



LARGE-SCALE DISTRIBUTION FOR THE FOOD INDUSTRY: NO CONCERNS FOR THE FUTURE FOR COMPANIES WHICH INVEST IN PEOPLE

In 2024 turnover generated by the large-scale distribution industry grew by 3% versus 2023

In 2023 margins were at their highest levels since 2019, with a recovery in investments (up 18.7% vs 2022)

Gap between discount stores and other operators narrowed, with the former reporting an increase of 9.2% in revenues on 2022 and the latter of 7.3%

Organized distribution is driving market consolidation (up 6.7 percentage points since 2019)

The Italian large-scale distribution industry is a family affair, from ownership (85.4% of the companies) to Board representation (three out of four Directors are also shareholders)

Boards on average younger and with more female representation since 2019 (average age 3.8 years lower, number of female Directors up from 16.7% of the total BoD to 19.9%)

ESG issues depends on views of senior management or entrepreneurs

Milan, 31 March 2025

The **Mediobanca Research Area** has presented a new version of its survey on **large-scale distribution, Italian and international**, with an emphasis on **the food industry** in particular. The survey combines the earnings and financial data of 124 Italian firms, plus that of the 31 largest international players for the 2019-24 period. The survey includes indepth analysis of the individual segments, a focus on Private Label (PL), and on ESG and governance issues.

The main findings were discussed at an event, attended by some of the leading players in the Italian mass distribution industry.

The following took part in the first roundtable discussion on "What does the future hold? Strategies, leadership and scenarios for the leading players": Francesco Avanzini, General Manager of Conad, Domenico Brisigotti, General Manager of Coop Italia, Massimiliano Silvestri, Chairman of LIDL Italy, and Maniele Tasca, General Manager of Selex Gruppo Commerciale. The following took part in the second roundtable discussion on "Strong roots, rapid growth: local labels that make a difference": Giovanni Arena, Chief Executive Officer of the Arena group and Chairman of the VEGÉ group, Laura Gabrielli, chair of Magazzini Gabrielli, and Giangiacomo Ibba, Chief Executive Officer of Crai Secom.

The full survey is available for download from www.areastudimediobanca.com.

What does the future hold for the Italian large-scale distribution industry?

Some **85% of the companies operating in the food mass retail industry consider the demographic trends and new consumer paradigms to be manageable**. More than three-quarters of the sector operators consider it essential to invest in **human capital** to address the future, while 70% see developing technology as a priority, with a focus in particular on **generative AI**. Around 80% of the companies operating in the mass retail sector have invested



in digitalization in the last two years. Of the sector operators, 60% are targeting **hyper-customization of the product offering** and expansion of the **POS network**, while **Private Label (PL)**, which now account for more than one-third of the entire market (generating €26bn in turnover, at an average annual increase of 6.3% since 2019), are still a safe bet for 55% of the companies. Restructuring formats and channels (35% of cases), adopting a multi-channel approach (25%) and use of M&A (20%) are considered less effective drivers. Some 65% of operators see room for increasing concentration in the Italian market.¹

Will 2024 match 2023?

In **2024**, with inflation basically nil, growth of 3% in sales by the Italian mass retail industry is estimated versus 2023, after two years in which the widespread increase in prices triggered increases in sales of 7.6% (2022) and 7.7% (2023).

In 2023 the aggregate total net sales posted by the largest Italian groups operating **mainly in the food-based large-scale distribution industry** amounted to €109.6bn (excluding VAT), €14.7bn of which was attributable to the non-Italian-owned operators (13.4% of the total). Between 2019 and 2023 sales rose by 28%, at an annual average growth rate of 6.4%. In the 2019-24 five-year period, labour costs for Italian retailers on average accounted for 9.8% of total sales, a figure which rose by 0.2 percentage points in 2024 (the year in which the national contract for the mass retail industry was renewed). **Improving margins in 2023:** The EBIT margin came in at 2.9% (vs an average of 2.5% for the five-year period), while the ROI was 7.4% (vs 5.8% avg.), compared with 8% for the food and beverage industry. **Investments in tangible assets recovered in 2023**, rising by 18.7% vs 2022. Some 90% of the companies invested in renovating their existing POS during 2023-24, while 80% invested in new store openings.

In 2023 the discount stores were not as far ahead as in previous years: their sales were 9.2% higher than in 2022, not so much higher than the 7.3% growth posted by the other operators, reflecting an annual average growth rate of 9.3% in the 2019-23 five-year period (vs an average of 5.7% for the others). **The discount stores posted particularly impressive margins:** their EBIT margin for 2023 was 4.8%, far ahead of the 2.3% posted by the other groups, and their ROI was 16.5% (5.9% for the other groups). The **internationally-owned operators performed rather less well** than their Italian counterparts: between 2019 and 2023 their total sales rose by an annual average rate of 4.3% (vs 6.7% for the Italian retailers), posting an EBIT margin in 2023 of 1.3% (3.1%), and a ROI of 5% (7.6%). The **Southern Italian companies performed impressively in terms of total sales**, reporting an annual average increase of 9% since 2019, compared with 6.3% for the operators based in Central Italy, while the firms based in North East Italy were more dynamic than those located in the North West of the country (annual average increase in sales, 2019-23: 6.2%, vs 3.9%).

Interesting aspects from the individual operators' financial statements

Radenza Group posted the highest growth in turnover from 2019 to 2023: with an annual average increase of 15.3%, followed by In's Mercato (14.9%), Tatò Paride (12.2%), and Agorà (10.8%). **In the last year** the following companies were again the best performers: In's Mercato (up 16% vs 2022), Radenza Group (up 15.2%) and Agorà (up 14.2%), followed by RetailPro (up 11.5%), Selex (up 11.1%), Cive (up 11%), Eurospin (up 10.6%) and SAIT (up 10.2%). The highest EBIT margins in 2023 were reported by discount stores Cive (7.2%) and Eurospin (6.7%); while AZ ranked third (with 5.6%). The top-ranking positions in terms of the return on capital invested (ROI) were occupied by: Radenza Group with 26.9%, followed by AZ with 23.7% and Eurospin with 21.3%, followed by In's Mercato (with 20.6%) and Prix Quality (with 19.3%) **Eurospin was top of**

¹ Source: Mediobanca Research Area, sample-based survey.



the rankings in terms of 2019-23 cumulative profits: with €1,561m, ahead of VÉGÉ with €1,333.1m and Selex with €1,286.7m. **PAC 2000 A (Conad group) is the best-performing Italian co-operative**, posting 2023 sales of €4,634m, followed by Coop Alleanza 3.0 with €4,119m and by Conad Nord Ovest with €3,092m, ahead of Unicoop Firenze with €2,961m. The shareholders' loan outstanding in the co-operative system continues to decrease, declining from €8bn in 2019 to €7.1bn in 2023. In the last five years the co-operatives have generated net interest income of €548m, against writedowns totalling €552m.

A look at large-scale distribution

Between 2019 and 2023 the market share of the seven groups operating in large scale distribution, excluding the two co-operatives Conad and Coop, **increased by 6.7 percentage points**, helped by the rise in the membership base. VÉGÉ is the operator that has attracted the highest number of new associates (seven), two of which were previously affiliated to other operators (D.IT and C3). Agorà emerged in 2023, on the back of its marginality (the highest in the sector, with an EBIT margin of 5% and ROI of 13.5%) and sales, which have increased at an annual average rate of 10.8% since 2019. Its average CAGR of +7.2% between 2019 and 2023 was beaten by Selex (8%), which, however, has lower margins (EBIT margin 3.8%, ROI 11.6%). C3 achieved an EBIT margin/turnover ratio of 4.1%, above average (3.3%), but was still behind the others in terms of ROI (8.5%). In 2023 VÉGÉ was below average in terms of both EBIT margin and ROI (the former 3%, the latter 9.5%), on turnover rising at a CAGR of +6.6% since 2019. Bringing up the rear in terms of EBIT margin were Crai and Despar (both of which with 1.4%); the latter also ranked last in terms of ROI (4.2%).

Some 26 organized distribution companies posted **annual total sales in excess of €500m**. The highest increase in sales in 2023 was reported by FG Holding (i.e. Magazzini Gabrielli, whose turnover was up 23.2% on 2022), followed by Multicedi (up 18.9%), Verofin (Tigros) (up 18.3%), and Supermercati Tosano Cerea (up 18.2%). Retail Evolution was the top-ranking player in terms of EBIT margin (7.8%), followed by F.Ili Lando (6.3%) and Verofin (Tigros) (6%). Gruppo Rossetto posted the best result in terms of ROI (23.1%), followed by Gruppo Unicomm (Arca, GMF Fioroni, Unicomm) (19.7%) and Mega Holding (Megamark) (19.4%). **A further twenty-one associates posted turnover of between €200m and €500m in 2023**. Of these, the highest year-on-year growth in total sales in 2023 (vs 2022) was reported by Sisa Sicilia (up 24.2%), followed by Supermercati Visotto (up 17.6%) and Sidi Piccolo – Sistema Distributivo Innovativo (up 16.9%). L'Abbondanza group posted an impressive performance in terms of both EBIT margin (7.2% in 2023) and ROI (21.3%), followed by Gambardella (2023 ROI 19.8%).

Generational issues facing the Italian large-scale distribution industry

The Italian mass retail industry is owned by families, in whose hands 85.4% of the non-co-operative companies is held, **large ones**, too (the average share owned by each shareholder in a company is 11.2%). Private equity funds are absent from this sector. The average age of the shareholders is 55.2 years, and is higher for men (56.5 years) than it is for women (52.9 years). The age difference between those who own shares under legal title only and those who hold them under usufruct is on average 33.5 years. **On average shareholders represent three-quarters of the members of the Board of Directors of the various companies**.

In 60.5% of the non-co-operative companies in the Italian mass retail industry, executive power is held by one person only. As at year-end 2024, the average age of the Board members was 59.3 years, with the access threshold around the forty-year mark. Regarding the Boards' gender composition, women occupy 19.9% of the positions, with female representation higher in the



governance positions (27.7%) than in the executive positions (7.8%). **Of the women represented on the Boards, 84.5% are members of the family that owns the respective company.**

Generational issues therefore top the Italian mass retailers' agenda: in cases where the transition has already been completed, the senior management members are some five years younger. **Since 2019**, the average age of Board members has reduced by 3.8 years, and female representation on the BoD has increased by 3.2 percentage points. In 2019, three-quarters of the women represented on the Boards served as Directors, a percentage that has reduced to 60.5%, with more women now in the role either of Chairperson (up from 7% to 18.4%) and Deputy Chairperson (up from 5.3% to 9.2%). Two groups for which more than one-third of the total members of the associate companies are women are Selex and C3. Female Board representation rates are improving at VEGÉ (from 12.3% in 2019 to 17.9% at present) and Crai (from 9.1% to 16.7%); while the average age of Board members is decreasing at the associate companies of C3 (down 8.3 years since 2019), VEGÉ (down 5.3 years), and Selex (down 4.3 years). **The Board members of the associate companies and their respective parent companies are substantially the same age at Despar Italia, Selex and VEGÉ.** For C3, the Board of the consortium is considerably younger than the Boards of the associate companies, while the opposite is the case for Crai and D.It.

ESG issues in the Italian mass retailing industry

Three-quarters of the mass retailers have invested in sustainability in the last two years. **In 90.5% of cases the main reason for the investments was the need for the firms to improve their reputation**, followed by the vision of the entrepreneur or the senior management (76.2%), followed by the need to adapt to changes in the regulations (66.7%). **Two-thirds of the companies draw up their own sustainability reports.** In 16.7% of cases the firms have an officer with responsibility exclusively for ESG issues. A more common scenario is when a manager with other corporate duties takes responsibility for ESG issues (36.7% of operators), or either the Chairperson or CEO does so directly (23.2%). With regard to sustainability issues that can be measured analytically, **in the area of human resources**, in comparison with an overall female workforce of 62.9%, only 21.6% of managerial positions are held by women. As for environmental issues, 90.5% of companies have carried out work to make their buildings more energy efficient, whereas 76.2% have sought to introduce product innovation, and 71.4% have done work to improve the supply chain. Efforts to reduce the companies' impacts on the environment have produced satisfactory results: in the last ten years energy intensity has decreased by 9.6%, as has carbon intensity (by 15.5%) and waste production (by 5.2%).

The leading international operators

In 2023, the leading international retailers included in this survey posted total sales ranging from €582bn reported by US-based WalMart to €21bn posted by Canadia group Empire. The retailer with the most marked international focus is Portuguese group Jeronimo Martins (79.7%), followed by Delhaize of the Netherlands (78.9%), Japanese retailer Seven & i (74.7%, which exports primarily to North America), and French groups Carrefour (54.1%), and Eo-Auchan (48.2%). **The international panel reflected an average ROI of 9.5% in 2023**, higher than the 9.2% recorded in 2022. As for **domestic sales per square metre net of VAT in its domestic market**, Esselunga with €15,971 per squ.m was ahead of all the leading international operators. It was followed, at a distance, by UK groups Tesco (€13,701) and J Sainsbury (€12,248), Canadian firm Empire (€12,128) and the other UK-based group Wm Morrison (€11,829), followed by Australian companies Woolworths (€11,634) and Coles (€11,192).



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