities but which have good sales potential:

Processed fruit juice
 Cake mixes

Dressings and sauces/condiments
Beer
Snacks
Lobsters and scallops

C. Products not present because they face significant barriers:

Beef
Cheese
Poultry

Section 5. Further Contact Information on Leading Buyer Groups:

Insieme CMS

Insieme DMA,
Via Vittor Pisani 14
20124 Milan, Italy
Telephone: 0039 02 6698 7433
Fax: 0039 02 66987431

Intermedia

Via Vincenzo Monti
20016 Pero, Milan
Telephone: 0039 02 3391 1308
Fax: 0039 02 33911208

Interdis

Via Lomelina 10,
20133 Milan, Italy
Telephone: 0039 02 752961
Fax: 0039 02 75296504

Sirio

Via Missiglia 97,
20142 Milan, Italy
Telephone: 0039 02 89309263
Fax: 0039 02 89514752

Selex

Via Cristoforo Colombo 51,
20090 Trezzano sul Naviglio, Milan
Telephone: 0039 02 4840 2900
Fax: 0039 02 4840 2038

Post Contact Information:

American Embassy Rome, Italy
Foreign Agriculture Service
PSC 59 Box
APO AE 09624

American Embassy
Foreign Agriculture Service
Via Veneto 119, Rome
00187 Italy

Telephone: 0039 06 4674 2396
Fax: 0039 06 4788 7008
e-mail: agrome@fas.usda.gov