

Ecor S.p.A., Distributing organic products in Italy

Good evening, first of all I would like to say that I am still not a good speaker since this is only the second conference that I hold.

My name is Gianni Bottos and I am the purchasing manager for refrigerated products at Ecor. I come from the organic food market sector and I had the opportunity to open one of the first organic food stores in the early 80's. At that time, I also used to grow organic vegetables; then I worked for a biodynamic cooperative farm for several years.

I was invited here tonight by a supplier of mine, Mr. Theo Kourellas of Kourellas company, a company in which we at Ecor believe, and which is specialized in producing feta cheese and other typical Greek cheeses. I take this opportunity to thank him.

Ecor, the company I represent, started distributing organic and biodynamic food products in 1987.

Today, Ecor is a stock company as a result of a merge of 4 historical companies. The majority of shares is held by the "Libera Associazione Antroposofica Rudolf Steiner" (Rudolf Steiner's Free Antroposophic Association) which inspires the company's directives.

Ecor has about 3.000 fresh and packaged products that come from Italian and foreign producers. Ecor supplies almost all natural food stores in Italy through an overnight service using its own refrigerated trucks.

The annual turnover grows yearly by about 17% and in 2006 it reached 70 million Euros. The turnover is divided mainly into 4 sectors: fresh produce accounting for a 20%, refrigerated food products accounting for a 25%, dry food products accounting for a 49% and non-food products accounting for the remaining 6%.

Currently Ecor employs about 150 people and distributes throughout Italy. The majority of its customers is concentrated in the northern part of the country, while in the centre/south it's less present.

Over time, the company grew aware of the importance to reduce the distribution costs and consequently to reduce the prices of organic food products to specialized food shops, in order to be able to compete with large scale retail chains who had started to offer organic products on their shelves.

The creation of a new company originating from 4 pre-existing companies has meant creating a more complex structure and system with new rules and policies.

First of all, even before logistics, figures and efficiency, a company needs human resources. It needs talented individuals who, together with their values, work to get right to the point. This was the main object that was focused on in creating the new company.

In Italy, Ecor works in the sector of specialized organic food stores. This is a very tough and fragmented market. The specialized shops are more than 1000, spread all over the country; they are mainly medium to small sized, with modest turnovers and they often place their orders with minor suppliers. This leads to losing efficiency and to higher costs which are consequently and inevitably paid by the consumer.

Therefore, after a first settling period, the first distributor alliance was not satisfactory any longer; in 2003, an agreement between distributors and food shops was made.

A company was established inside Ecor with the specific role of managing the new project; its common brand is "B'io" which is added on the Point of Sale sign. It will also follow the evolution of the commercial policies, marketing policies and human resources policies.

This company will offer a complete Point of Sale follow up, ranging from finding the right store location, selecting the equipment, fridges, counter, POS hardware to deciding the most appropriate inventory and the selling point arrangement. In addition, "B'io" offers an information service through a newsletter which is freely available to its customers.

The purpose is always to make the most of the single store's strength and ability, so that each single store can maintain its own personal and territory's identity. This is just the opposite of franchising, where the group identification is mostly important.

Today, this initiative is supported by 300 shops spread over the country; they use marketing and communication solutions and commercial policies which are properly created to make the commercial offer more and more effective and convenient for the customers; moreover, this provides the stores with appropriate tools and knowledge to satisfy the demand of a more and more difficult and aware market.

The management control service must not be overlooked, because it is a fundamental factor to understand the exact company health conditions.

Another important step that made Ecor further establish its presence within the specialized market of organic products was integrating, through a mutual exchange of capital shares, with Naturasì, the most important franchise company within the Italian organic food market.

50 stores specialized in selling organic products belong to Naturasì group. They have an average size of about 300 square meters, and are located in the most important cities of central and northern Italy, and in some cases even outside the country.

Aiming at professionalizing and at increasing the value of organic trade, many business functions, such as buying, marketing and quality assurance offices, were integrated and optimized, leaving each company with its executive/managerial autonomy: Ecor was to follow the b'io project, while Naturasì was to manage its own franchising.

Quality is a fundamental aspect, to which group Ecor-Naturasì is turning a considerable part of its resources. Undoubtedly some organic product purchases are based on the so called "impulse buying", maybe facilitated by some food or environmental scandals, but at the same time we must consider that the typical customer, who remains faithful to his specialized store, is an informed, prepared and careful customer, who is right in demanding and expecting to be protected and guaranteed both under an economical and a food safety point of view.

The emerging scenario in Italy over the past few years shows a progressive indifference of the large-scale retail trade towards organic products. After about five years since organic products entered the Italian supermarkets, organic products branded under the large distribution chains' private labels have stabilized, after verifying stock rotations. There was a prudent approach to organic products, aiming at not losing market shares in favour of discount superstores, focusing on the suggested prices. With reference to what was previously said, we must recognize that consumers buying organic products because of fear and not of awareness, went back to traditional products as soon as post-Chernobil and mad cow worries and publicity faded.

The average organic products assortment available in large-scale supermarkets consists of 2/300 items, versus 4/5.000 of specialized stores.

As a matter of fact, Italian large-scale retail trade was slow in catching the dynamics of the demand, thus favouring the distribution channel of specialized stores, which is now rapidly growing, and where unsatisfied customers turn to after experiencing poor service offered by supermarkets in managing organic products.

Thanks to Ecor service we see new and new openings of food stores, or existing food stores' being expanded with increasing professional and entrepreneurial skills.

In conclusion, Ecor aims at safeguarding earth and organic agriculture and at developing organic trade in Italy, both continuing to extend and improve its assortment, and offering a more and more professional service and trade-awareness.