

THINK RETAIL THINK VERDICT



Retailing in Italy 2008

Tough market, but with opportunities...

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Verdict's analysts and consultants work closely with retailers, suppliers, consultancies, investment banks and property companies to identify the key issues, sector and company data and strategies driving the changing retail market.

Our research identifies how retailers can enhance product, store and brand performance as well as the factors that determine future retail success. Our specialist in-store auditing team continuously collects price and product data across locations, brands, fascias, ranges and retail sectors.

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In addition Verdict regularly appears in the international media. News sources quoting Verdict analysts and data include CNN, the International Herald Tribune, The Australian, Los Angeles Times, and New York Times.



“Verdict are the company of choice for any research analysis and insight into retailing”

Sir Stuart Rose
Chief Executive of Marks & Spencer

Retailing in Italy 2008

Tough market, but with opportunities...

Italy has one of the highest concentrations of independent specialists in Europe, a declining and ageing population, a stagnating economy and a greater degree of bureaucracy and regulation than many EU countries. Against this background retail is changing. 'Low-cost moda' is gaining a footing in the clothing sector due to the expansion of European retailers such as Zara and H&M while in other sectors large format hypermarkets and specialists are taking share from the small format specialists.

This new report published by Verdict provides accurate insights into the key trends and future developments for Italy's retail sector and in-depth analysis of the main operators in the market. It also offers new insights into the strategies for growth in a challenging and competitive market environment through its detailed analysis of the opportunities in the country.

Key sectors covered

Food & grocery

Clothing & footwear

Electricals

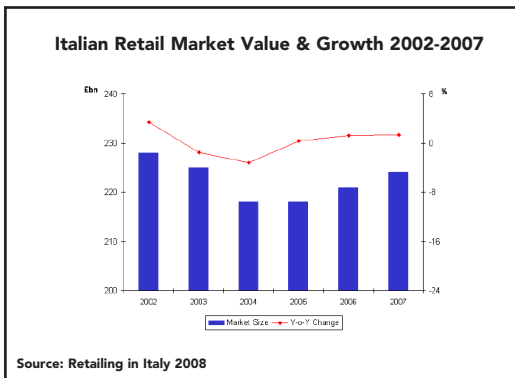
DIY

Furniture

Out-of-Town retailing

This new report will help you to assess the retail competitive landscape in Italy and create strategies to exploit future growth in the retail market...

The Italian retail market is at a crisis point...



"The past 5 years have actually seen a contraction in retail sales of 1.9%, to €223.7bn in 2007, with just 1.3% growth since 2006. GDP growth, which picked up in 2006, has slowed again and is forecast to be sluggish for 2008 and 2009. Lack of economic reform and deregulation, as well as the effect of the strong euro on exports, means it is unlikely to improve. Consumers' budgets have been hit by slow wage growth and rising taxes and interest rates..."

- **Quantify key retail trends and accurately predict future opportunities** based on this report's company analysis detailing market share of leading retailers, demographics, channels of distribution, store numbers, selling space provision, sales densities and average store size in six key retail sectors.
- **Predict potential growth for retail in Italy and the challenges facing key French retailers** in-depth analysis of market drivers, key issues and market outlook using this report's growth forecasts for DIY, Food & Grocery, Furniture, Out-of-Town, Clothing (including department stores) and Electricals in Italy.
- **Develop more effective strategic responses** with this report's actionable recommendations for how retailers can cope with the changing Italian retail market.
- **Discover the growth of online development in Italy** compared with other major EU countries.

Retailing in Italy 2008

This report answers key questions including...

- What is the value of individual retail sectors in Italy, and their share of the total?
- What has been the growth performance of individual sectors over the past five years in Italy?
- What is the future for Italian retail?
- What is the inflation record and how has it affected Italian retail?
- How does Italy compare with other EU countries?
- What effect is Italy's economy having on retail sales?

Key Sector Data

Individual sector's size by value, specialists' sales & share, outlet numbers, space & sales densities 2002-07

Top 3 operators in each sector with market share, turnover & outlet numbers

Total retail sector growth, economic & demographic data 2002-07

Regional growth rates 2001-06 with rankings

Sales via out-of-town developments 2002-07

Key issues examined in this report...

Sectors most vulnerable to low cost operators in future will be those where own brand is best able to displace manufacturers' brands...

Italy embraces low cost shopping 2008

Retailer	Date entered market	Sector	Stores Opened
IKEA	1989	Furniture/Household Goods	13
Inditex (Zara, Pull and Bear, Bershka, Massimo Dutti, Stradivarius, Oysho, Zara Home, Kiddy's Class)	2001	Clothing/Homewares	226
H&M	2003	Clothing	31
Lidl	1992	Groceries/DIY/ Household Goods/ Clothing	400
Penny	1994	Grocery	240

Source: Retailing in Italy 2008

"Electricals can therefore be expected to avoid most of the impact, while DIY and household goods will probably be more vulnerable. For the moment health & beauty remains firmly dominated by pharmacies, though with some inroads by grocers. Regulations on sale of OTC medicines have recently been eased, however, and the scope for lower price offers could provide potential for development in future..."

- **Internet.** The development of Internet retailing in Italy has lagged well behind that in other wealthy European countries, with take-up by consumers well below even that seen elsewhere in the 1990s. According to industry estimates, total consumer purchases of goods and services online totalled just €4.8bn in 2007. However, half of this figure related to travel, meaning purchases of goods accounted for just €2.4bn.
- **Bureaucracy & regulation.** The original intention of the 1998 Bersani Law was to free up the retail sector from excessive state regulation by devolving power to the regions. It was the first time since 1971 that the law governing retail had been changed. The 3 areas they now control are planning permission, store opening hours and days, and the regulation of Sales. However, the impact in many cases has been to create a more difficult regulatory environment.
- **Growth of multiple store formats in clothing & footwear.** The overwhelming dominance of small, boutique-style stores selling outside brands is rapidly giving way to own brand multiple businesses, with H&M and Inditex's fascias including Zara as well as Pull and Bear, starting to make rapid headway.

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Market Summary

- In 2007 total expenditure in the Italian furniture market grew by 2.1% to €17.2bn. Spend per head is driven by appreciation of design in the domestic market, particularly of indigenous companies operating at premium price levels. Italian furniture manufacturing also benefits from export. For example it is IKEA's third source with 8.0% of purchasing, ahead of Sweden and after China (22.0%) and Poland (16.0).
- The furniture market in Italy is even more fragmented than most others, with specialists we estimate accounting for 81.1% of the market in 2007. Multiples make up only 12.0% of the market overall and account for just 8.0% of specialists' turnover.

Table 15: Italy furniture market shares 2007

	% share	€ m*	Outlets
1. IKEA	7.1	1,211	13
2. Conforama	3.5	600	19
3. Natuzzi	1.2	200	130
*estimated			

Source: Retailing in Italy 2008

Recent Developments & Trends

- In July 2006 Conforama opened its second store in Italy under its own banner in Affi, near Verona. It covers a sales area of 5,800 sq m and stocks more than 14,000 lines. The store follows the usual Conforama format including discount prices, a clear range architecture and good product availability. The new layout presents the company's full range of products and services, including furniture, electricals and homewares, alongside gardening products and DIY supplies from the Emmezeta range. In November 2007, it opened a new store in Giugliano near Naples, with 4,790 sq m of retail space.
- IKEA continues its conquest of Italy. The first Italian IKEA store opened its doors to the general public in 1989 in Milan and the 13th outlet was opened in Bari in February 2007, taking it to 316,000 sq m of sales space. Traffic around the store became gridlocked, as it had in previous years at the openings of the Padua and Ancona stores. The Swedish giant is now targeting completion of its Italian network after meeting demand in Germany. At the moment the retailer is opening new stores at a rate of two each year. IKEA claims 31m out of 57m Italians visited its outlets in 2006. Sales rose by 24.3% to €1.1bn in 2006, much faster than in other countries. Another two openings are planned in Parma and Rimini in August 2008.
- In November 2006 Spanish retailer Banak Importa opened its 15th outlet in Italy, in Rome. The 600 sq m store, located in the business district, completes the first stage of the company's expansion into Italy. Plans for up to 60 shops in Italy by the end of 2007 are unfulfilled, with just 18 branches opened by March 2008. Recent openings include Salerno and Ischia. Similarly, Spanish retailers El Corte Ingles and Zara Home have targeted Italy. Zara Home expanded into Italy in 2005 and now operates 11 stores in the country, concentrated in the North and around Rome.

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