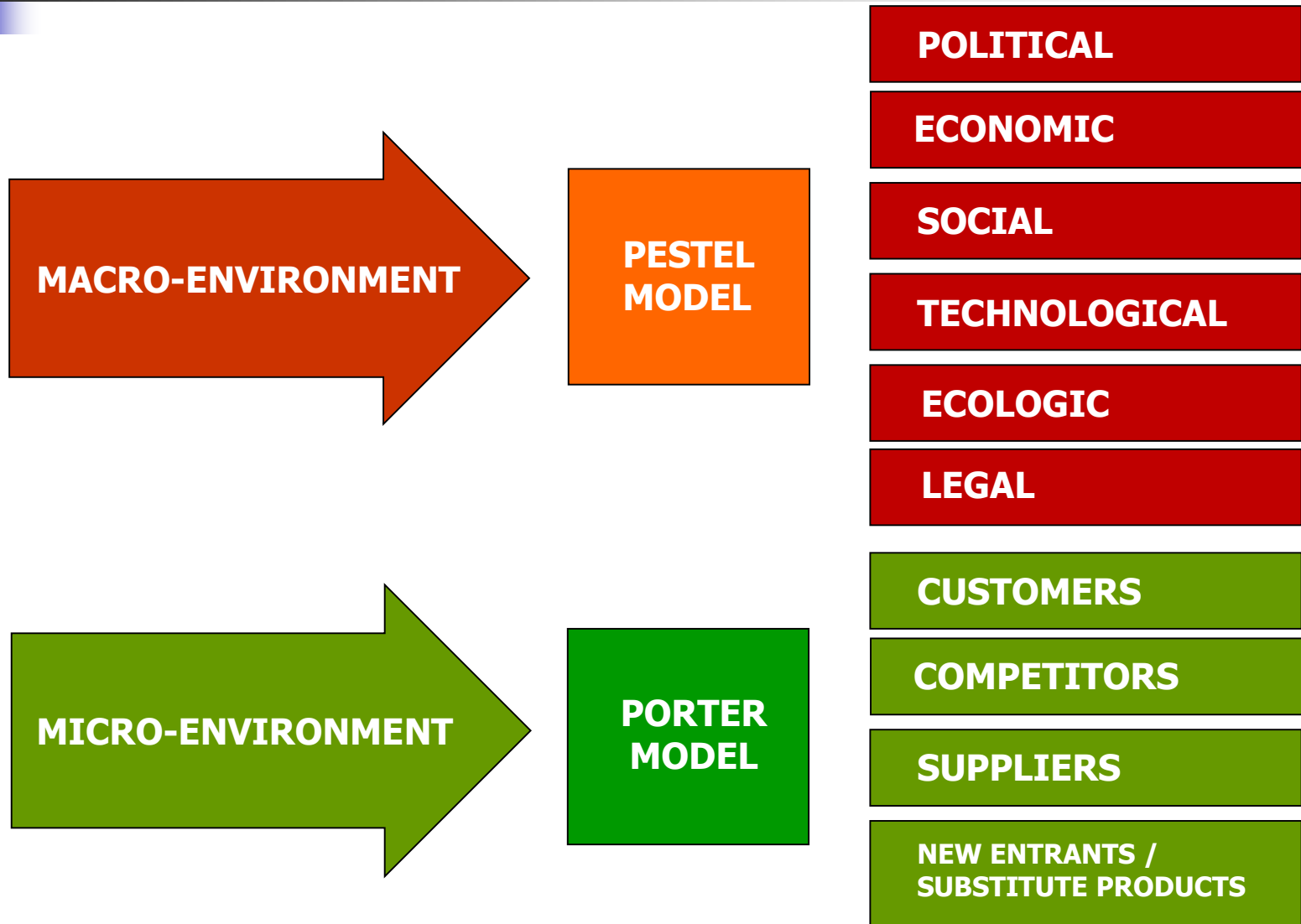


The marketing environment





The marketing environment

The marketing environment

- The success of an entrepreneurial initiative depends in a fundamental way on its capacity of interacting with the **external environment**, that can be divided in:
 - **Macro environment:** factors that affect all the firms in an industry
 - **Micro environment:** factors that affect one firm only
- Through this analysis it is possible to understand:
 - threats and opportunities for the company,
 - the critical success factors of the entrepreneurial initiative,
 - the characteristics of the demand and of the competitors.



The marketing environment

The marketing environment

- The macro environment comprises those factors which are common to all firms in an industry: socio-economic environment. The macro environment variables usually are not controlled by the company but are sources of **threats** and **opportunities** (events that are not controlled by the company but can influence its results).
- The micro environment comprises those elements that impinge on the firm but do not affect all the industry: **target market** and **competitive forces** that operate on this market: **competitors, customers, suppliers.**

The macro environment





The macro environment

The macro environment

- **Economic environment:** economic cycle, interest rates, infrastructures, government interventions, inflation rate, currency fluctuations...
- **Socio-cultural environment:**
 - demographic forces: structure of the population, age, income distribution, ethnicity, immigration
 - Culture: beliefs, behaviours, customs, language
 - Social responsibility and ethics: ethical beliefs
 - Consumerism: the shift of power away from companies and towards consumers
- **Political and Legal environment:** patent legislation, taxation, safety regulations, contracts law, consumer protection legislation, technical standards
- **Technological environment:** speed of technological changes, pressure on competition, access to technology...
- **Ecological environment:** climate change effects, resources availability (i.e. water scarcity), pollution, etc.



The macro environment: megatrends

Long-term megatrends

- A megatrend is a large, social, economic, political, environmental or technological change that is slow to form. Once in place, megatrends influence a wide range of activities, processes and perceptions, both in government and in society, possibly for decades. They are the underlying forces that drive trends. (Frost&Sullivan)
- **Which megatrends can we identify in the agri-food sector and what influence could they have on the sector?**

The macro environment: megatrends

Some questions

What is the right time horizon we need to consider ?

A megatrend is a large, social, economic, political, environmental or technological change that is slow to form. Once in place, megatrends influence a wide range of activities, processes and perceptions, both in government and in society, possibly for decades. They are the underlying forces that drive trends. (Frost&Sullivan)



Climate change. Global warming. Environmental sustainability, Green priorities

Demographic change. Population, age, different Generations, people migrations

Evolution of Customers' behaviours

Trust is the most precious asset. Reputation is the new coin

Security threats

The world is evolving from product/service to experience

Change is the only constant and adaptability is the answer

Democracy, cultural changes

Evolution and power of Platform models

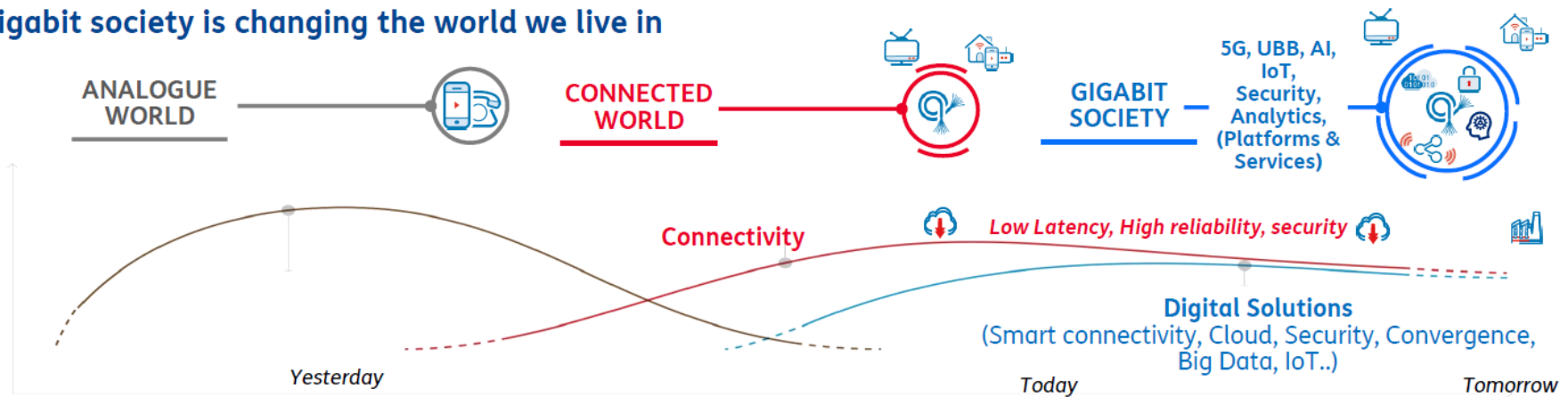
Knowledge is king

Constant technological and Digital evolution

Strategies in a changing and complex world

Il mondo cambia e aumenta la complessità

Gigabit society is changing the world we live in



Complessità

- | | |
|--|---|
| <ul style="list-style-type: none"> ▪ Stabilità del contesto di business ▪ Modello di Business lineare ▪ Focus su prodotti e servizi ▪ Focus della Strategia: ability to predict e poi tanta Execution ▪ Modello Manageriale & Leadership: Command & Control ▪ Bassa relazione con l'ecosistema ▪ Bassa innovazione (principalmente tecnologica) | <ul style="list-style-type: none"> ▪ Constant Change. Cambiamento continuo ▪ Modello di Business Reticolare ▪ Focus su Esperienza e Trasformazione ▪ Focus della Strategia: ability to Adapt and lead the Change ▪ Modello Manageriale & Leadership: Duale (execution & Innovation) ▪ Parte dell'ecosistema ▪ Innovazione guida il cambiamento |
|--|---|



The micro environment

Competitive forces

- Competition (identification and description of competitors)
- Customers (identification and description of different segments)
- Industry structure and power relationships (suppliers, supply chains)
- Substitute products (able to satisfy the same needs)



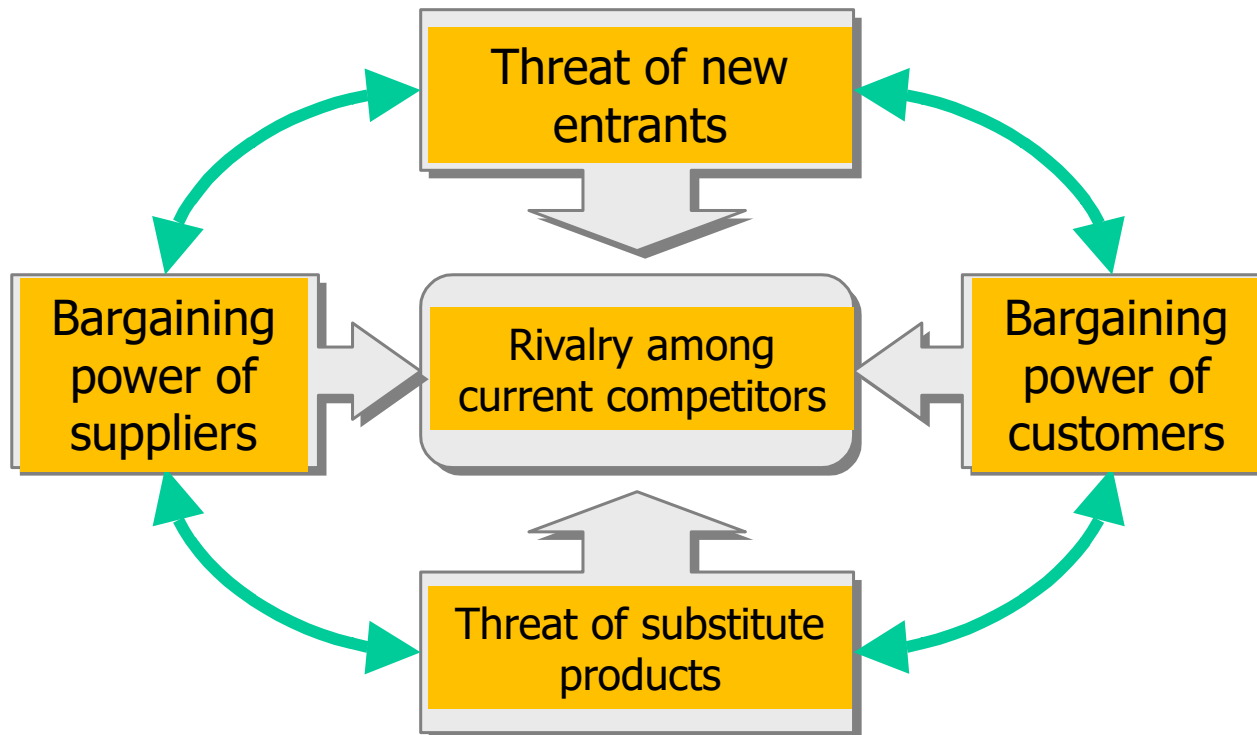
The micro environment

Competitors

- **Current competitors:** companies that offer the same product in the same geographical area (**direct competitors**)
- **Substitute products:** companies that produce different products but able to satisfy the same needs (**indirect competitors**).
- **New entrants:** companies not actually operating in the market but with the possibility to enter the market with the same product (**potential competitors**)

Porter's five forces model

Assessing the strength of competition in a given market



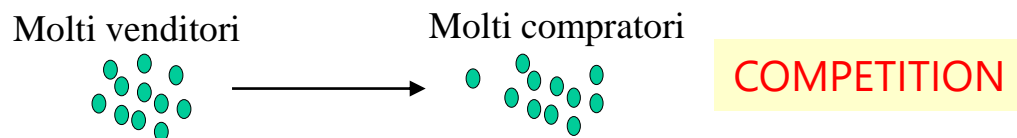
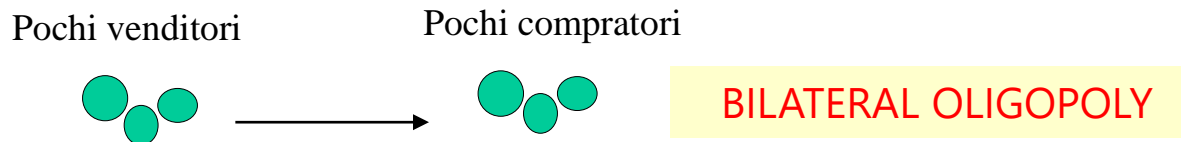
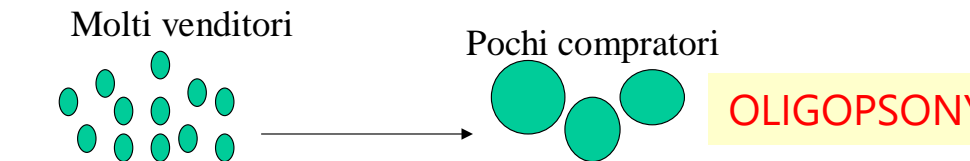
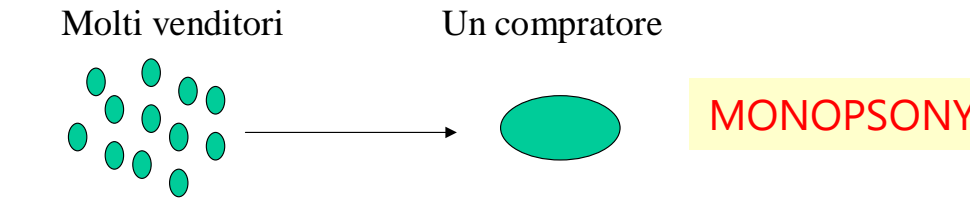
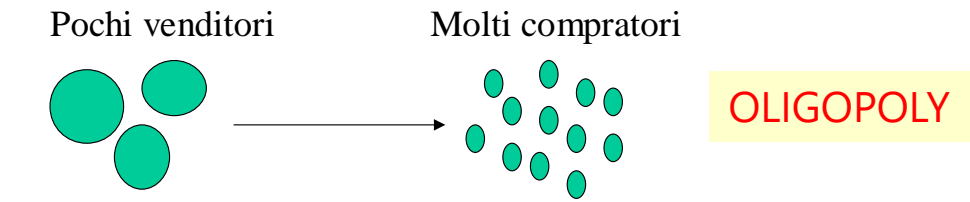
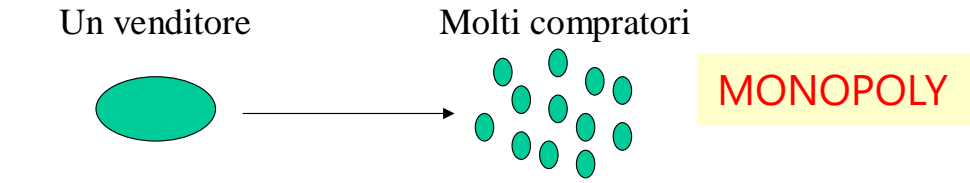


Industry issues

Type of competition

- Perfect competition
 - Many suppliers, product homogeneous
- Oligopoly (oligopsony)
 - Few companies controlling the supply (demand) of a good
- Monopoly (monopsony)
 - One company supplies (one buyer controls) the entire market
- Monopolistic competition
 - Companies differentiating their product in a competitive market

Type of competition





Industry issues

Structure and nature of the industry

- The intensity of competitive response depend on:
 - The degree of concentration in the industry (oligopoly/oligopsony);
 - The rate of growth of the industry;
 - The degree of differentiation;
 - Cost structures (i.e. presence of high fixed costs; economies of scale)
 - Investments structures
 - Contestable markets
 - Competitive information
 - Strategic objectives of competitors
 - Cost of leaving the industry



Industry issues

Concentration in the industry

- An industry is concentrated if a small number of firms controls a high share of the economic activity of a sector
- Concentration indexes:
- Number of firms (absolute measure of concentration): concentration ratio (CR4 or CR5).
 - The sum of the market share percentage held by the largest specified number of firms in an industry.
 - Low concentration ratio indicates greater competition in an industry, compared to one with a ratio nearing 100%, which would be a monopoly.
 - An oligopoly is apparent when the top five firms in the market account for more than 60% of total market sales, according to the concentration ratio.



The agri-food chain

In Italy:

- **Agricultural holdings: 1,13 millions (Census 2020)**
- **Food industry companies: 53.096 (Eurostat, 2015)**
- **Large-scale retail stores: 20.695 (CREA, 2016)**
- **supermarkets: 8.314**
- **hypermarkets: 858**
- **Market share of the first 5 retail groups (purchasing groups) = CR5 (concentration ratio = 5): ESD Italia, Coop-Sigma, Auchan-Crai, Conad-Finiper, Aicube (2016) = 65,7%**

Concentration in the industry

Calculate the concentration ratio (CR5) of the Italian wine sector in 2015

Wine sector dimension: 12,9 billion euros (2015)

Main companies:

	Sede	Fatturato totale				
		2014	2015	Variazione 2015/2014	Rank	
		milioni di euro		%	2014	2015
CANTINE RIUNITE & CIV (°)	Campegine (Re)	533	547	2,7	1	1
di cui: GIV - GRUPPO ITALIANO VINI (°)	Bardolino (Vr)	349	358	2,8		
di cui: CANTINE RIUNITE & CIV (*)	Campegine (Re)	202	201	-0,4		
CAVIRO (°)	Faenza (Ra)	314	300	-4,4	2	2
Gruppo CAMPARI (divisione vini) (§)	Milano	209	171	-18,2	3	6
PALAZZO ANTINORI (°)	Firenze	185	202	8,7	4	3
MEZZACORONA (°) (*)	Mezzacorona (Tn)	171	175	2,1	5	5
CAVIT CANTINA VITICOLTORI (°) (*)	Ravina (Tn)	164	167	1,9	6	7
CASA VINICOLA ZONIN (°)	Gambellara (Vi)	160	183	14,3	7	4
FRATELLI MARTINI SECONDO LUIGI	Cossano Belbo (Cn)	160	162	1,2	8	8
IWB - ITALIAN WINE BRANDS (°) (-)	Milano	140	145	4,0	9	10
CASA VINICOLA BOTTER CARLO & C.	Fossalta di Piave (Ve)	137	154	12,5	10	9

Source: Mediobanca (2016)

Concentration in the industry

Market share of the top seed production companies in EU

1985	MLN \$	QUOTA DI MERCATO GLOBALE	1996	MLN \$	QUOTA DI MERCATO GLOBALE	2009	MLN \$	QUOTA DI MERCATO GLOBALE	2012	MLN \$	QUOTA DI MERCATO GLOBALE	
AZIENDA	VENDITE NETTE		AZIENDA	VENDITE NETTE		AZIENDA	VENDITE NETTE		AZIENDA	VENDITE NETTE		
PIONEER	735	4.1%	PIONEER	1500	5.0%	MONSANTO	7297	17.4%	MONSANTO (USA)	9800	21.8%	
SANDOZ	290	1.6%	NOVARTIS	900	3.0%	DUPONT PIONEER	4700	11.2%	DUPONT PIONEER (USA)	7000	15.5%	
DEKALB	201	1.1%	LIMAGRAIN	650	2.2%	SYNGENTA	2564	6.1%	SYNGENTA (SVIZZERA)	3200	7.1%	
URJOHN ASGROW	200	1.1%	ADVANTA	460	1.5%	LIMAGRAIN	1155	2.8%	LIMAGRAIN (FRANCIA)	1700	3.8%	
LIMAGRAIN	180	1.0%	SEMINIS	375	1.3%	KWS	920	2.2%	WINFIELD (USA)	1300	3.5%	
SHELL NICKERSON	175	1.0%	TAKII	320	1.1%	BAYER	645	1.5%	KWS (DANIMARCA)	1300	2.9%	
TAKII	175	1.0%	SAKATA	300	1.0%	DOW	635	1.5%	DOW (USA)	1000	2.9%	
CIBA GEIGY	152	0.8%	KWS	255	0.9%	SAKATA	485	1.2%	BAYER (GERMANIA)	0.4	2.2%	
VANDERHAVE	150	0.8%	DEKALB	250	0.8%	LAND O'LAKES	?	?	SAKATA (GIAPPONE)	0.4	1.0%	
SHARE IN GLOBAL SEED MARKET (GSM)		12.5%				16.7%				43.8%	62%	

Source: Mammana I. (2014). CONCENTRATION OF MARKET POWER IN THE EU SEED MARKET. Greens/EFA Group in the European Parliament



Industry issues

Economies of scale

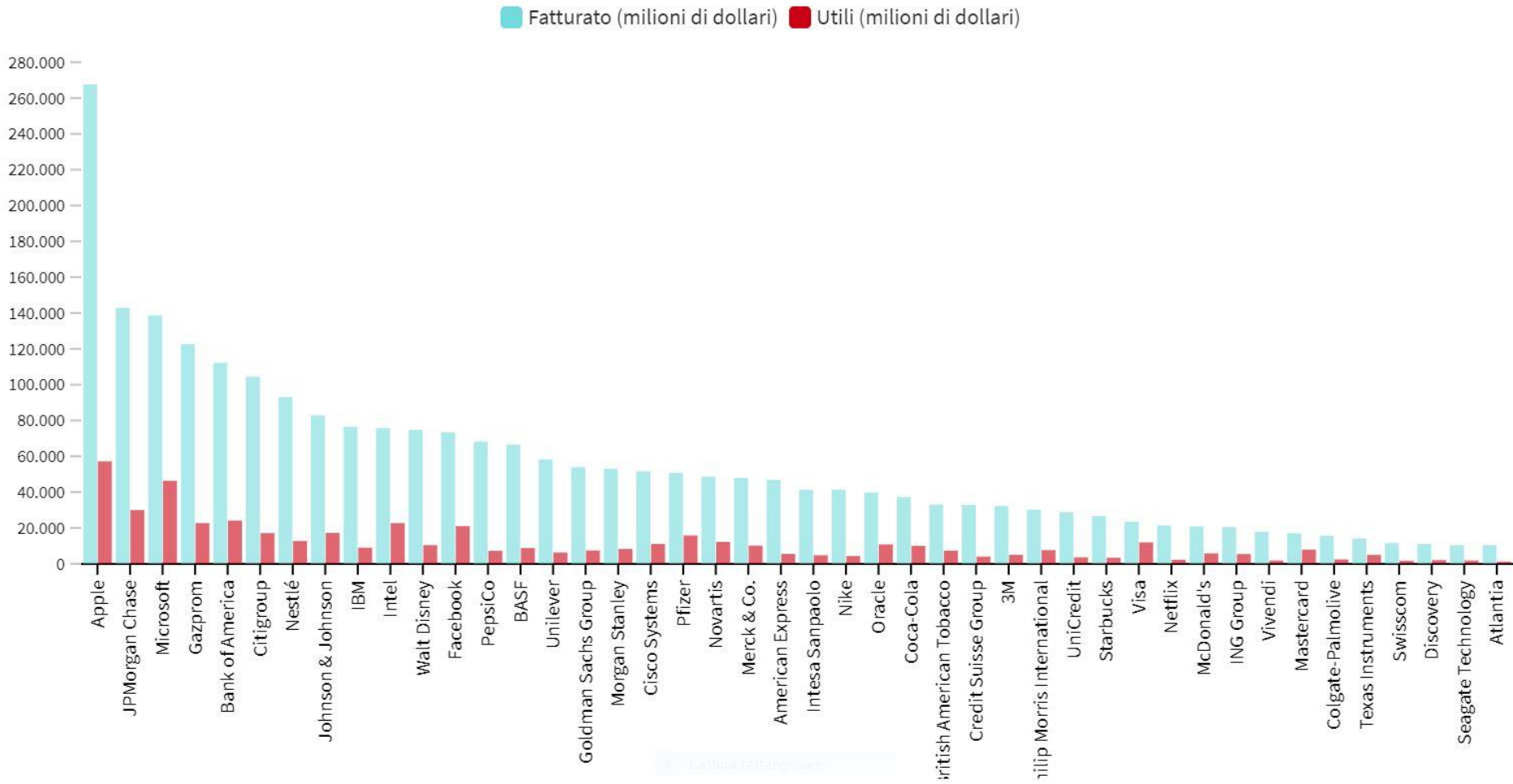
- Economies of scale are the cost advantages that enterprises obtain due to their scale of operation (the amount of output produced). An increase in scale enables a decrease in cost per unit of output. At the basis of economies of scale there may be technical, statistical, organizational or related factors to the degree of market control.
 - Total cost / Cost per unit
 - 630 € purchasing cost of a barrique
 - Produce 225 litres of wine x year
 - Depreciation: 5 years
 - 9.000 € purchasing cost of a barrel
 - Produce 4.000 litres of wine
 - Depreciation: 10 years

		Fatturato (miliardi di euro)	Sede centrale	Attività prevalente
1	Nestlé	82,6	Svizzera	multiprodotto
2	AB InBev	39,2	Belgio	birra
3	Unilever	23,0	Paesi Bassi/Regno Unito	multiprodotto
4	Danone	22,4	Francia	lattiero-caseario, acqua, alimentazioni infanzia
5	Heineken	20,6	Paesi Bassi	birra
6	Lactalis	16,5	Francia	lattiero-caseario
7	Diageo	14,1	Regno Unito	bevande alcoliche
8	FrieslandCampina	11,3	Paesi Bassi	lattiero-caseario
9	Arla Foods	10,3	Danimarca	lattiero-caseario
10	Ferrero	9,6	Italia	dolciario
11	Carlsberg	8,8	Danimarca	birra
12	Pernod Ricard	8,6	Francia	bevande alcoliche
13	Associated British Foods	8,4	Regno Unito	zucchero, amido, preparati
14	Danish Crown	7,9	Danimarca	carne
15	DSM	7,7	Paesi Bassi	multiprodotto
16	Agrokor	6,5	Croazia	multiprodotto
17	Parmalat	6,4	Italia	lattierocaseario, succhi di frutta
18	Kerry Group	6,1	Irlanda	multiprodotto
19	Südzucker	5,7	Germania	zucchero, multiprodotto
20	Barry Callebaut	5,6	Svizzera	cioccolato
21	Oetker Group	5,1	Germania	multiprodotto
22	Vion	4,6	Paesi Bassi	ingredienti a base di carne
23	LVMH	4,6	Francia	multiprodotto
24	Savencia	4,4	Francia	lattierocaseario
25	Tereos	4,2	Francia	zucchero, multiprodotto
26	Glanbia	3,7	Irlanda	lattierocaseario
27	Barilla	3,4	Italia	pasta, prodotti da forno
28	Tate & Lyle	3,2	Regno Unito	multiprodotto

Fonte: CREA (2017)

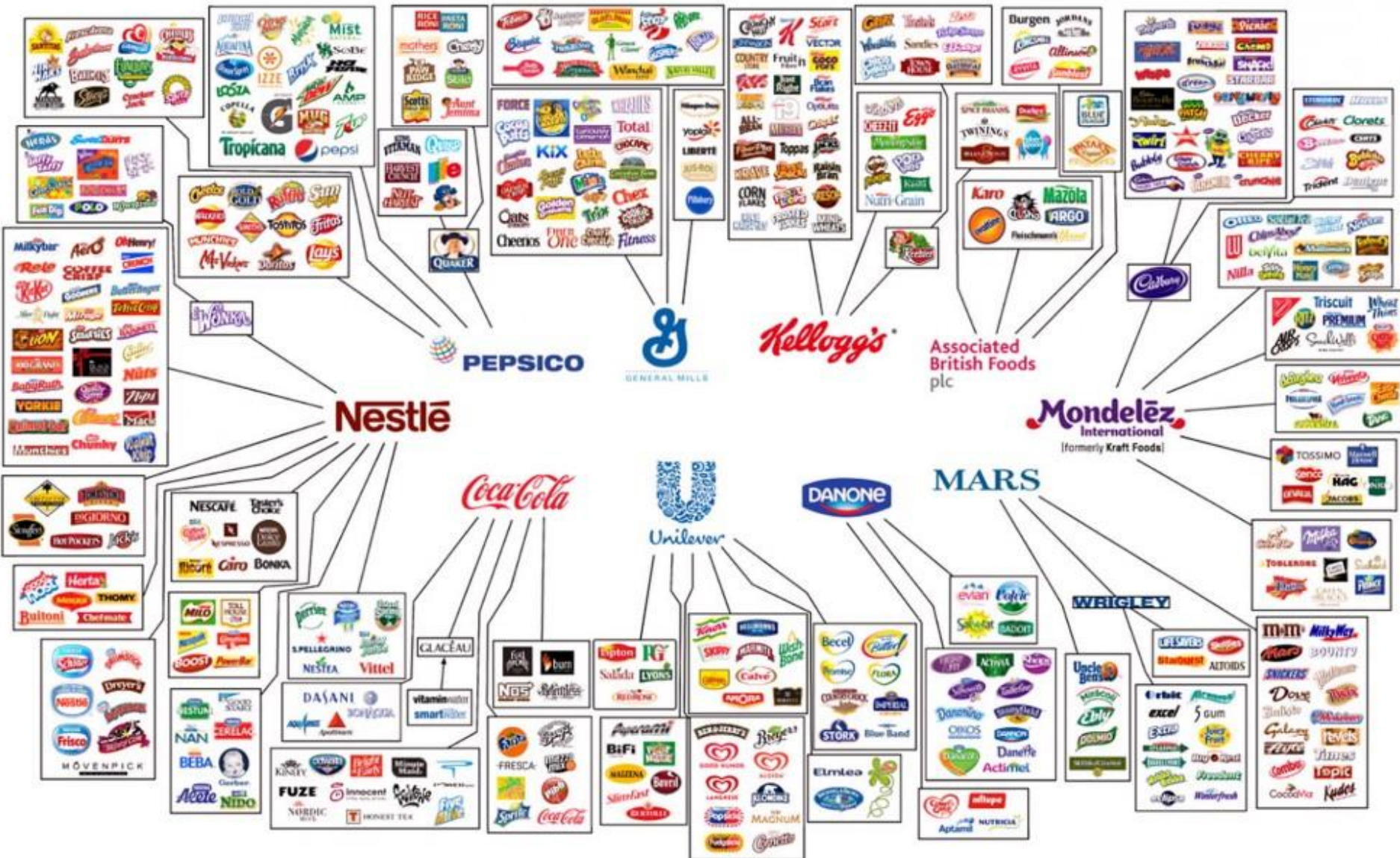
Fonte: elaborazioni su dati FoodDrinkEurope.

International companies (in the agri-food sector)



Fonte: Forbes

International companies in the agri-food sector





The micro environment

Competitors

- Draw a profile of the competitors
 - Structure and sizing of the supply (of the industry);
 - Market concentration (market share of the different actors);
 - Presence of strategic groups (similar strategies);
 - Range of products offered by competitors, level of quality, level of prices and services;
 - Strengths and weaknesses of the competitors



The micro environment

Suppliers

- Also **suppliers** are part of the competitive environment of a company.
- Number of suppliers, their bargaining power, the specificity of the offered product, can be determinant for the company success:
 - Importance of the suppliers (in terms of alternatives on the market and importance of the offered product for the company)
 - Bargaining power of the suppliers
 - Geographical localization
 - Nature of the relationship (i.e. partnerships, outsourcing...).

Partnerships

Some questions.....

**What is value and
How do we create
sustainable value?**



Implementing and delivering Innovation
Developing and owning Intellectual properties
Developing Alliances & Partnerships
Having Partners and Vendors willing to support our growth
Developing Management & Leadership style & capabilities
Increasing Customer loyalty
Proving Customer excellent Relationships & Experience
Being part and having access to specific Industry ecosystems
Access to quality and reliable Distribution networks
Ability to attract, motivate, grow, retain talented people
Constantly developing excellent Employees relations and
Engagement, Unions relations
Creating and feeding Good Community Relations
Creating, maintaining good Awareness, Reputation, Credibility,
TRUST
Agility (“Quelli sono veloci”), Adaptability

