UNES SUPERMARKETS E IL VIAGGIATOR GOLOSO: BUILDING A BRAND[1,2]

"When you are certain about something,
it is advisable to look at it from a different perspective."

Extract from *L´attimo fuggente/Dead Poets Society.*

INTRODUCTION

From his office in Via dell'Industria in Vimodrone, Milan, Mario Gasbarrino, CEO of Unes Group, gazed proudly at the results achieved since he had taken charge of the company in 2006.

There was no doubt that by "*listening to the market*" he had bet heavily on breaking from the apathy in which the supermarket chain had been immersed during the 2004-2006 period. The transformation of the UNES format into U2 ("*a supermarket against the tide*") and the revamping of the private brand il Viaggiator Goloso (VG, "*gratifying in difficult times*") had enabled him to revitalize the business and turn it around, multiplying its EBIT by 24 and increasing its turnover by 82%, thus bringing sales closer to the "*magic*" figure of 1 billion EUR.

Currently, his concerns and considerations focused on Il Viaggiator Goloso, a *"premium private label at an affordable price"* that had proven its strength in every single test it

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[1] Case of the Research Division of San Telmo Business School, Spain. Prepared by Professor Julio Audicana Arcas in collaboration with research assistant José Andrade Nuñez. This case has been developed as a basis for class discussion only and is not intended to illustrate any judgment on the effective or ineffective management of a specific situation.
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[2] The information and content of this case are the result of interviews with UNES' management: Mario Gasbarrino (Managing Director), Giuseppe Motta (Controller), Gian Maria Gentile (Director of the Digital Area), Rosella Brena (Marketing and Sales Director), Roberto Comolli (Purchasing Director of UNES), and Gabrielle Nicotra (Purchasing Director of IPER); from the book "*Retail Marketing Trends, dallo shopper marketing to digital branding,*" by Sebastiano Grandi, and the AECOC C84 article "*Shopping in Milan*" by Jesús Pérez.

had been put to, leading him to think that he had a *"diamond in the rough"* in his hands, a brand that could surpass the very store chain. He was not sure that he could exploit the brand's full potential with only his expertise as a retailer: *what would be the lifespan of the initiatives taken with VG? What other initiatives ("crazy ideas") could we come up with? (...) and more importantly, will all this be enough to survive in a competitive environment gripped by low-cost operators and the incipient arrival of e-commerce to the consumer food industry?*

UNES: INCEPTION AND DECLINE

In 1974, Marco Brunelli inaugurated the first hypermarket in Italy, in the province of Pavia. Thus begins the history of the Iper hypermarkets, of the Finiper group (see Exhibit 1: Iper locations in Italy). Iper's values are the Italian identity of its products, the popularization of quality, convenience, food safety, innovation, and continued investment in employee training. In keeping with its philosophy of innovation, Finiper opened the first Italian shopping center in Cremona ten years later, in 1985. The group as it is today is the result of numerous openings, acquisitions, and alliances. Among these, the one it had with Carrefour between 1997 and 2010 is noteworthy, and there is still a shared premium private label (Terre d'Italia) available in the Group's hypermarket chain.

Meanwhile, UNES group was born in Milan in 1967 as the result of the merger of seven small Milanese retailers who sought to develop a network of small-scale outlets with a focus on convenience, a very novel approach for the time: establishments that combined quality, assortment, and proximity.

In 2002, Finiper acquired UNES, which was established mainly in the regions of Lombardy, Piedmont, and Emilia. In this way, Finiper ensured specific synergies that enabled the company to face the development of the Italian large retail. UNES experienced a period of growth until 2004 when the Italian consumer market showed signs of stagnation and reversed this upward trend decreasing by 6% in 2004 and by 7% in 2005.

Throughout those years, the market showed clear signs of maturity and weakness. The progressive decline in the purchasing power of families meant that the monthly budget allocated to food products was reduced to less than half. The increase in interest rates and a growing climate of distrust led household debt to soar. The crisis also dented the country's demographics. The population was aging, and single-parent families and couples with an only child became more common leading to changes in lifestyle and the destructuration of meals.

Regarding the retail sector, there was an excess supply at the point of sale and innovation was clearly declining in all the links of the chain. The lack of product differentiation on shelves and between different stores was turning shopping into a dull and routine motion.

"A change was necessary... a radical change. We sensed that the dualism between convenience/discount, quality/price, etc. could no longer coexist. It was clear that we needed to develop a new model to integrate these concepts and spare consumers the need to visit several stores to fill their carts." Inspired by a trip to Spain, and specifically by the Mercadona model, the new CEO defined his dream as a business model that would combine *"low cost and high value."*

U2: A SUPERMARKET AGAINST THE TIDE

At the end of 2006, a new concept, hybrid of a supermarket and a discount store, was born in Urgnano (Bergamo) with two clearly defined goals: (i) meet new consumer habits and trends (*"less time, less money, and more concern for the environment"*) and (ii) make it possible for customers to do their shopping in one single location.

In this way, based on the motto *"help me save money but don't make me feel poor"* (*"fammi risparmiare, ma non farmi sentire povero"*), UNES designed and implemented a new business model that aims to prevent consumers from dividing their budget between discount stores for commodity products and supermarkets for produce and brand products.

To achieve these goals, changes needed to be made, and the new concept had to be furbished up with its own personality and DNA. It was named *"U2: a supermarket against the tide"*, and it brought to Italy the American formula of *"Every Day Low Prices"* (from now on, EDLP) whose philosophy was to eliminate the superfluous and make way for the essential. This enabled the company to offer low prices in a stable and transparent way, steering away from the traditional formula of sales promotions (*"the drug of the modern retail..."*). *"In our opinion, this new formula allowed us to gain consumers' confidence and avoid the waste caused by consumers buying more than they needed, encouraged by the low prices."*

Noteworthy measures in this redefinition included: the elimination of the loyalty card (point systems and price catalogs); revamping the store's brand image; the simplification of product labels and the replacement of plastic price-holders for aluminum price-holders; reducing the product range by 20% (eliminating followers[3]); removing sweets at the cashier desk shelves and replacing them with healthy products and products referenced in studies of the University of Parma; an increased prominence of the private label; and the confrontation of the U! brand (conceived to prevent clients from fleeing to discount stores) vs. the dominant brands in each category.

The layout of the produce area was redesigned in a space whose floor and structure was reminiscent of a *"typical food market,"* prioritizing product visibility and enhancing the experience of shopping for fruit, bread, meat, and fish.

[3] Products that copy the leader in their category.