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The Italian Distribution System

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Angelo M. Cardani**

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GENERAL DISTRIBUTION

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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THE ITALIAN DISTRIBUTION SYSTEM

This paper forms part of an OECD project which addressed the issue of the structure and change in the distribution systems of seven OECD countries.

The paper discusses the role of distribution systems in the Italian economy and gives an overview of the transformation of the Italian distribution system in the 1970s and 1980s. In particular, it analyses the effects of the Law 426/71 on the evolution of the retail sector. Finally, it addresses the questions of structure and performance of the distribution system and their implications for welfare and competition.

* * *

Ce document fait partie d'un projet de l'OCDE qui avait pour objet l'analyse de la structure et des changements dans les systèmes de distribution dans sept pays de l'OCDE.

Tout d'abord, cette étude présente une discussion du rôle des systèmes de distribution dans la performance de l'ensemble de l'économie Italienne. Ensuite, elle donne une vue d'ensemble de la transformation du système de distribution en Italie dans les années soixante-dix et quatre-vingts. Notamment, on analyse l'effet de la loi 426/71 sur l'évolution du secteur de distribution de détail. Finalement, sont abordées les questions de structure et performance et leurs implications sur le bien-être et la compétition.

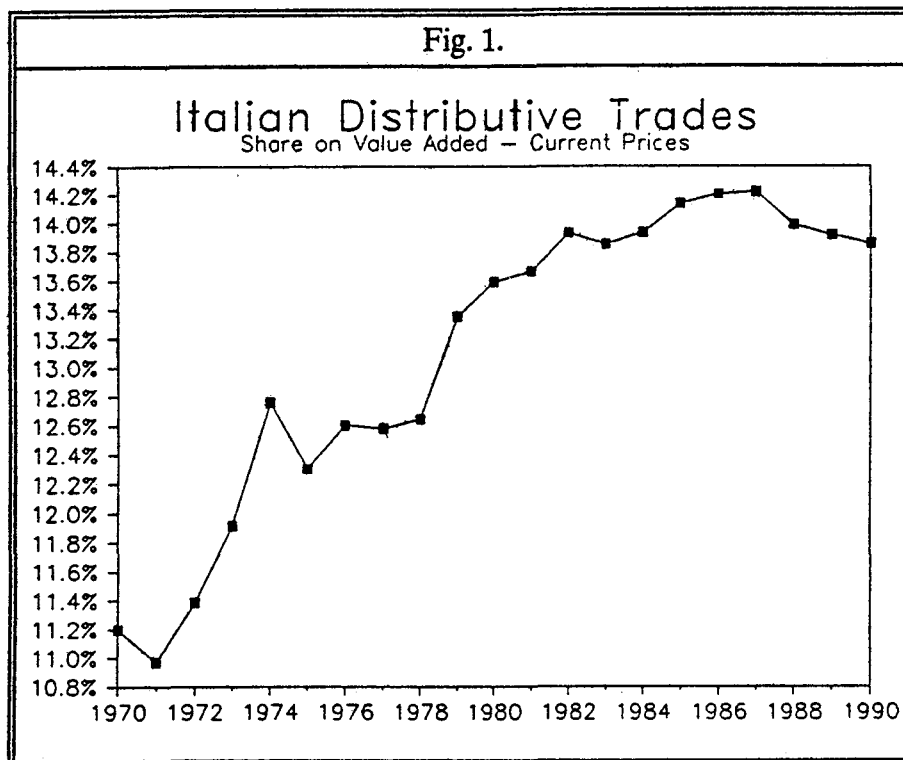
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1 Distributive Trades and the Italian economy¹.

1.1 Share of GDP.

The share of GDP of the Italian Distributive Trades Sector grew in the past twenty years from roughly 11% to 14%².



The trend depicted in Fig.1 shows a Distributive Trades share heavily influenced by the overall business cycle until the end of the seventies, with the first oil crisis contraction being cushioned and postponed to 1975 by the expansionary policies of the Italian Government. The second oil shock was even less felt by the sector in relative terms because of the interplay of two factors: on the one side, the anti-cyclical

¹ We are deeply indebted to Luca Zanderighi of Cescom who provided us with highly competent assistance in the collection of the data reported in this study. We are also indebted to Cescom, Centro di Studi sul Commercio of Bocconi University, Milan, that made available to us its data base.

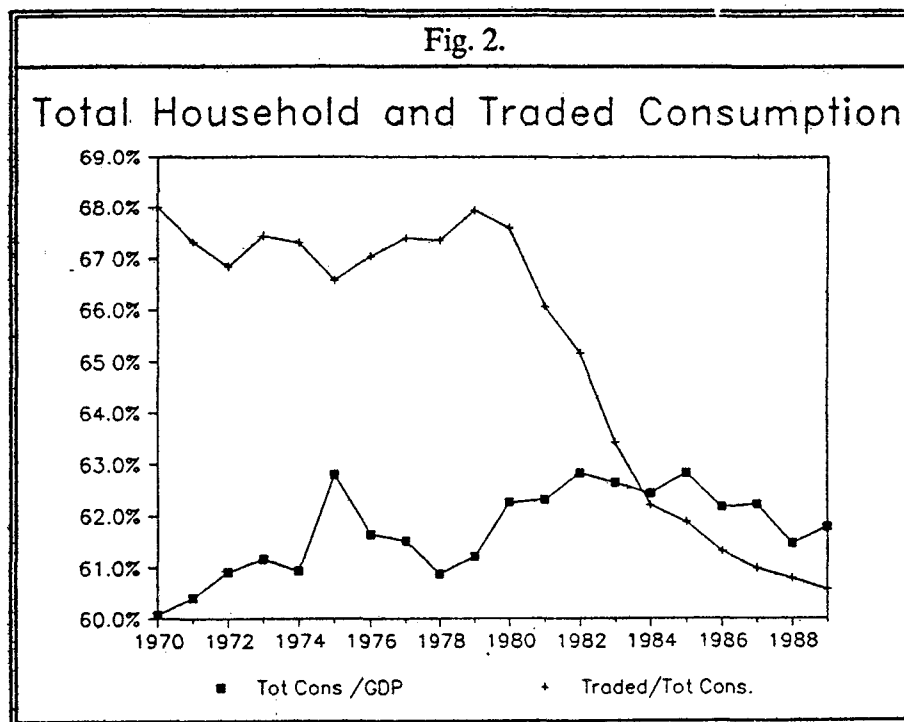
² See Figure 1 and Table A2 in the Appendix. Contrary to those normally published, the national accounts data on Distributive Trades reported in this study include wholesale, retail and other intermediaries (agents) and exclude recovery and repair activities. We express our gratitude to ISTAT for making available to us these data.

1.2 Share of private consumption.

resilience of the large proportion of small independent entrepreneurs, and on the other the development of more modern forms of retail taking place in the eighties and triggering an endogenous expansion³.

1.2 Share of private consumption.

Household consumption share on GDP⁴ fluctuates within a narrow margin, between 60 and 63%. The share of the traded part of consumption over total household consumption, though, decreases sharply by 7 percentage points after 1980, as the expenditure on services increases in relative terms.



The disaggregation of total household consumption by purpose⁵ shows the decrease of Food over Total by 6%. This points to a catching up phenomenon from the relative backwardness of the consumption structure in Italy. However, this is still differen-

³ It is also worth noting that the revision of National Accounts statistics carried out by ISTAT in 1985 introduced an opportunity cost approach, by which the income of self employed was to be set at a minimum level equal to the wage of employees of the corresponding class. This very likely raised artificially the remuneration of marginal self employed workers, especially relevant in Italian Distributive Trades, and as a consequence also sectoral Value Added. This procedure reduces also the response of sectoral Value Added to business cycles.

⁴ See table A3 and Figure 2.

⁵ See table A4.

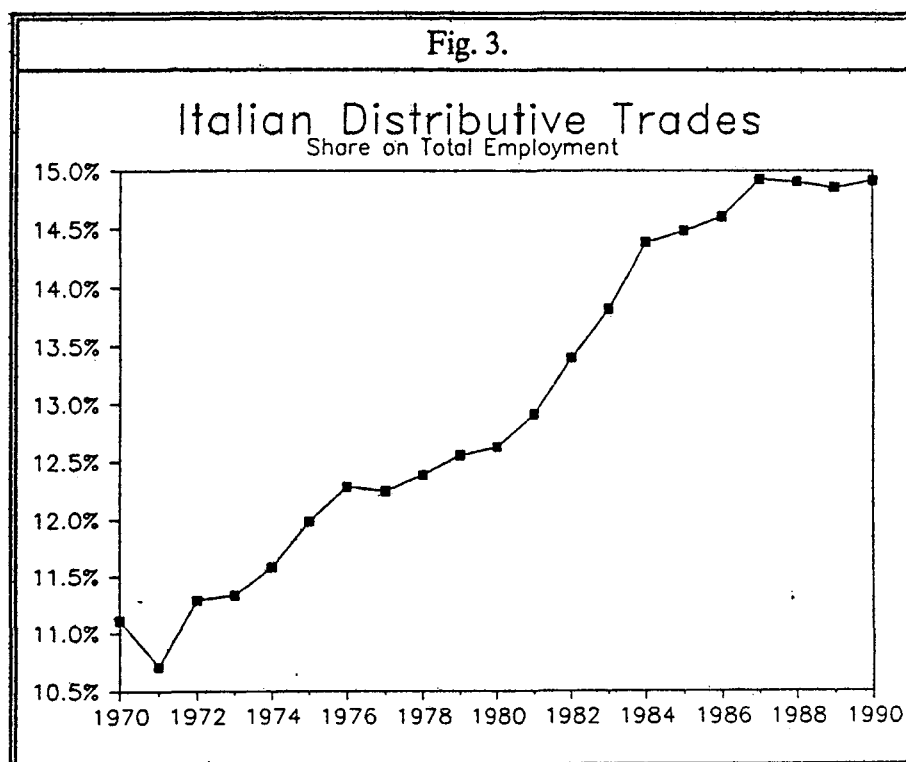
tiated geographically: food consumption in Northern Italy decreased from 28% to 20% of Total Household Consumption between 1980 and 1989, while in the same period in Southern Italy it decreased from 37% to 27%⁶.

The share of services in household consumption increased steadily: this is the expected consequence of the evolutionary modification of consumption, but also production patterns, from manufacturing to services, and, among the latter, in particular services related to leisure time. The relative share increased also because of the faster rise of the services deflator.

In fact looking at growth rates of real values, non-food consumption exhibits the highest rate, but consumption of services grows faster than food consumption⁷.

1.3 Employment.

Parallel to the growth of the share of sectoral value added on GDP, employment in Distributive Trades grew in the same period from 11% to 15% of total employment⁸.



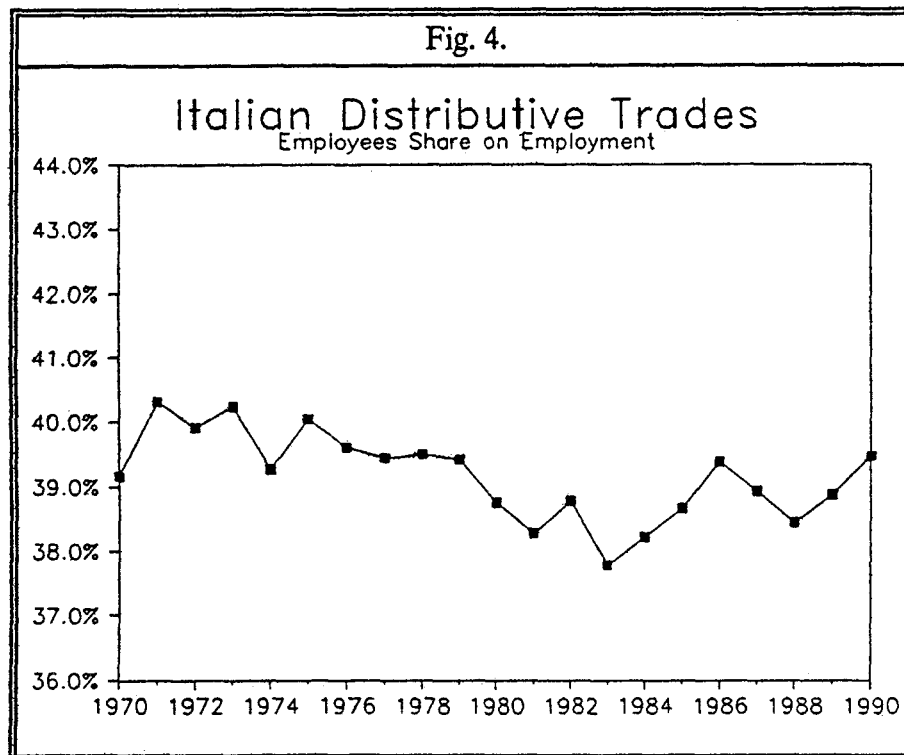
⁶ See Table A5.

⁷ See figure A1 in the Appendix.

⁸ See Figure 3 and Table A6 in the Appendix. Employment is defined in terms of standard labour units, i.e. full-time equivalent units. Data on part-time employment are not available.

1.3.1 Employees and self employed.

Italian Distributive Trades are characterized by a disproportionate number of small establishments, run as family businesses, with a very low proportion of employees (Zanderighi, 1990).



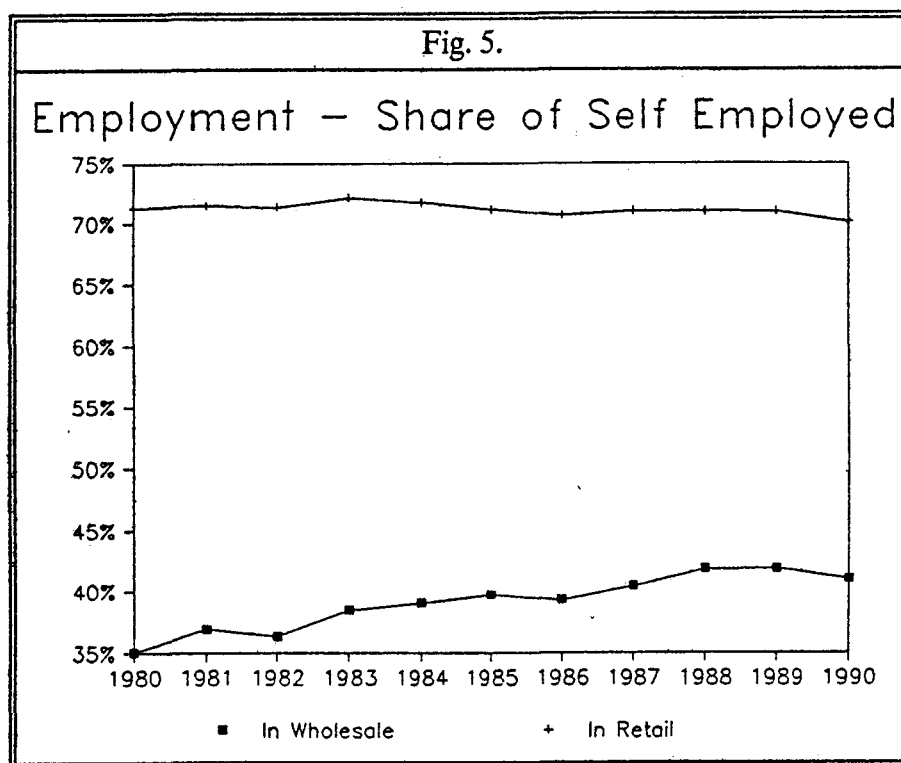
During the last twenty years the share of employees on total sectoral employment remained stable at around 40%. Although in this period there has been a substantial increase of multiples and other large retail organizations, mainly in food retailing, the parallel increase of small independent shopkeepers, mainly in non-food retailing, left unaffected the composition of employment in the sector. In no other country at a similar stage of economic development the share of self-employment is so high and this is possibly the most peculiar feature of Italian Distributive Trades.

The high share of self-employment becomes even more evident if we examine separately the two main components of Distributive Trades, retail on the one side and wholesale and intermediaries on the other⁹.

In retail the share of self-employment was almost constant at about 70% during the past ten years: the growth of employees has been constantly matched by an increase of independent shopkeepers. In the wholesale and intermediaries sector the share

⁹ See Figure 5 and Table A11.

of self-employed, though much lower, increased: from 35% in 1980 to 40% in 1990. This is entirely due to the relative increase of intermediaries, most of them self-employed, with respect to wholesaling.



The breakdown of total employment in Distributive Trades into retail on one side and wholesale and intermediaries on the other, shows that the retail subsector accounts for 69% of the total in 1990, two point down from 1980. Moreover, of the net labour inflow of 569,000 units during the same period, 238,000 (42%) are accounted for by wholesale and intermediaries. This continues a long term trend which started in the 1970's.

As it can be seen from the data reported on Table 1, only 45% of the expansion of employment in the 1970's¹⁰, +22% or almost half million people, took place in the retail sector: more than half of the employment growth relates to wholesale and intermediaries. These latter exhibit noticeably different characteristics relative to the protected, residual retail sector: they are more market oriented, supplying services demanded by a competitive industrial sector. This leaves less room for inefficient or marginal, family-run type of firms.

¹⁰ See Table A16.

1.4 The role of Distributive Trades in the Italian Economy.

	Employees	Self-Empl.	Total
Retail	31.8%	7.3%	13.0%
Wholesale	32.2%	59.0%	39.3%
Intermediaries	57.5%	260.5%	182.2%
Total	32.5%	16.5%	22.0%

Source: 1971 and 1981 Censuses

The increase in the demand of intermediaries services is coherent with the shift in the output mix of the OECD economies, from secondary to tertiary sectors, and in Italy is to be regarded as relative to both inter-industry trade and import-export trade.

The breakdown of Table 2 shows that the overall increase of retail employment of 226,000 people is the result of the compensation between the decrease in the food sector, and within the food sector the decrease is caused by the self-employed, and the increase in the non-food sector, almost equally shared by self-employed and employees.

	Food	Non-Food	Mobile	Total Retail
Employees	23.3%	34.7%
Self Empl.	-13.5%	29.2%
Total	-8.3%	31.1%	15.7%	13.0%

Source: 1971 and 1981 Censuses [Comment by : Tavola 13 pag 36]

1.4 The role of Distributive Trades in the Italian Economy¹¹.

It is commonly argued that Distributive Trades, and retailing in particular, played in Italy an important role as employment absorber¹². Distribution provides refuge for

¹¹ On this issue see the following general references: Lugli (1978), Stelatelli (1985), CESCO (1986), Pellegrini (1987), Spranzi (1991), R&S (1987).

¹² A popular story, not far from reality, says that the lay-offs by the large industrial firms of Northern Italy during the troughs used to originate the sprouting up of *num 'n pop* corner stores, especially in Southern Italy where the redundant industrial workers came from in the first instance: the severance payment provides the initial capital, the existing legislation provides protection, the tax dodging provides the small margin, condition for survival.

labour that would otherwise not be absorbed by the more dynamic sectors of the economy.

This hypothesis implies counter-cyclical variations of sectoral employment with respect to employment in the rest of the economy. For the 1950's and 1960's this was indeed the case, but is only partially true for the following twenty years. Although a substantial stock of marginal firms survives in the sector, the net inflow of labour can be explained more by internal factors than as a reaction to the cyclical phases of the economy. This applies particularly to the inflow of employees which in the sector can be taken as a summary indicator of the process of modernization. As for self employment, it increased almost entirely in non-food retailing, a type of activity requiring some degree of entrepreneurship to cope with a differentiated and fast changing supply of goods from manufacturing.

A second issue that has been often raised concerns the contribution of Distributive Trades to inflation. The marginal impact of new technologies on a labour intensive sector, coupled with the lack of organizational improvements due to the slow diffusion of modern distributive forms, was expected to lead to a long term increase in the price of retail services at a higher rate than wholesale prices.

The possibility to prove this contention depends on the time period considered. Overall, this long term pressure on margins does not seem to have materialized and the contribution to inflation appears to be marginal (Pellegrini, 1985; Bernardi, 1990).

However, had the share of the market of large self-service stores increased, the impact of retailing on consumer price variations could have been even negative, reducing the rate of inflation.

2 The transformation of the Italian distribution system in the seventies.

The large number of businesses operating in Distributive Trades does not facilitate the collection of detailed information concerning sectoral characteristics. In fact, no data on sales are available and the only source of reliable and detailed data on retail establishments (labour employed, sales area, etc.) is the Census of Industry and Trade. Since the 1991 Census results, polled in October 1991, will be published not earlier than 1992/3, we are constrained to consider separately the two decades, the 1970's and the 1980's, using different statistical sources.

An analysis of the transformation of Italian retailing during the 1970's is a convenient starting point since in this period the distributive system began to take up the peculiar features it still exhibits.

The overall image emerging from the comparison of 1981 Census data with the corresponding data from the previous 1971 Census is of a modernization process taking place at a slow pace. It can be summarized as follows:

- overall decrease in number of stores;

- size transformation, with a relative increase of the larger establishments, both in terms of employees and of sales area;
- increase in the number of establishments organized on a self-service basis;
- diffusion of vertical integration through different forms of association and cooperative forms of ownership.

The transformation took place behind the protective barriers to entry raised by the authorisation policy¹³: it slowed down the growth of large, de-specialized points of sale, but it also favoured the development and modernization of small, local, independent entrepreneurs relative to large multiples.

2.1 Food distribution.

2.1.1 The dimensional transformation.

The following table shows the breakdown of food retail into its two main sub-sectors: Group 1 represents specialized retail (mainly fresh products), while Group 2 represents de-specialized retailing (mainly packaged grocery products).

Employment Class	Group 1 Specialized food retailing		Group 2 De-specialized food retailing	
	Level in 1981	1971-1981 Growth	Level in 1981	1971-1981 Growth
1 - 5	222,025	1.9%	118,206	-35.8%
6 - 9	3,337	33.4%	1,695	42.0%
> 10	881	78.7%	1,723	95.6%
Total	226,243	2.4%	121,624	-34.7%

Source: 1971 and 1981 Censuses

The 14.6% decrease in the total number of outlets is entirely due to a decrease in Group 2, in turn due to the large fall in the number of small establishments: as we would expect, large self-service stores gain ground first in packaged groceries.

However, the extent of the reduction of small grocery shops, 35% in ten years, is surprisingly large if compared to the parallel increase of large stores (some 1,700 stores if we roughly equate stores employing more than 10 employees to supermarkets) and minimarkets (some 500 stores in the 6-9 employment class).

¹³ On this point see in particular section 4.

This can be explained considering that the entry of these latter did not allow the large number of marginal shopkeepers to increase their profits and keep up income growth to the trend of average earnings in the economy.

Although inter-type competition was not too fierce, it was enough to stop the reproduction of this kind of small shops: the new generations did not take the place of the old when they reached retirement age (Pellegrini-Zanderighi, 1987).

Specialized food retailing (Group 1) was much less affected by the entry of supermarkets. When the buying habits of consumers are routed in frequent purchases they require a high density of stores and a level of service which was only provided for by small specialized stores¹⁴.

2.1.2 The diffusion of associative forms.

The diffusion of alternative forms of ownership, namely voluntary chains, buying groups and consumer cooperatives, represents a widespread transformation of the previous small entrepreneurship.

This transformation should be seen as a defensive reaction against multiples, practised by both wholesale and retail independent operators, but also as a way to capture opportunities which multiples, owing to the authorisation policy, could not seize. It should be stressed that Law 426/71¹⁵ did in fact create room for these forms of organization, seen as a non de-stabilizing instrument of modernization.

	1971		1981	
Voluntary chains	15081	3.7%	32392	9.3%
Buying Groups	14447	3.5%	20324	5.8%
Other Associative Forms	4868	1.2%	63265	18.2%
Total	407251	100.0%	347867	100.0%

Source: 1971 and 1981 Censuses

2.1.3 The outlet transformation.

A look at the dimensional size of the points of sale confirms the diffusion of more modern, larger stores. However, the surface size distribution matches only partially the image emerging from the employment size distribution: the number of supermarkets is confirmed, while minimarkets seem to be underestimated by the

¹⁴ A more detailed account of these trends, disaggregated geographically, can be obtained from Table A7 in the Appendix.

¹⁵ For a detailed analysis of Law 426/71 see section 4.

2.1 Food distribution.

employment class distribution. The increase of the 101 - 200 sq.m. store class should also be noted: it suggests a strengthening of the family run businesses; the tiniest size class, 1 - 50 sq.m., shows a marked reduction.

Surface (sq.m.)	Group 1		Group 2	
	1971	1981	1971	1981
1 - 50	93.4%	85.7%	88.2%	75.9%
51 - 100	5.7%	11.4%	9.3%	16.0%
101 - 200	0.9%	2.3%	2.0%	4.8%
201 - 400	0.0%	0.5%	0.3%	2.0%
> 400	0.0%	0.2%	0.3%	1.3%
Total	220,825	224,537	186,068	120,676

Source: 1971 and 1981 Censuses.

As for the sale technique, self service was implemented in 9,081 points of sale in 1971, and the number grows to 15,264 in 1981; of these, 9,534 are in the specialized food Group 1, roughly corresponding to the sum of outlets with sales area greater than 101 sq.m., i.e. 9,782.

The distribution of firms by number of outlets in the de-specialized, packaged food Group 2, reveals that the increase in the multi-outlet businesses indeed took place, but its relevance was in 1981 still minimal. This implies that economies of scale in the centralized functions were yet to be exploited, though to a lesser extent in buying, where centralized purchases by groups of small independent retailers was already implemented.

Outlets	1971		1981	
	Firms	Employment	Firms	Employment
1	97.71%	89.1%	96.71%	80.7%
2	1.94%	3.9%	2.70%	5.2%
3	0.20%	0.8%	0.35%	1.4%
4	0.05%	0.3%	0.90%	0.8%
5	0.02%	0.2%	0.05%	0.5%
6 - 10	0.04%	0.8%	0.06%	1.6%
> 11	0.03%	4.7%	0.04%	9.7%
Total	180,374	332,186	128,489	258,044

Source: 1971 and 1981 Censuses

2.2 Non-Food distribution.

The analysis of non-food retail is complicated by the lack of homogeneity of heterogeneous branches, classified under a common label, whose only aggregation character is its negative qualification.

A few general remarks can nevertheless highlight the role of the sector.

2.2.1 The employment.

The growth of Italian retail, both in terms of employment and in terms of outlets, is attributable mainly to the expansion of the non-food sector¹⁶.

	1971	1981	Growth
Employment	835,956	1,093,772	30.8%
Outlets	395,164	495,770	25.5%
Empl per Outlet	2.1	2.2	4.3%
Outlets / 1000 inhabit.	7.5	9.2	22.2%

Source: 1971 and 1981 Censuses

¹⁶ See Table A16 in the Appendix.

It would be hasty to conclude that on the side of the shrinking food sector, whose contraction is a proof of modernization, the expansion of the non-food sector is an indicator of a general worsening of efficiency. In fact, several efficiency cues can be found in the Census data.

The share of multi-outlet firms expanded¹⁷: this, even though the absolute numbers involved are not of a relevant order of magnitude, points to a modernization effort. Also, in all size classes the average number of employees is increasing.

The growth of non-food consumption by some 50% in real terms during 1971-81 saw a marked strengthening of medium size firms, with the added opportunity of entry for small, family run businesses.

The different opportunities for new firms imply an evolution in the qualitative characteristics of the entrepreneurship involved: while in food retail the relatively low level of sophistication relates to the supply of mainly logistic services, the non-food sector requires more refined expertise. The more developed sectoral dynamics are due both to product differentiation originating in the industrial sector and the degree of innovation in trade formulae.

A similar evolutionary path concerns the traits of employees, increasingly characterised by the presence of young, educated workers.

In such a context, the survival of small independent firms depends on the capacity to provide competitively better services, possibly accepting relatively small margins. The development of specialized retail in Italy is so peculiar as to require a few more general remarks.

2.2.2 Sectoral supply and industrial product policies.

The role and room for growth for the department store and other similar forms of mass retailing in Italian distribution are linked to both the labour market specificities examined in section 1.3 and to sectoral specificities deriving from product differentiation.

The large de-specialized distribution, namely the department store, is the counterpart of the large series, mass production. Its main development period in Europe is in the sixties, and its difficulties begin with the change of emphasis in industrial production: when, as in the mid seventies, the success factor in industrial production shifts from the search for economies of scale to product differentiation, the competitive edge becomes flexibility, both in production processes and in organizational structures.

This trend in manufacturing translates in the distribution sector in terms of an increasing number of types of products for each category, and an increasing demand pressure for assortment and variety.

As a consequence the department store is put under pressure from two sides: hypermarkets compete on price on the side of convenience goods, while on the side of more sophisticated shopping goods specialized firms, small and medium size, compete in terms of expertise, product variety and sourcing flexibility.

¹⁷ See Table A14 in the Appendix.

In the countries where mass non-food retailers dominated the market, they provided the specialized supply. They saw the opportunities offered by more narrowly targeted assortments and developed chains of specialized stores.

In Italy large retailers never had a substantial market share and the existing small and medium sized firms naturally adapted to the changing environment moving from specializations within merchandise categories to specializations by market segments.

The success of this re-positioning of independent retailers was made easier by the manufacturers' policies. They also sought re-sellers that could provide the kind of retail services that suited their products. In some instances this relationship between producers and distributors developed into more formal ties and into contractual integration proper. The spreading of franchising and other contracts during the 1980's is a testimony of these tendencies.

3 The Italian distribution system in the eighties.

The slow and partial modernization of the Italian distribution system starts and shapes during the 1970's, but it is only in the 1980's that the often hidden movements within almost one million businesses become apparent.

Although it will be only when the data of the 1991 Census are available that the real extent of transformations could be appreciated, the growth of large stores that is recorded by official sources allows for some considerations.

3.1 Retail Trade

The total number of outlets (including mobile retailing, Table A12) did not change much during the 1980's, remaining close to 1 million. However the decrease of small food retailing continued and 50,000 outlets left the market, about as many as in the previous decade.

Non-food retailing continued along the trend established in the 1970's, but the rate of increase of new openings slowed down. 58,000 new outlets opened in the 1980's against 115,000 in the previous decade.

The overall transformation of the last twenty years can be seen in a even clearer way looking at a measure of the standard of service provided to customers. Using as a very rough indicator the number of outlets per 1000 inhabitants, the reduction in food retailing lead to a loss of 2.6 stores per 1000 inhabitants (from 8.6 in 1971 to 6.0 in 1989), while in non-food retailing the index grew by 2.6 stores (from 8.6 to 11.2).

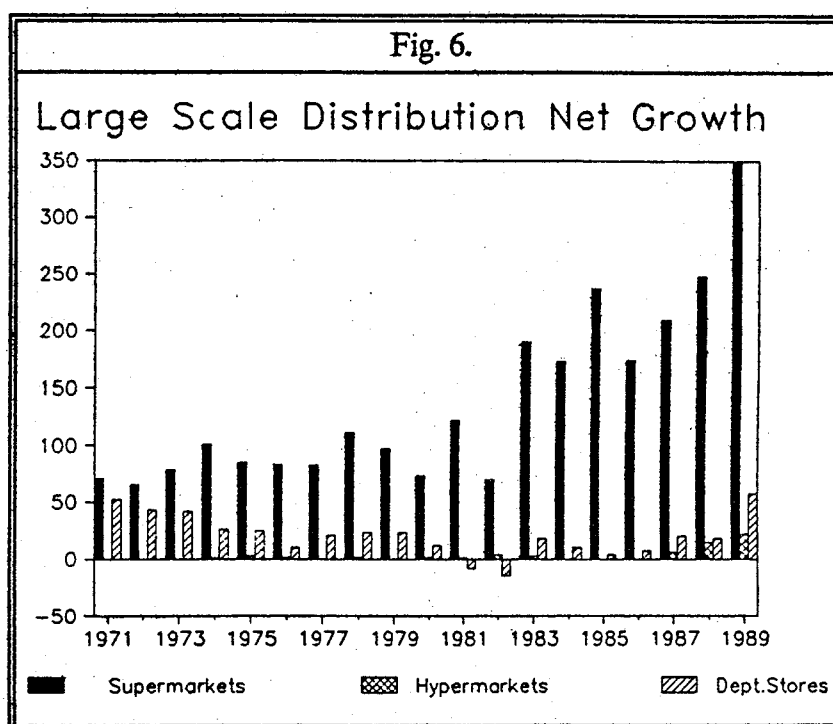
The composition by kind of business of non-food retailing is recorded in Table A13. 30% of existing outlets trade in textiles and clothing (169,129) and about 23% in furniture, home appliances and other household items (131,838).

The break-down of both food and non-food retailing by Regions is reported in Tables A19 and A20 in the Appendix.

3.1.1 Large outlets

Table A21 records the evolution of large stores in Italy from 1970 to 1989: supermarkets, hypermarkets and department stores. These latter include both department stores proper and variety stores, i.e. they include all stores of more than 400 sq.m. of sales area having at least five departments.

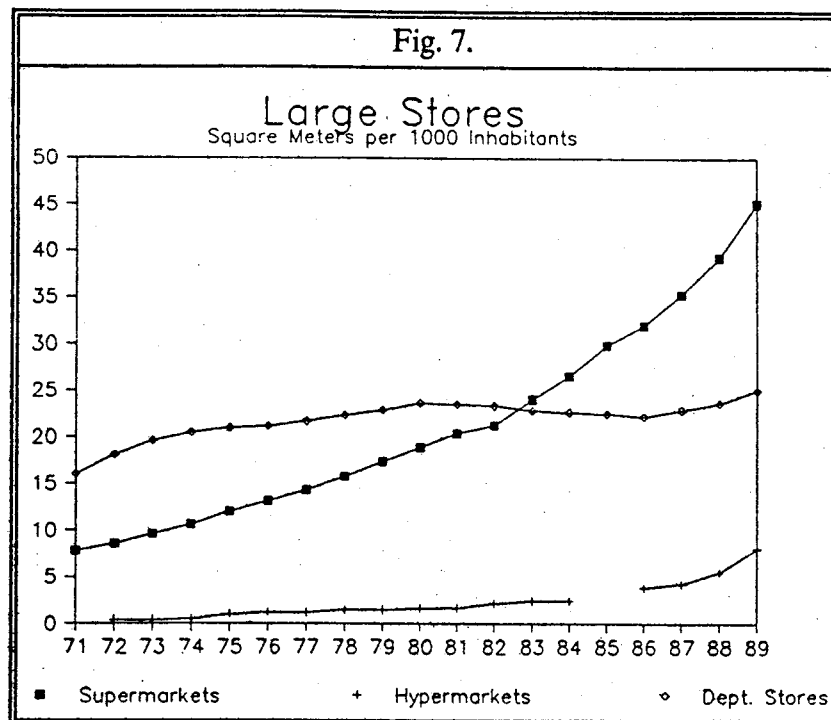
Supermarkets increased very slowly until the mid 1980's. From then on new openings accelerated, reaching approximately 350 new stores in 1989.



The acceleration concerning hypermarkets is even sharper. Almost absent until the early 1980's, in the last three years recorded hypermarkets doubled. This can be explained by the lowering of administrative barriers and by the new favourable attitude of Regional authorities (which have a say in the openings of all stores of more than 1,500 sq.m.) with respect to hypermarkets located inside shopping centres.

The trend of large stores in non-food retailing looks quite different. While they increased substantially during the 1970's, from 498 units in 1970 to 775 units in 1980, in the last decade openings slowed down with a net increase of just 110 units. The addition of square meters of sales area was even smaller (100,000 sq.m. in the 1980's against 820,000 sq.m. in the 1970's), and accompanied by a reduction of the average size of stores from 1695 sq.m. in 1970 to 1,600 in 1989. As already noted, small specialized shops were able to compete successfully against de-specialized stores.

The standard of services provided by large stores (Table A22), measured in terms of sq.m. of sales area per 1000 inhabitants offers a more immediate picture of the degree of modernization reached by the Italian retail system.



The surface available of supermarkets more than doubled in the last decade reaching the 45 sq.m. per 1000 inhabitants in 1989. Although some progress was made, this standard is still far from those available to consumers in other comparable OECD countries: in France and Germany the same index is at present above 100 sq.m. per 1000 inhabitants.

With respect to hypermarkets the index shows an even faster increase but the distance with respect to comparable countries is also larger. The 8.13 sq.m. available per 1000 inhabitants in Italy compares with the approximately 80 sq.m. for France and 100 sq.m. for Germany.

As for department stores, the index shows better than the number of stores how slow was the diffusion of this kind of retail formulae.

Total sales and relative market shares is another way to look at the same trends (Tables A23 and A24). Considering only the grocery market, the combined market share of super- and hyper-markets was in 1989 just below 23%.

Besides traditional types of de-specialized large stores in the last ten years there was a noticeable development of large specialized stores. Unfortunately the available statistics do not account for this type of retail formulae and only the data from the 1991 Census will make it possible to evaluate the extent of their diffusion. However data recently collected at regional level in Piedmont and Emilia Romagna offer some indication.

In Piedmont 1,003 stores of this type were recorded in 1989, with an average sales area of 966 sq.m.. 122 specialize in clothing, 385 in furniture, electrical appliances and other house appliances, the remaining in all other business lines.

In Emilia Romagna 597 large specialized stores were counted in 1989, with an average sales area of 960 sq.m.. 399 of them sell furniture, electrical appliances and other house appliances, 69 clothing and 129 operate in the remaining lines of business.

These data reveal a marked transformation taking place on the same line which characterized food retailing in the 1970's. The initiative is taken at a local level by local entrepreneurs and not by large chains. The authorization process, dispersed in thousands municipalities, makes it difficult to track the underlying transformation, but this latter seems more profound than commonly thought, often helped by the diffusion of buying groups.

3.1.2 Regional developments

The mechanism of authorization of new stores, administered at a local level, led to widely different patterns of retail development in the different regions of the country.

Differences are less marked if we look at the overall density of stores (stores per 1000 inhabitants, see Table 8). However in a number of regions in Southern Italy (namely Campania and Apulia) the density of stores is well below the national average (17 in 1989).

Differences are more marked if we consider the store type which still summarizes modern forms of distribution in Italy, supermarkets. Square meters of supermarket sales area per 1000 inhabitants (Table 9) vary between around 110 in the two small regions of Valle d'Aosta and Trentino and less than 13 in Campania. Although it is true that the presence of large stores decreases from Northern to Southern Italy, there are a number of exceptions. For example, Marches and Abruzzi, two Central Regions, show a diffusion of supermarkets (76.6 and 64.4 sq.m. per 1000 inhabitants respectively) higher than most northern regions.

Table 8. Outlets per 1000 inhabitants (resident)		
	1982	1989
Piedmont	18.0	18.8
Val d'Aosta	22.8	20.6
Lombardy	15.6	14.4
Trentino A.A.	15.6	18.7
Veneto	16.5	16.5
Friuli	17.0	18.5
Liguria	19.2	19.6
Emilia-Romagna	18.9	18.6
Tuscany	19.0	19.3
Umbria	18.1	19.1
Marches	19.7	19.4
Lazio	17.3	17.6
The Abruzzi	29.9	19.9
Molise	19.2	20.1
Campania	15.4	13.8
Apulia	16.0	14.3
Basilicata	16.7	16.6
Calabria	17.9	17.8
Sicily	18.1	18.9
Sardinia	18.8	18.8
Italy	17.3	17.0

Source: CESCO from MICA and ISTAT data.

Table 9. Supermarkets Sales area per 1000 inhabitants (resident)		
	1982	1989
Piedmont	21.7	54.1
Val d'Aosta	28.6	110.9
Lombardy	30.7	51.6
Trentino A.A.	64.8	109.8
Veneto	27.7	91.9
Friuli	42.5	73.4
Liguria	18.4	36.0
Emilia-Romagna	21.6	45.0
Tuscany	26.8	51.2
Umbria	17.0	42.2
Marches	22.0	76.6
Lazio	19.9	36.9
The Abruzzi	14.8	64.4
Molise	16.8	43.1
Campania	7.3	12.7
Apulia	5.4	19.8
Basilicata	13.5	30.1
Calabria	5.7	25.3
Sicily	15.1	38.7
Sardinia	8.4	21.3
Italy	20.4	45.3

Source: CESCO from MICA data.

3.2 Wholesale Trade

Not much is known about the transformations taking place within wholesaling. Both the number of businesses and employment grew considerably during the past twenty years in most branches of wholesaling, defying forecasts of a decline of such activities due to upward vertical integration by large retail organizations.

In the food sector, the resilience of wholesaling can be attributed to the structure of the Italian agriculture.

The fragmentation of this latter requires a number of layers of intermediaries that would otherwise disappear. Moreover, while for grocery products large retail organizations did integrate wholesaling, sourcing directly from manufacturers, in the area of fresh produce this has proved to be more difficult, again due to the structure of production in agriculture.

In the non-food sector the buoyancy of wholesaling is probably due to two main factors. On the one side, though less marked than in agriculture, the structure of Italian manufacturing in consumer good industries is also characterized by the dominance of small and medium sized firms which can not easily sell directly to retailers. On the other side, especially in inter-industry trade and in import-export activities, the specialization of functions and the need for more services increased the scope for intermediaries.

Finally, the development of Cash & Carry deserves a note. Compared with the slow diffusion of modern retail formulae, Cash & Carry developed quickly in Italy and to an extent comparable to other similar countries.

In 1989, 293 units were counted with a total surface of 989,000 sq.m. This progress of the formula can be attributed to lower entry barriers: unlike large stores, Cash & Carry obtained more easily authorizations to open since they were seen as a way to strengthen small independent retailers.

At present this formula has reached maturity and some units are being converted into hypermarkets.

4 Law 426/71 and its effects on the evolution of Italian retailing.

4.1 Law 426/71

The main act which regulates wholesale and retail trade in Italy is Law number 426 enacted in 1971. The main objective of the law was to soften the effects of entry of large stores on existing independent retailers. Its impact on the industry has been and still is considerable and a general understanding of its content is preliminary to the comprehension of the development of the Italian retailing system¹⁸.

The law is divided into three sections concerning as many issues: I. Trade Registry, II. Retail Development Plans, III. Administrative Permissions.

4.1.1 Trade Registry

Every individual or company who wants to undertake a trading activity is subject to the registration with the Chamber of Commerce of the district where he or she is resident or it has its legal seat.

The Trade Registry was meant to discourage entry of small independent shops. To register the shopkeeper has to fulfil a number of requirements and to pass an examination. It has no effects on companies and, overall, it did not really discourage entry of small shops, as the potential barrier was not severely implemented.

¹⁸ Statutes concerning Distributive Trades are collected and commented in Lamanna (1990).

4.1.2 Retail Development Plans.

This is the main provision of the law. Municipalities are required to formulate a plan for the "rational" development of the retailing network over their territory. These plans have to be prepared independently from the existence of standard town planning instruments (master plans).

The procedure can be summarized as follows:

- municipalities have to determine the amount of sales area needed to serve actual and expected demand for each product category;
- on the basis of estimated demand, municipalities have to prepare a "Retail Development Plan": the municipality is divided into a number of areas and detailed indication must be given about shop space available for each shop type within each area;
- shop types are not defined in terms of distributive forms, but as shops allowed to sell one or more "Products List". These "Products Lists" (*Tabella Merceologica*) are defined by the Law (see following Table);
- new shops must fit into retail master plans: a new shop can be opened only if there is shop space available in the sub-area where the shop is to be located.

<p style="text-align: center;">Table 10. Product Lists (<i>Tabella merceologica</i>) provided for by D.M. 375/88.</p>	
I	Foodstuffs. Fresh, preserved, everyway prepared and packed, including: bread, milk and by-products, drinks and soft drinks; excluding fresh greengroceries, fresh/freezeed fish and meat, low butchery meat (i.e. poultry, game and chitterlings).
Ia	Foodstuffs. Fresh, preserved, everyway prepared and packed, (including bread, only if it has been packed at the origin, milk and by-products and drinks even alcoholic ones; excluding only products of list IV), for stores with sales area bigger than 200 sq.m.
II	Meat and chitterlings of any kind (excluding those in list IV): fresh, preserved and everyway prepared and packed, others foodstuffs based on meat; eggs.
III	Meat and chitterlings of low butchery.
IV	Equine meat and chitterlings: fresh, preserved and everyway prepared and packed.
V	Fish and ichthyc products: fresh, preserved and everyway prepared and packed.
VI	Greengroceries: fresh, preserved and everyway prepared and packed, other foodstuffs everyway prepared and packed, vegetal edible oils and fats, eggs and drinks even alcoholic.
VII	Sweets: fresh, preserved and everyway prepared and packed (including confectionery and ice-cream).
VIII	Food and non-food for stores with a sales area of more than 400 sq.m (every good marketed excluding those in lists III and IV).
IX	Ready-made clothing of any kind and value, including: knitted goods and shirts; outfits of any kind and value but those consisting of jewels; underwear of any kind and value; boots, shoes and hide and leather goods of any kind and value.
X	Textiles of any kind and value, including those for house fitting.
XI	Valuables.
XII	Furniture, household articles, electric appliances, radio and TV-sets and other appliances for sound and visual reproduction and recording, electrical equipment.
XIII	Books and other issuances realized through typographic or any other kind of process, including audio-visuals.
XIV	Other products (one of more marketable goods category not included in the previous lists).

4.1.3 Administrative Permissions.

Opening, enlarging and transferring stores is subject to an administrative permission issued by the mayor of the relevant municipality.

The application must contain information concerning the site, the dimension of the store, the description of the activity to be undertaken and evidence of the registration at the relevant Chamber of Commerce. Permissions to trade are granted on the basis of the Retail Master Plan.

Stores of more than 1,500 sq.m. must also obtain a permit from the Regional Government (technically a "nihil obstat"). If the population of the municipality is less than 10,000 inhabitants, this applies to all stores exceeding 400 sq.m. of sales area. If the mayor does not resolve within 90 days upon the application for the administrative permission, this must be considered rejected.

In principle, regional authorities have to check the consistency of the proposed (large) stores with respect to their own plans about retail development. Regions can either have specific directives for the development of retailing, or include more or less precise prescriptions for large stores and shopping centres in their Regional Development Plans.

It is worth noting that companies or individuals wishing to open stores are required to obtain both an administrative permission and satisfy town planning zoning: having a planning permission does not automatically imply the granting of a licence to trade and vice versa. They have either to find a building or an area allotted to retail activities by the local master plan.

For small stores occupying the ground floor of buildings destined to other functions it is normally easy to satisfy zoning, although it may be expensive if shop space is in short supply. For large free-standing stores it is more difficult. The municipality master plan may not have provided for such kind of retail typology or, otherwise, existing locations may be unsuitable. Especially in small municipalities, the acquisition of a suitable area may require the modification of the master plan, a process involving much lobbying and time.

In order to promote the modernization of retailing, a number of amendments were made to Law 426/71. They consist in Laws and Ministry Decrees (D.M.) which provided some automatisms (see Table 11). The different automatisms can be combined obtaining considerable expansion of existing stores.

Within the limits provided for by these statutes, permissions cannot be rejected by local authorities.

In the case of municipalities with less than 10,000 inhabitants these automatisms can be used to reach store sizes which otherwise would require also a Regional Government permit.

STATUTES	PROVIDED AUTOMATISM	CONDITIONS
D.M. 375/88 (art.43)	Doubling of the sales area	None
Law 887 (29.11.82) Law 121 (27.3.87)	Enlargements up to 200 sq.m.	Stores already in activity for at least 3 years
Law 121 (27.3.87)	Enlargements up to 600 sq.m. by concentration of existing stores	Stores already in activity for at least 3 years in the same "product list"
D.M. 375/88 (art. 63)	Assignment of the new list IA	Stores greater than sq.m. 200 allowed to sell goods which belong to lists: I-II-V-VI-VII
D.M. 375/88 (art. 63)	Assignment of the new list IX	Stores already allowed to sell either list IX or XI as previously defined

4.2 Other Regulations affecting Retail Trade.

4.2.1 Opening Hours.

Until 1987 the Law established a maximum of 44 trading hours a week. Thereafter, no set limits applied, and the rules concerning opening hours became as follows:

- Sunday trading is not generally allowed;
- all shops have to close for half a day during the week; the day is decided by the relevant municipality and is differentiated by store type;
- opening must not be later than 9 a.m. and closing must not be later than 8 p.m., (9 p.m. in summer time).

According to regional guide-lines, municipalities set shops opening and closing hours which can be differentiated for different store types.

Retailers can choose their opening hours within these limits. They can also defer an hour the limits set by the mayor, but closing hour must not be later than 9 p.m.

Sunday trading is admitted for a number of shop types: newsagents, booksellers, recorded music shops, antiques and art dealers and furniture shops.

4.2.2 Regulations applying to specific merchandises.

A number of goods and services are regulated by specific statutes. Among them the most relevant are: fuels; newspapers and magazines; pharmaceutical products.

- **Fuels.** Italian legislation considers the selling of fuels as a public service. Service stations are subject to a State concession administered by the Regional Governments and to a specific permission granted by the relevant municipality. Both concessions and permissions are granted according to regional and municipal plans for fuel retail development. Contractual relations between oil companies and service stations are heavily regulated. The law establishes a period of validity of contracts of 9 years and grants the free utilization of the structures of the service station to the keeper.

- **Newspapers and magazines.** Selling newspapers and magazines is subject to a specific administrative permission granted by municipalities. Permissions are granted on the basis of a specific municipal plan. Normally, specialized shops (or kiosks) are privileged, but large stores can obtain a permission to sell newspapers and magazines. As for all other shops selling this kind of products, they are required to accept and display all the publications they receive from publishers. Sale or return agreements apply to all publications.

- **Pharmaceutical products.** Pharmaceutical products can be sold only in specialized shops owned and managed by a graduate chemist. Sites for chemist's shops are fixed in specific municipal plans. New seats and vacancies are granted to chemists who win an open competition.

4.3 Main Effects of Law 426/71¹⁹.

At the beginning of the 1970s, when Law 426/71 was enacted, there was widespread preoccupation concerning the effects of the diffusion of new shop types based on self service (at the time, supermarkets) on employment.

The experiences of comparable countries (notably France) showed that the entry of such type of retailing tended to be very fast: since sequential entry into spatial markets grants substantial first mover advantages to firms, the diffusion of large stores was expected to have a traumatic impact on small shopkeepers. In a context of already high unemployment, this was thought to be socially unacceptable.

The Law was therefore to be an instrument to slow down entry and reduce social tensions. This was achieved also through the explicit indication of priorities in the authorization of new stores. Priority was to be given to existing shopkeepers who wished to transform and enlarge their shops. This accomplished the second main aim of the law, i.e. to favour the conversion of existing local entrepreneurs tied to common buying structures (buying groups, voluntary chains) with respect to the expansion of multiples.

The data on the structure of the Italian retail network reported in sections 2 and 3 are evidence of the impact of Law 426/71 on the development of large stores in Italy. The impact has been different:

- across space: it was more serious in the areas where large stores would have had larger social effects, i.e. where the economic fabric was weaker;
- across shop types: food retailing was more affected than non-food retailing;
- across retail organizations: organized trade fared better than multiples;
- through time: in the areas where the diffusion of modern retailing was accomplished more rapidly, the law is now sometime an incentives to new openings.

¹⁹ On this issue see the following general references: Cescom (1986); Zaninotto (1986, 1987); Spranzi (1991).

4.3.1 Differences across space.

Retail Development Plans involve municipalities²⁰, exposing the planning process to local lobbies. This was meant to guarantee a flexible management of barriers to entry, depending on the social impact of new stores in the different areas of the country. Where the economy was weaker, local authorities could be stricter than in areas where shopkeepers expelled from the market could more easily find alternative occupations.

This is the main reason behind the different speed of diffusion of supermarkets and hypermarkets in the different Italian regions as already seen from Tables 8 and 9.

4.3.2 Differences across shop types.

The diffusion of large stores was slowed down especially in food retailing: during the 70's supermarkets, during the 80's hypermarkets. Large non-food stores (department stores and variety stores) were much less affected by the application of Law 426/71.

The slow development of department stores and variety stores can not be attributed to the authorization mechanism. These retail formulae, and other types of large stores specialized in narrower lines of merchandises, did not develop until recently for reasons which have to be looked for in the general structure of the Italian economy.

On the supply side, Italian industry was, and still is to some extent, characterized by small and medium size firms. Industry concentration in sectors like clothing, furniture, textiles, footwear and other similar consumer goods was never achieved. The shift from the search of economies of scale to product differentiation which started in the 1970's suited Italian industry very well, allowing small and medium sized firms to survive and develop occupying market niches.

On the demand side, consumers were never accustomed to standardized products (goods such as clothing, furniture, household items). These goods were traditionally provided for by small firms. Mass-produced goods in these product categories were often exported.

A strong emphasis on product differentiation, which has been an important success factor for a number of Italian firms in consumer goods, was therefore suitable to both producers and consumers. Since mass produced goods have a natural interface in department stores and other similar distributive forms and differentiated products in small specialized shops, the market share of large stores in non-convenience retailing was always small.

Besides, shopkeeping has been a very popular occupation for some of the labour segments facing employment difficulties: female, young people with high school education. As their reservation wages is lower than average, they are prepared to accept lower than average earnings from shopkeeping. Moreover, for a considerable proportion of new entrants earnings from the retail activity is only part of total family income. Owing also to tax dodging, they were tough competitors for large retailers.

²⁰ There are more than 8,000 municipalities in Italy.

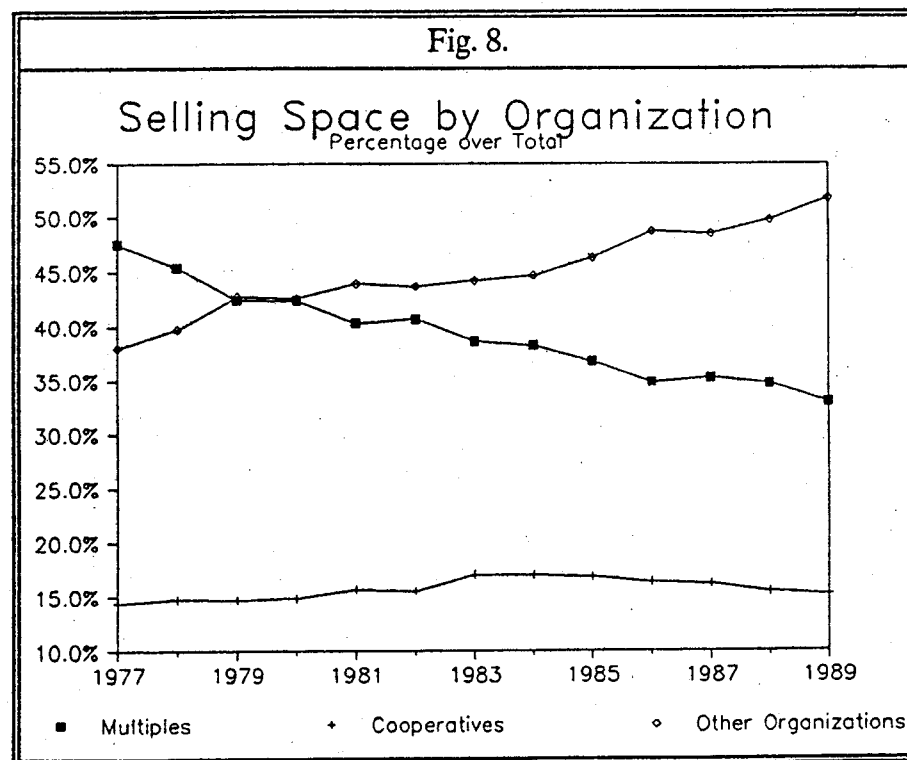
The situation is now changing. Improved condition in the labour market is raising reservation wages, pushing earning expectations upwards. The market is mature for large specialized stores and some of them are finding difficult to obtain planning permission in the same way as supermarkets and hypermarkets.

4.3.3 Differences across retail organizations.

The authorization mechanism introduced by Law 426/71 acted as a barrier to entry with different degree of strictness on different types of retail organization.

Local lobbies have different effects on different economic agents: local businessmen can overcome the opposition by local shopkeepers better than large companies without local ties. For members of cooperatives, buying groups and voluntary chains, which are closer to local authorities, it has been easier to open new stores than for multiples. Multiples fared better in large municipalities where local lobbies are less close to public authorities.

Due to this discrimination, multiples lost market shares (see Table A18 and Figure 8). In 1977 their share of supermarkets' sales area was almost 50%, ten years later it was reduced to 33%. Buying groups and voluntary chains grew fastest, owing to the explicit priority given to conversion of existing small shops.



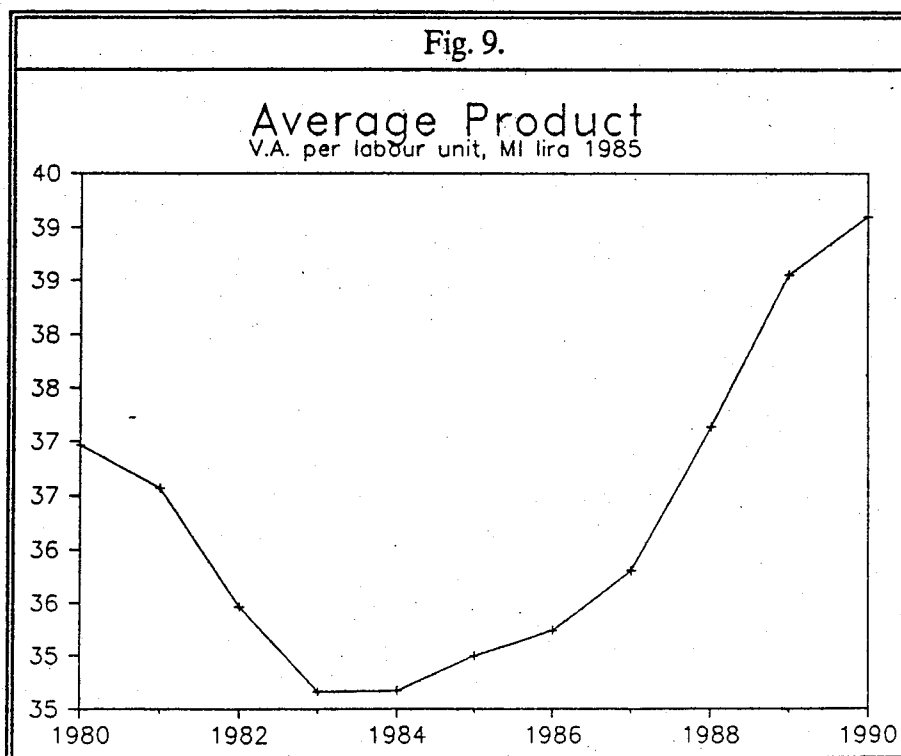
4.3.4 Differences through time.

The ample discretion given to municipalities in deciding about new licences reflects also in changing attitudes through time. Where the entry of large stores is achieved, leading to a sharp reduction of small shops, the defence of these latter ceases to be a relevant aim for local authorities. Their attitude towards large retailing changes and their establishment becomes to be seen as a positive contribution to the local economy which, especially for small municipalities, could be considerable. When this happens the effects of the law are opposite than before: authorizations are easily granted and nearby municipalities compete to attract large stores.

5 Structure and performance.

5.1 Productivity and performance indicators²¹.

Not much can be said about the performance of Italian retail firms. On the one hand, the large majority of them are very small and their performance can be judged only in the aggregate. On the other, aggregate performance averages out differences and does not allow for an evaluation of productivity gaps among groups of firms characterized by different sales techniques, organizational structure and size.



²¹ On this issue see Iscom-Cescom (1987).

With only two exceptions (La Rinascente and Standa), large firms are privately owned or are the central buying organizations of a set of smaller companies operating at a local level. These latter are still too fragmented to be precisely monitored.

This can be seen from Table A8, recording gross operating margin for the whole sector: its disproportionate share on value added is due to the accounting of self-employed income together with gross operating margin proper.

To measure the aggregate performance of the entire distributive system value added per person employed can be used as a rough indicator of productivity. Due to the marked changes in the shop type composition (and, therefore, in the output type composition) during the 1980's, it seems preferable to the alternative index, sales per person employed.

As shown in Fig. 9, after a fall in the value added per person employed in the early 1980's, owing to the combined effect of a slow down in consumption and a sustained increase of sectoral employment, productivity picks up from 1985: in the last three years recorded, 1988-1989, the growth rate is around 3.8%. The situation of the late 1980's is in fact opposite to that of the early 1980's: a sustained growth in consumption coupled with a slower growth of employment.

To obtain a more detailed picture of the performance of different branches of Distributive Trades, the only source available is the survey conducted every year by the central statistical office on firms with more than 20 employees.

Since the survey is conducted on all businesses with more than 20 employees it offers also a way to monitor the behaviour of large (but it would be better to say "less small") firms. On the other hand, as it is a very small subset of the universe, the data on this set of firms are a very poor indicator of the overall behaviour of the sector. Especially when looking at the data provided for particular kinds of business, the number of firms with more than 20 employees is often so small (a few unit from a total of many thousand) as to be of no real significance²².

In 1988, the last year for which data are available, wholesale businesses with more than 20 employees were 3,521 selling, on average, 53.4 billion lira each, excluding VAT (Table 12). Around a quarter of these businesses traded in food products (a large part of them being members of buying groups). Among those trading in consumer goods the next largest category is made up of wholesalers selling furniture and electric appliances (13%).

²² Unfortunately, this source does not provide data concerning the number of outlets operated by the businesses surveyed.

The results obtained by this set of businesses fit the overall pattern of productivity change already considered. With respect to the first three years for which data are available, 1983-1985, the following three show improvements of both margins on sales and gross operating margins. In 1988 they were respectively 22.36 and 5.31²³.

In 1988, the number of retail businesses with more than 20 employees was 2344. Of them, 805 units were active in the motor vehicle sector, 573 units in food retailing, 297 in clothing and footwear, 221 in furniture and domestic appliances.

Average sales vary markedly from sector to sector. The largest businesses are in de-specialized food retailing which have average sales of 38 billion lira (excluding VAT), around two times (current) average sales of six years before. Both margins on sales and gross operating margins increased slightly, and firms performed significantly better in terms of stock turnover. Specialized food retailing followed the same pattern in terms of margins, but average sales decreased from a peak of 17.9 billion lira in 1985 to 8.4 in 1988.

Firms' performance in non-food retailing show even more wide variations among sectors. By number of firms and average sales the most developed branch of non-food retailing is motor vehicle. Here retailers seem to have been under pressure as they improved their efficiency (better stock turnover and reduction of labour costs) but this did not translate into improved margins: in fact both margins on sales and gross operating margins decreased.

Clothing shows a reduction of margins on sales of more than 3 points which does not translate into a reduction of gross operating margins due to higher efficiency (a sharp reduction of the cost of labour and an improvement in stock turnover).

Of the other two branches of non-food retailing considered in Table 12, furniture and domestic appliances deserve a note. This is an area of retail that, owing to the diffusion of large specialized stores, is undergoing a profound transformation and this latter shows in the data. Average sales more than doubled, labour costs were steadily reduced (from 12.2 to 9.1 of sales), while stock turnover steadily increased. As margins on sales did not vary much, this improved efficiency shows in better gross operating margins.

²³ Care must be taken in considering the data on margins on sales reported in Table 12: the numerator of the ratio is obtained subtracting from sales not just the expenditure on goods bought to be resold but also the expenditure on goods used in production. Since figures for this latter are not available the margins on sales as calculated in Table 12 underestimate margins on sales as they are usually defined.

5.1 Productivity and performance indicators.

Table 12. DISTRIBUTIVE TRADES: BUSINESSES WITH MORE THAN 20 EMPLOYEES						
	Firms	Average Sales	Labour cost %	Stock turn- over	Margin %	Gross op. margin
WHOLESALE						
1983	3776	30.6	4.70	10.9	20.16	4.96
1984	3599	32.0	5.53	9.8	...	4.57
1985	3282	45.7	4.70	12.1	19.39	4.61
1986	3253	43.9	5.32	11.1	22.76	5.14
1987	3431	48.3	5.32	11.5	22.91	5.06
1988	3521	53.4	5.19	11.6	22.36	5.31
FOOD RETAILING: SPECIALIZED						
1983	144	9.7	13.24	13.2	18.55	3.72
1984	154	12.5	12.45	12.2	18.15	3.29
1985	119	17.9	13.23	16.2	18.36	2.80
1986	111	8.6	11.40	11.2	19.04	3.31
1987	139	8.9	11.85	10.1	20.63	4.28
1988	146	8.4	10.49	12.5	19.23	4.36
FOOD RETAILING: DE-SPECIALIZED						
1983	296	19.9	11.44	12.6	16.84	2.81
1984	321	24.3	10.59	13.8	16.91	3.40
1985	295	30.9	10.71	15.2	16.82	3.33
1986	324	36.8	10.70	16.1	17.50	4.00
1987	378	37.0	11.06	16.6	17.91	3.91
1988	427	37.9	11.05	16.6	17.48	3.65
NON-FOOD RETAILING: CLOTHING						
1983	311	4.6	16.83	2.7	34.28	9.92
1984	273	5.8	15.35	2.9	32.97	10.17
1985	243	6.5	15.42	2.8	32.64	9.36
1986	230	7.7	14.64	2.8	30.66	9.58
1987	260	8.4	14.55	3.0	30.88	9.50
1988	250	9.8	13.29	3.5	31.00	9.25
NON-FOOD RETAILING: FOOTWEAR AND LEATHER GOODS						
1983	71	9.1	17.09	3.3	32.04	8.41
1984	61	7.2	19.36	2.9	35.24	8.82
1985	53	13.1	16.64	3.8	34.87	10.38
1986	50	15.2	16.14	3.6	34.70	7.04
1987	50	17.6	14.10	4.3	32.79	8.45
1988	47	15.9	16.83	3.4	35.41	10.61
NON-FOOD RETAILING: FURNITURE, DOMESTIC APPLIANCES						
1983	286	7.0	12.21	4.1	32.93	5.22
1984	256	8.2	12.24	4.5	32.44	7.94
1985	254	9.5	12.17	4.7	30.76	6.10
1986	222	11.5	10.21	5.0	30.76	7.15
1987	212	12.8	11.06	5.1	30.78	7.09
1988	221	15.9	9.10	5.4	32.21	9.67
NON-FOOD RETAILING: MOTOR VEHICLES						
1983	1075	7.8	8.05	5.5	14.80	5.46
1984	943	8.8	8.06	5.5	14.32	5.17
1985	862	10.7	7.47	6.1	13.23	5.08
1986	776	12.9	6.62	6.5	13.04	4.92
1987	798	16.4	5.89	6.9	13.09	4.72
1988	805	18.1	5.80	7.1	12.42	4.93

5.2 Major retail organizations.

The development of major retail organizations in Italy was affected by the application of Law 426/71. Large organizations are few, small, if compared with those of similar countries, and widely different in terms of ownership structure (Table 14).

Without exceptions, large organizations operate in the mass market and mainly in the food sector. Apart from the franchise systems, chains of specialized stores in the non-food sector are rare and small. Only two companies, La Rinascente and Standa, are quoted at the Milan stock exchange.

5.2.1 Multiples²⁴.

There are five major multiples. La Rinascente, controlled by Fiat, and Standa, controlled by the Berlusconi group, operate both food and non-food retail formulae. Overall, La Rinascente is the most diversified group: it initially developed in the non-food sector (department stores and variety stores) and then entered into the food market (supermarkets and hypermarkets). Recently the company diversified into specialized retailing, with a do-it-yourself and a furniture chain, and has just started a joint venture to launch a chain to sell electrical appliances. Standa operates variety stores, supermarkets and hypermarkets. Both companies trade at a national level.

Esselunga, Pam and GS are all supermarket specialists. The first two are private companies trading in Northern Italy. GS is entirely owned by Sme, in turn controlled by the State holding company Iri.

There are also a number of smaller local chains which are now the main target for acquisitions by larger retailers.

5.2.2 Voluntary chains²⁵.

The major voluntary chains are all involved in food retailing. They are controlled by wholesalers and operate both owned and associated stores. Their network of stores includes all types of food outlets, but they are now aiming at developing their networks of large stores, including hypermarkets. For large stores there is an increasing tendency to expand through outlets directly owned by the wholesalers who are member of the organizations. Voluntary chains developed common trading names for different shop types and are moving towards operating procedures more and more similar to multiples.

A number of smaller voluntary chains are also developing in the non-food sector, especially in the electrical appliances sector.

²⁴ See Meneghetti (1990).

²⁵ See CESDIT (1987).

5.2.3 Buying groups.

Crai and Conad are the two largest buying groups operating in Italy. In terms of total sales of associated stores they are the largest retail organizations in the country. However, only part of total sales originates from the central buying body and a large number of small associated retailers are loosely tied to the group. Nevertheless, buying groups play an important role in making available to small independent retailers centralized buying and other services (finance, marketing, private labels²⁶), whereby these latter were able to exploit at least some economies of scale.

A number of buying groups are also present in other lines of business, notably electrical appliances, pharmaceuticals, cosmetics.

5.2.4 Consumer cooperatives.

Coop Italia is by far the most important cooperative organization. Although the group still operates a number of small stores, it is concentrating on supermarkets and hypermarkets and it is centralizing fast through mergers of local cooperatives.

5.3 Franchising.

Although it is difficult to assign different economic content to the two contracts, in Italy a distinction is made between franchising and *concessioni*, a very similar type of selective distribution contract. This latter has a very well established legal tradition, while the former is not recognized as a specific contractual formula by Italian Law. Statistics about franchising in Italy do not include *concessioni* and underestimate it with respect to countries where such a distinction is not made.

It is therefore difficult to record precisely the extent of existing contracts establishing vertical relationships which can be subsumed into franchising.

The number of franchisors and their franchisees existing in Italy in 1989 are recorded on Table 13. It is an estimate including only franchising systems proper, and it therefore underestimates the diffusion of other contractual forms having a similar economic meaning. Franchising systems defined in this narrow sense involve 181 franchisors and 12,706 franchisees. Estimates about their share of total retail sales are even more unreliable. The most often quoted figure is 2% (Pilotti-Pozzana, 1990).

²⁶ At present, private labels account for a small share of total sales of grocery products (5/6%), but are expected to grow substantially in the future.

Line of Business	Number of	
	Franchisors	Franchisees
Specialized Food Retailing	5	588
Household Items	8	242
Footwear	7	229
Clothing	65	4541
Textiles	10	1214
Mass Retailing	22	2012
Other Non-Food Retailing	27	2829
Catering	7	76
Hotels	1	20
Other Services	26	727
Manufacturing	3	228
Total	181	12706

Source: Pilotti, Pozzana (1990), p. 279.

Among the most important sectors where *concessione* contracts are used, car dealerships and petrol pumps have to be mentioned.

There are no data concerning other types of vertical agreements, even though they are widespread. Exclusive territories and exclusive dealings are common in a number of sectors (cosmetics, clothing, and, more generally, luxury items) and are often a substitute for franchising when the product portfolio of the manufacturer is too small to allow for a viable retail assortment.

6.1 Social factors behind the regulatory framework.

Table 14. Major Retail Organizations Italy 1989			
	Turnover Billion Lire	Outlets Number	Sales Area Sq.m.
Multiples			
Gruppo La Rinascente	3,695	639	705(1)
Gruppo Standa	3,268(2)	575	559 (1)
Esselunga	1,765	69	93
Gs	1,892(2)	166	124
Pam (3)	1,270(2)	165	95 (4)
Voluntary Chains			
VéGé	4,018	1,746	436(5)
Despar	3,050	2,554	275(5)
A&O Selex	2,560	1,381	226(5)
C3	1,650	502	94(5)
Gigad	1,570	1,325	63(5)
Buying Groups			
Crai	14,000(6)	7,191	N.A.
Conad	7,800(6)	10,687	956
Consumer Cooperatives			
Coop Italia	6,800	1,295	554
(1) Excluding franchised stores (2) Excluding VAT (3) Accounts 30.6.89 - 30.5.90 (4) Excluding discount stores (5) Excluding small traditional stores (6) Estimates of total turnover of associated retailers			
Source: Cescom from company accounts.			

6 Competitive and welfare implications.

6.1 Social factors behind the regulatory framework.

The Italian distribution system was always heavily affected by regulations. Their main aim was, and still is to some extent, to protect small retailers. The anti-competitive implications are obvious, but the problems that a total liberalization of entry posed

at the time have also to be acknowledged. When Law 426/71 was enacted in 1971 it was thought necessary to balance the interests of the consumer with the social cost of possible widespread bankruptcies of small shopkeepers.

Consumers would have benefited from the diffusion of large stores (supermarkets) offering lower prices and the opportunity to concentrate purchases. However, without some form of restraint a large number of small independent retailers, especially in the food sector, would have been deprived of their jobs. Given the already high rate of unemployment and the characteristics of marginal shopkeepers, they would have had serious difficulties in finding a different occupation.

In the condition of social unrest existing in Italy in the 1970's, it was thought unfeasible to undermine through a total liberalization of entry a politically stable group like small independent retailers.

The solution devised with Law 426/71 was, in essence, to leave each municipality, and to a lesser extent each regional authority, to set the degree of liberalization acceptable by local conditions. Thus, barriers to entry were the results of the interplay of lobbies with conflicting interests at a local level.

During the 1980's, a decade of social stability and sustained economic growth, it would have been possible to change the regulatory framework, liberalizing entry. However, the flexibility of Law 426/71 partially allowed for a such a reduction of barriers as local authorities became less worried about the costs of bankruptcies of small retailers and less obliging to their lobbying.

Moreover, the pressure from large retailers to change the Law, which used to be quite strong, eased substantially. Possibly, the Law gave them a frame to plan their expansion and this was favoured with respect to the sudden change of regime that a liberalization of entry would have implied.

Although entry tends now to be easier than before, there are exceptions concerning large hypermarkets and specialized stores: such forms of retailing are rarely allowed unless they are included into shopping centres. A number of regional authorities have stated explicitly in their planning documents their opposition to the development of very large free-standing stores, especially clusters of such stores ("retail parks"), favouring instead the development of shopping centres.

The opposition is justified in terms of negative externalities on traffic and on the balance of activities between town centres (in Italy they traditionally play the role of shopping districts) and peripheral areas.

It is argued that the uncontrolled diffusion of large stores would kill town centres, especially those of the large number of medium sized towns existing in Italy. Otherwise said, regional authorities see a balanced mix of activities and the survival of shopping districts in town centres as social wants, considering a stricter zoning undesirable.

6.2 Inter and intra-type competition: food retailing.

As already noted in section 3.1.1, barriers to entry had a very strong impact on food retailing. They affected both inter-type competition and intra-type competition. Different shop types provide different retail products substitute to one another. Barriers to entry alter the mix of retail types available to consumers, ration the supply of some of the services, reduce consumers' welfare and allow for stable rents²⁷. New large stores, first supermarkets, then hypermarkets, were in position to obtain such rents.

The slow diffusion of supermarkets reduced inter-type competition in food retailing until the mid 1980's. From then on the rate of new openings increased substantially. In the 1980's barriers to entry applied to hypermarkets, this time sheltering supermarkets instead of traditional food stores.

Intra-type competition was also reduced. Especially in food retailing, where retail services have primarily a logistic nature, intra-type competition increases as the trading areas of similar stores of different firms overlap. This happens only when new stores can not find locations giving access to consumer areas still unoccupied by other similar stores. The slow down of entry due to the applications of Law 426/71 led to a postponement of intra-type competition.

However, some of the potential rents were dissipated. Economies of scale could be exploited only partially in most centralized functions performed at the advantage of the entire network of stores (i.e., sourcing, marketing, finance, central warehousing). Moreover, difficulties in obtaining authorizations for new stores led to the acceptance of stores of sub-optimal size and of second best locations. Some firms tried to obtain also authorizations in new areas, to establish bridge-heads to then develop a local network of stores. This proved to be very difficult, leading to logistic inefficiencies: isolated stores had to be stocked from warehouses located in distant places.

At present, at least in Northern Italy, entry is easier both for super and hypermarkets (in this latter case provided that they are located within shopping centres). As already noted, when the protection of small shops loses importance, municipalities tend to favour the establishment of new large stores. Moreover, a number of automatism were introduced giving firms more freedom to enlarge and relocate their stores.

In the past, chains, especially large ones, were discriminated against other type of retail organizations. This can be easily derived from their loss of market shares. At present, this asymmetric effect of barriers to entry with respect to different types of economic agents is probably less marked than before, although it is very difficult to make a precise assessment of decisions taken at a local level by many thousand municipalities.

It is sometimes said that foreign retailers have more than their fair share of problems in obtaining authorizations to open new stores. Again it might be so, but it would be very difficult to prove it. A few foreign chains opened hypermarkets in Italy. Auchan and Promodes, both French firms, did it through joint ventures with Italian partners.

²⁷ See Codognato et al., (1985).

Arlaud and Ralby, again French firms, opened each an hypermarket on their own. Tengelmann, a German firm, acquired 48% of a regional chain (Superal, in Tuscany). Many more companies are said to be looking for authorizations to open stores.

To both foreign and national chains acquisitions will be in the future the easiest way to build up a local base from which to expand further.

6.3 Inter and intra-type competition: non-food retailing.

The anti-competitive effects of Law 426/71 on non-food retailing were less marked. Until the mid 1980's, when the pressure to open large specialized stores started to increase, the growth of non-food consumption and the vitality of small retailing allowed for more stores and a lively competition. Small specialized shops were very successful in competing with large ones, especially with department stores and variety stores. These latter forms of retailing were never very profitable in Italy and there is therefore no evidence that regulations constrained entry and, even less, that the existing stores might have obtained rents due to barriers of entry.

The market is now mature for large retail shops specialized in single product categories. This kind of shops are finding difficult to obtain planning permission, although probably less difficult than it used to be for supermarkets and hypermarkets. Lack of data concerning the diffusion of large specialized stores makes it impossible to evaluate the relevance of barriers to entry arising though the application of Law 426/71.

Overlapping assortments play an important role in fostering inter-type competition. Therefore, in non-food retailing a potentially relevant barrier arises from the difficulties in obtaining the desired mix of Product Lists. This effect is even more important if the selling of the desired merchandise is restricted by specific regulations (pharmaceuticals, magazines and newspapers, petrol, tobacco).

Again, lack of data concerning the administrative activity on authorisations for different Product Lists makes it impossible to measure the role played by this form of limitation to competition, namely to which extent the present structure of specialization is an outcome of market forces or of constraints in assembling the desired mix of goods.

6.4 Trading hours.

At present, limits on trading hours, less restrictive than those existing in other European countries, tend to protect small independent shopkeepers. These latter oppose a further liberalization of trading hours on the grounds of existing restrictions in the use of part-time labour. Since part-time is heavily regulated and expensive, they would have to work longer hours to obtain, in the short run, a marginal increase in their income. This would reduce the willingness of marginal shops to stay on the market, leading, in the long run, to a new equilibrium with fewer shops with bigger sales.

However, the pressure to liberalize arising from consumer organizations is now strong and will probably lead to even more freedom in setting trading hours.

6.5 Vertical restrictions.

The existing Italian anti-trust regulations do not explicitly consider vertical restrictions. Anti-competitive vertical restrictions involving manufacturers and retailers are therefore possible, although firms are aware of the risks of breaking EEC rules on such matters. Anti-competitive practices performed within a single state are taken as having indirect effects on trade among countries if they involve a "large" territory.

Franchising and *concessione* are the only forms of vertical restrictions which are, partially, accountable. Exclusive dealing, exclusive territories and resale price maintenance are also common, but it is impossible to obtain consistent information about the effective extent of their use.

Owing also to a favourable treatment by EEC Law, franchising contracts are spreading fast and are likely to do so even more in the future. Franchising suits the Italian market structure, allowing small retailers to reduce their risks and take advantage of economies of scale, and network externalities of different kinds.

Since vertical restrictions are common only in the non-food sector, where 600.000 shops and stalls operate, they do not affect significantly inter-brand competition.

6.6 Barriers to free trade due to the structure of the distribution system.

A distribution system consisting of a very large number of small independent retailers affects free trade imposing high costs of entry to outsiders. The build up of a distribution organization requires significant sunk costs and allow incumbent firms to use it for new products at a very low marginal cost (Pellegrini, 1988).

In the food sector such a situation existed in Italy until the end of the 1970's. At present, large retail organizations make it possible to enter the market signing a small number of contracts. Beside, in the food industry firms controlled by foreign multi-nationals account for a very large share of the market.

In this new situation barriers arising from the structure of the distributive system are of a different nature. In Italy as everywhere else it is increasingly difficult for small and medium-sized firms, national and foreign, to obtain space on stores' shelves, especially for new products.

In the non-food sector the very high number of potential re-sellers might pose entry problems to firms, both national and foreign. However this is not due to vertical restraints foreclosing the market to new entrant, but to transaction costs needed to set up a distribution network.

Overall, the present structure of the Italian retailing system can be hardly said to pose specific entry problems to foreign manufacturers. If there are, they are common for national and foreign firms alike.

7 Concluding remarks and policy recommendations

Regulations affecting Distributive Trades in Italy were introduced with the aim of framing the sector within economic planning and, in this way, favour the controlled development of a modern retail network. But Law 426/71 in fact did not specify targets to be reached, neither minimum or maximum, nor it set other detailed conditions. All relevant powers were simply transferred to municipalities and, to a lesser extent, to regional authorities. Regulations meant to reflect general economic considerations were thus applied at a local level where other regulations, specified to guarantee the control over the use of the territory (town planning), already existed.

The first aim of a revision of Law 426/71 should be the elimination of the first type of restrictions, allowing local authorities to control the use of their territory, but imposing the minimum of constraints to the development of the industry.

Unlike what happens often in manufacturing, entry in retailing is characterized by a strong local dimension. From the point of view of local authorities this dimension represents a relevant function within the social fabric of the community. It is therefore difficult to imagine a situation in which there are no forms of restriction to the establishment of large retail outlets. Town planning regulations exist everywhere and restrict the freedom of establishment in ways supposed to reflect the community "social welfare function". The resulting limitations are to some extent unavoidable and, if the guide-lines used do really reflect the wishes of the community, they are presumably beneficial.

In practice, Law 426/71 granted local authorities powers to influence the development of the industry and not only its location patterns with respect to other urban functions. This very wide discretionary power leads to outcomes reflecting the balance of interests of the economic agents directly involved more than those of the community as a whole.

Regulations affecting distributive trades should be brought within the scope of town planning, leaving market forces to shape the way the industry develops. Therefore, the revision of existing statutes should be based on the following main points:

- elimination of "Product Lists", leaving agents to conceive their assortments as they wish;
- elimination of retail master plans, using standard instruments of town planning to control the localization of stores;
- substantial upward revision of the dimensional thresholds of stores requiring special authorization; special authorization should be limited with respect to stores whose size is large enough to attract customers from an area larger than the average municipality and should be granted by regional authorities.

These three actions would both leave scope for effective control of town planning at a local and regional level, and scope for competition and freedom to entry. In their master plans, municipalities would have to provide enough land to accommodate the demand for new stores or surrender them to nearby municipalities, also losing employment opportunities and imposing to their citizens higher sourcing costs.

To guarantee that different types of firms (multiples v. associative organizations, national v. foreign) are treated fairly, when considering applications for new stores, the administrative procedures should also be made more transparent and accountable.

Other regulations which should be made less restrictive concern specific types of goods. Service stations need to be deregulated, as it is already happening. Ownership of chemist's shops should not be restricted to graduate chemists, requiring only their presence in the shop. The sale of newspapers and magazines also needs to be deregulated, eliminating the special local plans to which it is subjected.

Modifications of existing regulations along these lines should be sufficient to remove the major obstacles to competition in retailing existing in Italy.

Problems that may arise as a consequence of retail concentration and issues concerning the effects of vertical restrictions are at present of very marginal importance in a country where the existence of almost a million outlets would make very difficult to foreclose the market to new entrants. The main exception, i.e. car dealership, is a common feature in most countries and, within the European Economic Community, exclusive agreements in this sector have been especially allowed. Moreover, the competition law recently enacted in Italy can be used to intervene if vertical restrictions reduce inter-brand competition in narrow market segments, as this could be treated as an instance of abuse of a dominant position.

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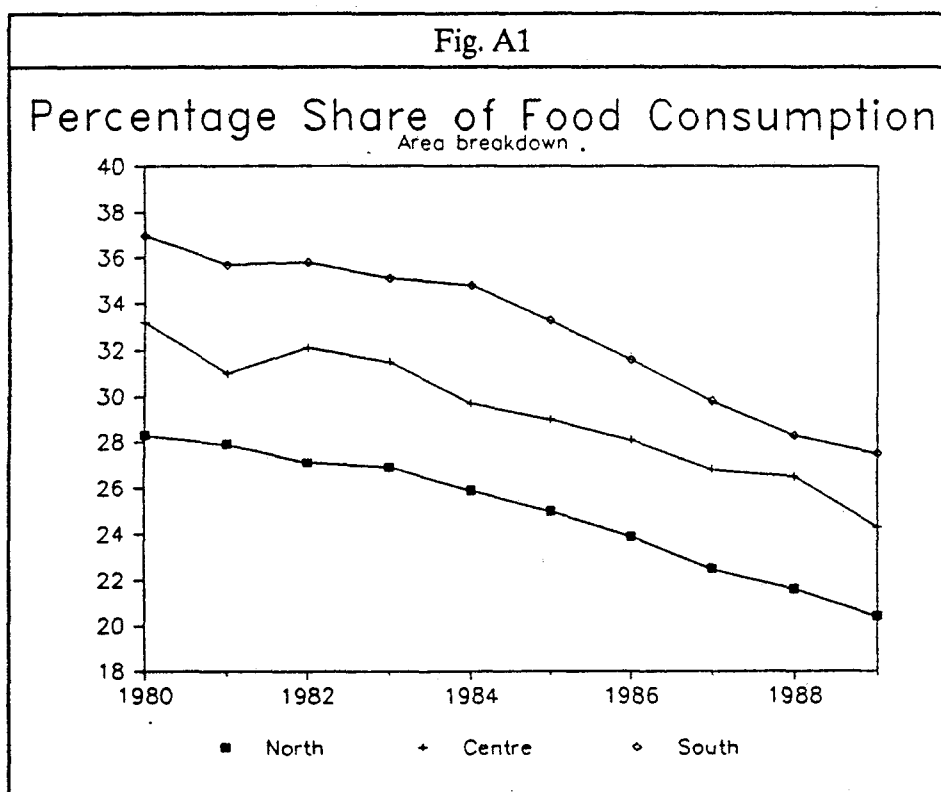
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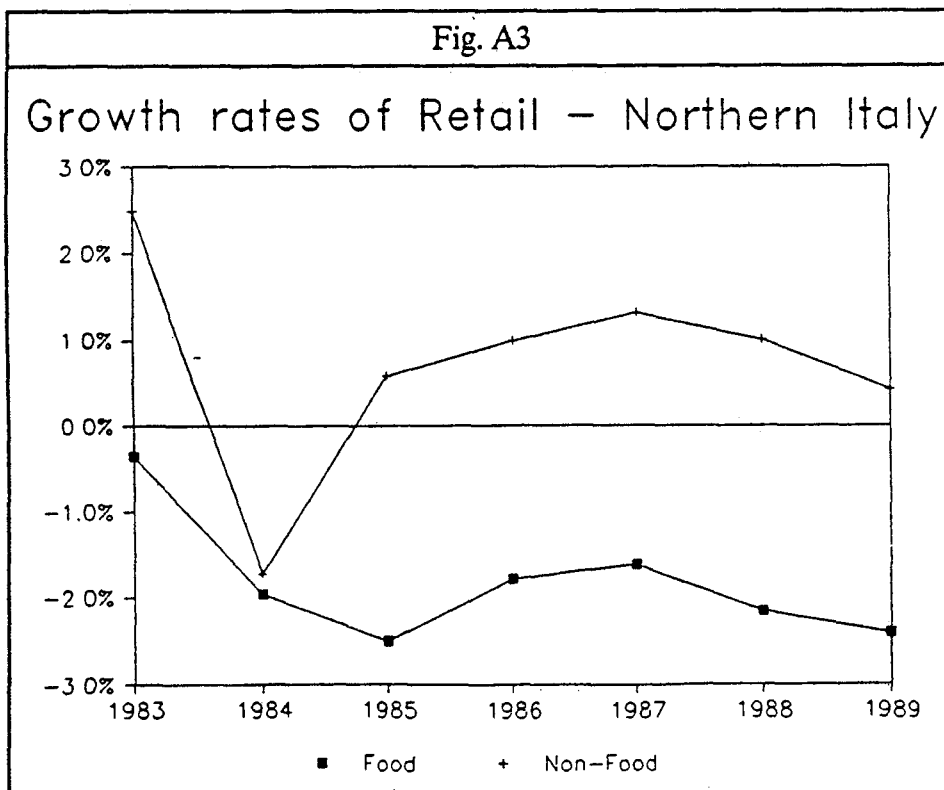
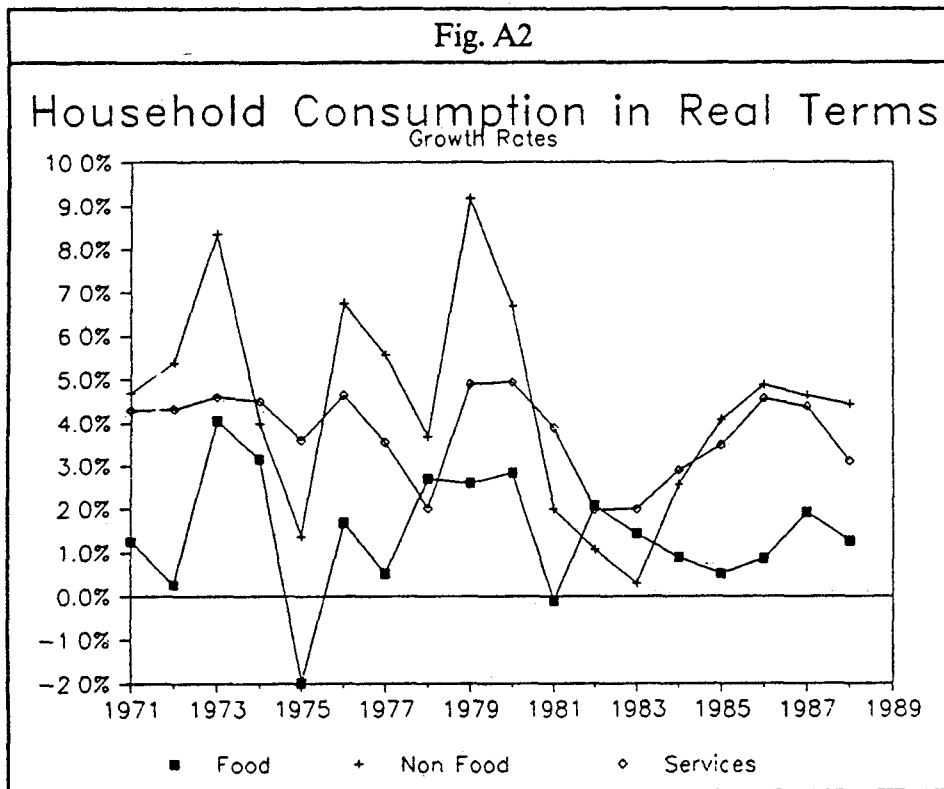
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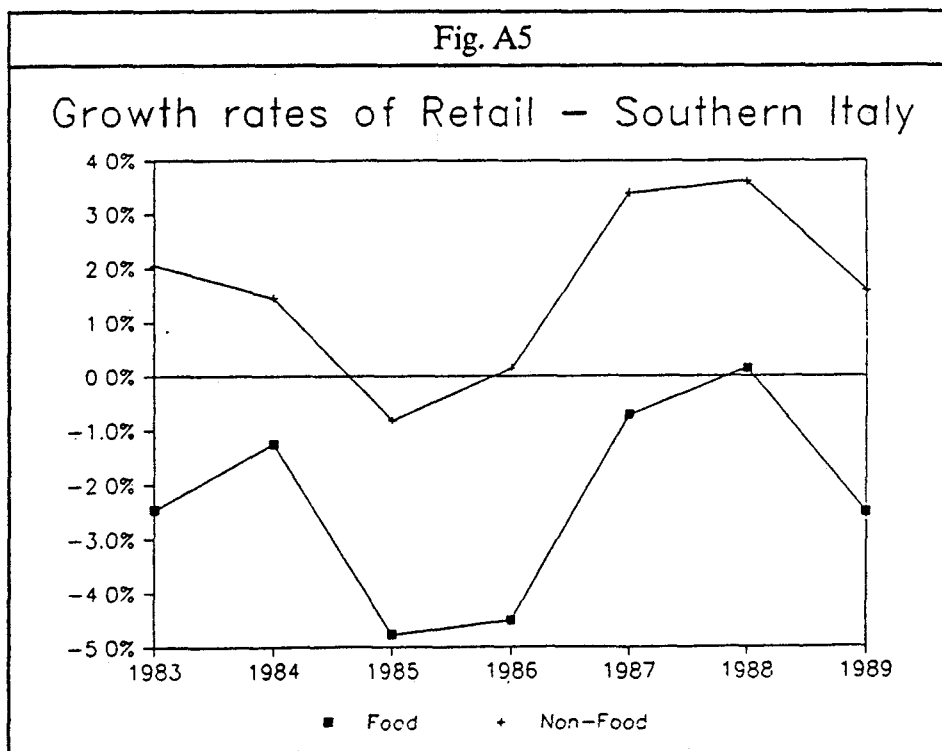
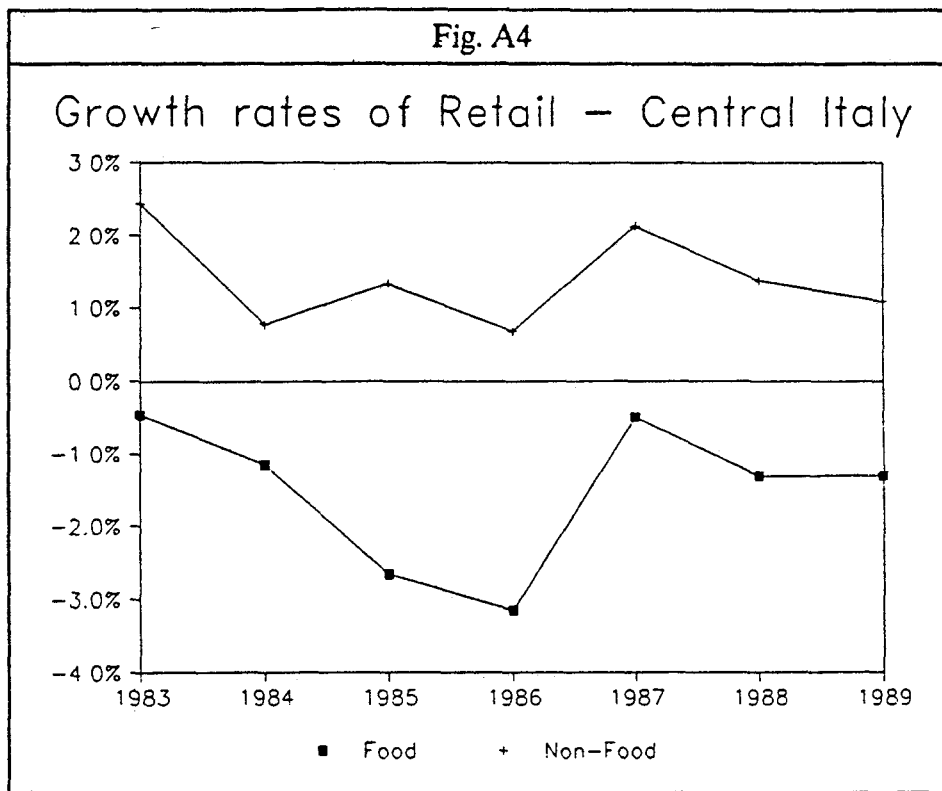
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9 Appendix

9.1 Figures







9.2 Tables

Table A1.						
	Labour Units net of CIG* Yearly average, thousands			Value Added at factor cost Billion Current Lira		
	Industry	Market Ser- vices	Total Econ- omy	Industry	Market Ser- vices	Total Econ- omy
1970	5585.4	5784.1	19949.4	18830	25293	63147
1971	5674.3	5675.9	19927.7	20236	27875	69042
1972	5551.5	5875.8	19816.4	21905	31699	76072
1973	5692.3	6104.2	20243.0	27263	37722	92560
1974	5870.0	6361.5	20646.0	36326	48891	118073
1975	5835.4	6537.2	20668.9	40687	58661	138049
1976	5890.4	6773.1	20988.7	54081	73083	171982
1977	6015.9	6862.7	21200.9	64870	90028	209413
1978	5980.1	7019.0	21315.3	75707	107549	247845
1979	6074.0	7259.0	21640.8	93256	132988	304397
1980	6155.8	7504.4	22062.4	115091	168482	381644
1981	5942.0	7747.8	22060.3	131301	206243	458517
1982	5792.1	8104.7	22181.8	152597	246523	536861
1983	5569.4	8349.4	22324.5	170932	289254	620643
1984	5329.6	8761.9	22412.9	194987	339671	711359
1985	5262.5	9079.8	22612.7	217766	383503	795142
1986	5238.4	9281.5	22786.3	234861	439093	882978
1987	5193.0	9432.3	22877.5	252695	475772	954863
1988	5259.0	9633.0	23095.0	280088	524961	1052222
1989	5284.0	9759.0	23140.0	302578	577786	1149366
1990	5298.0	9957.0	23367.0	314630	642447	1257200

* *Cassa Integrazione Guadagni* Earnings Supplementation Fund. See Tronti (1991).
Source: ISTAT, National Accounts.

Table A2. Distributive Trades Value Added and GDP Market Prices, Billion Current Lire			
	V.A.	GDP	V.A./GDP
1970	7523	67178	11.2%
1971	8007	72994	11.0%
1972	9089	79810	11.4%
1973	11526	96738	11.9%
1974	15593	122190	12.8%
1975	17058	138632	12.3%
1976	22036	174869	12.6%
1977	26975	214398	12.6%
1978	32057	253536	12.6%
1979	41364	309834	13.4%
1980	52694	387669	13.6%
1981	63419	464030	13.7%
1982	75950	545124	13.9%
1983	87753	633436	13.9%
1984	101130	725760	13.9%
1985	114616	810580	14.1%
1986	127814	899903	14.2%
1987	139901	983803	14.2%
1988	152749	1091837	14.0%
1989	166016	1192725	13.9%
1990	181125	1306833	13.9%

Source: ISTAT, National Accounts

Table A3. Final Household Consumption and Traded Consumption Billion current Lira				
	Household Consumption	Traded Consumption	H.C./GNP	T.C./H.C.
1970	40363	27449	60.08%	68.01%
1971	44091	29685	60.40%	67.33%
1972	48611	32492	60.91%	66.84%
1973	59175	39908	61.17%	67.44%
1974	74461	50119	60.94%	67.31%
1975	87075	57968	62.81%	66.57%
1976	107799	72278	61.65%	67.05%
1977	131895	88899	61.52%	67.40%
1978	154336	103960	60.87%	67.36%
1979	189671	128872	61.22%	67.94%
1980	241358	163171	62.26%	67.61%
1981	289137	191001	62.31%	66.06%
1982	342501	223200	62.83%	65.17%
1983	396798	251685	62.64%	63.43%
1984	453128	281924	62.43%	62.22%
1985	509345	315193	62.84%	61.88%
1986	559525	343088	62.18%	61.32%
1987	612235	373417	62.23%	60.99%
1988	671186	407985	61.47%	60.79%
1989	736886	446395	61.78%	60.58%

Source: CESCO and ISTAT

Table A4. Final Consumption of Household Relative proportions of main Items Current Thous. Billion Lira										
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
A	26.4	25.7	25.5	24.8	23.9	23.2	22.5	21.6	20.8	20.1
B	73.6	74.3	74.5	75.2	76.1	76.8	77.5	78.4	79.2	79.9
C	11.2	10.6	10.3	9.8	9.5	9.6	9.4	9.8	9.7	9.6
D	2.9	2.8	2.7	2.6	2.4	2.4	2.4	2.4	2.5	2.7
E	1.0	0.9	0.9	0.8	0.8	0.8	0.9	0.9	1.0	1.0
F	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.1
G	3.9	3.8	3.7	3.4	3.5	3.7	3.8	4.1	4.3	4.5
H	4.1	3.9	3.7	3.6	3.8	3.8	3.8	3.7	3.9	4.0
I	1.3	1.3	1.3	1.3	1.4	1.4	1.5	1.5	1.6	1.6
L	13.1	13.8	13.7	14.8	15.8	15.4	14.9	14.7	14.5	14.3
M	2.7	2.7	3.1	3.2	3.2	3.2	3.2	3.4	3.7	3.7
N	6.1	6.2	6.1	6.0	6.0	6.0	5.7	5.6	5.5	5.4
O	0.4	0.4	0.5	0.5	0.6	0.7	0.7	0.8	0.8	0.9
P	2.2	2.2	2.1	2.2	2.2	2.2	2.5	2.4	2.5	2.6
Q	8.0	8.4	8.9	9.1	9.2	9.4	9.7	9.9	9.9	10.0
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Values	241.4	289.1	342.5	396.8	453.1	509.3	559.5	612.2	671.2	736.9

A: Food and Beverages. B: Total non-food consumption. C: Clothing and Footwear. D: Furniture, fixture, carpets. E: Household textiles. F: Household appliances. G: Private transport. H: Equipment and accessories. I: Books, newspapers and magazines. L: Rents, fuel and power. M: Health care. N: Operation of private transport equipment. O: Education. P: Entertainment. Q: Hotels, restaurants and cafés. Source: National Accounts, ISTAT

Table A5.				
Share of Food Consumption over Total Household Consumption by Area				
	North	Center	South	Total
1980	28.3	33.2	37.0	31.7
1981	27.9	31.0	35.7	30.7
1982	27.1	32.1	35.8	30.4
1983	26.9	31.5	35.1	30.1
1984	25.9	29.7	34.8	29.1
1985	25.0	29.0	33.3	28.1
1986	23.9	28.1	31.6	27.0
1987	22.5	26.8	29.8	25.5
1988	21.6	26.5	28.3	24.4
1989	20.4	24.3	27.5	23.1

Source: National Accounts.

Table A6. Employment in Distributive Trades Labour Units net of CIG, Yearly Averages, Thousands						
	- A -	- B -	- C -	- D -	- E -	- F -
1970	868.2	1348.7	2216.9	39.2%	19949.4	11.1%
1971	860.5	1273.9	2134.4	40.3%	19927.7	10.7%
1972	892.8	1344.2	2237.0	39.9%	19816.4	11.3%
1973	922.8	1370.6	2293.4	40.2%	20243.0	11.3%
1974	938.7	1451.9	2390.6	39.3%	20646.0	11.6%
1975	991.9	1485.4	2477.3	40.0%	20668.9	12.0%
1976	1021.1	1557.1	2578.2	39.6%	20988.7	12.3%
1977	1024.1	1572.3	2596.4	39.4%	21200.9	12.2%
1978	1042.9	1597.3	2640.2	39.5%	21315.3	12.4%
1979	1071.4	1646.1	2717.5	39.4%	21640.8	12.6%
1980	1079.6	1706.2	2785.8	38.8%	22062.4	12.6%
1981	1090.2	1758.0	2848.2	38.3%	22060.3	12.9%
1982	1152.4	1819.1	2971.5	38.8%	22181.8	13.4%
1983	1165.3	1919.2	3084.5	37.8%	22324.5	13.8%
1984	1232.4	1992.5	3224.9	38.2%	22412.9	14.4%
1985	1266.3	2008.8	3275.1	38.7%	22612.7	14.5%
1986	1310.7	2016.9	3327.6	39.4%	22786.3	14.6%
1987	1329.5	2085.3	3414.8	38.9%	22877.5	14.9%
1988	1323.5	2119.1	3442.6	38.4%	23095.0	14.9%
1989	1336.3	2101.1	3437.4	38.9%	23140.0	14.9%
1990	1375.6	2109.5	3485.1	39.5%	23367.0	14.9%
- A - Employees			- D - A/C			
- B - Self Employed			- E - Total Economy Employment			
- C - Total Sectoral Employment			- F - C/E			
Source: ISTAT, National Accounts						

Table A7.				
Food Retail Establishments by number of people employed and by area				
Labour Classes	Group 1 Specialized food retailing		Group 2 De-specialized food retailing	
	1981	1971-1981 Growth	1981	1971-1981 Growth
North-Western Italy				
1 - 5	56,785	-12.9%	27,197	-35.3%
6 - 9	1,045	21.1%	457	24.5%
> 10	244	68.3%	618	56.9%
Total	58,074	-12.3%	28,272	-34.0%
North-Eastern Italy				
1 - 5	35,758	-5.2%	22,757	-29.1%
6 - 9	772	14.5%	518	35.8%
> 10	203	63.7%	534	146.1%
Total	36,733	-4.6%	23,809	-27.2%
Central Italy				
1 - 5	42,262	0.5%	21,492	-37.1%
6 - 9	749	48.6%	320	15.9%
> 10	175	108.3%	353	72.2%
Total	43,186	1.3%	22,165	-36.1%
Southern Italy				
1 - 5	87,220	19.5%	46,760	-38.4%
6 - 9	771	67.6%	400	143.9%
> 10	295	110.7%	218	235.4%
Total	88,286	19.9%	47,378	-34.0%
Source: 1971 and 1981 Census				

Table A8. Gross Operating Margin Market Prices, Billion Current Lire and Share over Sectoral V.A.		
	Absolute	Share
1970	5699	74.4%
1971	6071	74.2%
1972	6663	73.5%
1973	8470	74.2%
1974	11897	76.9%
1975	12312	72.2%
1976	16600	74.5%
1977	19948	73.7%
1978	23645	74.0%
1979	31374	76.0%
1980	40975	76.9%
1981	48635	76.3%
1982	57673	75.7%
1983	67133	75.9%
1984	76770	75.4%
1985	85461	74.6%
1986	95780	75.0%
1987	105806	75.1%
1988	114846	75.3%
1989	123704	74.8%
1990	134153	74.5%

Source: ISTAT, National Accounts

Table A9.
Average Product
Value Added per Labour Unit
Factor Cost, Million Lire

	Current Prices	1985 Prices
1970	3,457	..
1971	3,832	..
1972	4,053	..
1973	4,975	..
1974	6,467	..
1975	6,888	..
1976	8,648	..
1977	10,426	..
1978	12,098	..
1979	15,183	..
1980	19,122	36,961
1981	22,382	36,572
1982	25,626	35,463
1983	28,676	34,660
1984	31,584	34,669
1985	34,998	34,998
1986	38,381	35,235
1987	41,253	35,803
1988	44,296	37,131
1989	48,130	38,551
1990	51,649	39,099

Source: ISTAT, National Accounts

Table A10.
Distributive Trades: Value Added
Market Prices, Billion Lire

	Total	Wholesale	Retail
1980	54404	23486	30918
1981	65949	28676	37273
1982	78840	34068	44772
1983	91658	39979	51679
1984	105571	47769	57802
1985	119208	54629	64579
1986	128874	57701	71173
1987	142597	63607	78990
1988	154751	69683	85068
1989	167509	76330	91179
1990	182750	84501	98249

Data are not directly comparable with analogous data reported in previous Tables, as the last revision of National Accounts was not implemented here.
Source: OECT data.

Table A11.
Employment by sub-sector
Thousands

	Wholesale and Intermediaries			Retail		
	Total	Employees	Self Empl.	Total	Employees	Self Empl.
1980	829.4	538.6	290.8	2033.3	583.5	1449.8
1981	864.9	545.8	319.1	2068.4	589.1	1479.2
1982	886.8	564.7	322.1	2143.8	613.7	1530.1
1983	933.1	574.2	358.9	2198.6	613.5	1585.1
1984	988.6	602.9	385.7	2259.6	638.7	1620.8
1985	1010.4	609.3	401.0	2274.3	656.4	1617.8
1986	1018.3	618.2	400.1	2295.8	673.3	1622.5
1987	1035.7	617.4	418.4	2332.0	677.0	1655.7
1988	1046.9	608.7	438.3	2351.5	682.2	1669.2
1989	1050.0	610.0	439.9	2348.9	681.9	1666.9
1990	1067.2	629.4	437.8	2364.2	707.2	1656.9

See note of previous Table. Source: OECT.

Table A12.						
Number of Outlets (Including mobile retailing)						
	Units			Units per 1000 inhabitants		
	Food	Non Food	Total	F	N-F	Total
1971	466003	464934	930937	8.6	8.6	17.2
1972	450675	458513	909188	8.2	8.4	16.6
1973	434567	459591	894158	7.9	8.3	16.2
1974	429026	469148	898174	7.7	8.4	16.1
1975	425291	481759	907050	7.6	8.6	16.2
1976	424318	497442	921760	7.5	8.8	16.4
1977	419830	514324	934154	7.4	9.1	16.5
1978	414415	529121	943536	7.3	9.3	16.6
1979	414616	546788	961404	7.3	9.6	16.9
1980	414383	566511	980894	7.4	10.2	17.6
1981	413550	579763	993313	7.4	10.4	17.8
1982	393307	588566	981873	7.0	10.5	17.5
1983	388955	602345	991300	6.9	10.7	17.6
1984	383009	601338	984347	6.8	10.7	17.5
1985	370298	603341	973639	6.6	10.7	17.2
1986	359094	607317	966411	6.3	10.7	17.1
1987	355311	620319	975630	6.3	10.9	17.2
1988	351094	632054	983148	6.2	11.1	17.3
1989	343420	638045	981465	6.0	11.2	17.3

Source: 1971-1981 CESCO estimates
1981-1989 Ministry of Industry and Commerce, Rome

Table A13. Non-Food Retail by subsectors Number of Outlets (Including mobile retailing)							
	A	B	C	D	E	F	Total
1982	153761	124193	62901	38728	36211	96952	512746
1983	158260	127346	63744	40368	37402	100050	527170
1984	157382	127106	64232	40869	38556	99733	527878
1985	158828	127126	64660	41481	39749	100095	531939
1986	160175	126986	65342	42033	41289	100791	536616
1987	163982	128834	66407	43271	43054	102909	548457
1988	167335	130821	67169	44286	44078	104959	558648
1989	169129	131838	67471	45098	44795	106561	564892
A - Textiles and Clothing. B - Furniture, home appliances. C - Motor vehicles; fuels and lubricants. D - Pharmaceuticals, paints, cosmetics, soap, detergents. E - Furniture, machines and office appliances, bookstores, newsprints. F - Various articles and department stores.							
Source: Ministry of Industry and Commerce.							

Table A14. Non-food Retail Firms, outlets and employment by outlet class						
No. of Outlets	Firms		Outlets		Employment	
	1971	1981	1971	1981	1971	1981
1	95.61%	93.05%	90.08%	84.62%	78.84%	76.78%
2	3.61%	5.44%	6.80%	9.89%	9.01%	11.13%
3	0.50%	0.99%	1.43%	2.71%	2.80%	3.68%
4	0.14%	0.29%	0.54%	1.06%	1.40%	1.63%
5	0.06%	0.11%	0.29%	0.48%	0.91%	0.88%
6 - 10	0.05%	0.10%	0.35%	0.64%	1.30%	1.28%
> 11	0.02%	0.02%	0.52%	0.59%	5.74%	4.63%
Total	368,268	458,608	390,905	504,282	826,015	1,090,252
Source: 1971 and 1981 Censuses [Comment by : Tavola 11 pag 33]						

Table A15. Non-food Retail Firms, outlets and employment by outlet class						
No. of	Empl/Firm		Growth	Empl/Outlet		Growth
Outlets	1971	1981	1971-81	1971	1981	1971-81
1	1.85	1.96	6.1%	1.85	1.96	6.1%
2	5.60	4.86	-13.1%	2.80	2.43	-13.1%
3	12.45	8.79	-29.4%	4.15	2.93	-29.4%
4	21.76	13.28	-39.0%	5.44	3.32	-39.0%
5	33.78	19.84	-41.3%	6.76	3.97	-41.3%
6 - 10	54.44	30.15	-44.6%	7.83	4.30	-45.0%
> 11	804.24	531.48	-33.9%	23.34	16.95	-27.4%
Total	2.24	2.38	6.0%	2.11	2.16	2.3%
Source: 1971 and 1981 Censuses [Comment by : Tavola 11 pag 33]						

Table A16.						
Employment in Distributive Trades						
	1971			1981		
	E	S-E	Total	E	S-E	Total
R	405511	1335582	1741093	534335	1432724	1967059
W	351353	127356	478709	464364	202483	666847
I	17752	28232	45984	27967	101784	129751
Total	774616	1491170	2265786	1026666	1736991	2763657
	1971			1981		
	E	S-E	Total	E	S-E	Total
R	52.3%	89.6%	76.8%	52.0%	82.5%	71.2%
W	45.4%	8.5%	21.1%	45.2%	11.7%	24.1%
I	2.3%	1.9%	2.0%	2.7%	5.9%	4.7%
100%	774616	1491170	2265786	1026666	1736991	2763657
	1971			1981		
	E	S-E	100%	E	S-E	100%
R	23.3%	76.7%	1741093	27.2%	72.8%	1967059
W	73.4%	26.6%	478709	69.6%	30.4%	666847
I	38.6%	61.4%	45984	21.6%	78.4%	129751
Total	34.2%	65.8%	2265786	37.1%	62.9%	2763657
E: Employees S-E: Self Employed R: Retail W: Wholesale I: Intermediaries						
Source: 1971 and 1981 Censuses [Comment by : Tavola 12 pag 35]						

Table A17. Employment in Retail			
	1971	1981	Growth
Food Retail			
Employees	104652	129063	23.3%
Self Employed	630571	545138	-13.5%
Total	735223	674201	-8.3%
Non-Food Retail			
Employees	296872	399887	34.7%
Self Employed	538074	695140	29.2%
Total	834946	1095027	31.1%
Total Food and Non-Food Retail (Excluding mobile retailing)			
Employees	401524	528950	31.7%
Self Employed	1168645	1240278	6.1%
Total	1570169	1769228	12.7%
Mobile Retail			
Food	76600	83819	9.4%
Non-food	94324	114012	20.9%
Total	170924	197831	15.7%
Total Retail	1741093	1967059	13.0%
Source: 1971 and 1981 Censuses [Comment by : Tavola 13 pag 35]			

Table A18.				
Sales Area of Supermarkets by Organization				
Percentage Share over Total				
Square meters				
	A	B	C	Total
1977	47.6%	14.4%	38.0%	809196
1978	45.5%	14.8%	39.8%	896306
1979	42.5%	14.7%	42.8%	986147
1980	42.4%	14.9%	42.7%	1047993
1981	40.4%	15.7%	44.0%	1136189
1982	40.7%	15.5%	43.7%	1184361
1983	38.7%	17.1%	44.3%	1345948
1984	38.3%	17.0%	44.7%	1492585
1985	36.8%	16.9%	46.3%	1681791
1986	34.9%	16.4%	48.7%	1807415
1987	35.2%	16.2%	48.5%	1996744
1988	34.7%	15.5%	49.8%	2228440
1989	33.0%	15.2%	51.8%	2565474

A: Multiples (five or more units) B: Consumer Cooperatives C: Buying Groups, Voluntary Chains and non-affiliated retailers

Table A19.						
Food Retail						
Number of Outlets (Including mobile retail) by Region						
	Piedmont	V.d'Aosta	Lombardy	Trentino	Veneto	Friuli
1982	32147	1008	51593	5268	27072	7848
1983	32357	831	51349	5373	26484	8355
1984	32059	947	50068	5485	25796	8463
1985	31653	889	47702	5512	25460	8785
1986	31130	912	46548	5745	24995	8769
1987	30904	897	45457	5779	24698	8617
1988	30133	877	44667	5689	24230	8367
1989	29431	847	43630	5529	23728	8140
	Liguria	Emilia	Tuscany	Umbria	Marches	Lazio
1982	14722	26970	24949	5689	10319	34995
1983	14543	26749	24814	5643	10245	35092
1984	14491	25477	24491	5648	9799	34815
1985	14121	24588	23793	5521	9264	34612
1986	13841	23940	23430	5479	9084	32956
1987	13536	23481	23227	5480	9002	33033
1988	13248	22857	22752	5443	8843	32865
1989	12928	22222	22247	5355	8680	32873
	Abruzzi	Molise	Campania	Apulia	Basilicata	Calabria
1982	11042	3022	36676	24241	4563	18095
1983	10776	3034	35331	22407	4377	17825
1984	10730	3088	34746	21676	4364	17776
1985	9970	3056	32591	20640	4315	17228
1986	9570	2983	30802	19960	4195	16548
1987	9369	2977	28838	19807	4075	16200
1988	9146	2947	29082	19574	4019	16215
1989	8887	2882	28607	18880	3970	16071
	Sicily	Sardinia	TOTAL			
1982	38715	14373	393307			
1983	39229	14141	388955			
1984	39060	14030	383009			
1985	37411	13187	370298			
1986	35576	12631	359094			
1987	37144	12790	355311			
1988	37308	12832	351094			
1989	35834	12679	343420			

Source: Ministry of Industry and Commerce, Rome.

Table A20.						
Non Food Retail						
Number of Outlets (Including mobile retail) by Region						
	Piedmont	V.d'Aosta	Lombardy	Trentino	Veneto	Friuli
1982	48184	1567	86738	8405	44753	13051
1983	49781	1388	88287	8874	45931	13644
1984	49082	1508	85360	9350	45224	13972
1985	50089	1464	84443	9726	45858	14009
1986	50784	1509	83956	10578	46579	14128
1987	51946	1518	84011	10970	47436	14228
1988	52449	1511	84514	10972	48259	14141
1989	52629	1527	84659	11015	48781	14096
	Liguria	Emilia	Tuscany	Umbria	Marches	Lazio
1982	19816	47831	43250	8961	17673	52005
1983	20099	49054	44015	8981	18229	53666
1984	19837	47955	44160	9025	18203	54131
1985	19926	48355	44592	9228	18149	55487
1986	20237	48801	45097	9534	18327	55316
1987	20664	49435	45849	9851	18753	56441
1988	20869	50312	46196	10087	18996	57274
1989	20983	50541	46539	10277	19045	58024
	Abruzzi	Molise	Campania	Apulia	Basilicata	Calabria
1982	14555	3310	48192	38400	5664	19134
1983	14894	3376	49677	37873	5732	19626
1984	15303	3450	50112	37993	5918	20115
1985	15236	3505	48768	37834	6046	20334
1986	15355	3560	47965	37915	6024	20271
1987	15755	3672	47986	38645	6094	20946
1988	16060	3762	50104	39320	6266	21522
1989	16304	3845	51566	39313	6365	22168
	Sicily	Sardinia	TOTAL			
1982	51214	15863	588566			
1983	52792	16426	602345			
1984	53827	16813	601338			
1985	53430	16862	603341			
1986	54656	16725	607317			
1987	58721	17398	620319			
1988	61417	18023	632054			
1989	61917	18451	638045			

Source: Ministry of Industry and Commerce, Rome.

Table A21. Large Stores Number of Outlets and Surface						
	Supermarkets		Hypermarkets		Department st.	
	No.	Sq.m.	No.	Sq.m.	No.	Sq.m.
1970	538	367492	498	745580
1971	609	422847	550	869314
1972	674	467494	2	21794	593	987631
1973	753	529509	2	21794	635	1080650
1974	854	593131	3	28494	661	1141639
1975	939	672888	6	54481	686	1175037
1976	1022	739306	8	66881	696	1187930
1977	1105	809196	8	66881	717	1224741
1978	1216	896306	10	81081	740	1266496
1979	1313	986147	10	81081	763	1300974
1980	1386	1047993	12	87737	775	1313941
1981	1508	1136189	13	92827	767	1309204
1982	1578	1184361	17	121426	753	1304134
1983	1768	1345948	20	137150	771	1281447
1984	1941	1492585	20	137150	781	1273007
1985	2178	1681791	(1)	(1)	785	1268504
1986	2352	1807415	43	218544	792	1253667
1987	2561	1996744	49	241167	812	1296136
1988	2809	2228440	64	314192	830	1339001
1989	3159	2565474	86	462163	887	1419072

(1) Break in series (change in definition).
Source: FAID (Super and Hypermarkets) Ministry of Industry (Department stores)

Table A22. Square meters of sales area per 1000 inhabitant			
	Super markets	Hyper markets	Dept Stores
1971	7.80	..	16.05
1972	8.56	0.40	18.07
1973	9.60	0.39	19.58
1974	10.66	0.51	20.52
1975	12.01	0.97	20.98
1976	13.13	1.19	21.09
1977	14.30	1.18	21.64
1978	15.77	1.43	22.29
1979	17.30	1.42	22.82
1980	18.83	1.58	23.61
1981	20.37	1.66	23.47
1982	21.15	2.17	23.29
1983	23.94	2.44	22.79
1984	26.49	2.43	22.59
1985	29.77	(1)	22.45
1986	31.95	3.86	22.16
1987	35.24	4.26	22.87
1988	39.26	5.54	23.59
1989	45.14	8.13	24.97

(1) Break in series (change in definition).
Source: FAID (Super and Hypermarkets)
Ministry of Industry (Department stores)

Table A23. Total sales of Super and Hypermarkets Billion current lira		
	Supermarkets	Hypermarkets
1971	386	..
1972	507	..
1973	750	..
1974	1036	..
1975	1320	..
1976	1714	133
1977	2145	171
1978	2712	212
1979	3668	291
1980	4801	375
1981	6050	555
1982	7835	814
1983	10325	937
1984	13102	(1)
1985	16490	2046
1986	19139	2764
1987	22934	3502
1988	27933	3954
1989	34273	6088

(1) Break in series (change in definition).
Source: CESCO

Table A24. Market share in Food Retail of Super and Hypermarkets		
	Supermarkets	Hypermarkets
1971	2.40%	..
1972	2.92%	..
1973	3.62%	..
1974	4.04%	..
1975	4.44%	..
1976	4.76%	0.25%
1977	5.01%	0.27%
1978	5.47%	0.29%
1979	6.28%	0.34%
1980	6.85%	0.36%
1981	7.39%	0.47%
1982	8.13%	0.57%
1983	9.51%	0.59%
1984	10.94%	(1)
1985	12.59%	1.08%
1986	13.60%	1.34%
1987	15.46%	1.57%
1988	17.76%	1.68%
1989	20.48%	2.43%

(1) Break in series (change in definition).
Source: CESCO

Table A25. Market share of Hypermarkets on total traded consumption	
1976	0.18%
1977	0.19%
1978	0.20%
1979	0.23%
1980	0.23%
1981	0.29%
1982	0.36%
1983	0.37%
1984	(1)
1985	0.65%
1986	0.81%
1987	0.94%
1988	0.97%
1989	1.36%

(1) Break in series (change in definition).
Source: CESCO

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