

Successful Strategies for the Agri-food Industry

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BUSINESSES AND MANAGERIAL MODELS



The Italian agri-food sector achieves considerable success, even in a year as difficult as 2020. Listening to consumers, understanding their tastes, and responding to needs prove to be key strategies for competing in a complex and heterogeneous market such as the US.

Italian agri-food exports to the United States totaled more than EUR 2 billion in the first half of 2020, confirming their growth trend with a +4.5% increase compared to 2019 and a double-digit growth over the corresponding period in 2018 (food +13% and beverages +10%). Moreover, the value of food and beverage exports to the United States is expected to increase by around EUR 11 billion by 2023.

In recent years, the revolution in American tastes, consumption habits, and food-buying behavior has marked a turning point and an exceptional opportunity for Italian-made products. The United States, typi-

cally considered the precursors and supporters of fast food, are progressively converting to “free-from” and “slow food” trends, and to a basic appreciation of quality - trends and values mostly associated with Italian companies.

Mutti S.p.A. Industria Conserve Alimentari, represented by Global Marketing Director Marcello Gelo, and Marchesi Antinori S.p.A., represented by Exports Director Alessia Antinori, the latest in a string of generations to lead the Italian wine-making company, tell us how they tackle the American market, their approach to trade, and their strategies for the long-term, sustainable promotion of their first-rate products in America’s structured and dynamic market.

THE COMPETITIVE SCENARIO AND COMPLEXITIES OF THE AMERICAN MARKET

MUTTI

The first challenge concerns distribution in what is unfortunately a fairly slow retail market. The tomato sauce sector is large and highly diversified, and profit margins are not particularly high. Our greatest challenge lies in trying to convince buyers that there is room for improvement, that profit margins can be increased, that it is still possible to trade up. The US market is highly fragmented, and the enormous tomato sector is dominated by strong, consolidated brands driven by multinationals with considerable resources. Once you overcome the distribution difficulties, it is difficult for a brand in a premium price bracket such as ours to convince consumers to try us out and decide whether the product justifies the price. These are our greatest challenges: convincing buyers to give us visibility in their stores and directing the end consumer's purchasing choices towards our brand.

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**MARCHESI
ANTINORI**

Access to the American alcoholic beverages market is traditionally complex. It is based on the three-tier system, whereby importers can only sell their products to wholesale distributors, who then sell to retailers, and only retailers – specialty shops, caterers or supermarkets – may sell to end consumers. Each step pushes up the price and entails less distribution control. This leads to inefficiencies such as over-stocking, missed sales opportunities, and slow turnaround times. Fortunately, the relationship we have established with our importer allows us to maintain a good level of control. Moreover, having a good importer is the easiest and most direct way of reaching every American state without having to tackle the difficulties of penetrating the market. Lately the process has been slightly streamlined, with distributors also dealing with imports – or vice versa – but territorial coverage is limited. Our export operations in the United States began more than 80 years ago and, to date, account for 20% of our total exports, or 65% of our business' value. For the last fifteen years or so, our importer has been Ste. Michelle Wine Estates. Indeed, we are the only Italian company with which they collaborate. Ours is a very sound partnership. Besides being a great importer, Ste. Michelle Wine Estates also produces great wines in the United States, especially in the State of Washington and in California, under the name of Chateau Ste. Michelle. This enables us to work with a company that truly understands wine, one that has a different

mentality, a different approach and sensitivity compared to any potential multinational competitor. With Chateau Ste. Michelle, we have also engaged in joint wine-growing ventures in the State of Washington and in the Napa Valley. Distribution is another world entirely. Our main distributor is Southern Glazer's Wine and Spirits, with which we cover 70% of the American market. Antinori has established excellent relationships with its distributors, but they tend to represent a huge and highly fragmented portfolio of brands, which means it is difficult to stand out. We continue to enjoy good visibility, but it requires a great deal of work.

MARKET ENTRY STRATEGY AND INVESTMENTS

MUTTI

We are a one-brand, one-strategy company. We want to be the number one tomato brand in the world. We have a premium positioning and invest in brand development, communication and sell-out. Our strategy is in line with the company's mission, meaning that we always try to preserve the brand's identity in the markets we enter. Our strategy in the United States centers around the branch we have created. Currently, business with the United States accounts for 5% of our total exports, or 41% of our business' value. The first thing is to be there, on site, with a marketing and sales structure addressing American traders so as to try and expand distribution. Beyond the store and in terms of consumer marketing, we are working on a digital medium that will allow us to target and geolocate our consumers. For a brand like ours, with limited levels of distribution, such goals are essential if we are to avoid investment dispersion and achieve maximum effectiveness.

**MARCHESI
ANTINORI**

Since the seventies, our benchmark wines for this market have been Villa Antinori and Tignanello. The latter was created by my father and gave a significant impetus to the Tuscan – and, indeed, Italian – wine sector. Following the latest American taste trends, we are now reinvesting in Chianti Classico, a wine that has always been very dear to our family. Moreover, I have travelled extensively, not just to all the main cities, but also to America's secondary markets, and I have noticed a strong tendency to know and learn more about Italian wines. Within the United States, there are still some emerging markets, especially in those areas where wine-growing is fairly recent. These are the markets of the future: currently, 60% of our exports to the United States address secondary markets.



SUSPENSION OF CUSTOM DUTIES AND IMPACT ON THE FUTURE

MUTTI

The fact of having a more open, less conservative administration certainly helps, especially in terms of consumer perception. The previous administration was more protectionist, the population was encouraged to promote local ingredients. The new administration helps brands like ours that seek to expand and to promote the success of Italian-made products.

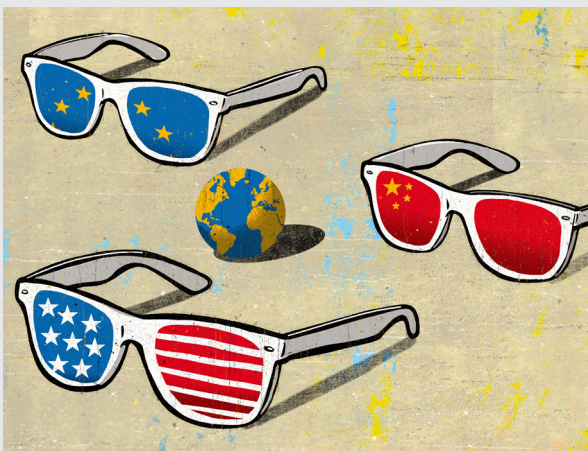
MARCHESI ANTINORI

The new administration has given us greater peace of mind. The new direction taken seems to be that of working together. We are committed to establishing close collaborations. Americans greatly appreciate Italian agri-foods. We think that the potential offered by this country is still enormous, like a new-born market waiting to be built.

THE ADVANTAGES OF AN ALL-ITALIAN PRODUCTION, OUR MARKETING LEVERS, AND OUR UNIQUE SELLING PROPOSITION

MUTTI

Italy is currently the second largest producer of tomatoes in the world, after the United States. The challenge for Mutti is to compete with America's local tomatoes and with its "proud to be local" campaign. We have a great advantage in that Americans greatly appreciate Italian food and beverages. The claim "100% Italian tomatoes" communicates a sense of outstanding quality and know-how to local consumers. To compete with local tomatoes, therefore, we must ride the wave of Italian quality. The greatest challenge, however, is dealing with fake Italian goods, i.e. foreign companies



that buy Italian ingredients or - worse again - companies that sell "Italian sounding" products. We leverage our all-Italian quality in our advertising campaigns: we describe the supply chain, our farmers, their daily toil to grow our tomatoes, and the "Pomodoro d'Oro", the prize awarded to the farmers who produce the best tomatoes. We seek to engage our stakeholders in Mutti's values, history, and know-how.

MARCHESI ANTINORI

Being a family business makes us competitive. Distribution companies are also often family-owned and hold the family in high regard. The consistent product quality, corporate soundness, and constant pursuit of quality of Italian wineries have increased America's appreciation of our wines, especially in the eyes of distributors. Italian wines have featured on the American market for fifty years, and their added value lies precisely in their continued presence in that market.

GLOBAL AND GLOCAL STRATEGIES

MUTTI

Central to our work ethic is the fact of never compromising on quality. We have a single product and a single ingredient, and that's where we wish to excel. The products we sell in the United States have the same ingredients and the same level of quality as in the rest of the world. Where we adapt is in terms of details such as formats, as Americans prefer larger package sizes to Europeans. We also adjust our communication, but the product remains the same. An analysis of the latest trends confirms that there is ever more room in the United States for a brand like ours. American consumers have become more sensitive and more attentive to quality and health issues.

MARCHESI ANTINORI

Understanding consumers is all-important. To this end, our importer's staff includes a dozen brand managers who deal exclusively with Antinori in all the main American markets. The same principle applies to our distribution companies, which feature professionals who work exclusively for our company. Our Export Manager for the United States lives in New York and experiences the local context first-hand. I too lived in America for many years, supporting the brand's local success. We have plenty of people who focus exclusively on us. The potential is enormous, and our structure allows us to improve continuously. I cannot say that we have adapted to the market. We have always been very faithful to our traditions and to the family's know-how. What we have done is seize opportunities, studying and anticipating trends.

DISTRIBUTION STRATEGIES

MUTTI

Like many other food sectors, we are still very much focused on the traditional sales channel. Our ideal consumer buys brand in store, follows promotions, adopts traditional buying behaviors. More stable than the online channel, in the traditional channel the pace is slower, and fluctuations are less sudden. We are sure that it will remain strong for a long time yet. We focus, therefore, on the traditional channel, but also on our retailers' e-commerce, so as to maintain a more immediate relationship with buyers. All major US retailers have now adopted e-commerce platforms, whereas in Italy we are lagging slightly behind in this regard.

MARCHESI
ANTINORI

Online shopping in the US has enjoyed a huge growth spurt. More than 50% of the company's volumes in America concern the Ho.Re.CA channel. This year, online sales have managed to make up for the lack of traditional sales due to the pandemic. This, too, reinforces my belief that the US offers great potential and further growth opportunities.

FUTURE PROSPECTS

MUTTI

We are working on many new activities and projects. We will certainly continue to invest with determination in advertising and marketing until we reach our goal, which, as mentioned, is to gain greater visibility and direct the end consumer's purchasing choices towards our brand.

MARCHESI
ANTINORI

In America, we have established Old Napa Valley, perhaps our most successful company. This is where the family is focusing its efforts today. Elements such as incoming tourism, opening our doors to visitors, and boosting our hospitality are of the utmost importance. We have built a structure that welcomes visitors, the only winery featuring a wine club for its members. Italy likes to be inspired by such complementary activities. We ourselves are trying to implement this feature in our Italian estates.

VISIBILITY AND EFFECTIVENESS IN THE AMERICAN MARKET

MUTTI

As far as we can see, our approach to tackling the American market must be twofold: firstly, we must try to be local, to be familiar with the local context and trade scenario, to understand what is important to our end consumers. Secondly, we must never compromise on quality. The product is what makes all the difference – if your product is first-rate and you work tirelessly to increase its quality, then success is sure to follow. A premium pricing position can only be justified by offering excellent products.

MARCHESI
ANTINORI

I think understanding the market is key. Understanding the market means being constantly present. It means moving in step with your importer and distributor, while at the same time consolidating your own knowledge and interpreting it critically. Personal relationships are key, especially in the world of wine. Empathy is greatly appreciated – Americans like to know the winemaker or a member of the family, which is why our family has always travelled a lot. In this sector, it is essential to cultivate the human dimension.

¹ "Italian agri-food: territorial performance," ExportPlanning, 7 April 2021; "Food & Beverage are driving Italian exports," News ItalianFood, 13 October 2020.

² "Exporting food to America: the boom in demand for Italian products," ExportUSA, 13 September 2020.

³ "Potential and accessibility of the American market for Italian food products: focus on labelling," ExportPlanning, 21 April 2021.

⁴ "The role of Italian products in the agri-food industry: the United States, Canada and Mexico love Italian food," Exportiamo.it, 16 September 2019.