Bulgarian Journal of Agricultural Science, 24 (No 4) 2018, 554–559

Strategies for market food industry in southern Italy: Some results through structured interview

Maurizio Lanfranchi[1], Carlo Giannetto[1], Ferdinando Ofria[1], Fulvio Rizzo[2], Vihra Dimitrova[3*], and Mariana Ivanova[3]

[1]*University of Messina, Department of Economics, Via dei Verdi, 75 98122 Messina, Italy*
[2]*University of Eastern Finland, Department of Geographical and Historical Studies, Finland*
[3]*University of Agribusiness and Rural Development, Department of Management, 4003 Plovdiv, Bulgaria*
[*]*Corresponding author:* vihra.dimitrova@abv.bg

Abstract

Lanfranchi, M., Giannetto, C., Ofria, F., Rizzo, F., Dimitrova, V., & Ivanova, M. (2018). Strategies for market food industry in southern Italy: some results through structured interview. *Bulgarian Journal of Agricultural Science*, *24*(4), 554–559

In a global market, agro-food innovation becomes a fundamental element for the development and growth of a company. But the introduction of innovations cannot be separated from the implications related to the differentiation of agricultural or agro-food products, or to the improvement of the quality of the product. This research seeks to identify, through structured interviews, the market strategy followed by the entrepreneurs of the food sector in Sicily. The data that is collected through interviews with entrepreneurs in the agro-food sector Sicilian (year 2017) identifies the prevailing strategy followed by agribusiness Sicily. This research has followed the model of Vázquez-Barquero to interpret the strategies of firms interviewed in Sicily. Companies surveyed in this research show that all Sicilian provinces seems to prevail a market strategy of an innovative nature. In particular, it is noted that: almost all entrepreneurs interviewed, to be competitive, they prefer to improve the quality of the product, rather than reduce production costs.

Keywords: agro-food industry; rural economy; regional economic development; southern Italy

Introduction

Food sector in Italy

Italy maintains the primacy over the 28 European Union countries and also increase products and producers certified in quality agro-foodstuffs: this is attested by ISTAT (2017), in the annual report on PDO and PGI. Producers grow by 4.4%, while certified products increased to 291, 13 more than in 2015. The increase in specialized entrepreneurs was recorded above all in the South, with an increase of 12%; in the Center there is a further 2.5% while in the North there is a slight decrease of 0.3%. In the South there is also the largest increase in livestock and the area used. The most common products are cheeses (over 26,000 producers), fruit and vegetables, cereals and extra virgin olive oils. The increase in certified products has been constant and led to almost doubling PDO and PGI over the past ten years, from 156 to 291 (279 active ones). The growth of producers has been even more significant: the sector shows a great deal of liveliness, the number of new operators entering 2016 is 12,513, many more than the 8,828 that have abandoned the activity. The growth of the Southern Italy is due both to the increase in the number of southern products recognized by the EU, and consequently to the increase in their producers, and to the increase in the producers of the milk and cheese production chains in Sardinia and oil in Apulia and Sicily. Although present throughout the country, the producers are strongly concentrated in some areas; more than half (51.3%)

is located in three regions: Sardinia, Tuscany, and Trentino-Alto Adige, with a weight of 20.3%, 16.3% and 14.7% respectively national total. Lombardy, Emilia-Romagna and Veneto comprise 18.6% of producers while the remaining 30.1% is distributed in the remaining 14 regions. In particular, in Trentino-Alto Adige the fruit sector is clearly dominant, in Tuscany the olive and in Sardinia the dairy. On the other hand, the distribution of the PDO and PGI awards is different: the division with several products is the Southern Italy, which includes 112 awards, equal to 38.8% of Italian products recognized by the EU. In the South, the structure of the agro-food sector is mainly composed of small and medium enterprises: 95% of enterprises do not invoice more than € 5 million. Virtuous behavior of agribusiness in the South (Vázquez-Barquero, 2010), could generate long-term positive externalities on the economy of the South (Di Vita et al., 2013a.; Schimmenti et al., 2013). In particular, companies that are competitive through innovation and/or differentiating their products will be more likely that there will be economic development drive propulsion (innovative marketing strategy) (Bryla, 2012; Hasibuan, 2015; Schimmenti et al., 2016). In contrast, a defensive marketing strategy occurs when companies prefer to reduce labor costs and/or ask for state aid (defensive marketing strategy) (Destefanis and Sena, 2009; Di Vita et al., 2013b).

Methodology

Critical factors of the agro-food small and medium enterprises (SMEs)

Obstacles or weaknesses of small and medium enterprises can be divided into two groups (Millemaci and Ofria, 2014, 2016):

1) those that apply to all small and medium enterprises regardless of the territory in which they operate;

2) those that are present only in certain geographical areas such as the south of Italy, where there are some specific environmental conditions (Ofria and Farinella, 2011).

In reference to the first group, the smaller size makes them less competitive for the following reasons: they do not enjoy economies of scale; they cannot undertake appropriate marketing strategies, which require substantial investments; they cannot afford the cost of investments for innovative purposes; in the credit market, they have lower bargaining power. These weaknesses do not always characterize small businesses. The creation of consortia for instance minimize their contractual weakness especially within the financial market (Giannetto et al., 2016). The growing demand for differentiated products (local products, products produced with biodynamic methodologies, products with high service content, etc.) is the strongest asset for these types of businesses (Chinnici et al., 2014). The increasing fragmentation of markets can only increase the competitive potential of smaller companies. The strengths of the small companies in competitive terms are: 1) greater flexibility in the methods of production; 2) the capability of ability accommodating to new markets; and 3) the ability to operate in niche markets. As for the second group of small and medium enterprises, the recent debate on development policies of backward areas seems to focus on the adoption of an intervention that strengthens infrastructure, which may minimize the presence of crime and social unrest (Calabrò and Vieri, 2015; Terziev and Arabska, 2016; Zarbà et al., 2017).

Market strategies

Vázquez-Barquero (2010) claims that the strategy followed by the most dynamic companies, is to try to stay in the market for the long run. At the same time, the strategy of reducing production costs does not allow companies to maintain their competitive position on the market. With regard to the specialization by firms in specific market niches, two situations should be highlighted. A high segmentation of the companies could strengthen their competitive position and maintain the benefits in the long run. But if the aim is simply to find shelter in a niche market, competitive conditions can be maintained only in the short run and in a precarious situation. Vázquez-Barquero (2010) has placed more emphasis on the concept of „innovative environment“, rather than on the well-known „industrial district“. The innovative environment takes into account the strategic role of innovation, human capital, the relationship between research institutions and public private agents (Daly, 2015; Lanfranchi et al., 2016a).

Research objective

This research seeks to identify, through structured interviews, the market strategy followed by the entrepreneurs of the food sector in Sicily. We identify the main obstacles to the development of the manufacturing industry in general and the food industry in particular. We expose the marketing strategies for small enterprises. The data that is collected through interviews with entrepreneurs in the agro-food sector Sicilian (year 2017) identifies the prevailing strategy followed by agribusiness Sicily. This research wants to verify: what kind of marketing strategy the firm adopts; in which sectors there is „optimism“; which sectors export more. On this point, it was considered high, the level of internationalization for companies that export more than 80% of their production, medium, when export between 40-80% lower when exporting between 1-40% invalid, when not export any goods produced; what are the main external diseconomies; the characteristics of entrepreneurs that require fiscal incentives (Serdaris et al., 2014; Lanfranchi et al., 2016b).

Description of the research

This research uses structured interview (Latella, 1990). It should be noted, by field survey made in 2017, that all Sicilian provinces entrepreneurs adopt a competitive policy. In Table 1 Sicilian companies interviewed are divided by province and by sector of origin (Lanfranchi et al., 2014).

The results of the research show that almost all the entrepreneurs interviewed, exclude the hypothesis to be competitive only reducing costs. The entrepreneurs prefer a policy of product differentiation. The degree of "optimism", as can be noted in Table 2, is high in all the provinces of Sicily, with the exception of the provinces of Palermo and Trapani.

The level of internalization as can be seen in Table 3, is high for the industry "citrus and juices". The provinces with higher propensity to export are: Catania, Messina and Syracuse. For the entrepreneurs interviewed the main obstacles to grow and to be competitive are: the lack of infrastructure, lack of human capital and the high cost of credit. The new generation of entrepreneurs, in all the provinces, mostly asks for tax incentives.

Table 1.
Number of enterprises surveyed by sector

Provinces	Catania and Siracusa	Ragusa	Messina	Palermo and Trapani	Sicily
Citrus and jucies	5	1	4	6	16
Confectoniery	5	4	2	2	13
Dairy	1	6	2	2	11
Oil	0	0	1	2	3
Wine	1	0	0	9	10
Fish	1	0	0	1	2
Roasting	2	2	1	2	7
Bread and pasta	4	4	1	4	13
Biological	1	0	1	0	2
Preservers	4	2	2	1	9
Other	1	0	0	1	2
Total number of companies	25	19	14	30	88

Source: Ns elaborations

Table 2
Forecast future by the companies interviewed turnover

Provinces	Catania and Siracusa			Ragusa			Messina			Palermo and Trapani		
The turnover	Increase	Will be stable	Will reduce	Increase	Will be stable	Will reduce	Increase	Will be stable	Will reduce	Increase	Will be stable	Will reduce
Citrus and jucies	4	1	0	1	0	0	4	0	0	0	3	3
Confectioniery	4	1	0	3	1	0	2	0	0	1	0	1
Dairy	1	0	0	3	3	0	2	0	0	2	0	0
Oil	0	0	0	0	0	0	1	0	0	1	1	0
Wine	1	0	0	0	0	0	0	0	0	3	0	6
Fish	1	0	0	0	0	0	0	0	0	0	1	0
Roasting	2	0	0	2	0	0	1	0	0	0	2	0
Bread and pasta	3	1	0	0	3	1	0	1	0	1	1	3
Biological	1	0	0	0	0	0	1	0	0	0	0	0
Preserves	3	0	1	2	0	0	2	0	0	0	0	0
Other	1	0	0	0	0	0	0	0	0	1	0	0
Total	21	3	1	11	7	1	13	1	0	9	8	13

Source: Ns elaborations

Table 3
Internalization of the companies surveyed

Provinces	Catania and Siracusa				Ragusa				Messina				Palermo and Trapani			
Internalization	High > 80%	Average 40-79%	Low 1-39%	None	High > 80%	Average 40-79%	Low 1-39%	None	High > 80%	Average 40-79%	Low 1-39%	None	High > 80%	Average 40-79%	Low 1-39%	None
Citrus and jucies	1	0	2	3	0	0	0	1	3	1	0	0	1	1	2	2
Confectioniery	0	0	1	3	0	1	2	1	1	1	0	0	1	1	0	0
Dairy	0	0	1	0	0	2	3	1	0	0	0	2	0	0	1	1
Oil	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	2
Wine	0	1	0	0	0	0	0	0	0	0	0	0	5	2	0	0
Fish	0	0	1	0	0	0	0	0	0	0	0	0	2	0	0	0
Roasting	0	0	2	0	0	0	2	0	0	0	1	0	0	0	2	0
Bread and pasta	1	0	2	2	0	0	1	3	0	1	0	0	0	0	1	3
Biological	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0
Preserves	1	3	0	0	0	0	2	0	0	0	2	0	0	0	1	0
Other	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	2
Total	3	4	10	8	0	3	10	6	5	3	4	2	9	4	7	10

Source: Ns elaborations

Results and Discussion

The behavior of the companies involved in our research can be studied by referring to some of the schemes proposed by the economic-business literature. A reference framework for companies of agro-food products called to develop a competitive strategy that in the long term may be sustainable, is the analysis scheme of Porter (1985). The author identifies the sources of competitive advantage in two factors: the value created and the production costs. However, these factors must be recognized by the market and by the customers in order to be considered as distinctive capabilities of the companies. The competitive strategy also implies that the company should define the nature and breadth of the market (Sharma et al., 2017). The basic competitive strategies illustrate the different options by combining the market environment with the sources of competitive advantage. A cost leadership strategy is configured as an exclusive prerogative for the large agro-food companies able to achieve economies of scale. Instead, the strategy of differentiation appears to be achievable even by small businesses, if they can differentiate their offer on the basis of quality (Goretov et al., 2015; Zarbà et al., 2015). However, small businesses seem able to better express their distinctive capabilities by operating above all on a more limited market, also in terms of geographical size. In this case, the strategy must be associated with the offer of a greater benefit for the consumer and perceived as such by the consumer. This perspective appears to be possible on the basis of the enhancement of the chemical-physical and organoleptic quality of the product and on the symbolic quality linked to the socio-cultural and environmental specificities of the territory of origin (Schimmenti et al., 2014; Lanfranchi et al., 2015; Selvaggi et al., 2017).

Conclusions

In a global market, agro-food innovation becomes a fundamental element for the development and growth of a company. But the introduction of innovations cannot be separated from the implications related to the differentiation of agricultural or agro-food products or to the improvement of the quality of the product. Italian agriculture cannot base its competitiveness by using mass products, through the so-called commodities, because the high production costs and agricultural raw materials determine equally high and therefore not very competitive consumer prices. Italian agricultural and agro-food companies in order to compete on the markets must conveniently focus on differentiated productions. Examples are organic products and certified products linked to a specific processing method. The typical food production has characteristics related to different factors such as territory, origin, cultural traditions, productive economic fabric; raw materials used and adopted production process. From the territory and its traditions springs the value of the typical product that contributes to create added value and creates a competitive advantage over other competing companies in the community. This research has followed the model of Vázquez-Barquero to interpret the strategies of firms interviewed in Sicily. It should be noted that firms adopt a strategy of high segmentation, strengthen their competitive position and maximize profit long-term (Dudin et al., 2015; Tudisca et al., 2015). Companies surveyed in this research show that for all Sicilian provinces seems to prevail a market strategy of an innovative nature. In particular, it is noted that: almost all entrepreneurs interviewed, to be competitive, they prefer to improve the quality of the product, rather than reduce production costs; the level of internalization is strongly influenced by the type of production; the entrepreneurs interviewed consider obstacles to development: the lack of infrastructure, lack of human capital and the high cost of credit, the new generation of entrepreneurs often use the tax and financial benefits offered by the law.

Acknowledgements

The Jean Monnet Networks Project titled: “Sustainable land management network” (SULANET) (No: 564651-EPP-1-2015-1-SK- EPPJMO-NETWORK) has been funded with support from the European Commission. This publication reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

Author’s contributions

The study is the result of an international research project entitled *“Innovation in the small and medium enterprises of the agriculture sector: a comparative analysis of different countries through the construction of a model of evaluation of the innovation”,* deriving from the international collaboration of a research group that inserts in the interuniversity agreements of cooperation between the University of Messina, University of Agri-business and Rural Development of Plovdiv. The article is the result of a full collaboration of the authors.

References

Bryla, P. (2012). The impact of EU accession on the marketing strategies of Polish food companies. *British Food Journal*, *114*(8), 1196-1209.

Calabrò, G., & Vieri, S. (2015). Political actions oriented to territorial development: the multifunctional role of agriculture. *Amfiteatru Economic Journal*, *17*(Special No. 9), 1346-1358.

Chinnici, G., Pappalardo, G., & Pecorino, B. (2014). Economic evaluation of innovative solutions for food safety in cereal sector in Sicily. *Calitatea*, *15*(Suppl.1), 41-47.

Daly, S. (2015). Producing healthy outcomes in a rural productive space. *Journal of Rural Studies*, *40*, 21-29.

Destefanis, S., & Sena, V. (2009). Public capital, productivity and trade balances: some evidence for the Italian regions. *Empirical Economics*, *37*(3), 533-554.

Di Vita, G., Bellia, C., Pappalardo, G., & D’Amico, M. (2013a). The role of innovation and organization in small size wineries: The case of Malvasia delle Lipari PDO Wine. *Calitatea*, *14*(137), 107-112.

Di Vita, G., D’Amico, M., & Bracco, S. (2013b). Economic performances of smallholders PDO viticulture in Eastern Sicily. *Calitatea*, *14*, 99-105.

Dudin, M. N., Lyasnikov, N. V. E., Leonteva, L. S., Reshetov, K. J. E., & Sidorenko, V. N. (2015). Business model canvas as a basis for the competitive advantage of enterprise structures in the industrial agriculture. *Biosciences Biotechnology Research Asia*, *12*(1), 887-894.

Giannetto, C., Alibrandi, A., Zirilli, A., & Lanfranchi, M. (2016). Egg consumption among young people: a study through the application of the logistic regression model. *American Journal of Applied Sciences*, *13*(6), 697-707.

Goretov, I. N., Gumarova, F. Z., & Tsaregorodtsev, E. I. (2015). Management of Competitiveness of a Regional Agricultural Sector. *Review of European Studies*, *7*(8), 105-111.

Hasibuan, S. (2015). SMEs development strategy for competitive and sustainable typical local snacks of Banten province. *International Journal on Advanced Science, Engineering and Information Technology*, *5*(6), 410-414.

Lanfranchi, M., Calabrò, G., De Pascale, A., Fazio, A., & Giannetto, C. (2016a). Household food waste and eating behavior: empirical survey. *British Food Journal*, *118*(12), 3059-3072.

Lanfranchi, M., Giannetto, C., & De Pascale, A. (2016b). Economic analysis and energy valorization of by-products of the olive oil process: “Valdemone DOP” extra virgin olive oil. *Renewable and Sustainable Energy Reviews*, *57*, 1227-1236.

Lanfranchi, M., Giannetto, C., Abbate, T., & Dimitrova, V. (2015). Agriculture and the social farm: expression of the multifunctional model of agriculture as a solution to the economic crisis in rural areas. *Bulgarian Journal of Agricultural Science*, *21*(4), 711-718.

Lanfranchi, M., Giannetto, C., & De Pascale, A. (2014). Analysis and models for the reduction of food waste in organized large-scale retail distribution in eastern Sicily. *American Journal of Applied Sciences*, *11*(10), 1860.

Latella, F. (1990). *Regioni arretrate e qualità dello sviluppo*. Franco Angeli, 244 pp.

Millemaci, E., & Ofria, F. (2014). Kaldor-Verdoorn’s law and increasing returns to scale: a comparison across developed countries. *Journal of Economic Studies*, *41*(1), 140-162.

Millemaci, E., & Ofria, F. (2016). Supply and demand-side determinants of productivity growth in Italian regions. *Structural Change and Economic Dynamics*, *37*, 138-146.

Ofria, F., & Farinella, D. (2011). The Impact of Criminality on the Productivity of the Southern Italian Economy: A Review of the Empirical Studies. *Mediterranean Journal of Human Rights*, *15*, 215-238.

Porter, M.E. (1985). *Competitive Advantage, Creating and Sustaining Superior Performance*. The Free Press, Boston.

Schimmenti, E., Asciuto, A., Borsellino, V., & Galati, A. (2013). The role of information and communication technologies and logistics organisation in the economic performance of Sicilian fruit and vegetable enterprises. *International Journal of Business and Globalization*, *10*(2), 185-193.

Schimmenti, E., Daddi, G., Asciuto, A., Borsellino, V., Di Franco, C. P., Di Gesaro, M., & D'Acquisto, M. (2016). Agriculture in a Sicilian Inland Area: Strategies and Motivations of Conversion towards Multifunctional Activities. *Quality-Access to Success*, *17*(150).87-92.

Schimmenti, E., Galati, A., & Borsellino, V. (2014). The quality of websites and their impact on economic performance: the case of nurseries and gardening companies in the Italian 'Mezzogiorno' regions. *International Journal of Electronic Marketing and Retailing*, *6*(1), 72-87.

Selvaggi, R., Parisi, M., & Pecorino, B. (2017). Economic assessment of cereal straw management in Sicily. *Quality-Access to Success*, *18* 409-415.

Serdaris, P., Antoniadis, I., & Tomlekova, N. (2014). Supply chain management: A view of the distribution channel. *Bulgarian Journal of Agricultural Science*, *20*(2), 480-486.

Sharma, V. K., Chandna, P., & Bhardwaj, A. (2017). Green supply chain management related performance indicators in agro industry: A review. *Journal of Cleaner Production*, *141*, 1194-1208.

Terziev, V., & Arabska, E. (2016). Sustainable rural development through organic production and community-supported agriculture in Bulgaria. *Bulgarian Journal of Agricultural Science*, 22(4), 527-535.

Tudisca, S., Di Trapani, A. M., Sgroi, F., Squatrito, R., & Testa, R. (2015). Profitability of small loquat farms in Sicily. *Acta Horticulturae*, (1092), 37-40.

Vázquez-Barquero, A. (2010). *The new forces of development: Territorial policy for endogenous development*, 266 pp.

Zarbà, A. S., Di Vita, G., & Pecorino, B. (2015). Business performance in the ornamental plants industry: A supply chain approach. *Calitatea*, *16*(S1), 9-16.

Zarba, A. S., Muratore, F., & Allegra, V. (2017). Sustainable management strategies. The intensive organic horticulture in Sicily. *Quality-Access to Success*, *18*: 478-484.

Federazione Italiana dell'Industria Alimentare, http://www.federalimentare.it/

Istat, Censimento dell'agricoltura 2017, https://www.istat.it/it/censimento-agricoltura