The British Chamber of Commerce for Italy

Doing Business in Italy

What you always wanted to know
… and more

Supported by AVIVA BARCLAYS

AGENDA

14.00 -14.05 Welcome by Colin Jamieson, Vice President of the Italian British Chamber of Commerce

14.05 – 14.15 Welcome by Danielle Allen, Deputy Director of UKTI

Part 1 – Italy – an overview of the food and drink market

14.15-14.30 AF

14.30 -14.50 MB

14.50-15.00 Question Time/Panel Discussion

15.00-15.20 Tea and Biscuits

Part 2 – Exporting into Italy – legal and tax issues

15.20-16.00 T&C (DA, FF and GDT)

16.00-16.15 CJ

16.15-16.30 Question Time/Panel Discussion

Fresh Thinking

Andrew Fattorini
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Internationalising your products

ESSELUNGA

coop

IPER
La grande

Sainsbury's TESCO

FMCG in Italy: a Scenario Features & Evolution

Michele Bauli
Vice President

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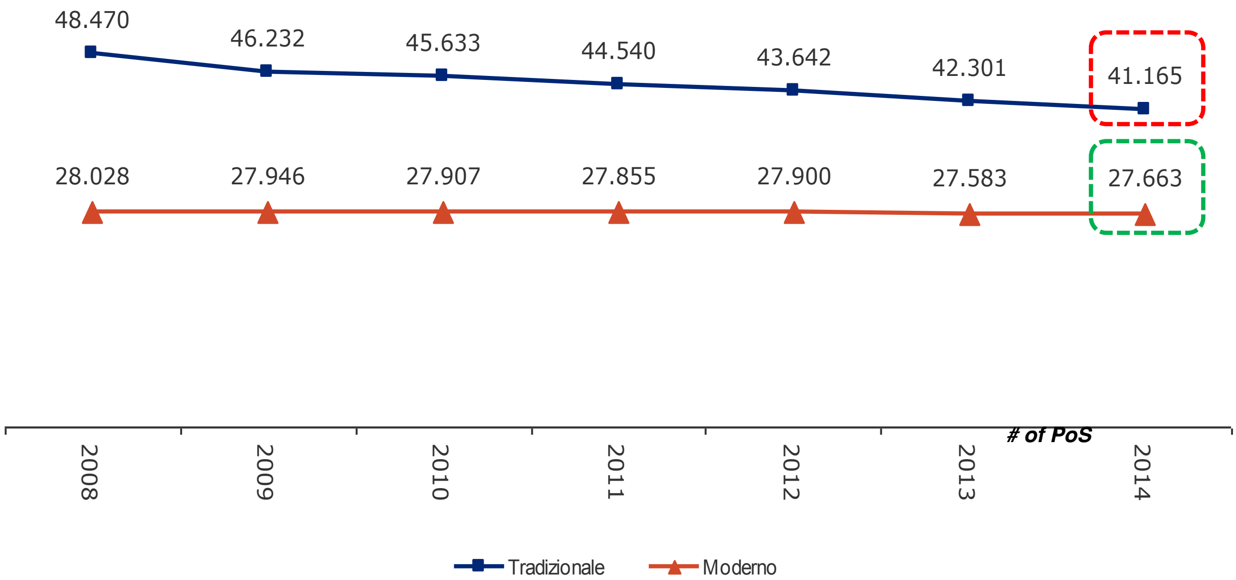
Agenda

Agenda

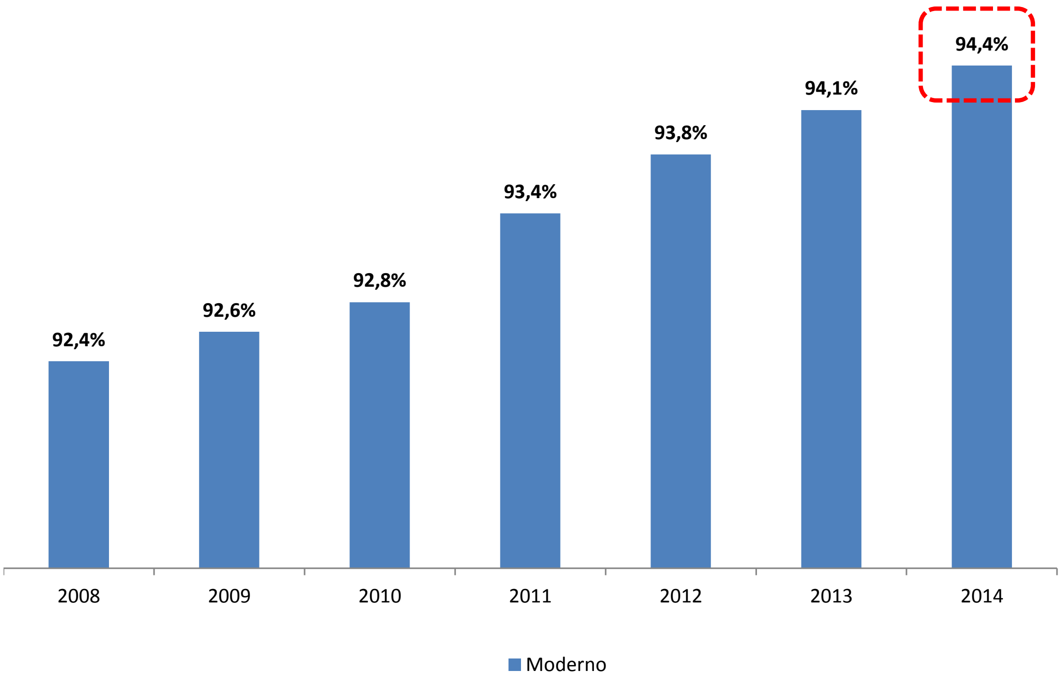
1	The Scenario
2	Italian retailers
3	Private label
4	Assortments and Promotions
5	Discount Retailers

Italian Scenario – Modern vs Traditional
Traditional: Large Number of stores



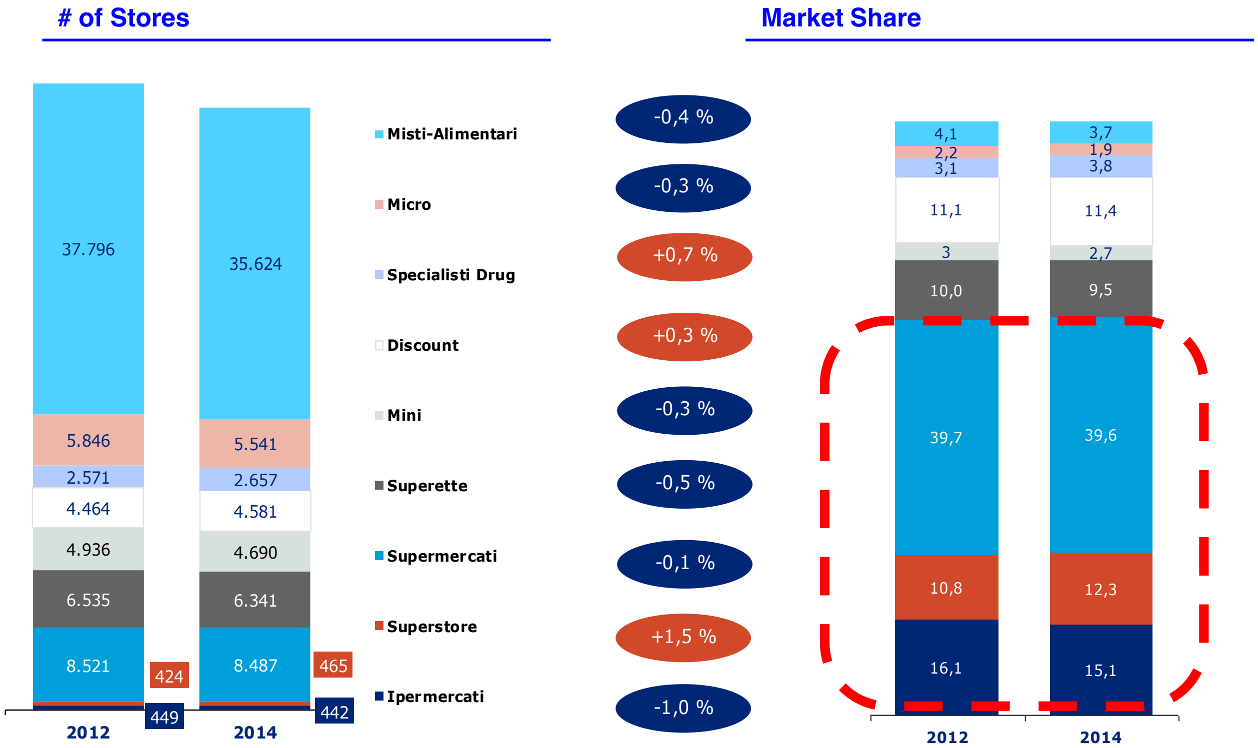
Moderno: Iper, Super, Superette, Mini Market, Discount, Specialisti Drug - **Tradizionale**: Misti, Alimentari, Micro Market
Source IRI: Top Trade 1° Gennaio 2015

Italian Scenario – Modern vs Traditional
Modern Trade: 94.4% value market share



Moderno: Iper, Super, Superette, Mini Market, Discount, Specialisti Drug - **Tradizionale**: Misti, Alimentari, Micro Market
Source IRI: Top Trade 1° Jan 2015

Italian scenario
(Market share of different channels - FMCG)
Italy: Land of supermarkets …

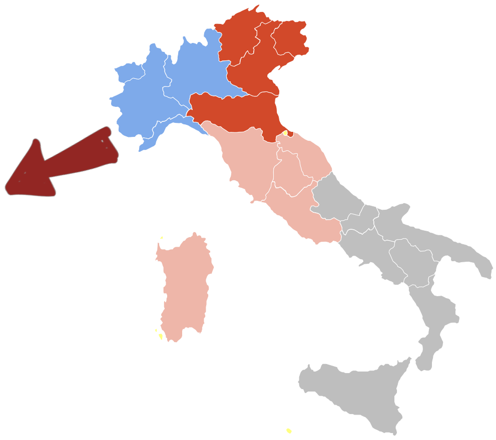


Source IRI: Top Trade 1° Jan 2015

Hypermarkets and Supermarkets
North West region > 1/3 of Italian Sales

AREA	REGIONE	# PdV	MQ Totali	Pot. IS Grocery
	LIGURIA	195	212.434	2,7
	LOMBARDIA	1.281	2.355.557	24,0
	PIEMONTE	604	978.359	8,9
	VALLE D' AOSTA	14	25.634	0,3
NORD-OVEST	**TOTALE**	**2.094**	**3.571.984**	**35,8**
	EMILIA ROMAGNA	674	894.307	9,7
	FRIULI VENEZIA GIULIA	268	347.568	2,4
	TRENTINO ALTO ADIGE	246	203.052	1,9
	VENETO	871	1.217.003	8,4
NORD-EST	**TOTALE**	**2.059**	**2.661.930**	**22,4**
	LAZIO	892	1.021.894	8,6
	MARCHE	333	371.393	2,9
	SARDEGNA	354	343.132	2,4
	TOSCANA	420	570.050	9,2
	UMBRIA	201	206.519	1,8
CENTRO+SARDEGNA	**TOTALE**	**2.200**	**2.512.988**	**24,9**
	ABRUZZO	256	290.633	1,9
	BASILICATA	96	86.528	0,5
	CALABRIA	387	389.369	2,1
	CAMPANIA	730	659.272	4,1
	MOLISE	44	47.025	0,3
	PUGLIA	710	614.674	3,4
	SICILIA	818	802.412	4,6
SUD	**TOTALE**	**3.041**	**2.889.913**	**16,8**
ITALIA	**TOTALE**	**9.394**	**11.636.815**	**100,0**

Source IRI: Top Trade 1° Jan 2015



	Av Sq Meters
North West	1.706
North East	1.293
Centre	1.142
South	950
ITALY	**1.239**

Growth rate of Italian GDO – (Sales)
Decreasing Scenario

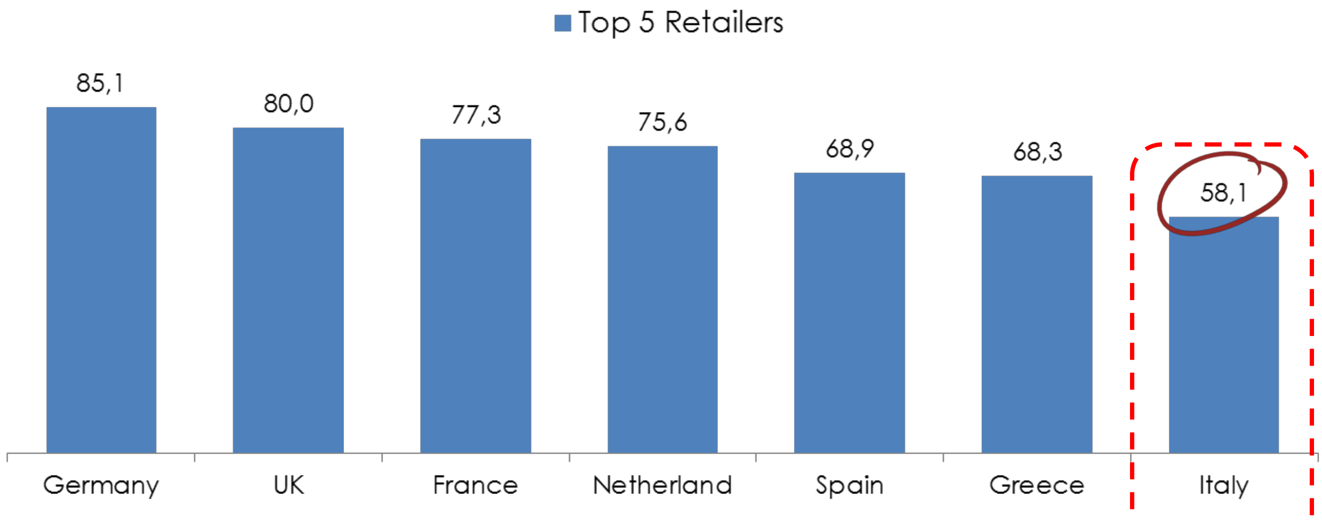
	As Is	With new Openings
2012	-1.1%	0.4%
2013	-2.4%	-1.0%
2014	-2.2%	-1.0%
As of Feb '15	-0.2%	1.8%

Source: Infoscan Census -Totale Iper +Super +LSP – Feb 2015

Agenda

Top 5 Retailers in Europe

Italy: Lower Concentration

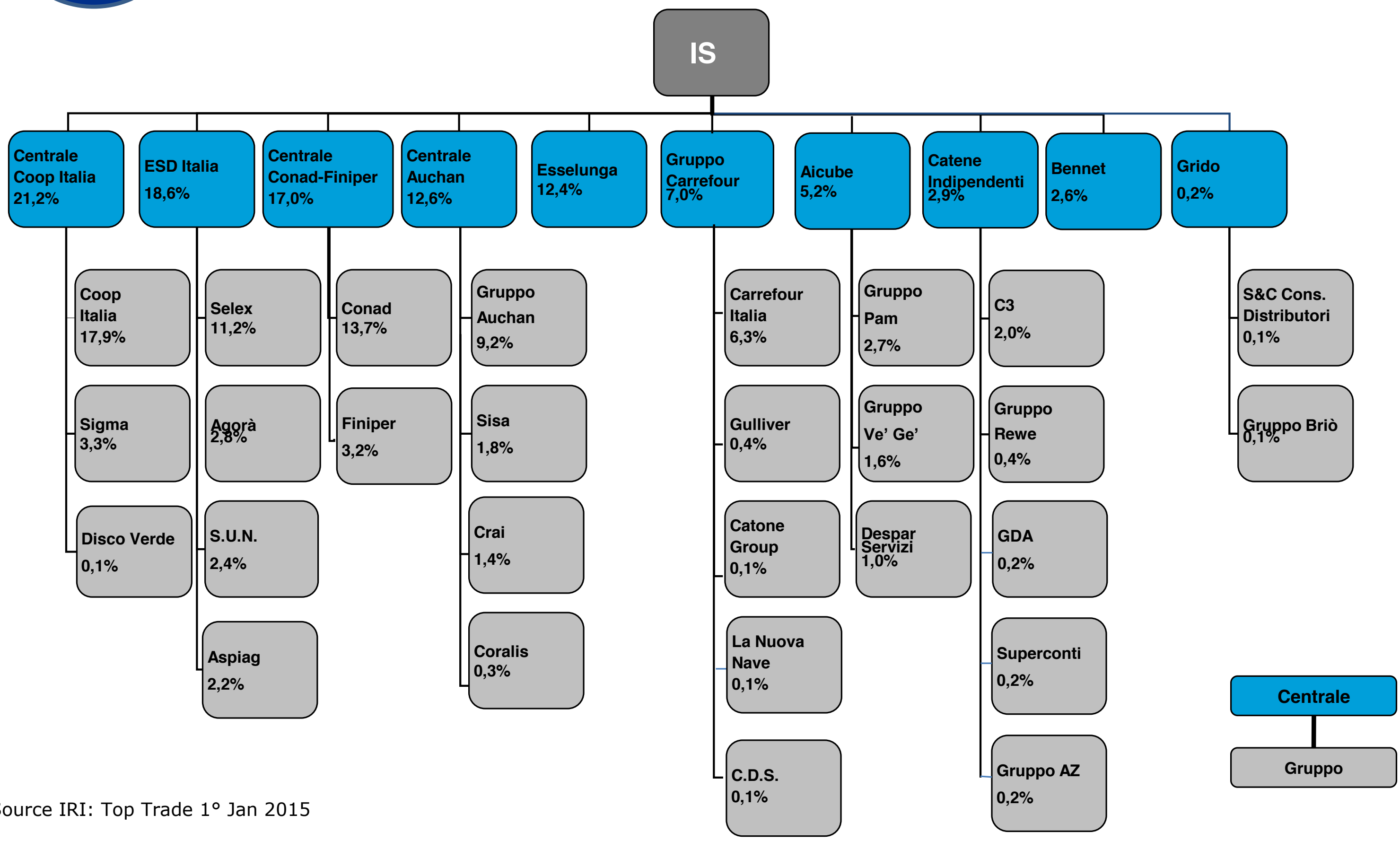


Edeka	Tesco	Intermarchè	Albert Heijn	Mercadona	Carrefour	Coop Italia
Rewe	Asda	Carrefour	ALDI & LIDL (combined)	Carrefour	AB Vasilopoulos	Conad
Aldi	Sainsbury's	Systeme U	Jumbo	Grupo Eroski	Masoutis	Esselunga
Markant	Morrison	Casino	Plus	Dia%	Veropoulos	Selex
Metro	The Co-Operative	Leclerq	C1000	Auchan	Galaxias	Auchan

Source: IRI, IGD, 2014 vs 2013 % FMCG Turnover

Modern Distribution – Market Share of Retailers

Italian retailers merge together in larger Central Purchasing Organizations

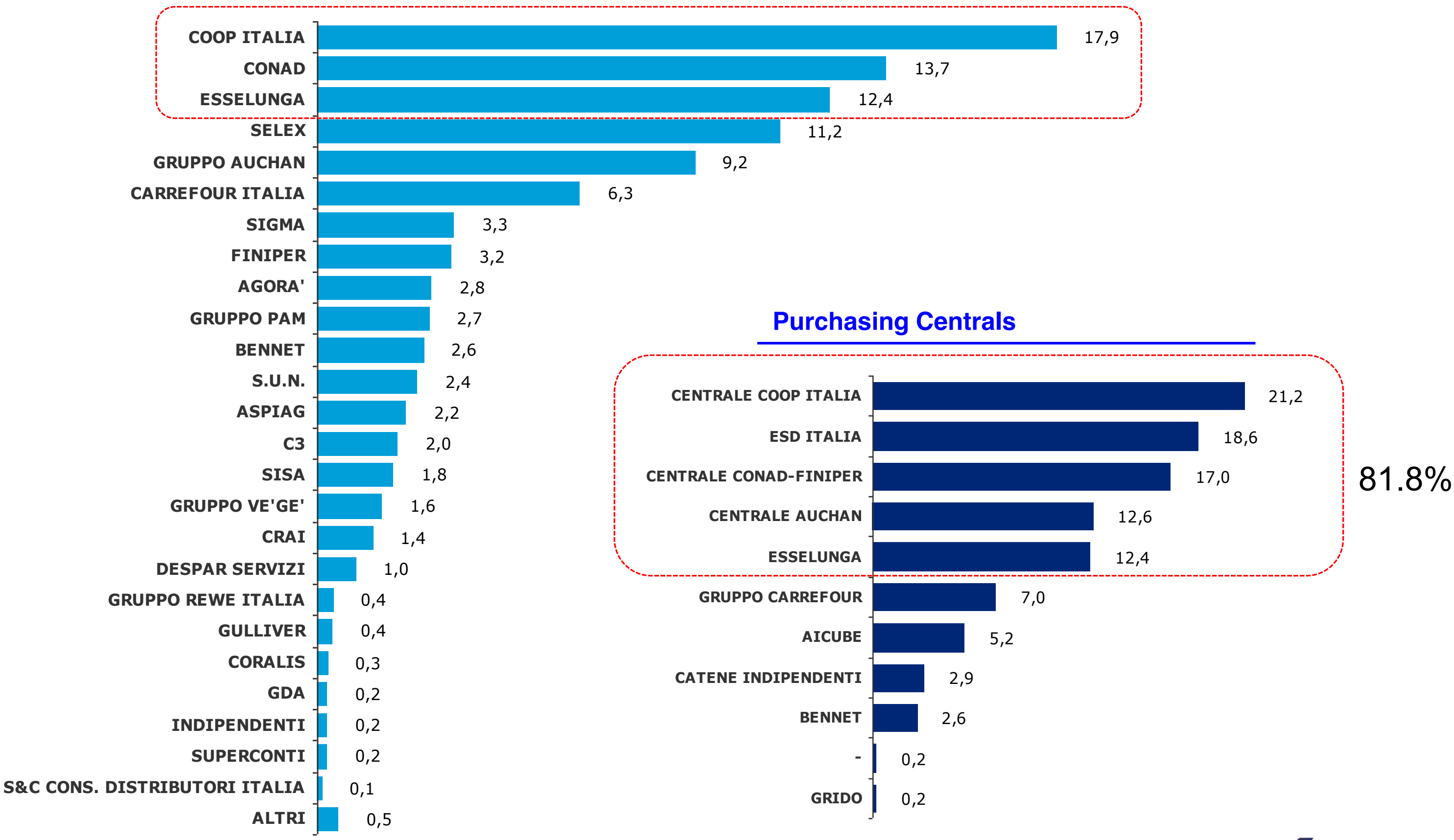


Source IRI: Top Trade 1° Jan 2015

Market shares of retailers and purchasing centrals

Total market

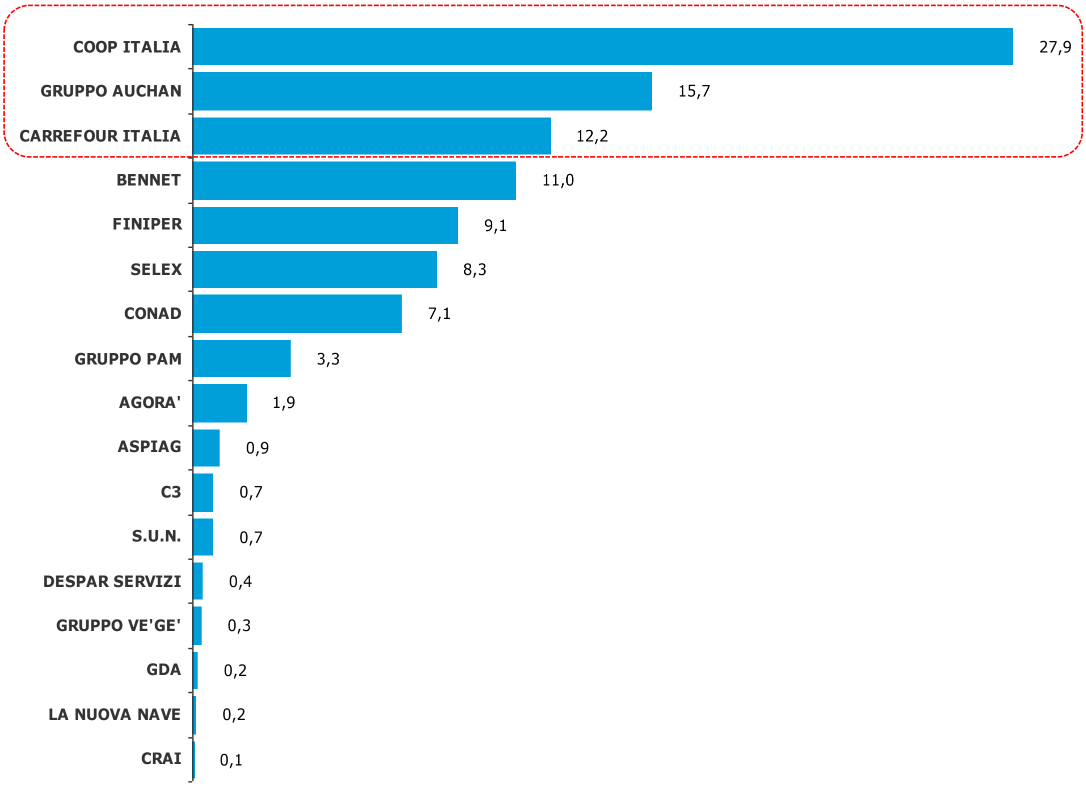
Retailers



Source IRI: Top Trade 1° Gennaio 2015

Market Shares of Retailers

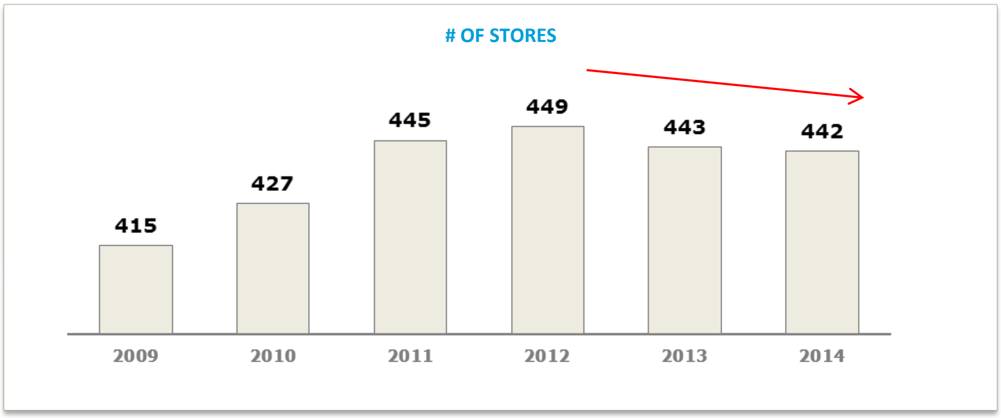
Hypermarkets

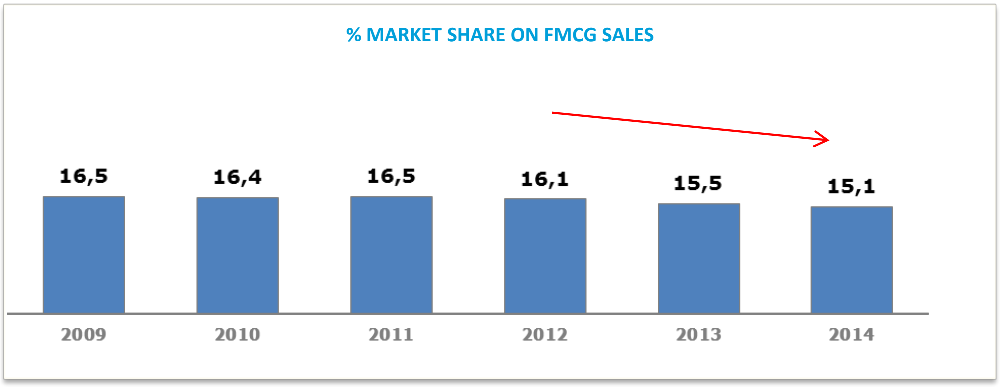


Fonte IRI: Top Trade 1° Gennaio 2015

Hypermarkets

Slight decrease in number of stores and in market share

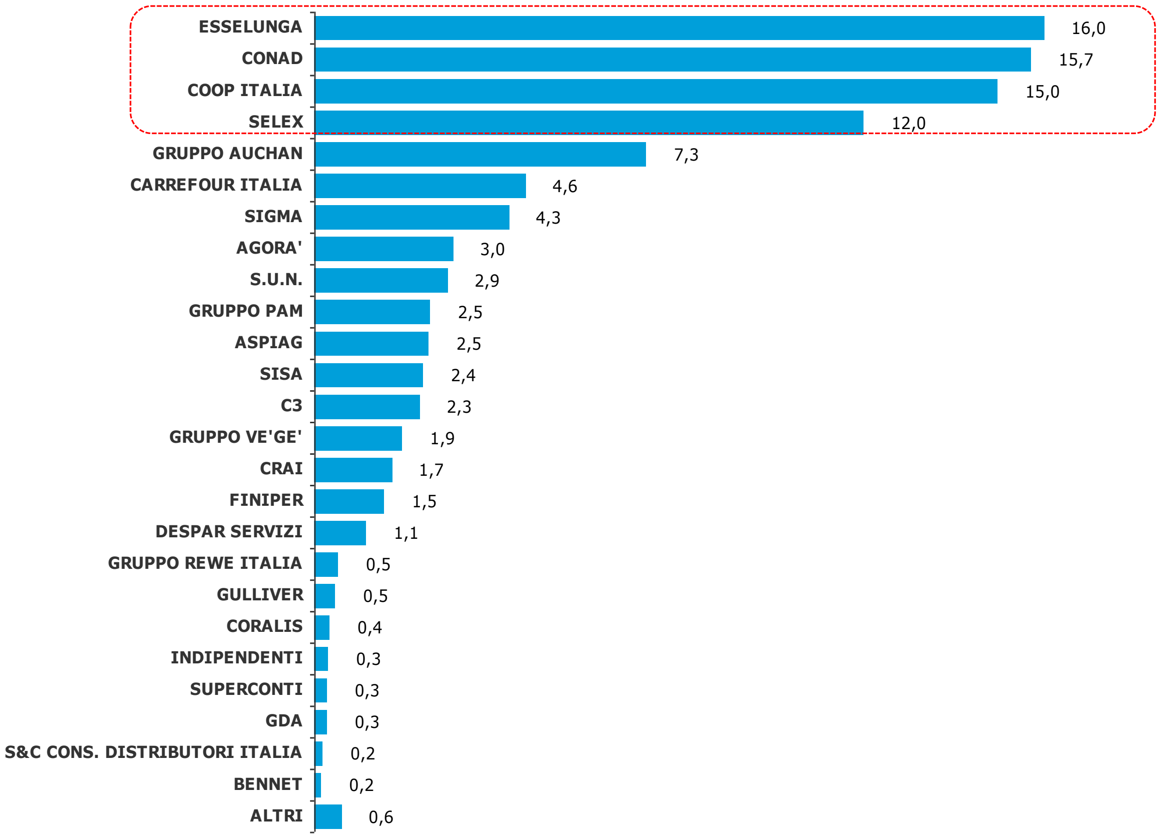




Source: Universi Grocery IRI 1° Jan 2015

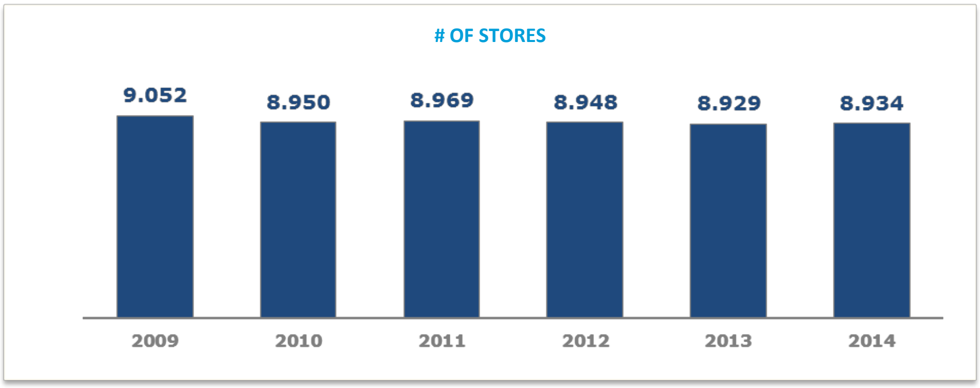
Market Shares of Retailers

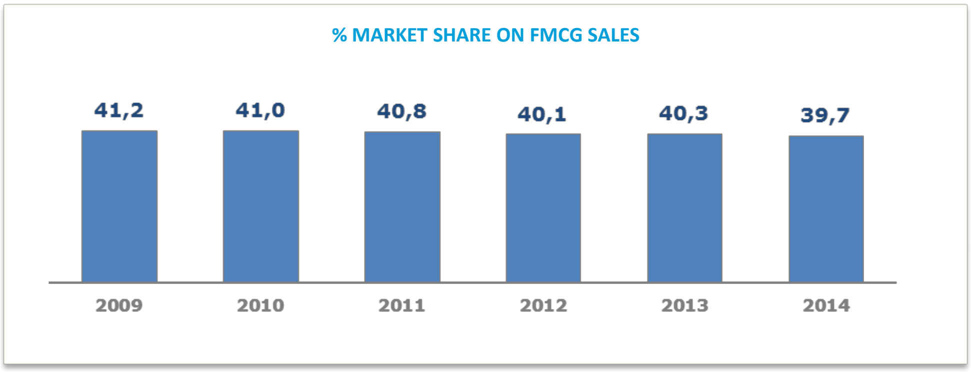
Supermarkets



Fonte IRI: Top Trade 1° Gennaio 2015

Supermarkets
High number of stores and decreasing market share





Source: Universi Grocery IRI 1° Jan 2015

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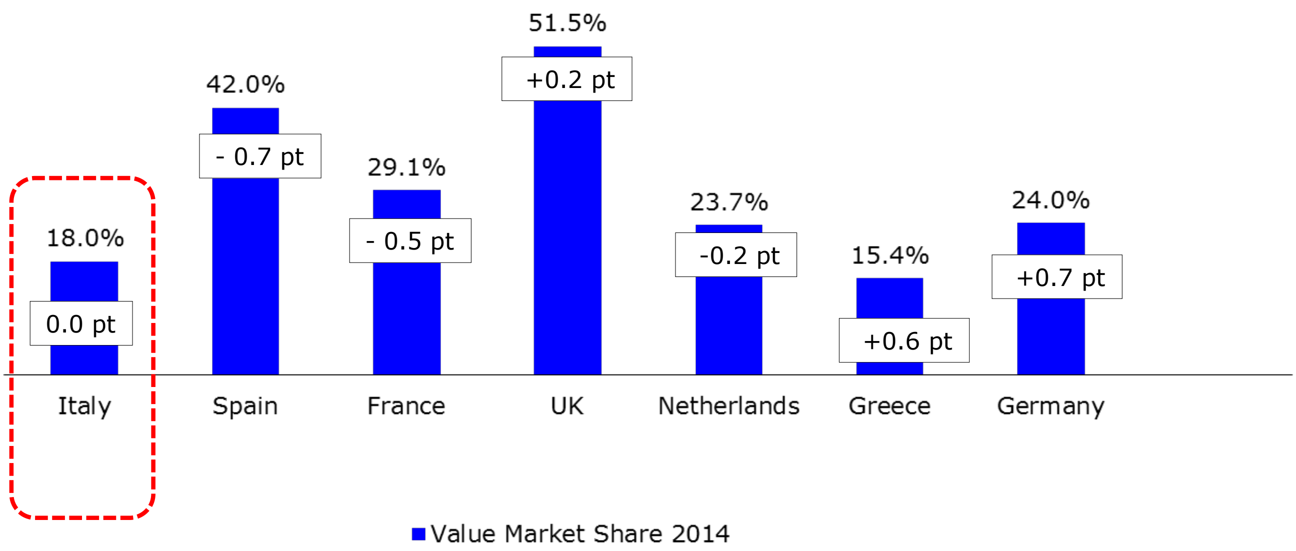
Private Label: a Comparison
Market share of PL is lower in Italy than in other EU countries

PL Market Share in Euro and Δ vs previous year



Sources: Hypermarkets and supermarkets for Spain, Greece, the Netherlands, France and Italy; Kantar Worldpanel Total Market UK 52 w/c September 14 for the UK; hypermarkets, supermarkets and drugstores for Germany.

PL is increasing in premium products

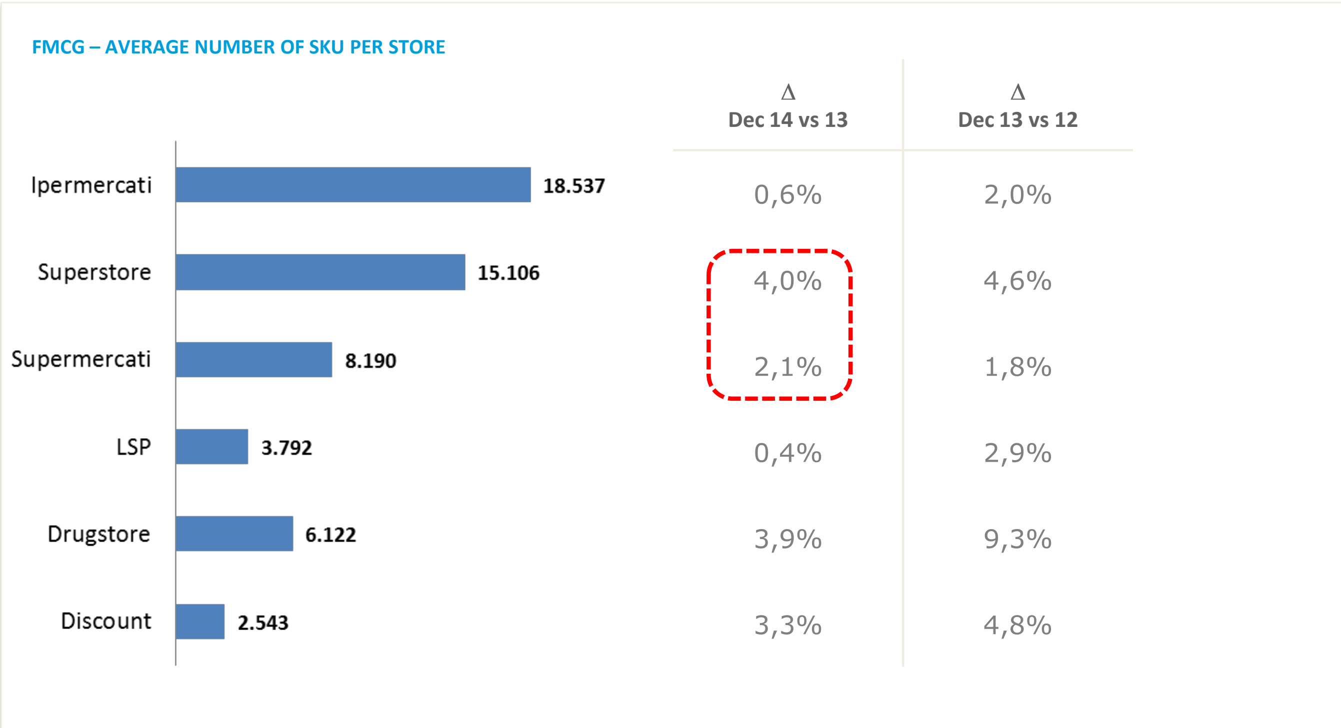
LCC - PERFORMANCE DEI SEGMENTI DI OFFERTA (GRIGLIA PREZZI) - YTD Dicembre 2014

TOTAL FMCG: -1,0%	Mkt Sh Value	Δ Sales Value
Premium Products	**17,5**	**-0,8**
Industrial PL **(>130)**	15,4	-1,7
Retailer PL (Premium+Bio)	2,0	+6,1
Mainstream Products	**77,8**	**-0,9**
High Industrial PL **(100-130)**	33,7	-6,0
Medium Industrial PL (65-99)	29,1	+6,7
Retailer PL **(Linea Insegna)**	15,1	-2,2
Premium Price	**4,7**	**-3,1**
Industrial PL (<65)	3,4	+3,4
Retailer PL **(Premium Price + Other)**	1,3	-16,7

Source: IRI InfoScan Census®. Ipermercati + Supermercati + Libero Servizio Piccolo.
YTD Dec 2014: 52 weeks ending Dec 28 2014

Agenda

of Sku: increasing in Supermarkets



Source: IRI InfoScan Census®. Ipermercati + Supermercati + Libero Servizio Piccolo + Discount + Drugstore

Price cut promos are frequent

Almost 30% of total sales

FMCG - % PROMO in VALUE

2012	2013	2014
25,7%	26,9%	28,5%

FMCG - % DISCOUNT

2012	2013	2014
27,2%	27,4%	26,8%

Source: IRI. Ipermercati, Supermercati, Libero Servizio-Piccolo, LCC – March 2015

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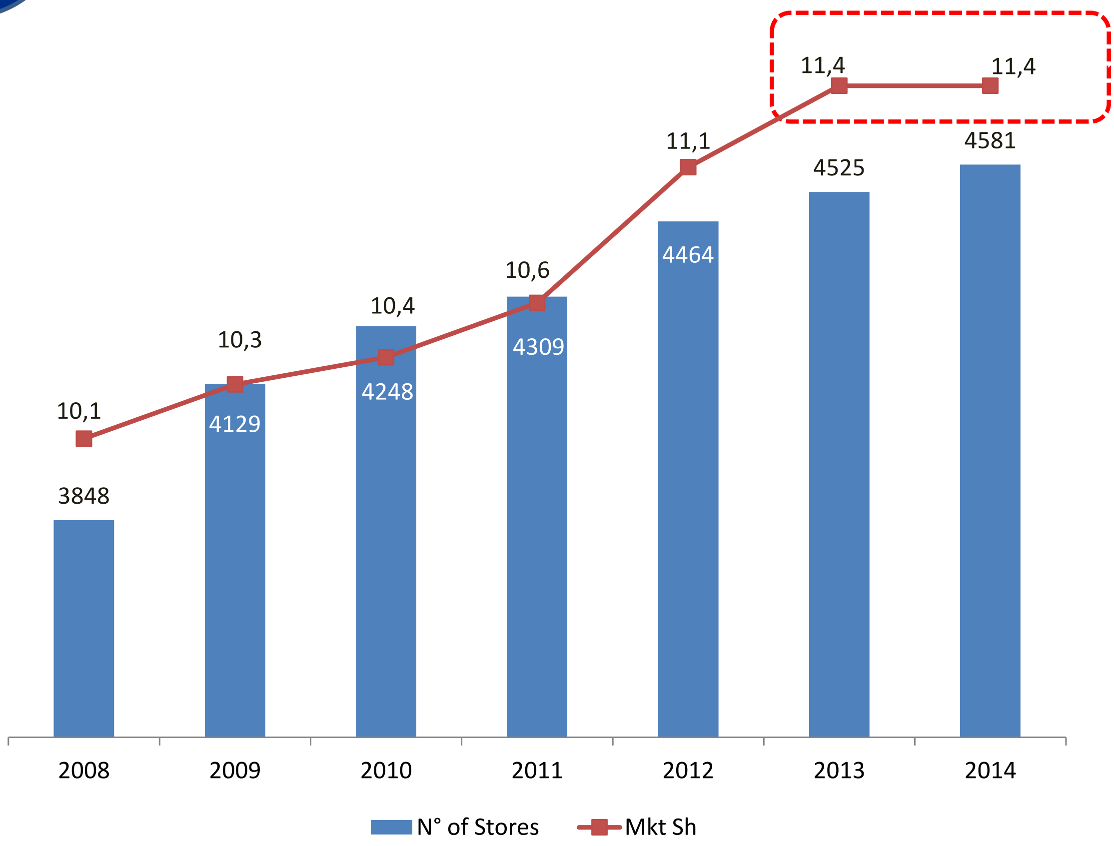
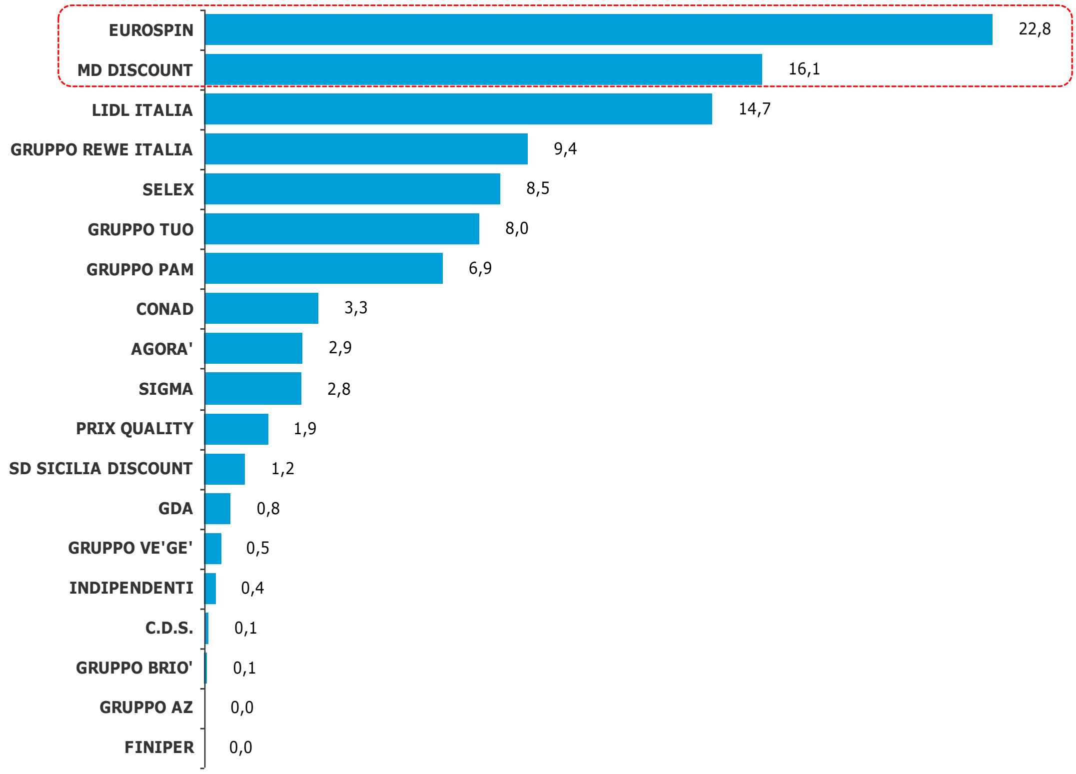
Discount settles around 11.5% of the market



Source IRI: Top Trade 1° Jan 2015

Market shares of Discounters
Top 2 discounters are Italian: 40% market share



Source IRI: Top Trade 1° Jan 2015

Grown in Britain,
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Contractual Tools

Labour Law

Advertising and
Presentation of Products

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Contractual tools

- Agency Agreements
- Distribution Agreements
- Dealership Agreements
- Franchising

Labour Law

- Guidelines in case of need of direct presence in the Italian territory
    - The new rules of the Jobs Act

Advertising and Presentation of Products

- ❖ Labeling
- ❖ Advertising
- ❖ Geographical indications and «Made In»
- ❖ Trademark and Trade Dress

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The Sword and The Shield: Italian Road Map for Market Entry

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Italian Road Map for Market Entry

"The Sword & The Shield"

- WHAT & WHY
- HOW/TOOL-KIT
  - Antitrust/Consumer Code
  - Contract

Avv. Giulia Di Tommaso, LL.M

Italian Road Map for Market Entry

Antitrust Tools

- **What you need to know from legal**
- **How to sell a product in Italy**
  - **Identify a key buyer group**
  - **Direct selling (distributor/agents)**
- **If market access gets complicated, don't forget Antitrust tools!**

Avv. Giulia Di Tommaso, LL.M

Italian Road Map for Market Entry

Antitrust Tools

1. **Abuse of dominant position (Art. 102 TFEU/Art. 3 ICA)**
2. **Anticompetitive agreements (Art. 101 TFEU/Art. 2 ICA)**
3. **Contractual abuses in the food distribution chain (art. 62/ DL 1/2012)**
4. **Abuse of economic dependence (Law n. 192/1998, Art. 9)**
5. **Unfair Commercial Practices rules (Consumers Code)**

Italian Road Map for Market Entry

Antitrust Tools – Italian Competition Authority

- **2013 Sector Inquiry by ICA**
- Small, traditional grocery stores = largest segment of food retail sector
- Increasing weight of Modern Distribution/Concentration in local market
- Buying alliances (decision to breakup Centrale Italiana)
- Private label brands gain momentum
- Scope for (re)considering if buyer power is beneficial for consumers

A fair market : antitrust Tools - Art. 62

- **Art. 62** of DL 1/2012: only for agricultural food chain to ensure **transparency** and to **prevent unfair conducts** (e.g. imbalance of contractual power). Not possible
  - impose unfair trading conditions and non-contractual retroactive conditions
  - apply dissimilar conditions to equivalent transactions
  - make conclusion/performance of contract subject to supplementary obligations with no connection with the contract
  - Impose additional obligations, not justified
  - any other unfair trading conduct

Italian Road Map for Market Entry

Antitrust Tools - Art. 62

- **Art. 62** of DL 1/2012 also provides mandatory:

- **written form of commercial agreements** for agricultural food/foodstuff (contract MUST define: duration, characteristics and price of the product, delivery mode, payment terms)
- **fixed deadline for payments** (30 or 60 days for perishable/non-perishable products respectively)

- **Sanctions**

Avv. Giulia Di Tommaso, LL.M

Italian Road Map for Market Entry

Art. 62 - Example

- **In December 2014 Eurospin case**: ICA investigates Eurospin's request for a biannual economic contribution from its suppliers

Italian Road Map for Market Entry

Antitrust Tools - Unfair Commercial Practices

- Commercial practice: action, omission, conduct, commercial communication, all forms of advertising to promote, sell or provide goods or services to consumers

- Unfair: contrary to professional diligence and distorts to distort the behavior of consumers

- If there is harassment, coercion or undue influence, is aggressive

- **Sanctions**

Italian Road Map for Market Entry

Unfair Commercial Practices - Example

- Advertising products capable of reducing calories and/or absorption, cholesterol, cell ageing without refer to healthy diet with practice of regular physical activity
- Promotion of foods capable to cure e.g. constipation, ulcers, sexual disturbs or cardiovascular diseases
- Misleading nature of food labels (nutritional claims)
- False claims relating to traditional knowledge/specialties or geographical indications

Doing Business in Italy: Tax Issues

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Issues Facing UK Exporters to Italy

- Corporate Income Taxes
  - Italian Tax Rates
  - Permanent Establishment
  - Tax Issues for Purchasers
- Indirect Taxes
  - VAT – permanent establishment
  - Formalities when doing business in Italy
  - Excise Duties

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Issues Facing UK Exporters to Italy

- Corporate Income Taxes
  - Italian Tax Rates
    - Corporate Income tax (IRES)
      - 27.5% Headline Rate
      - Additional Rate for
        - Non operating companies
        - Petroleum Sector Companies (subject to Consitituional Court)
    - Regioanal Production Tax (IRAP)
      - Headline Rate is 3.9%
      - Lower and Higher Rats for certain regions and sectors 1.9% - 5.9%
      - Taxable base excludes certain labour and finance costs

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Issues Facing UK Exporters to Italy

- Permanent Establishment (PE) – taxable base/presence
  - Do:-
    - Deal with independent agent’s
    - Ensure that agents and reps in Italy have no authority to negotiate/conclude contracts
    - Take care if taking premises (sales or commercial space) in Italy
  - Don’t
    - Hire employees (without checking)
    - Sell goods from warehouse in Italy
    - Appoint a VAT representative without thinking of PE issues

Issues Facing UK Exporters to Italy

- Italian VAT
  - VAT authorised to rise:-
    - Lower rate
      - From 10% to 12% - 1 Jan 2016
      - To 13% - 1 Jan 2017
  - Standard Rate
    - From 22% to 24% - 1 Jan 2016
    - To 25% - 1 Jan 2017
    - To 25.5% - 1 Jan 2018

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Issues Facing UK Exporters to Italy

- Italian Excise Duties
  - Generally lower than UK:-
    - Wine 0%
    - Beer recently increased from Euro 2.70 a 3.04 per HL (approx. 30 cents on a 50 cents bottle).
    - Alcoholic spirits (intermediate) increased from Euro 80.71 a 88,67 per HL

- Although wine is zero rated still need to report movements

Thank you!

For any queries or contact information please refer to the BCCI team at bcci@britchamitaly.com or +39 02 877798