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Required Report - public distribution

**Date:** 12/5/2014

**GAIN Report Number:** IT1495

## Italy

### Retail Foods

## 2014 Italian Food Retail and Distribution Sector Report

**Approved By:**

Christine Sloop

**Prepared By:**

Dana Biasetti

**Report Highlights:**

In Italy, the food retail and distribution sector continues to be quite fragmented and resistant to change. Traditional grocery stores continue to represent the majority share of the outlets, with few large retailers and many small local retail stores. Fortunately, consolidation is gaining momentum with Italian and foreign operators starting to expand their network of stores. This report overviews the characteristics of the grocery retail sector and how best to place U.S. products in the Italian market.

**Post:**  
Rome

**Author Defined:**

**Section 1. The Italian Food Retail and Distribution Sector Overview**

Unlike other European nations, the Italian food retail and distribution sector continues to resist consolidation. Small, traditional grocery stores (so-called Mom and Pop stores) continue to represent the largest segment of the food retail sector, followed by open-air markets. Nonetheless, consolidation is slowly gaining momentum, as a few Italian and foreign operators are starting to expand their network of stores, particularly in the south of the country. Larger food retailers are starting to appeal to those consumers who are attracted by the convenience that one-stop shopping offers, and appreciate the wide range of products and additional services that larger retail formats provide. Social changes, including smaller family sizes, longer working hours, more working women, an increasing the number of single households. An ageing population also is contributing to this change. In 2013, the Italian grocery retail sector faced a tough period, due to a decrease in consumer spending.

Italy's food distribution system falls short of its European counterparts, with noticeable differences in terms of sector growth between the north and south. Planning laws in Italy tend to favor smaller stores, and no planning permission is needed for outlets with a sales area of less than 250 square meters in towns of more than 10,000 people. Local communities tend to dislike the development of large stores (particularly hypermarkets in city centers, and Italian zoning laws require the permission from both local and regional authorities, making it more difficult to obtain permission for the larger stores.

Private label brands are gaining momentum, and have graduated from staple products to organic, gluten free and other specialty products. However, Italian consumer acceptance of retailer brands is lower than in other European countries, including France, Spain, Germany and the UK. Social changes, including smaller family sizes, an increasing number of single households and an aging population have affected consumption patterns. Demand for single-portion products, ready-made food products and convenience foods have increased. However, there are now signs that the combination of rising food prices and stagnant economic growth may be encouraging more Italian consumers to move away from branded products, providing a boost to producers of private labels. Italian consumers are quite discerning, and are prepared to sacrifice in other areas to ensure they buy quality food ingredients. The linkage between brand/quality may partly explain Italian consumers' reluctance to embrace private label products. Brand name producers currently even dominate the market for staple products, such as milk and pasta. For example, brand name pasta producer Barilla controls around 45% of the Italian pasta market, and dairy producer Parmalat controls around one third of the market for UHT milk. However, there are now signs that the dominance of brand name products may be coming to an end, with Parmalat revealing that its fresh milk products have struggled to compete against retailer's

cheaper, private label brands , which have been marketed aggressively at a time when consumers are feeling the pinch of rising food prices.

The discount store format remains quite marginal, but with the economic downturn has improved somewhat. In general, Italian consumers remain hesitant to shop at discount stores and purchase private label products. Coop Italia, Italy's largest retailer, however, has decided to invest in private label products. Coop has used private label products to drive down the price of staple foods and develop its group identity. Coop Italia now accounts for around 30% of all the private label products sold in Italy. However, the private label market is still very immature and offers enormous potential for growth. Industry sector sources predict that, as in other EU countries, consumers will move towards private label products in stages, with staples such as milk, bread and pasta being the first to register strong growth followed by more highly processed products such as confectionery and prepared meals. Although the market for private label goods in Italy is still relatively small in comparison with other Western European countries, this immaturity also means that there are currently growth opportunities.

Italy is a diversified industrial economy, divided into a developed industrial north, dominated by private companies, and a less-developed agricultural south, afflicted with high unemployment. This division is reflected in the distribution of retail outlets, with the majority of the supermarkets located in the north (53%), followed by the south (27%) and then by the central region of Italy (20%). While small neighborhood shops and specialty stores are still the norm, Italian consumers are discovering the convenience of large supermarket and hypermarket outlets. Italians still place great value on the quality and freshness of products (rather than frozen), which is reflected in the practice of daily shopping, rather than weekly bulk shopping. Larger supermarket and hypermarket stores are slowly introducing private label brands; however, unlike other European countries, consumer acceptance in Italy is still relatively low. Italian consumer purchasing habits place great value on the freshness and quality of products, therefore shopping several times a week versus other European countries where consumer patterns show a greater tendency towards once a weekly bulk purchasing.

The Italian population is aging and projected to decline in coming years. While living longer, Italians are having fewer children and marrying at a much later age. At the same time, continuing societal trends toward smaller families and an increasing number of women in the workforce are resulting in food retail outlets offering ready-made, ready-to-serve products and a wider range of products. However, contrary to trends across Europe, the majority of Italians still live in small cities and towns.

Currently, there are six major players in the Italian food retail and distribution sector: Co-op Italia, Conad, Interdis, Carrefour, Auchan and SPAR. Despite the continued presence of traditional outlets, as well as increased competition from domestic and international retailers, these retailers occupy a dominant position in the market. Four of the leading players - Co-op Italia, Interdis, SPAR and Conad - exist as consortiums of smaller operators and owe some of their success to their detailed knowledge of local requirements and shoppers' preferences. Other major mass grocery retailers in terms of sales revenue include Esselunga and Gruppo Pam. The principal foreign investors are the major French

retailers Carrefour, Auchan and Leclerc, as well as the German retailer Rewe and German discount chain Lidl. Through establishing joint ventures with local operators, Leclerc, Carrefour and Auchan have been able to build up a nationwide presence. Despite these advances, Italian operators have also been expanding their retail footprint.

One particular characteristic of the Italian retail and distribution sector is the large number of buying groups which emerged from the mid-1990s onwards with the aim of sourcing products more cheaply through greater purchasing power. Virtually all major Italian grocery retailers are members of a buying group, with the major ones being Intermedia (whose members include Rinascente, Gruppo Pam and Conad), Mecades (Interdis, Sisa and SPAR), Co-op Italia (Co-op and Sigma), Esd Italia (Esselunga, Selex and Agorà) and Carrefour Italia (with Carrefour, Finiper and Il Gigante). The presence of these buying groups has for many years presented a market entry barrier for foreign retailers, which have entered the market mainly via joint ventures with local operators. Several foreign multinationals have entered into partnerships with local players in order to make use of their local know-how and expand into the Italian market.

Italian importers are usually small to medium-sized companies, rather than the large, market-dominating varieties found in northern Europe. Consequently, these companies import on a smaller scale, but often a broader range of products than their much larger counterparts. Most imported food products enter the Italian market through brokers or specialized traders. Price is an increasingly important basis for import purchase decisions, although quality and novelty do move some products. Imported products from North America often enter Italy indirectly from the Netherlands' Port of Rotterdam or directly via air. Wholesalers are the main customers for fish and seafood products, as they purchase and distribute products to consumers through supermarkets, hypermarkets, local fish shops, restaurants, and fishmongers and fish processors. In Italy, there are over 1000 fish wholesalers-100 of which are considered to be importers.

**MASS GROCERY RETAIL SALES BY FORMAT (ITALY 2005-2014)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013e	2014f
Supermarket sales, USDbn	36.6	38.8	44.5	49.6	45.9	44.5	47.1	42.6	43.9	42.6
Hypermarket sales, USDbn	10.7	11.0	12.2	13.2	12.9	12.5	13.1	11.7	12.2	11.8
Discount store, USDbn	6.2	6.4	7.1	7.7	7.2	6.9	7.2	6.5	6.8	6.6
Convenience store sales, USDbn	1.2	1.2	1.3	1.4	1.3	1.3	1.4	1.2	1.3	1.2
Total mass grocery retail sales, USDbn	54.7	57.4	65.1	71.9	67.4	65.2	68.8	62.1	64.2	62.3

e/f = estimate/forecast. Source: National sources, BMI

**MASS GROCERY RETAIL SALES BY FORMAT (ITALY 2005-2014)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013e	2014f
Hypermarket sales, EURbn	8.6	8.8	8.9	9.0	9.2	9.4	9.5	9.2	9.2	9.3
Total mass grocery retail sales, EURbn	44.0	45.7	47.5	48.9	48.1	49.2	49.5	48.9	48.6	49.0
Supermarket sales, EURbn	29.4	30.9	32.4	33.7	32.8	33.5	33.9	33.6	33.2	33.5
Convenience store sales, EURbn	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Discount store sales, EURbn	5.0	5.1	5.2	5.2	5.2	5.2	5.2	5.1	5.2	5.2

e/f = estimate/forecast. Source: National sources, BMI

**Road Map for Market Entry**

The best way to begin exporting to Italy is to either identify a key Buyer Group or an importer, as both know how to best navigate the import and distribution process and are able to engage directly with Italian food retailers. They are key to doing business in Italy. Food importing is a specialized business, and an importer plays a pivotal role in navigating the hurdles of Italian and EU food law. Importers normally carry a whole range of products. The terms and length of association between the U.S. Company and the Italian company are normally established by contract.

- Survey existing and potential opportunities by reviewing FAS GAIN reports and consider engaging a market research firm to assist in analyzing market opportunities and challenges.
- Establish a relationship with an Italian importer/distributor that provides services to the food-processing or retail sectors.

- Be prepared to start small by shipping a few pallets or cases of a product and recognize that it could take several months or years before an importer is ready to order full containers. Italians place a lot of importance on first building the trust to consolidate the business relationship.
- Be willing to meet special EU labeling requirements and consider working through a consolidator or participating in mixed container shipments.

Participation in some of the larger European international food trade shows (ANUGA and SIAL) offers a good opportunity to get a sense of the Italian market and provides the opportunity to meet potential Italian importers or distributors. Market entry to the Italian retail sector requires patience, and substantial homework on the part of the U.S. exporting company to ensure that all import regulations and labeling laws are met.

### ***FAS Attaché Reports***

Excellent FAS Attaché reports for new-to-market exporters to Italy are:

- The Exporter Guide which contains a general overview of the macro-economic situation, discusses demographic trends, food trends, offers exporter business tips and shares overviews of the food retail and HRI sectors (please see [Exporter Guide](#)).
- The Import Regulations and Standards (FAIRS) report provide an overview of import regulation standards and required health and origin certificates (please see [FAIRS Report](#)).
- The Hotel, Restaurant and Institutional Sector report
- View our FAS Rome webpage at <http://italy.usembassy.gov/agtrade.html> for a selection of Italy reports or view the Global Attache' reports at <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

### ***Key Industry Trends and Developments***

#### **Rewe**

At the end of June, German retailer Rewe Group announced their intention to sell 53 of its Italian Billa supermarkets to Carrefour of France as part of their downsizing in the Italian market. Rewe is shifting their focus from the full range retail market towards the discount market, where it has 311 outlets under its Penny Market brand. Carrefour already has a strong presence in the Italian market, and through the acquisition of the Billa supermarkets intends to strengthen its presence in the North of Italy.

#### **Esselunga**

Italian supermarket chain Esselunga, which operates 140 stores in Italy (mainly in the North), reported falling operating profits in 2013, while still accruing estimated profits of €6.9 billion.

#### **Lidl**

European Supermarket Magazine reported in November 2013 that retail discounter Lidl planned to invest €100 million during the next five years in the growth and modernization of its Italian operations. This investment will see the opening of 120 new stores, together with the modernization of its 560

existing stores.

### **COOP Italia**

Italy's largest retailer, COOP Italia has put its weight behind private label products, driving down the price of staple foods and developing its group identity. COOP Italia now accounts for around 30% of all private label products sold in Italy. Although the private label market is still very immature compared to other European countries, it offers enormous potential for growth.

### **Retail Sector Strengths and Weakness**

<b>Advantages</b>	<b>Challenges</b>
Italians are traveling more and becoming more aware of foreign cuisines.	Competition in the Italian food market is fierce and many consumers still prefer traditional Italian products.
Italy is a member of the Euro zone, which eases market entry.	The Italian retail sector is extremely fragmented, and the mandatory customs duties, sanitary inspections, and labeling requirements can be onerous.
Interest in new and innovative products, especially with a health twist.	Competition from similar food products produced in other EU countries that enter tariff free.

### **U.S.-Italian Agricultural Trade**

In 2013, U.S. agricultural, fish, and forestry exports to Italy were \$1.2 billion, whereas, U.S. imports from Italy reached \$3.7 billion. The agricultural balance of trade is nearly 4:1 in Italy's favor, although there used to be parity before Italy joined the EU. The United States exports bulk and intermediary products to Italy, namely wheat, soybeans, hides and skins, hardwood lumber and planting seeds. Quantities exported in a given year can fluctuate widely depending on the internal European feed grain and wheat supply and demand situation as well as external competitive factors with third country suppliers. Products are processed into high value items like cured meats and cheeses, pasta, shoes, and furniture, which are then re-exported to the United States.

Italy is one of the largest markets for U.S. tree nuts. U.S. tree nut exports to Italy in 2013 - mainly almonds but also including walnuts, hazelnuts, and pistachios - reached \$186 million. U.S. forest product exports to Italy in 2013 were \$141 million. U.S. seafood exports to Italy in 2013 totaled \$75 million and U.S. red meat exports (mainly shipped under a quota for hormone free beef) totaled \$65 million.

Italy's agricultural exports to the United States in 2013 reached another record high and were characterized by growing exports of high value products, such as wine (\$1.6 billion), olive oil (\$575 million), pasta (\$519 million), cheeses (\$297 million), cured meats (\$87 million), and olives (\$66

million).

### **Best Products Prospects**

#### **A. U.S. products in the Italian market that have good sales potential:**

Wild salmon from Alaska  
Lobster  
Dried plums  
Tree nuts  
Wheat  
Tex Mex and other ethnic foods  
Sauces and condiments

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

Snacks  
Scallops  
Chocolate  
Specialty/Microbrew Beer

#### **C. Products not present because they face significant trade barriers:**

Beef, other than that sold thru the High Quality Beef Quota  
Poultry  
Processed food products containing biotech ingredients

### **Key Trade & Demographic Information - Italy 2013**

<b>Agricultural, Fish/Forestry Imports from the U.S.</b> \$1.2 billion	<b>Consumer Food Imports from the U.S.</b> \$408 million
<b>Fish and Seafood Imports from the U.S.</b> \$75.2 million	<b>Unemployment Rate:</b> 12.4 percent
<b>Italian Population</b> 62 million  <b>Foreign Population</b> 5 million (approx.)	<b>Total Rural Population:</b> 20 Million <b>Total Urban Population:</b> 40 Million
<b>Gross Domestic Product:</b> \$1.805 trillion	<b>Per Capita Income:</b> \$30,600
<b>Exchange Rate: EURO per U.S. Dollar</b> Average 2013: €0. 0.7634 = \$1.00	<b>Labor Force</b> 26 million

**Source:** BICO, ISTAT, Global Trade Atlas, and European Central Bank

### **Section 4. Contact Information**



***Local Time***

The time zone for Italy is 6 hours ahead of U.S. Eastern Standard Time.

***Holidays***

Italian holidays must be taken into account when planning to do business in Italy. July and August are not good months for conducting business in Italy, since most business firms are closed for vacation during this period. The same is true during the Christmas and New Year period.

***Section VI. Key Contacts******USDA FAS Contacts in Rome, Italy***

Office of Agricultural Affairs,  
Foreign Agricultural Service,  
American Embassy, Via Veneto 119a  
Rome, 00187, Italy

Webpage: <http://Italy.usembassy.gov/agtrade.html>

E-mail: [agrome@fas.usda.gov](mailto:agrome@fas.usda.gov)

Tel: (011) (39) 06 4674 2396

Fax: (011) (39) 06 4788 7008