

In order to satisfy sophisticated Italian consumers, firms operating in the Italian retail distribution sector find that they must invest large amounts of money in new techniques, management, research, media promotion, and equipment. The industry's average return on investment is approximately 13 percent. In terms of existing points of sale, there is a trend from the family-type stores and street vendors, and to the distribution chains.

Horizontal points of sale such as general stores, which had experienced boom conditions in the early 1980's, have begun to lose ground to specialized stores, franchising chains, and hypermarkets. In order to create a unique business identity, department stores have begun a process of realignment and now tend to attract the more affluent, quality-oriented consumers as well as compete on price and product selection. Supermarket chains now look toward further expansion, particularly in creating and operating large shopping malls. Where such shopping centers exist, they are proving to be successful.

In the food sector there are over 350,000 licensed food outlets operating in Italy. Although family-type stores and street vendors comprise over 95 percent of these food retailers, their overall sales volume account for only 70 percent of total expenditures. The highly industrialized north, with 44 percent of the country's population, produces 52 percent of the Gross National Product and also has the highest concentration of large distribution chains.

### **Marketing Transformations**

The combined pressures of consumers with higher expectations and the increased competition have forced distribution chains to rethink their marketing strategies. In the past, the retail chains have relied heavily on low prices as a marketing strategy, and this strategy has yielded positive results. Investment in advertising was high and mainly trade oriented, while services and convenience were considered important, but not fundamental. Recently, consumers' expectations have been redirected toward better store accessibility, improved customer service, and higher quality products. There are many logistical problems of operating a nation-wide sales network as well as managing the growing personnel and promotion costs. Marketing firms are developing new distribution techniques designed to employ the casual worker and to target groups of consumers by catalogue, door-to-door sales, tele-shopping or tele-marketing.

### **Distribution Methods**

The marketing of products in Italy is accomplished through a variety of channels, depending on the nature of the product; the sales territory to be covered; the type of buyer; and the sales promotional activities required. Brokers, commission merchants, and independent representatives are used for the sale of certain types of products. However, well-established distributors are normally employed to reach larger Italian firms as well as the large number of wholesalers and retailers engaged in the marketing of consumer goods.

Retail trade is still dominated largely by small individual outlets run by the owner with the help of family members or with one or two paid assistants. Small firms are expanding and are adopting new merchandising techniques. Modern retail-outlets, however, such as department and self-service stores, have been increasing rapidly, particularly in the cities. The number of stores handling food products exceeds those handling other lines. Food sales volume is limited by the consumers' traditional practice of making small purchases as needed on a day-to-day basis.