green seed

ITALY

We help your international business grow

CONTENTS

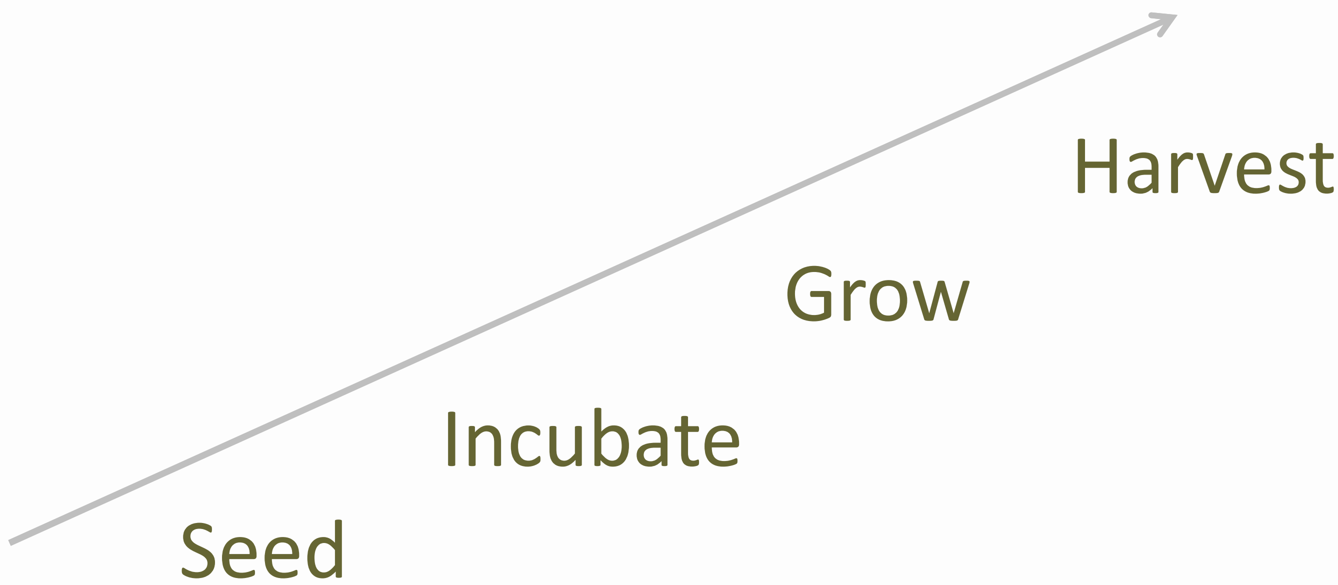
WELCOME TO THE GREEN SEED GROUP

- What is the Green Seed Group?

  - People who can help you seed, incubate and grow your international business.
  - An international network of 11 sales & marketing companies, covering 19 countries, with over 60 in-market experts, helping over 800 companies every year.
  - A network of 8 associates to cover the developing markets.
  - Green Seed professionals have expertise covering all aspects of your business: retail and manufacturing, food service, import/export, country management as well as providing many other services in the fields of public relations, research, market analysis and consultancy.

GREEN SEED GROUP: THE CONCEPT

THE CONCEPT: to offer services to help you understand and identify opportunities to successfully incubate and grow your food and drink products overseas.



OUR PHILOSOPHY: Work as an extension of the client team in-market. Always be open, direct and impartial yet passionate about food and drink, delivering action-oriented results.

green seed

The unique grocery consultancy agency to help your business grow in the Italian market.

Market Intelligence & Strategic Advice

Sales

Marketing

P.R.

Producer

Trade

Consumer

Headquarters: Bologna

GREEN SEED GROUP: OUR SERVICES

"We advise, we execute & we deliver"

GREEN SEED ITALY: WHAT MAKES US UNIQUE?

GREEN SEED ITALY: CLIENTS

- **Food Promotion Agencies**: Bord Bia (similar to Sopexa in France e former CMA in Germany and Food From Britain in UK) – marketing, PR and promotion of food and drink overseas
- **Associations of Producers and Consortiums:** Hybu Cig Cymru (HCC – Meat Promotion Wales); EBLEX (English Lamb & Beef Executive); HGCA (Home Grown Cereals Authority); QMS Scotland) – marketing, PR and promotions and trade development, market research; Seafood Scotland
- **International Food & Drink Companies** (from SMEs to companies quoted on stock exchange):
    - Kettle Foods
    - Dorset Cereals
    - Borges
    - Dole
    - Halo Foods
    - Typhoo
    - Perry Court Farm
    - Europatisserie
    - Quorn Food
    - Arla Foods
    - …….
- Retailers, International Distributors
- Trade Fair Organisations

GREEN SEED ITALY: CLIENTS

green seed

Arla
ARLA FOODS

PREMIER FOODS

dorset cereals®
honest, tasty and real

McVitie's

Dole

KETTLE CHIPS

QMS
QUALITY MEAT SCOTLAND
Ufficio Carne Scozzese

DORMEN'S
Finest Quality Nuts

Quorn

روبيان
ROBIAN

GOURMET'S CHOICE LTD
Established 1908

POPITAS

SEAFOOD SCOTLAND

DOWNTON BREWERY

ICAM
Linea Professionale

bor mediter

TARALLUCCIOS

Bord Bia
Irish Food Board

Invest Northern Ireland
Building Locally
Competing Globally

mace

CAIRNGORM
BREWERY COMPANY

PERRY COURT FARM

HOPBACK BREWERY

CONSORZIO OLIVICOLO ITALIANO
UNAPROL

Euro Pâtisserie

Typhoo

GREEN SEED ITALY: THE TEAM

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Luciano Caserta – Beverage

Field Salesforce: 6 regional KAM's

ITALY: TODAY

- A large and modern country
- Total population: 58.8 million inhabitants
- 7th economy in the world, 2nd largest industry in Europe
- Flat GDP, in decline in last 4 years
- Inflation rate 13: +1.5%
- Food still very important
- Taste and quality are crucial
- Still big regional differences = consumer behaviours
- Approx. 5.8 million immigrants; a specific market in the Italian market

ITALY: REGIONAL DIFFERENCES

- Italy was founded as a nation in the late 19th Century and strong regional differences persist today as sense of identity is closely linked with place of birth. The differences are:
  - Social
  - Political
  - Economic

- The South is economically disadvantaged when compared to the North. There are major differences in overall employment rates with youth unemployment in some areas of the South rising to above 25%.

- Major differences in lifestyle and consumer habits also exist (north more open to innovation, south more traditional).

HOW THE RECESSION HAS HIT ITALY

- **Italy has been badly hit by the economic downturn and Italian consumers are conscious of their reduced purchasing power.**
- **Shoppers have moved towards retailers with strong value for money credentials e.g. discounters and private label.**
- When the recession began in 2008, shoppers developed new habits which are still in use today: couponing, frequent shopper cards, shopping lists, on-line comparison shopping etc.
- Consumers are eating out less and entertaining more at home
- Consumers are filling out their recipes with less expensive bulk items: whole-wheat pasta, lentils, brown rice, tomatoes, fruit jams etc.

TOP TRENDS IN THE FOOD & DRINK SECTOR IN ITALY




- Health & Wellbeing
- Convenience / Service
- Indulgence
- Gourmet Specialities
- Snacks and Aperitifs
- Provenance Regional & PGI Products
- Ethical / Environmental Organic Eating




INNOVATION DRIVERS: FAST GROWING CATEGORIES

Health, Wellbeing, Slimming
(non-punitive, holistic and hedonistic)

- Probiotic yoghurt
- Milk substitutes
- Cereals and cereal bars
- Energy drinks
- Light / sugar free products
- Functional products

Snacks/between meals

- Bread substitutes & specialities
- Popcorn and corn products
- Nuts and dried fruit
- Chocolate eggs
- Bi-compartment yoghurts
- Chilled desserts
- Savoury snacks

Marketing Opportunities

Service/Solutions/Convenience/ Practicality

- Pre-washed fruit/veg & pre-cooked
- Grated parmesan cheese
- Pre-packed cold meat cuts
- Semi-finished pastry bases
- Ready meals and fresh soups
- Fresh pasta
- Micro-filtered fresh milk
- Frozen: breaded products
- Dried ready to cook risotto
- Croutons for soups

Traditional and regional foods

- PDO/IGP/IGT
- Rediscovery & nationalisation of specialities & regional foods

Source: IRI Infoscan

- The relationship between Italians and healthy eating has grown over recent years as they are ever more concerned with physical well-being.
- Traditionally Italians have a certain 'savoir-vivre' nationally in terms of healthy eating and in Europe the country has one of the lowest obesity rates: one Italian in two have no weight issues.
- It should be noted that Italian women are becoming increasingly slimmer: their average body mass index has been in steady decline for over twenty years.
- Sales of vitamins, minerals and food supplements are also increasing year on year.

Sales - Health & Wellbeing 2013: +18.6% vs 2012

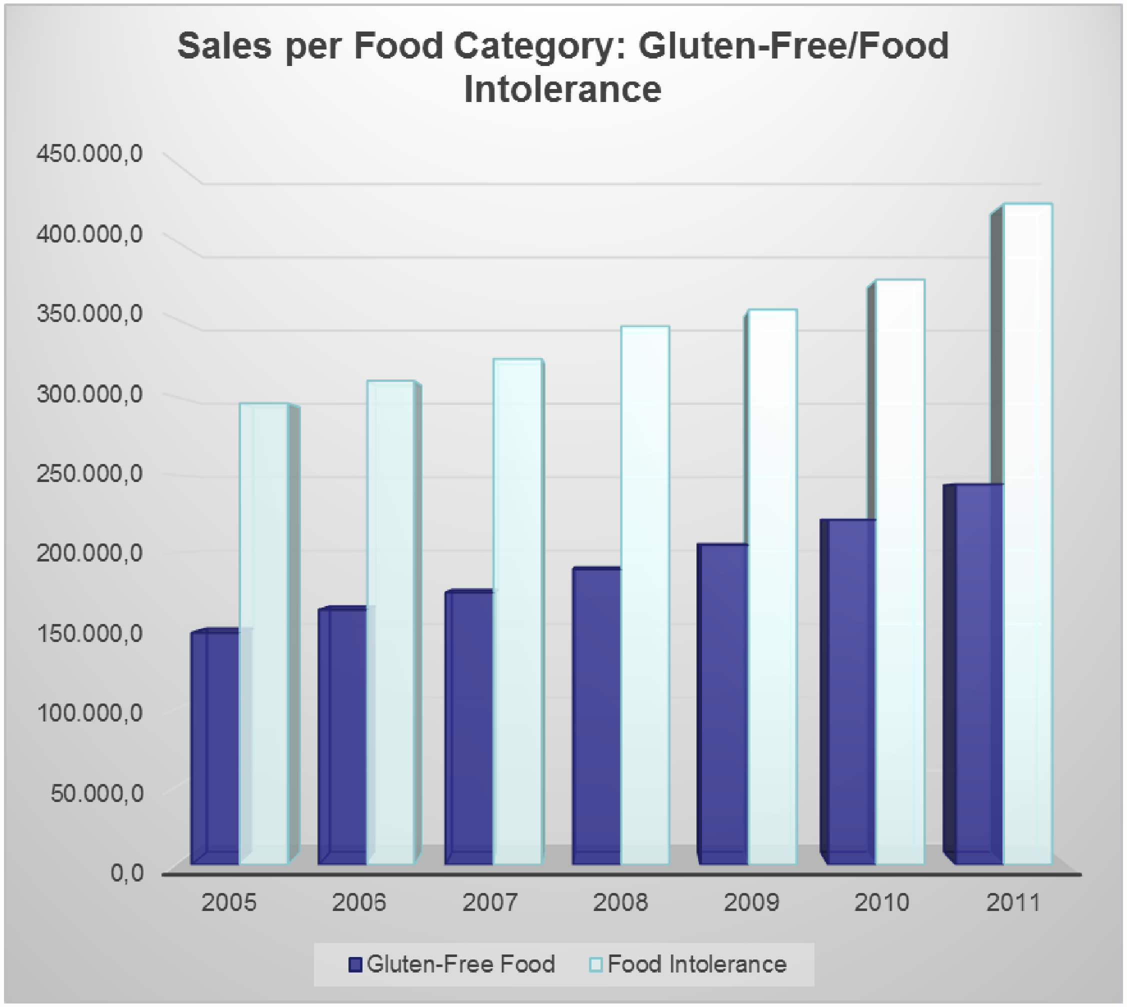
Examples of Sales Trends in the Health & Wellbeing Category	
+7.6%	Kamut / whole wheat pasta
+7.3%	Food supplements
+9.4%	High digestibility milk

HEALTH & WELLBEING

- Gluten-free products are gaining market share across all categories, notwithstanding the crisis.

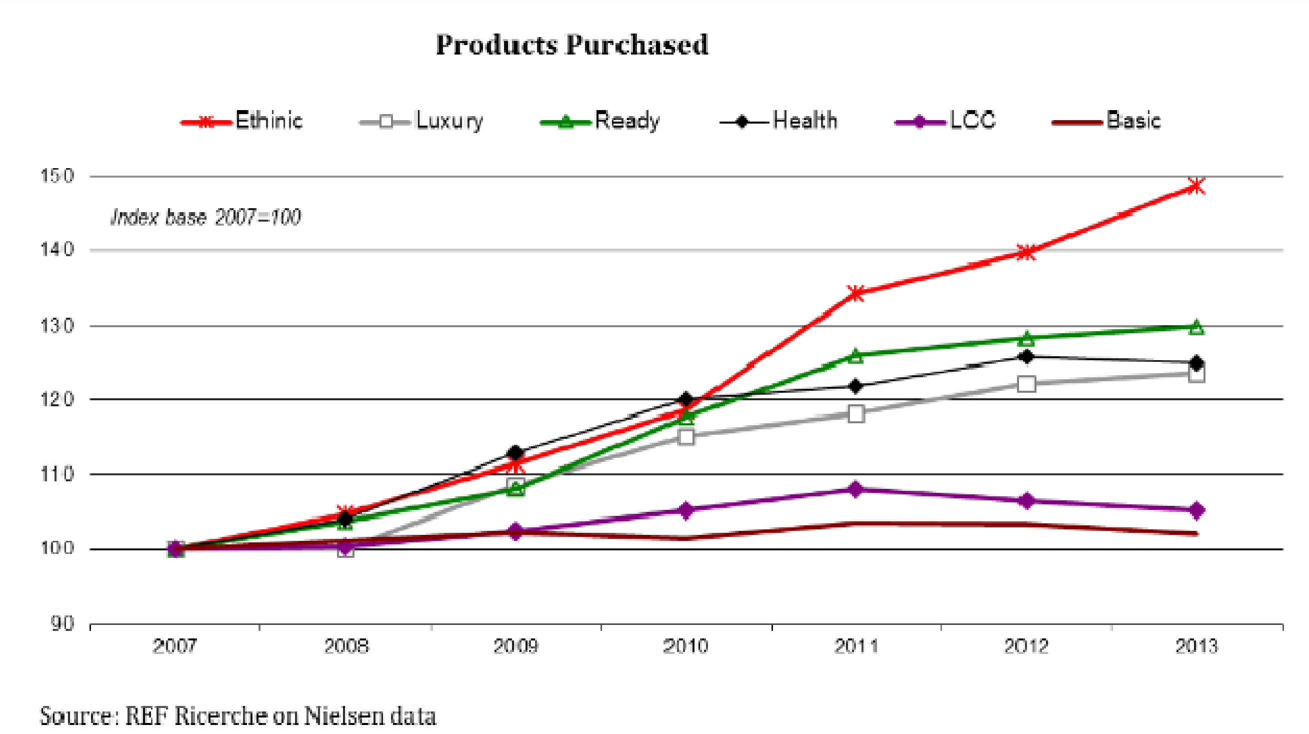
- Gluten-free pasta is expected to remain the strongest constant value growth segment.

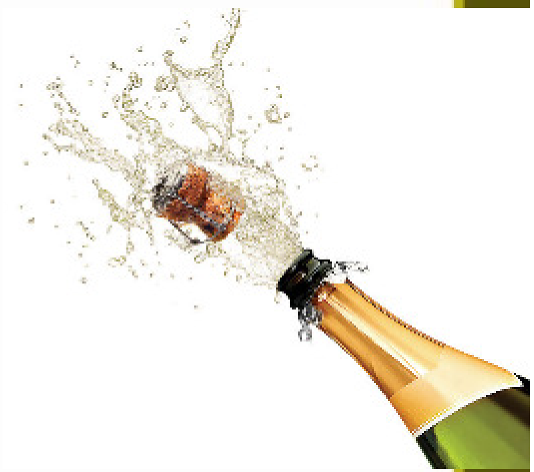
- Diabetic products are forecast to gain market share, as diabetes is one of the fastest growing health conditions in Italy, however at present the category is extremely small.



INDULGENCE

- Contrary to the performance of many other categories, the purchase of luxury products (+1.2%) which includes high unit value items such as champagne, mushrooms, truffles and some types of fish products is showing growth.
- Trends show a polarization of the compartments in terms of consumption and certain segments of the population tend to buy products with a higher unit cost on a regular basis.





HOBBY FARMING, LOCAL ORIGIN KM 0 AND PROTECTED NAMES

45.9%

Italian consumers claim to have purchased zero km products in the last year

2.7 mln

Italians have a vegetable garden

1.2 mln

Italians are involved in agricultural activities as a hobby

- Italians are experimenting with new models of food supply and the sector is rapidly increasing.
- Product provenance is of utmost importance; in fact Italy is the world leader in terms of certified food productions, with 239 products in the EU register including 149 PDO, 88PGI and 2 STG.
- Local origin km 0 and artisan products have increasingly attracted attention and market share over recent years, in part thanks to the efforts of the Slow Food movement, founded in Italy.
- More than 17% of Italians who conduct amateur activities in agricultural activities/hobby farming have started in the last 5 years – in parallel with the beginning of the economic crisis.
- Overall consumer trends are showing that Italians are increasingly sourcing local, high quality food & drink products where and when possible.

ETHICAL AND ORGANIC

- The ethnic segment continues to return positive signals.
- This is in part due to the increased shelf space that the Gdo is dedicating to these products in response to an increase in the number of ethnic groups present and in part due to growing appreciation of these products by Italian consumers.
- Organic food & drink products are also gaining market share across all categories.
- Italy also has the largest number of vegetarians in Europe with a total of approximately 7 million, representing 12% of the total population; the number of vegans is included in this number and accounts for roughly 10%.

Organic food & drink in Italy

(Hyper + Super + Lis)

738 mln euro (+17% vs 2011)	Projected turnover in 2013
1.8%	inc.% of sales Bio Food
205 (+22 vs. 2011)	Average number of references in the Bio outlets

THE ITALIAN RETAIL MARKET

THE ITALIAN RETAIL SECTOR: AN OVERVIEW

The Italian retail sector is highly fragmented with consumers preferring to shop at smaller convenience stores which is slowing down market consolidation especially in Southern regions.

519 hypermarkets
3.631 supermarkets
8.022 smaller stores

Northern Italy
Nielsen Area 1&2

158 hypermarkets
1.960 supermarkets
4.843 smaller stores

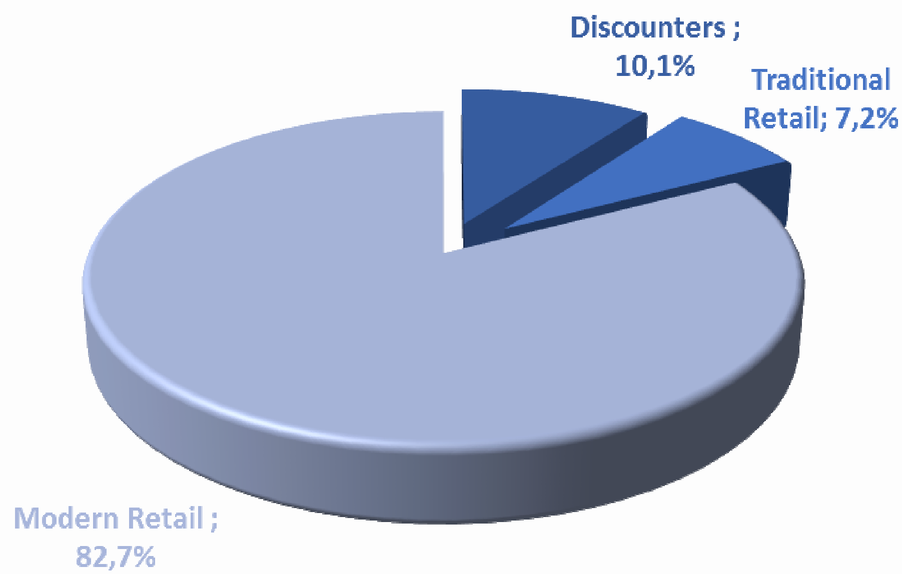
Central Italy
Nielsen Area 3

148 hypermarkets
2.701 supermarkets
7384 smaller stores

Southern Italy
Nielsen Area 4

DISTRIBUTION ITALIAN FOOD & DRINK SECTOR

- The Modern Retail Channel (supermarkets/hypermarkets) accounts for 82.7% of total Food & Drink sales.
- The Discounters Channel is increasing annually and now represents over 10% of sales.
- Traditional Retail is the only channel that is decreasing, giving up market share to both the other channels and now accounts for only 7.2%



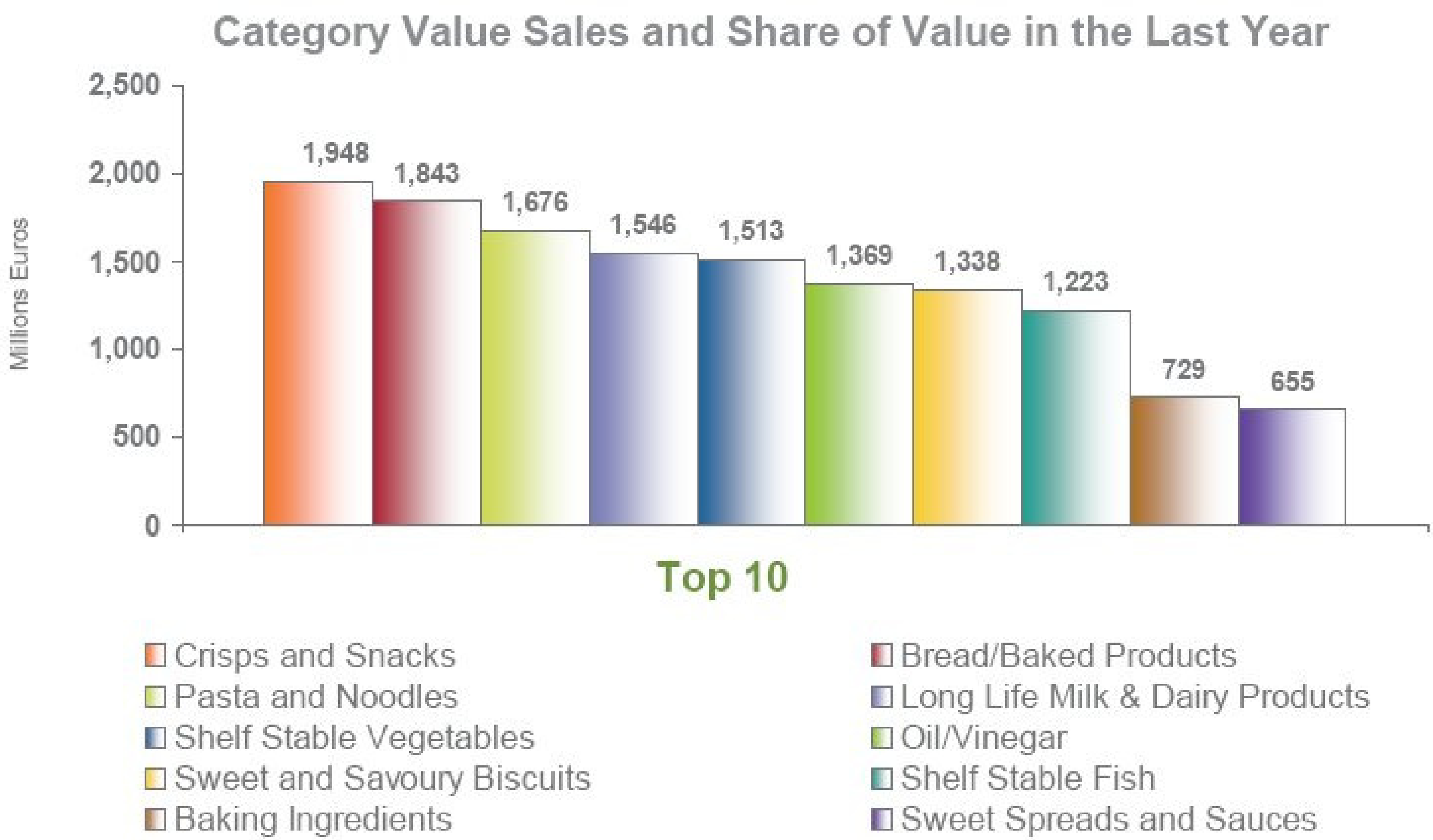
OVERVIEW ITALIAN RETAIL SECTOR

- Italy is the 4th largest grocery market in Europe (after France, UK and Germany).
- However it is also the most fragmented grocery market within the EU Top 5.
- The current market share of the top 3 retailers in Italy is only around 35%.
- The largest retailers have de-centralized control with the majority being co-operatives or large buying groups.
- Retail chains are mostly regionally based due to acquisition of smaller chains.
- Logistics are centralized in Northern Italy resulting in challenges in Southern Italy.
- Direct import by large retailers is increasing while purchases from local importers and distributors are decreasing annually.

OVERVIEW ITALIAN RETAIL SECTOR

- The private label sector is relatively small in Italy, approaching 20% compared to an EU average of 35%.
- This underlines large potential and the market share of private label is expected to grow.
- The recent recession has tightened consumer spending which affected the retail market in a positive way as more consumers prefer to eat at home rather than eating out.
- Due to the high level of promotions (price cuts up to 40%) in large retail chains, customer loyalty has decreased as they switch constantly searching for high-quality and low-cost products.
- Hypermarkets and supermarkets are expected to face increased competition from discounters over the next years.

ITALIAN RETAIL SECTOR: 2012 VALUE SALES per CATEGORY



Source: Symphony IRI Pulse Ambient Report 2012

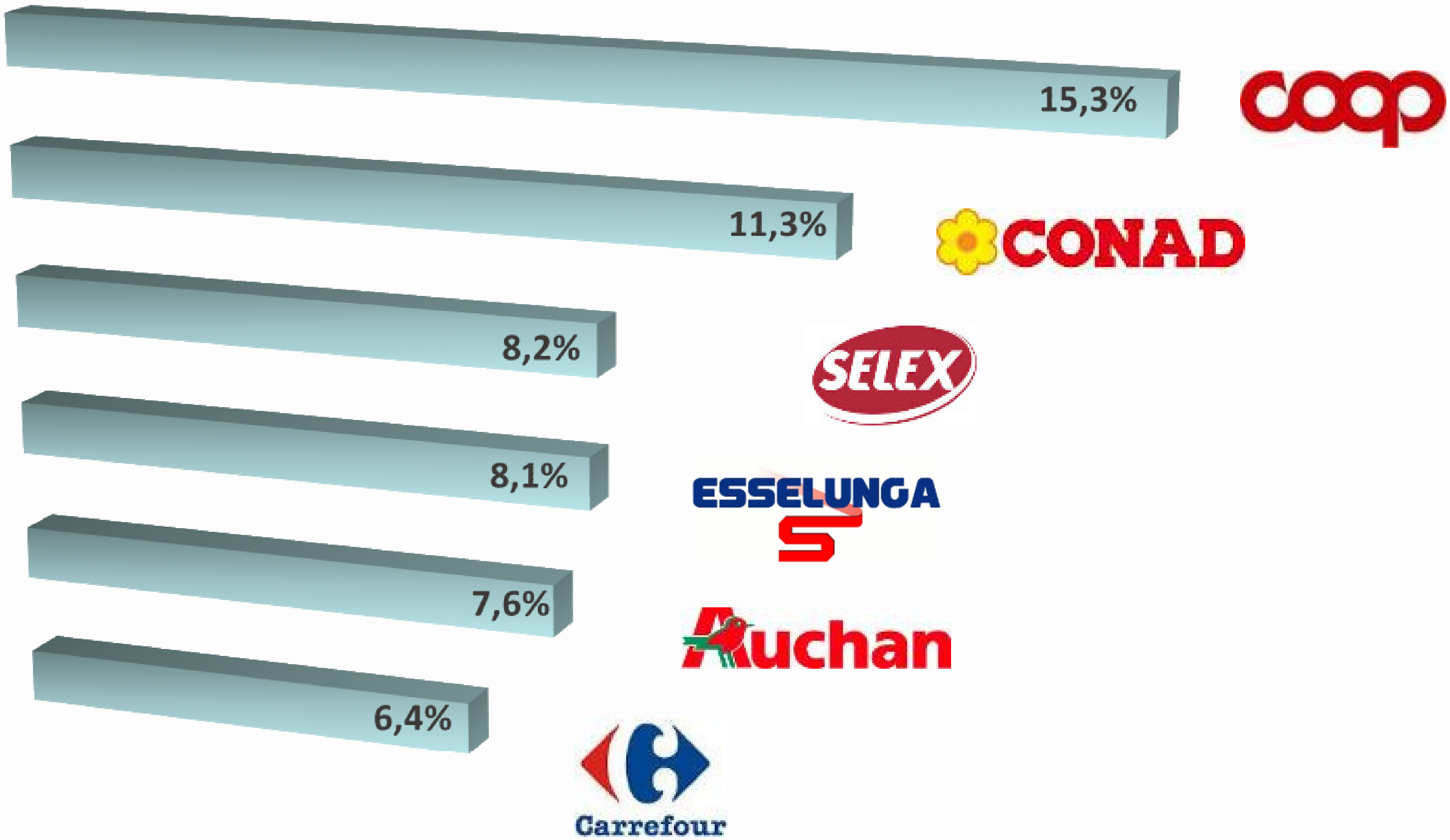
ITALIAN RETAILER'S TOP CHAINS

Auchan
Gruppo Rinascente

CONAD

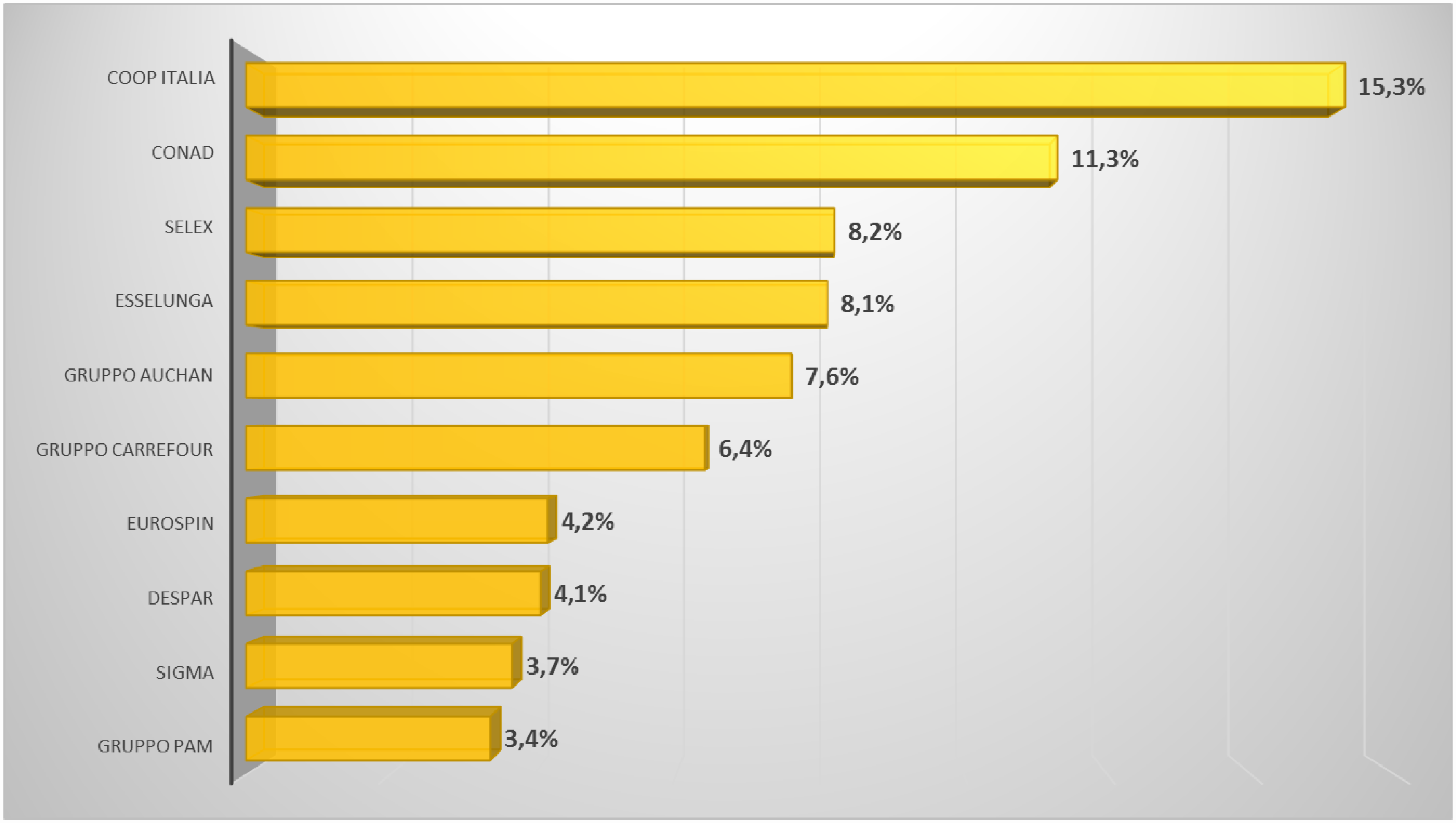
coop

MARKET SHARES KEY ITALIAN RETAILERS



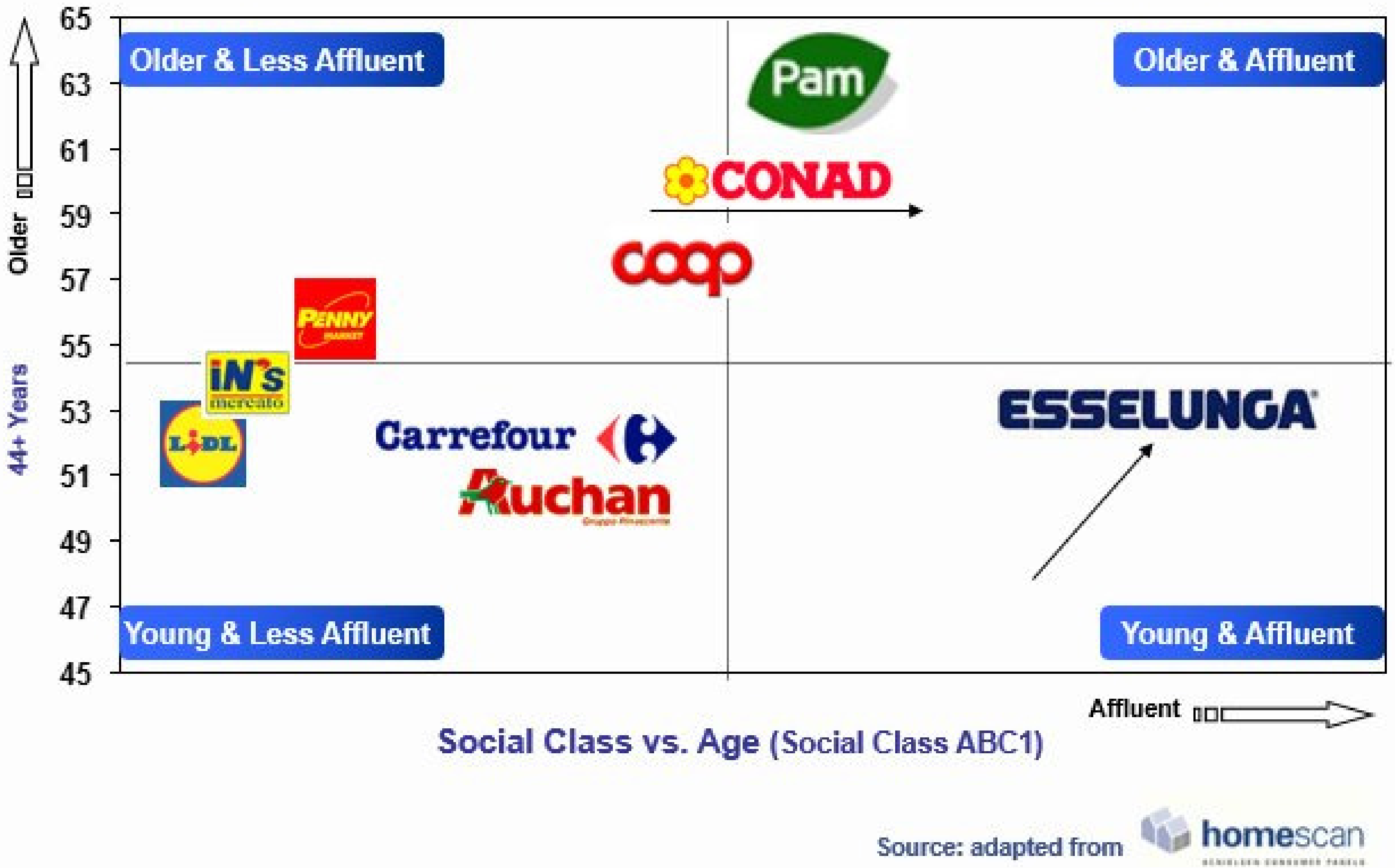
Source: Nielsen Italia Top Trade Jan 2012

MARKET SHARE OF KEY RETAILERS: Top 10



Source: AC Nielsen – January 2013

SHOPPER DEMOGRAPHICS DETERMINE RANGE & PRODUCT MIX IN STORES



COOP ITALIA

- **Coop** is the leading group in Italian food retail and the largest single chain present on the market. The chain turnover in 2012 was just over €13bn with a positive trend.

- Coop is organized through a network of **155 regional cooperatives (9 large, 13 medium sized and 133 small cooperatives often with only one store)**, which are **partially controlled centrally.**

- The top 9 big cooperatives are grouped into three under a regional "Distretto" that coordinates their activities and manages logistics.

- Even if the main objective of the chain is to centralise control and decisions, a large part of power is still in the hands of the 9 big Cooperatives.

COOP ITALIA

- COOP stands for *Cooperative di Consumatori* and consists of a system of cooperatives (155: with 9 large, 13 medium sized and 133 small cooperatives) with a total of 1,470 stores (super and hypermarkets).

- Coop Italia is the market leader in the Italian (Food& Drink) Retail sector with a 15.3% market share and is the largest retail chain present nationwide.

- The top 9 big cooperatives are grouped into 3 large regions (North-East, Adriatic and Tirrenic) that coordinate their activities and logistics. Even if the main objective of the chain is to centralise control and decisions, a large part of power is still in the hands of the 9 largest cooperatives.

- COOP ITALY is the chain's central office responsible for assortment decisions/prices/discounts/contracts. Decisions are transferred through the regional Coops to the single cooperatives.

COOP ITALIA: PRIVATE LABEL RANGE

Private Label Ranges

- **Fior Fiore**: premium range

- **Bio-logici**: organic range

Private Label Ranges

- **Solidal**: Fair Trade range

- **Soluzioni**: convenience/service/ready-meals range

COOP ITALIA: PRIVATE LABEL RANGE

Private Label Ranges

- **Crescendo**: baby foods range

- **Senza glutine**: gluten-free range (15 products)

CONAD

- Conad is the second largest retail chain in Italy with a market share of 11.3%

- Conad is an association of private owners of smaller chains located throughout Italy. These smaller chains are managed through regional independent cooperatives with a national headquarters responsible for overall coordination and the Private Label range.

- Conad is based on a network of 8 cooperatives spread throughout Italy with a total of 2.937 stores, divided as followed;

  - 1.198 Margerita Stores (small supermarkets in city centres and suburbs)
  - 1.453 Conad Supermarkets
  - 31 E. LeClerc- Conad Hypermarkets
  - 255 Discount stores

Private Label Ranges

- **Conad Own Label:**

  Wide range of product categories

- **Conad Percorso Qualità**

  Quality assurance label for the following product categories:

  - Fruit & vegetables
  - Beef
  - Chicken, turkey and other poultry
  - Fish & seafood

CONAD: PRIVATE LABEL RANGE

Private Label Ranges

- **Conad Il Biologico**

  Range of organic products

- **Conad Sapori & Dintorni**

  Premium range of regional products with specialities from the various regions of Italy

ESSELUNGA

- Esselunga is the 5th largest retail chain in Italy with a market share of 8.1% and a total of 141 stores. It was also the first Italian retailer to introduce online shopping.

- The retailer operates mainly in Northern Italy (22% market share in Lombardia) and Tuscany. The chain operates through;
  - 75 Superstores
  - 66 Supermarkets

- In 2012 Esselunga began transforming its smaller supermarkets to superstores, in response to costumers who are less willing to shop in large hypermarkets that take up too much of their time.

- This concept has already proven successful as Esselunga has experienced the largest growth in revenue among Italy's top 5 retailers.

ESSELUNGA: PRIVATE LABEL

- Private label always been a central and strategic part of Esselunga, with a particular focus on organic and environmentally friendly products.
- First ‘Esselunga’ own label products created at end of 1970’s.
- Private Label today: **6,111 items** for a share of 20%. **Total turnover € 1.409m**
- Strategy focusing on fresh, high quality products at reasonable price level, policy of transparency and strict control on product safety (by internal quality assurance and external laboratories).
- Private label ranges in Esselunga:
  - The classic **‘Esselunga’** brand for basic food and non-food products.
  - **‘Fidel’** (fantasy name label) brand for best price products
  - **‘Esselunga Bio’** brand for organic private label range
  - **The ‘Naturama’** brand for fresh meat, fish and vegetables
  - **‘Esselunga Top’** brand for premium products

ESSELUNGA: STANDARD OWN LABEL

Esselunga: Standard own label range

- Own label introduced in late 1970s
- Focus on quality and price
- Now wide range across all product categories, both food and non-food

ESSELUNGA BIO: ORGANIC OWN LABEL

- Organic own label brand created in 1999.

- Now includes 250+ food items covering all the food categories from fresh fruit and vegetables, jams, preserves, cereals and bakery products, dairy products to ready dishes and ice-creams.

- The Esselunga organic range is the most extensive one among the Italian retail chains. Esselunga was the first Italian retail chain to make Organic a central strategy to communicate the chain's competence in fresh, natural, healthy and environmental friendly products, all subject to strict controls by Esselunga's QA and by external accredited organic certification.

ESSELUNGA NATURAMA: QUALITY ASSURANCE PRIVATE LABEL BRAND

Esselunga Naturama: quality assurance brand for meat, fish and fresh vegetables

- Focus on quality and traceability
- Strict quality control schemes in all phases of production
- Products under Naturama brand include: fresh meat (beef, rabbit, chicken, hams), fish, pre-packed fruit & vegetables, eggs.

ESSELUNGA TOP: PREMIUM PRIVATE LABEL

Esselunga Top: premium own label range

- Premium products with focus on taste, indulgence and also regional specialities.
- Products include: pasta, fresh pasta, pasta sauces, olive oil, mackerel fillets, jams, honey, butter, pizza, apple strudel and chocolate.

GRUPPO AUCHAN

- Gruppo Auchan is the 4th largest retailer Italy with a market share of 7.6% and is present in 11 regions.
- In the Italian retail market since 1989, the chain has patchy national coverage concentrated in Lombardia, Veneto, Marche, Lazio, Sicily and Sardegna.
- The chain operates through:
  - 49 Auchan Hypermarkets
  - 157 Sma Supermarkets
  - 38 CityIper Superstores
  - 1.356 Punto Sma & Sma Franchises
- The chain is recovering share due to focus on food and on smk channel (Simply).

CARREFOUR

- This large French retailer is now the 6th largest multiple retailer in Italy with a total market share of 6.4%. It is the second largest retailer in the world (after Walmart) and number 1 in Europe.

- Carrefour entered the Italian market through the acquisition of many local chains and today has 1,300 stores throughout Italy (hypermarkets, supermarkets and discount stores).

- In 2012 Carrefour transformed all its hypermarkets into ‘Carrefour Planets’, an innovative format introduced in France in 2011 to attract both customers and companies for in-store promotions.

- All points of sale are controlled centrally by the headquarters in Milan.

PRIVATE LABEL

- The Private Label sector in Italy accounts for 19.5% of the total market share; low when compared to the European average of 35%.

- However the Italian market is growing fast and is expected to reach 20% of the total market share in 2013.

- While in Northern Italy Private Label products make up for almost 30% of total sales, in Southern Italy a certain resistance exists and PL products only represent 12% of total sales.

- In particular, the PL products by Coop (Fior Fiore) and Conad (Sapori & Dintorni) are perceived as premium products.

Year	%
2006	12.6%
2007	13.0%
2008	14.0%
2009	14.8%
2010	15.4%
2011 2012	18.0% 19.5%

DISCOUNT CHANNEL

10.2%

- Unlike other European countries and despite the recent increase, discount stores in Italy still have a relatively small market share: 10.1%
- The main discount chains in Italy are:

  - **Eurospin:** more than 600 sales stores and 2,200 products – No. 1 discount chain in Italy;
  - **Lidl** (Lidl & Schwarz Group): 450 sales stores and 1,400 products – No. 2 discount chain in Italy;
  - **Dico:** more than 300 sales stores and 2,750 products (No. 3);
  - **Penny Market** (Rewe Group): 220 sales stores and 1,200 products;
  - **In’s** (PAM Group): about 200 sales stores and 1,200 products;
  - **LD Market** (Lombardini Discount):200 sales stores and 1,200 products.

Traditional Channel

TRADITIONAL CHANNEL

7.2%

- The traditional channel, made up of small independent retailers, is decreasing, but is **still very important in Italy**.

- Traditional stores, however, are suffering from the growth of the retail chains and to survive, they are **looking for unique products**, **high in quality** (taste, appearance, ingredients, processing, packaging) and service.

- This category is difficult to define as each individual store has its own unique format.

- The general traditional food retailer is slowly disappearing to be replaced by stores that add added value through **specialisation in high quality** or through **adding more service** by staying open **longer hours** and week-ends. The latter are increasingly being run by first generation ethnic minorities. This channel will not disappear in Italy as it provides a mixture of personal attention, service and quality that allows stores to survive against all predictions.

Food Service

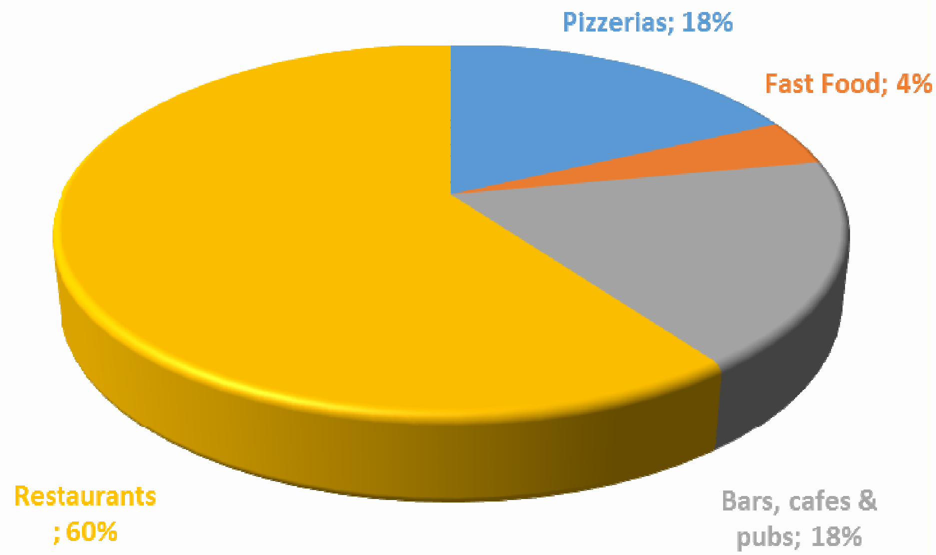
FOODSERVICE: KEY CHARACTERISTICS

Total market worth €57.0 Billion

- Commercial catering €30.9
- Contract catering €6.3
- Consumption in Bars €19.6
- Canteen €6.2

Characterised by large numbers of small family managed outlets:

- Over 140,000 bars
- Pizzeria/Trattoria 28,000
- Restaurant 25,000
- Ice cream parlours 16,500



Highly successful models against which it is proving difficult for chains to compete

- High quality

Personal service:

- Flexible working hours

FOODSERVICE: TOP COMPANIES

Top chains are :

- McDonald's
- Flunch
- Autogrill
- Sarni
- Camst

Top wholesalers:

- Marr
- Partesa
- Lekkerland

CASH AND CARRY

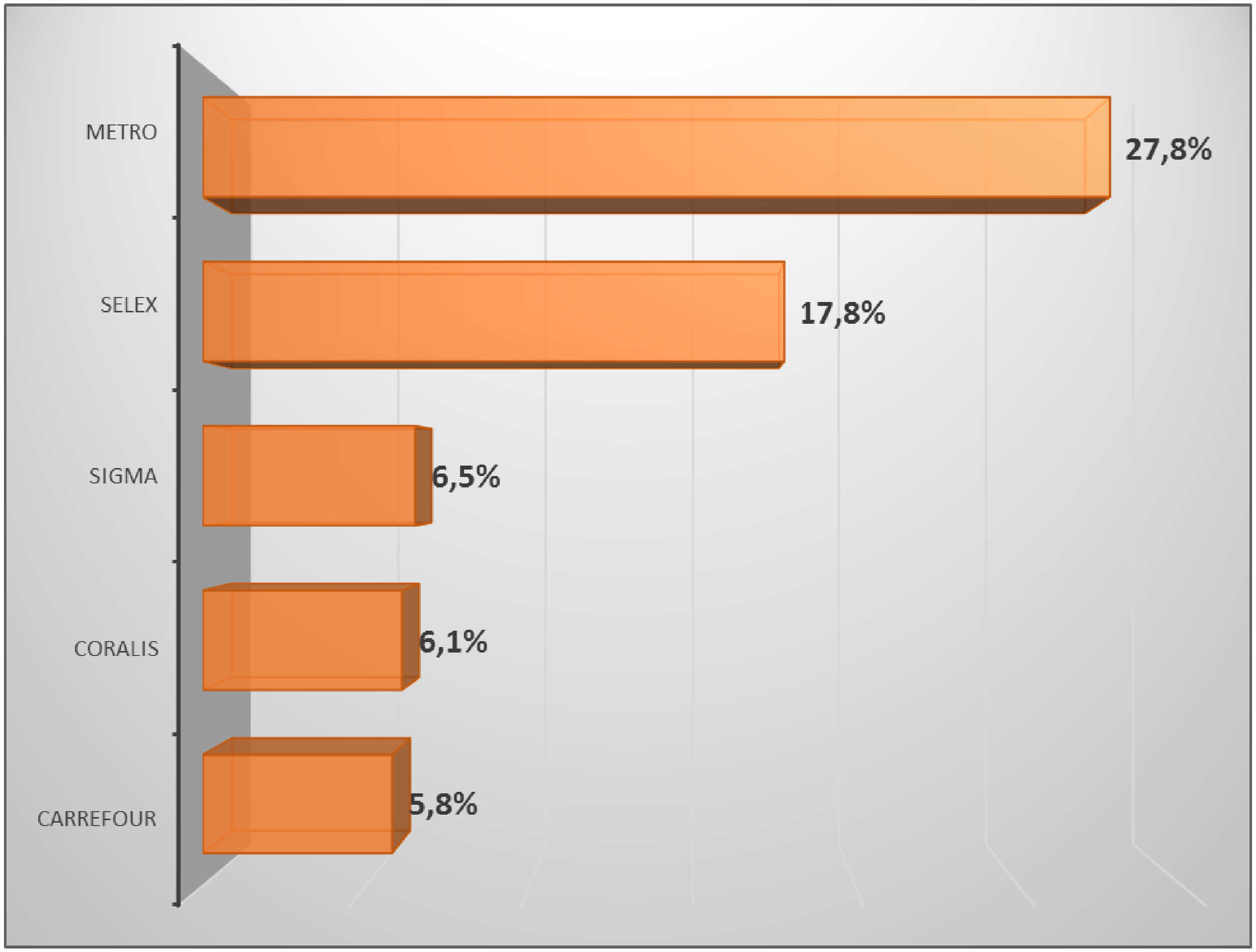
CASH & CARRY CHANNEL IN ITALY

N° of Points of Sale	397
Total Surface area	1.606,0
Average Surface Area	4.045
N° of businesses	105
LCC Turnover (Billion Euro)	4.2

Source: SymphonyIRI Group – January 2013

CASH & CARRY: TOP 5 COMPANIES

N° of Stores	
Metro	49
Selex	87
Sigma	36
Coralis	31
Carrefour	16



CASE STUDIES

CASE STUDY: KETTLE FOODS

- Our office supported Kettle Foods Ltd in exporting to Italy for the first time by offering them the service of 'DIRECT EXPORT SUPPORT'; identified as the best route to market for them.
- **Italy became the first Export market for Kettle in 2000. After this successful experience, Kettle Foods decided to replicate the same business model in other European Markets such as Holland and Belgium working together with the local Green Seed Offices.**
- Kettle Foods have become very successful in Italy and reached a turnover of € 2.600.000 in 2012.
- Green Seed Italy is continuing to support the company, managing clients and expanding their current business with new clients.
- Our support to Kettle is 360° (sales, logistics, administrative, PR & marketing) to guarantee the best approach to the market.

CASE STUDY: DOLE

- Being a global company with worldwide presence, Dole currently sells or sources more than 200 products in 90 countries.

- Part of their range includes value-added products offering gently processed tropical fruit while combining convenient and innovative packaging with original formulations.

- The Green Seed Italy office prepared a three-year Business Development Plan for the Italian market in order to support Dole in enlarging their distribution in the multiple retail chains and sourcing new opportunities in the food service channel thereby increasing the potential turnover of the company.
- Results so far: 50 WD in 2 years, 3rd largest market in Europe after UK and France

CASE STUDY: DORSET CEREALS

- In order to enter the Italian retail market, Dorset Cereals first contacted Green Seed Italy. Time was spent in assessing their specific market segment and insights were provided by Green Seed on local consumer culture, retail systems and regulations. The next step was to use Green Seed's consolidated contacts to set up a meeting between Dorset Cereals and Coop Italia (the leading retailer in Italy) in order to present their product range as a solution to cover an existing gap in the premium breakfast cereals category.
- Green Seed Italy also provided advice on adapting the size of the packaging with smaller packs for the local market thereby optimizing its appeal for the Italian consumer, recommended pricing and made introductions to critical supply chain partners. Furthermore, Green Seed developed the market entry sales plan and executed the commercial rollout strategy, by managing key retail and distributor accounts.
- Product placement was also secured within Eataly, the leading Italian retailer in terms of premium products.

KEY LEARNINGS

THE ITALIAN MARKET: KEY LEARNINGS

- One of the largest markets in Europe for Food & Drink.
- One of the highest added value markets in the world.
- Ideal market for selected high quality food & drink products.
- Good opportunities for Private Label suppliers.
- Large and growing Food Service market.
- Still fragmented distribution system but concentrating:
  - Lower introduction costs
  - More possibilities to go direct
- Payments are no longer a problem (new law from 2012, max 60 days payment terms).