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Chair of Management

**“Blue Ocean Strategy and New Business Models
in the Food Industry: The Eataly Case”**

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*I would like to express my heartfelt indebtedness to my parents
for always allowing me to realize my own potential.*

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ABSTRACT

Purpose: Aim of this dissertation is to investigate whether Eataly, the largest wine and food marketplace of the world, entered a Blue Ocean via Business Model Innovation.

Methodology/Approach: In the first part of this study, an extensive literary review is presented, solely focused on Blue Ocean Strategy and Business Model Innovation. Subsequently, after an overview of the main dynamics of competition present in the creative food industry, this dissertation adopts a case-study approach centered on Eataly. In particular, in order to systematically examine whether the company outstripped competition, the thesis follows both a theoretical and an empirical approach. Indeed, both theoretical - i.e. Strategy Canvas, Business Model Canvas...- and empirical tools - i.e. an interview and a questionnaire- have been applied.

Findings: Recently, food distribution players, i.e. supermarkets and food boutiques, have been competing in a scenario that may be undoubtedly regarded as “bloody red”. In this background, a new retail concept was born, globally known as Eataly, which combines seemingly opposite and distant concepts in an atmosphere ruled by a distinctive soul- “Eat, Buy, Learn”-. Hence, being perceived as unique and innovative by the demand side, and complementary by participants in the market, Eataly successfully formulated a number of Blue Ocean strategic moves, which radically reinvented the business model of supermarkets.

Originality/Value: This dissertation, in contrast to a number of previous studies, aims to investigate Eataly’s Business Model Innovation by applying Kim and Mauborgne’s Blue Ocean approach, therefore giving a scientific contribution to the already existing literature regarding this company.

Limitations/Further Studies: The study is limited to the Italian market, hence it would be curious in the future to similarly analyze Eataly by applying a global perspective. Moreover, since the questionnaire scored a total of 106 respondents, prevalently aged between 18-25 yrs., in the future to address the form to a larger and mature audience may further test the results.

Keywords: Blue Ocean Strategy; Business Model Innovation; Food Retail; Eataly

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*“The only way to beat
the competition is to stop trying
to beat the competition”
- W. Chan Kim-*

Introduction

The business scenario has become particularly challenging and unpredictable over the past decades. A large number of industries have turned into overcrowded sectors, and, in order to stand apart in these matured markets, managers are required to be dynamic and creative through the development of a successful value-oriented strategy.

To fight the competition is not enough anymore; what companies have to do is to radically outstrip competitors, to make them irrelevant, by possibly developing and implementing a Value Innovation strategy, leading to pursue an uncontested marketplace- usually called as Blue Ocean-.

In the scenario of a bloody red and rivalry-oriented food industry, around eight years ago, the largest wine and food market of the world, globally known as Eataly, opened its doors to the public, becoming immediately the subject-matter of countless articles and research papers. The grounds are to be found in the fascinating Business Model innovation the company achieved, and that projects it to be defined as a particularly uncommon and positively contradictory reinvention of the supermarkets.

This dissertation is exclusively focused on Eataly and it aims at answering the following research question:

- Has the Italian food ambassador created a value-oriented strategy that, by means of a revolutionary business model, permitted it to jump in a Blue Ocean marketplace?

In order to provide a clear and systematic pattern to answer the above stated research question, the present essay has been divided into four parts.

Part I extensively deals with the exposition of the theoretical background, needed to gain a comprehensive academic knowledge of the subject-matter this dissertation is based on. In particular, Chapter 1 provides the reader with the necessary knowledge regarding Kim and Mauborgne's Blue Ocean Strategy. The definition, the fundamental tools and frameworks, and the main insights are extensively introduced as they will be further applied in the case-study section of this thesis. For the same purpose, Chapter 2 is primarily devoted to expose the concept of Business Model, along with the Osterwalder's Business Model Canvas and the imperative Business Model Innovation.

Part 2, instead, is primarily centered on giving an insight- both from a supply and a demand side- regarding the main mechanisms present in the Italian large-scale food distribution sector. In details, Chapter 3 deals with exposing the main dynamics and trends that caused the main changes in the industry, along with an extensive analysis of the rivalry and main leaders operating in it. Chapter 4, instead, is focused on shaping the profile of a new typology of consumer to whom this sector is supposed to refer in order to retain high margins.

For what concerns Part 3, it is exclusively focused on Eataly and on investigating whether or not it jumped into an uncontested marketplace through the innovation of the Business Model. Indeed, Chapter 5 provides the reader with a deep insight regarding the company: the idea behind the project, its genesis and the explanation of the main variables and mechanisms that permitted to Eataly to be the innovative business formula it is today.

Chapter 6, on the contrary, adopts the Blue Ocean Strategy Canvas to dig into the hypothesis that Eataly entered a Blue Ocean market. Subsequently, through the creation of the corporate Business Model Canvas, this section exposes the main changes that led the company to pursue and achieve a Business Model Innovation.

Finally, Part 4 is called "Empirical Research" and its main purpose is, indeed, to test empirically the conclusions derived in Part 3, which served to answer the research question. In particular, Chapter 7 is based on the verbatim transcription of

an interview, addressed to the kind Fiorella Palmieri, manager of Eataly Press Office in Rome, which provides precious insight regarding the company dynamics, and how it perceives itself respect to the market.

Chapter 8, on the contrary, exposes the main results and findings, deriving from a questionnaire, distributed to 106 respondents, and whose purpose is to test the customers' perception of the Eataly business formula.

Part I: Theoretical Perspective

Chapter 1: Blue Ocean Strategy

The following Section deals with the concept conceived and developed by the two INSEAD management gurus W. Chan Kim and Renée Mauborgne- namely, Blue Ocean Strategy-. The Chapter opens by providing the reader with an introductory framework that is concerned with the unique characteristics shaping the current business scenario as well as a concise book summary.

After having dealt with the Blue Ocean metaphor as well as having clarified the concept of Value Innovation, the Chapter moves on by describing the basic analytical tools and frameworks that characterize the Blue Ocean Strategy. Finally, the Blue Ocean Paradox is discussed.

1.1 Introduction

In last decades, business scenario has become challenging and unpredictable (Porter M. E., 1996). Improvements in the technology field have enhanced labor force productivity, permitting suppliers to produce an extended range of products and services (Kim & Mauborgne, 2004). The Globalization phenomenon has reduced trade barriers across Countries and consequently information on products and prices turns out to be immediately and globally available (Kim & Mauborgne, 2004). At the same time, the current market status is dominated by a stagnant demand that, in turn, generates a condition of excess supply in an increasing number of industry sectors (Kim & Mauborgne, 2005).

In this context of uncertainty and challenges, executives are required to adopt a versatile and prompt mindset in order to react rapidly to competitive and market reality (Ibid). Indeed, the key to success is to act decisively when the time is right and to create new market opportunities by attracting new customers (Bryan, 2009).

Innovation in value along with the capability to formulate and develop an innovation strategy has become an imperative of today's business climate (Favaro, 2015).

Due to the above mentioned factors that are causing a change in the rules governing the competition game, numerous scholars and executives have begun to search for a strategic approach that may be regarded as more dynamic than Harvard Professor Michael Porter's static "Five Forces" (Murray, 2010).¹

One of the most successful efforts to do so is found in the pioneering book "Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant", published in 2005 by W. Chan Kim and Renee Mauborgne (Murray, 2010). This book is the result of a comprehensive empirical study based on the analysis and discussion of 150 strategic moves covering more than a hundred years and thirty industries.

By basically constructing a *fil rouge* across the strategic tactics in analysis, the two INSEAD management gurus² demonstrate how head-to-head competition is cutthroat, resulting in nothing but a bloody "red ocean" where rivals fight over shrinking profits (Kim & Mauborgne, 2005). According to their viewpoint, success comes not from benchmarking and battling competitors, but rather from making the competition irrelevant by creating "blue oceans" of uncontested market space (Ibid.).

Blue Ocean Strategy is generally considered as a radical departure from Porter's static and rivalry-centered approach to strategy (Leavy, 2005). In fact, for most of the last quarter century, the central focus of the strategy field has been upon searching for sustainable competitive advantage over competitors (Leavy, 2005). Nowadays, since the publication of Kim & Mauborgne's book, leading gurus have started encouraging giving relevance to customers- not rivals- in the game of competition and trying to develop new value propositions able to revolutionize existing market space and create new ones- Blue Oceans - (Ibid.).

¹ Please refer to the article "The Five Competitive Forces that shape strategy" by M. Porter; Harvard Business Review (January 2008), to gather further information about the concept (Porter M. , 2008).

² W. Chan Kim and Renée Mauborgne.

1.2 Blue and Red Oceans

To introduce with consistency and coherence the basic tools and frameworks Kim and Mauborgne encompassed in the explanation of Blue Ocean Strategy (BOS), it is important to first gain an insight concerning the metaphorical meaning of either notions “blue oceans” and “red oceans”.

Although the name "Blue Ocean Strategy" was first introduced in the Harvard Business Review article published in October 2004, the authors of the pioneering work claim that blue oceans have always existed around us (Kim & Mauborgne, 2005)³.

In particular, the Blue Ocean metaphor symbolizes all the industries not yet in existence today- the so-called unknown market space- (Kim & Mauborgne, 2005). It is characterized by factors like uncontested market space, demand creation as well as opportunity for long-term highly profitable growth (Kim & Mauborgne, 2004). Red Oceans, in contrast, is a metaphor adopted to represent all the existing industries – commonly referred to as the known market space- (Kim & Mauborgne, 2005). It represents a scenario where companies strive to outperform rivals in order to grab a superior share of existing demand (Kim & Mauborgne, 2005). As competition in the known market space rises, predictions for profits and growth tend to diminish gradually (ibid.). As a result, products are regarded as commodities and fierce rivalry turns the ocean into bloody red (ibid.).

Figure 1.1 summarizes the key factors of difference between the two opposing market contexts- Red vs. Blue ocean strategy-.

³ For further reading, refer to Kim, W. C., & Mauborgne, R. (2004, October). Blue Ocean Strategy. *Harvard Business Review*. 76-85

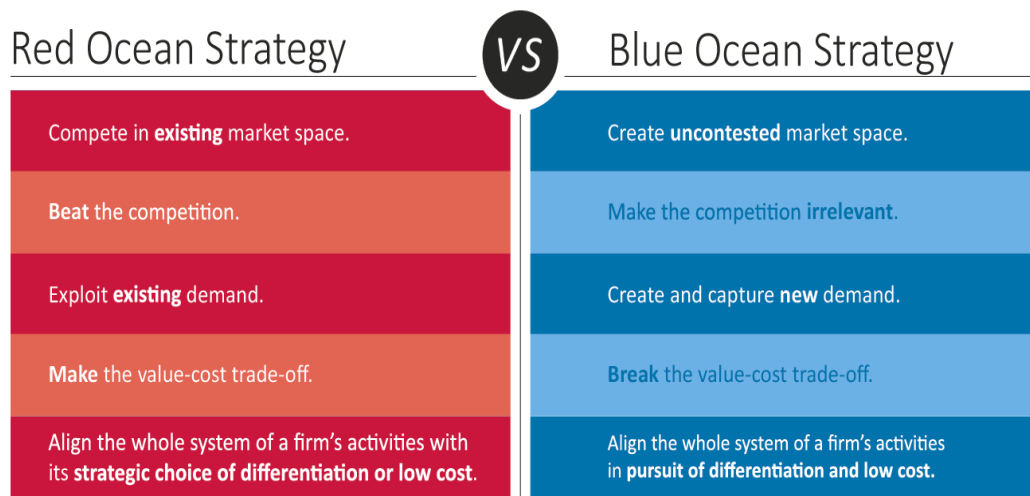


Figure 1 : “Red vs. Blue Ocean Strategy” (Blue Ocean Strategy, 2015)

Therefore, what splits and thus distinguishes winners from losers in the process of Blue Oceans is their attitude to strategy (Leavy, 2005). In fact, as previously mentioned, creators of blue oceans do not benchmark rivals, but rather adopt a different strategic logic usually called “Value Innovation” (Kim & Mauborgne, 2005).

1.3 Value Innovation

Value innovation (See Figure 1.2) is deemed to be the cornerstone of Blue Ocean Strategy and the two authors define it as “the simultaneous pursuit of differentiation and low cost, creating a leap in value for both buyers and the company” (Kim & Mauborgne, 2005).

The dominant tenet of the notion consists on the importance for organizations to place equal emphasis on both value and innovation (ibid.). Why? Once companies seek to create value for the products or services offered – without innovation –, value to customers may increase, but the company is not likely to stand out in the marketplace and it is regularly misdirected (Berg, 2011). On the other hand,

innovation alone is often too futuristic, and technology driven (ibid.). It generally fails to meet consumers' needs, and it completely bypasses them (ibid.). Therefore, it is only possible when both buyer's value and innovation are aligned that companies generate long-term high-profit margins (Kim & Mauborgne, 2005).

Value Innovation imposes barriers to imitation in the marketplace (Kim & Mauborgne, 2005). More precisely, to create a value-innovating strategy sets companies in a status of scale economy production function. Therefore, while these organizations are placed in a long-term position of cost advantage, potential imitators are situated in a less-favorable context of cost disadvantage (Ibid).

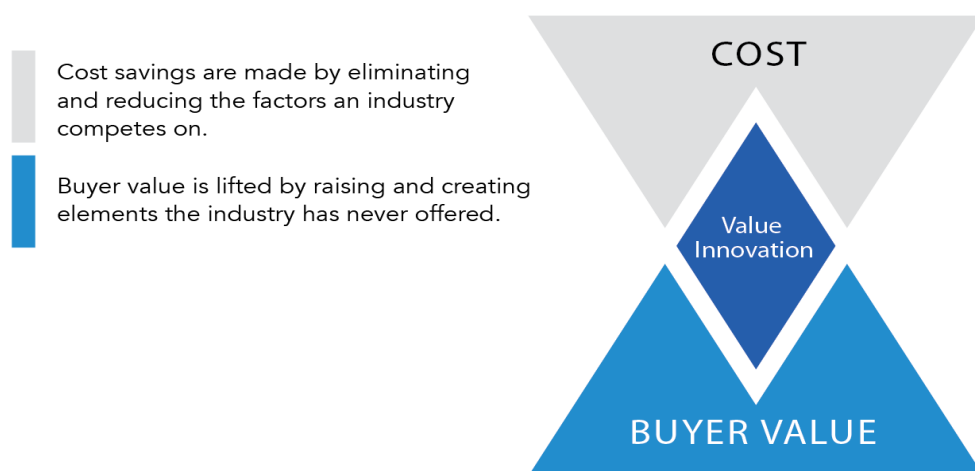


Figure 2 “Value Innovation” (Blue Ocean Strategy, 2015)

The path leading to the pursuit of Value Innovation requires managers to develop a different competitive mindset and a methodical way of seeking opportunities (Kim & Mauborgne, 2004). In particular, instead of searching within the conventional boundaries of industry competition, leaders may look systematically across those boundaries to discover unoccupied territory that can contribute to a real

innovation in value (ibid.).

Conventional strategic logic and the logic of value innovation diverge along the five critical dimensions of strategy (See Figure 1.3 “Two Strategic Logics”). Those differences determine which questions managers raise, what opportunities they recognize and follow, and how they perceive risk (Kim & Mauborgne, 2004).

Two Strategic Logics		
The Five Dimensions of Strategy	Conventional Logic	Value Innovation Logic
Industry Assumptions	Industry's conditions are given	Industry's conditions can be shaped
Strategic Focus	A company should build competitive advantages. The aim is to beat the competition	Competition is not the benchmark. A company should pursue a quantum leap in value to dominate the market.
Customers	A company should retain and expand its customer base through further segmentation and customization. It should focus on differences in what customers value.	A value innovator targets the mass of buyers and willingly lets some existing customers go. It focuses on the key commonalities in what customers value.
Assets and Capabilities	A company should leverage its existing assets and capabilities.	A company must not be constrained by what it already has. It must ask, what would we do if we were starting anew?
Product and Service Offerings	An industry's traditional boundaries the products and services a company offers. The goal is to maximize the value of those offerings.	A value innovator thinks in terms of the total solution customers seek, even if this takes the company beyond its industry's traditional offerings.

Figure 3 “Two Strategic Logics” (Kim & Mauborgne, 2004)

1.4 Blue Ocean Strategy: Main Tools and Frameworks

Kim and Mauborgne presented a number of practical tools, methodologies, and frameworks in order to formulate and execute Blue Ocean strategies as well as to guide organizations toward the pursuit of value innovation. In this way, the two co-authors turned the Blue Ocean Strategy into a process that may be deemed to be systematic and repeatable.

The Strategy Canvas

The Strategy Canvas is a visual diagnostic and action framework adopted by companies to conceive a value-innovating Blue Ocean Strategy (Kim & Mauborgne, 2005).

Figure 1.4 describes the tool in graphic form. More precisely, the horizontal axis lists the range of factors that the industry competes with and invests in- the industry structure from the market perspective-; while the vertical axis shows the offering level the company proposes to buyers with respect to each competing factor included in the horizontal axis (Kim & Mauborgne, 2005). In particular, a high offering level may be regarded as consistent investments the company makes in order to offer buyers more with respect to the corresponding competing factor (Kim & Mauborgne, 2005).

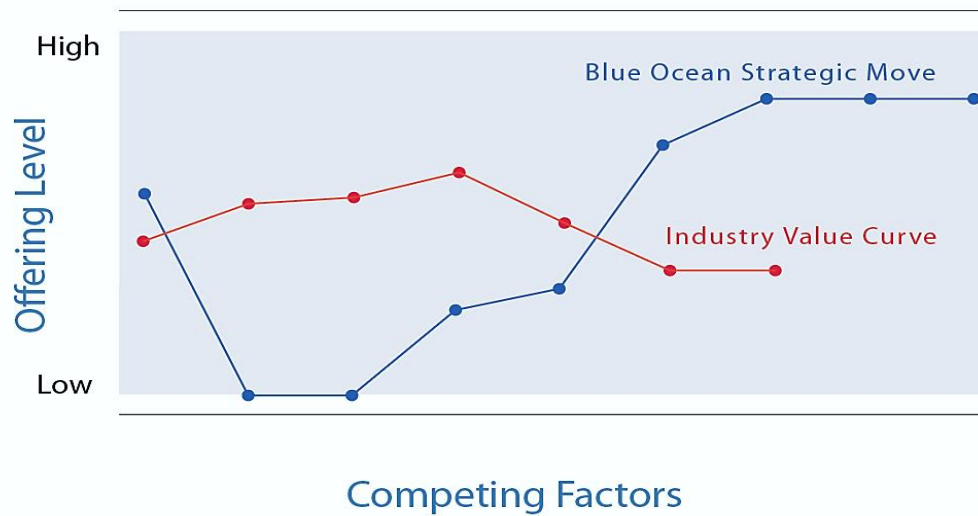


Figure 4 “Strategy Canvas”Source: (Blue Ocean Strategy, 2015)

The Strategy Canvas is meant to serve a two-fold purpose. In primary instance, it individualizes the present state of play in the known market space, so that users can understand the factors that the industry competes on and where rivals invest in (Blue Ocean Strategy, 2015). Secondly, it serves to reorient users’ strategic focus for action by shifting attention from competitors to alternatives and from customers to noncustomers of the industry (ibid.).

The value curve- the lines in Figure 1.4- is the basic component of the Strategy Canvas and it is a graphic depiction of a company’s relative performance across its industry’s factors of competition (Kim & Mauborgne, 2005). A solid value curve is expected to embrace the three complementary qualities that generally define an effective strategy: focus, divergence as well as a convincing tagline (Kim & Mauborgne, 2005).

The Four Actions Framework

Organizations make use of the Four Actions Framework to restructure buyers’ value components in shaping a new value curve (Blue Ocean Strategy, 2015).

To end the “either-or” trade-off between differentiation and low-cost and to create a new value curve, the framework presents four key questions- as displayed in Figure 1.5- to challenge the strategic logic an industry is lodged in (Blue Ocean Strategy, 2015).

The Four Actions Framework is a tool strictly related to the Strategy Canvas. In fact, it would not be possible to consistently build a value curve without first answering appropriately to the four questions posed by the tool.

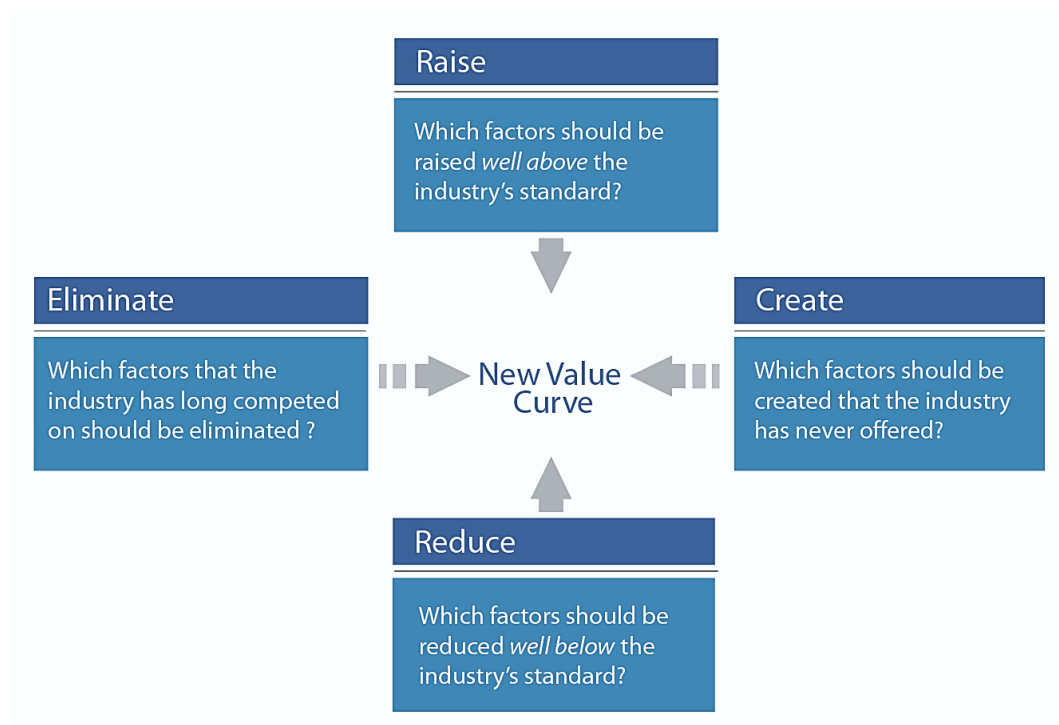


Figure 5 “The Four Actions Framework” (Blue Ocean Strategy, 2015)

The ERRC Grid

The Eliminate-Reduce-Raise-Create (ERRC) Grid serves as complementary elements of the Four Actions Framework. In particular, it pushes companies not only to examine the questions involved in the Four Actions Framework but also to act on

them to build a new value curve, which is indispensable to unlock a new blue ocean (Kim & Mauborgne, 2005).

By driving companies to fill in the grid (See Figure 1.6) with the actions of eliminating and reducing along with raising and creating, the grid gives companies numerous benefits. First of all, it pushes organizations to simultaneously pursue differentiation and low cost to achieve value innovation (Blue Ocean Strategy, 2015). Secondly, it immediately marks companies focusing only on raising and creating, thereby which are used to only lift the cost structure as well as over-engineer products and services – a dilemma for many organizations (Blue Ocean Strategy, 2015).

Moreover, it is a tool easy to understand by executives, creating a high degree of engagement in its application (ibid.). Finally, as completing the grid is a puzzling task, it drives companies to systematically scrutinize each factor the industry competes with, helping them to discover the range of implicit assumptions they make unconsciously in competing (Blue Ocean Strategy, 2015).

Eliminate	Raise
Which factors that the industry has long competed on should be eliminated ?	Which factors should be raised well above the industry's standard?
Reduce	Create
Which factors should be reduced well below the industry's standard?	Which factors should be created that the industry has never offered?

Figure 6 “The ERRC Grid” (Blue Ocean Strategy, 2015)

Six Paths Framework

The Six Paths Framework permits to managers to address the search risk many companies struggle with. In particular, this tool enables them to successfully create compelling blue oceans by reconstructing market boundaries (Kim & Mauborgne, 2005).

There are six basic approaches to restructure market boundaries. In particular, these approaches overturn the six fundamental assumptions underlying many companies' strategies which keep them stuck in red oceans (Kim & Mauborgne, 2005).

In short, the scope of the Six Paths Framework is to help managers to look beyond the head-to-head competition boundaries in order to create blue oceans (ibid.). In this regards, Figure 1.7 outlines these six basic assumptions and the path managers may follow to break away from head-to-head competition towards blue ocean creation.

	Head-to-Head Competition	Blue Ocean Creation
Industry	Focuses on rivals within its industry	Looks across alternative industries
Strategic Group	Focuses on competitive position within strategic group	Looks across strategic groups within industry
Buyer Group	Focuses on better serving the buyer group	Redefines the industry buyer group
Scope of Product or Service Offering	Focuses on maximizing the value of product and service offerings within the bounds of its industry	Looks across to complementary product and service offerings
Functional-emotional Orientation	Focuses on improving the price performance within the functional-emotional orientation of its industry	Rethinks the functional-emotional orientation of its industry
Time	Focuses on adapting to external trends as they occur	Participates in shaping external trends over time

Figure 7 “Six Paths” (Blue Ocean Strategy, 2015)

To conclude, the six paths have general applicability across industry sectors. As Kim and Mauborgne (2005) claim, none of the paths requires special vision or predictions regarding the future as all are based on looking at familiar data from a new perspective.

1.5 Blue Ocean Strategy Paradox

Blue Ocean Strategy Paradox is centered on the fact that most companies seem stuck in their red oceans (Kim & Mauborgne, Blue Ocean Strategy, 2004). In this regard, Kim and Mauborgne conducted a study of business launches in 108 companies and the outcome disclosed that 86% of the sample participants were line extensions and merely the 14% was aimed at creating new markets or industries. As reported by the two management gurus in the article “Blue Ocean Strategy” (2004), while line extensions capture 62% of total proceeds, they contributed to only 39% of total profits. By contrast, the 14% invested in generating new markets and industries delivered 38% of total revenues and an unexpected 61% of total profits.

Therefore, a paradoxical dramatic imbalance in favor of red oceans has been identified. This phenomenon may be partially explained by the fact that corporate strategy is influenced by its heritages in military strategy (Kim & Mauborgne, Blue Ocean Strategy, 2004). The language of strategy is filled with military references—chief executive “officers” in “headquarters,” “troops” on the “front lines.” (Kim & Mauborgne, Blue Ocean Strategy, 2004). Designated this way, strategy is all about head-to-head competition as well as about confronting an opponent and driving him off the battlefield (*ibid.*).

Blue ocean strategy, as explained in Section 1.2, is about doing business where there is no rivalry.

Focusing on the red ocean therefore means accepting the key constraining factors of the war- to defeat a rival to succeed in a limited terrain (Kim & Mauborgne, Blue Ocean Strategy, 2004). And it means denying the distinctive strength of the business world—the capacity to create new market space that is uncontested (*ibid.*).

Despite what may be realized from their publications, Kim and Mauborgne have never denied the importance of competition in business. What they say is that scholars, leaders, and consultants have focused excessively on rivalry thereby ignoring two far more lucrative aspects of strategy: to find and develop uncontested market space-blue oceans-and the other is to exploit and protect blue oceans (Kim & Mauborgne, Blue Ocean Strategy, 2004).

In conclusion, the challenges imposed by Kim and Mauborgne's Blue Ocean Strategy are radically different from those to which strategists have devoted most of their attention. While the competitive strategy would advise companies to enter attractive industries and avoid unattractive ones, blue oceans may be generated in any industries regardless their nature, attractiveness, and degree of rivalry (Kim & Mauborgne, Blue Ocean Strategy, 2004).

Chapter 2: The Business Model

This Chapter is concerned with the notion of the Business Model. In particular, it opens by clarifying the controversial definition of the concept and by providing an introductory historical background to explain the controversies rose to give a systematic delineation of it.

Next, the process of Business Model Innovation is discussed relating to the rising importance of executing it in order to cope with the turbulent present business environment.

Finally, the Section deals with a part dedicated to the description of the Business Model Canvas and regarded as an essential tool to execute the Business Model Innovation. It concludes by creating a link with Chapter 1- Blue Ocean Strategy-. In fact, the conclusion paragraph sheds light on the existing complementarity between the Business Model Canvas and Kim and Mauborgne's Value Innovation when a blue ocean is about to be created.

2.1 Definitions

In recent years, the business model has been the focus of substantial attention from both academics and practitioners (Christoph Zott, 2011). However, while the concept has become a buzzword starting especially in the dotcom era, there is still substantial divergence of views among scholars and consultants as to its meaning (Osterwalder, Pigneur, & Clark, Business model generation: A handbook for visionaries, game changers, and challengers, 2010).

It was in the early 1970s, when the term business model first appeared as an economic keyword (Ghaziani & Ventresca, 2005). Between 1975 and 1994, there were 166 articles that cited the word, while 1,563 articles referred to it in the period 1995-2000 (ibid.).

While the literature has provided different interpretations and definitions of a business model, when Clark and Pigneur published the book "Business Model

Generation” they succeeded in formulating a fairly concrete definition of the notion (2010). In fact, the authors claim that “the business model describes the rationale concerning how an organization creates, delivers and capture value for its customers”.

In short, a business model describes the design or architecture of the value creation, delivery and capture mechanisms employed (Teece, 2010).

Despite the overall uncertainty for what concerns the creation of a formal definition of the concept, the increasing attention scholars and strategic organizations give to the notion of a business model is due to the direct and concrete implications the concept has on business daily activities. In particular, the business model has become- implicitly or explicitly- a new unit of analysis for what concerns the study of business and organizations performance (Boccardelli, 2011).

2.2 Business Model Innovation

Business Model Innovation (BMI) refers to the process a company undertakes centered to reinvent two or more elements of the organization’s business model in order to deliver value to customers in a new way (Lindgardt, Reeves, Stalk, & Deimler, 2009). As it involves a multilevel and systematic set of activities, BMI is extremely challenging to execute as well as difficult to imitate (ibid.).

However, it is important organizations do not confuse BMI with product, service, or technology innovations (Lindgardt, Reeves, Stalk, & Deimler, 2009). It is an aspect to bear in mind as to misunderstand the difference between the two typologies of innovation may deceive companies by pulling them away from success (ibid.).

Business Model Innovation is particularly valuable in times of uncertainty as it may help companies in numerous ways (Lindgardt, Reeves, Stalk, & Deimler, 2009). For example, it can provide organizations a way to outstrip intense rivalry- a condition under which either product or process innovations do not help as competitors’ strategies have converged, and sustained advantage has turned out to be

vague (Lindgardt, Reeves, Stalk, & Deimler, 2009).

BMI may also help to address regulatory or technological disruptions that demand radically new competitive attitudes (ibid.). Moreover, it may be a fundamental solution in situations of economic slowdowns. In fact, BMI may help organizations to address down-turn specific requirements- i.e. to lower prices or to reduce risks and costs for customers (Lindgardt, Reeves, Stalk, & Deimler, 2009).

Therefore, it is a dynamic process that requires a superior prudence *ex ante* as well as an organizational willingness to experiment, to make mistakes, and to continuously adapt itself *ex post* (Chesbrough, 2010). For this reason, BMI may be a more challenging process than product/service innovation, but it also delivers long-term superior returns (Lindgardt, Reeves, Stalk, & Deimler, 2009).

The Boston Consulting Group and Businessweek conducted a survey upon company innovation. They analyzed their sample and split companies into BMI adopters and product/service innovators. The analysis showed that while both companies achieve higher margins by innovation, companies adopting BMI resulted into four times bigger premiums and a long-lasting superior return condition (See Figure 2.1)

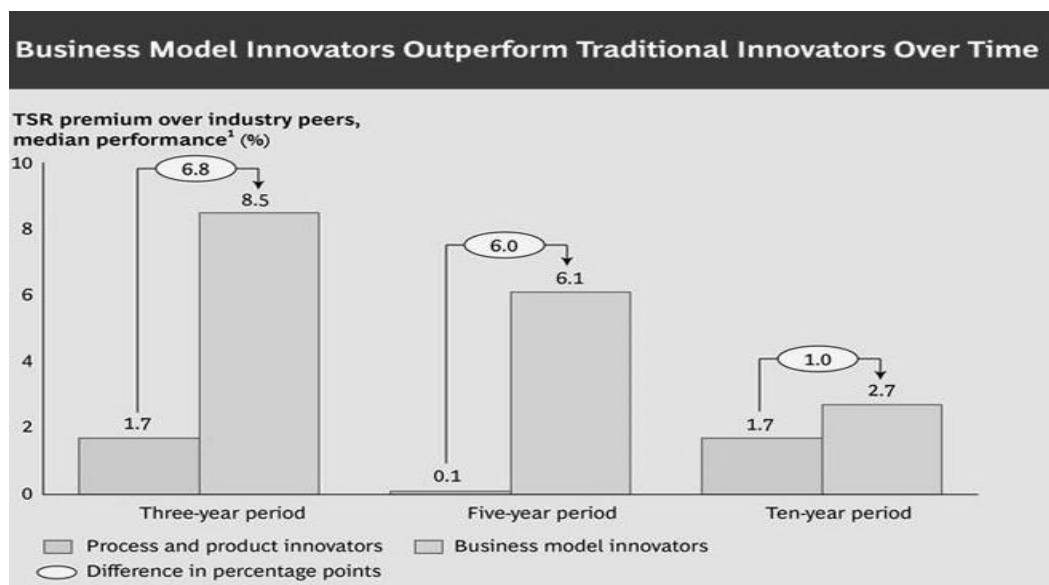


Figure 8 “Business Model Innovators outperform traditional innovators over time”
Source: BusinessWeek/BCG Innovation Survey, 2008 BCG Value Science Analysis

In conclusion, in times of instability businesses are continually challenged and they have to constantly face with competitive hurdles.

Business Model Innovation may be achieved through the restructuring process of the Business Model Canvas and it is the key to success when companies front the need “to change the game, when the game gets tough” (Lindgardt, Reeves, Stalk, & Deimler, 2009).

2.3 Business Model Canvas

The Business Model Canvas (See Figure 2.2), developed and described by Osterwalder and Pigneur (2010), is a visual strategic tool that allows to depict a company business model.

It is made up of nine building blocks covering the four main areas of a business: customers, offer, infrastructure and financial stability. In particular, each building block contains a range of hypothesis regarding the business nature or purpose to be tested in order to finally elaborate, discuss, design, and invent new business models (Osterwalder, A Better Way to Think About Your Business Model).

The Business Model Canvas captures all the elements contributing to the organizational efficiency on the left-hand side, while on the right-hand side, it includes a comprehensive disposition of factors contributing to the value-creation. For what concerns the company value proposition, it is allocated in the central section of the Business Model Canvas and it may be regarded as a compelling fusion of the left-hand and right-hand side.

The nine building blocks⁴:

1) Customer Segment

The Building Block referring to Customer Segments outlines the set of clients that a company intends to approach and serve.

2) Value Proposition

This Building Block refers to the set of products and services that generate value for a precise customer segment.

Value Proposition is the motive behind the buyer's decision to select the company. In fact, it is aimed to solve problems or to satisfy a need belonging to target clients.

In short, it consists of a set of selected products/services that are regarded as benefits that the company offers to its customers.

Value offers may be either innovative and pioneering or similar to the existing value proposition but with some peculiar traits.

3) Channels

The Channels Building Block defines the mechanisms through which an enterprise reaches Target Clients to deliver a Value Proposition.

Channels involve a number of distinct stages and every channel can comprise in part or completely these phases.

Moreover, it is possible to make a distinction between direct Channels and indirect ones, as well as between owned and partner Channels.

⁴ The description of the Nine Building Blocks has been re-adapted by referring at Osterwalder and Pigneur's book "Business Model Generation" (Osterwalder & Pigneur, 2009)

4) Customer Relationships

The Customer Relationships Building Block summarizes and clusters the ranges of relations a corporation establishes with restricted Clients Segments.

5) Revenues Streams

The Revenue Streams Building Block represents how a company generates revenues from the sales accrued by the purchases of each Customer Segment. It is important to highlight that costs must be subtracted from revenues to create earnings.

6) Key Resources

The Key Resources Building Block comprises the essential assets the company needs to have a good-functioning business model.

7) Key Activities

The Key Activities Building Block lists the fundamental actions required by an organization to make the business model work.

8) Key Partnerships

This Building Block highlights the network of partners and suppliers a business established to create a working business model.

9) Cost Structure

The cost Structure Building Block simply clarifies the types of costs a company incurred in to make the business model work.

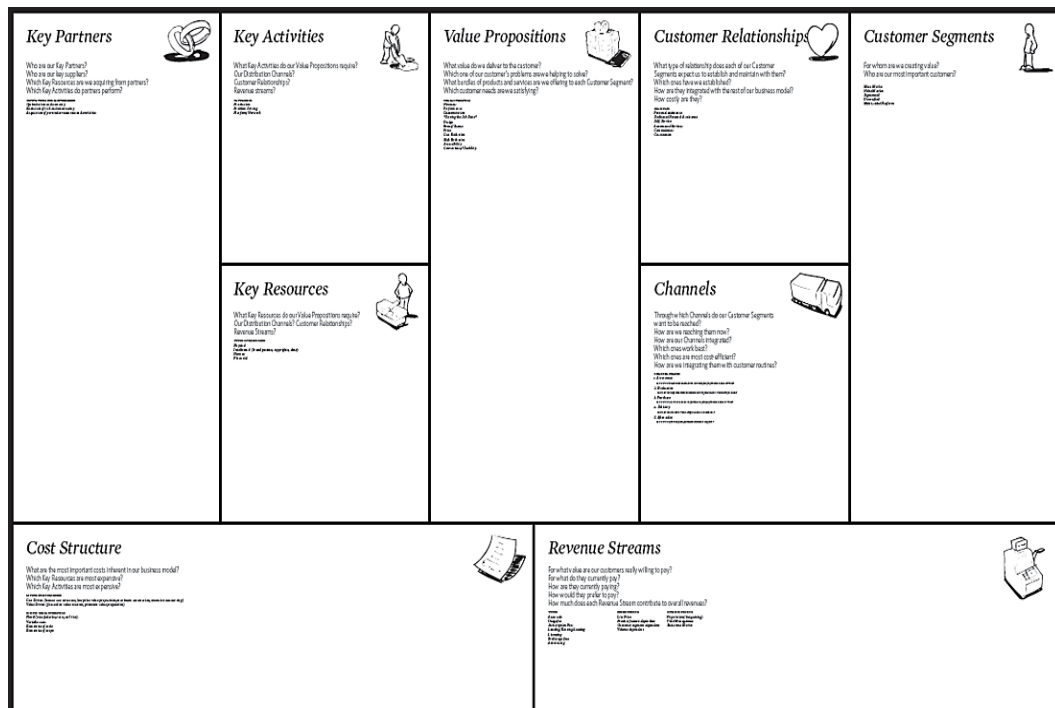


Figure 9 “The Business Model Canvas” (Osterwalder, Pigneur, & Clark, 2010)

By answering the specific questions included in each building block of the Business Model Canvas, organizations may define their business as well as find opportunities to innovate their value proposition (Osterwalder, Pigneur, & Clark, 2010). In particular, by filling out the canvas it is possible to formulate, develop, and implement a consistent value-creating strategy (Ibid.).

One of the main functions attributed to the Business Model Canvas is its utility for what concerns the process of Business Model Innovation of a company. Indeed, the Canvas may be regarded as a fundamental mean to analyze the strengths and weaknesses of the business and thus to understand where executives should focus on in order to develop and implement a value innovation strategy. In fact, by analyzing the company adopting the building block method, executives at any level may spot aspects that may need of a change and thus by restructuring and reconstructing the company Business Model Canvas the business may overturn the

competition rules it was stuck and thus start to follow an innovative path.

2.4 Business Model and Blue Ocean Strategy

Numerous researchers in the field of strategic management agree upon the fact that a consistent relationship between Kim and Mauborgne's Blue Ocean Strategy and Osterwalder's Business Model Canvas seems to exist. In particular, both notions aim at simultaneously pursuing cost reduction and value creation for buyers. A systematic approach is needed to investigate whether or not the two concepts are interrelated. In this regard, the Strategy Canvas tool will be investigated along with its possible complementary role with respect to the generation or innovation of a Business Model using the Business Model Canvas.

As already written in Paragraph 1.4, a Strategy Canvas is a visual diagnostic tool exhibiting the present industry performance along with the major factors and offering level the business respectively competes with and invests in. With the support of the Four Actions Framework and the ERRC Grid, Blue Ocean Strategy creates the Value Innovation surpassing what is regarded as the generally accepted industry standard and creating a new attractive market.

However, by only applying Blue Ocean Strategy it is possible to lose the sight of the whole picture (Berry, 2014). In fact, the Strategy Canvas is a fundamental tool in order to understand the factors of competitions the industry is competing on as well as the factors to be eliminated, reduced, created or raised. However, it is an analytical tool that gives an overall picture, but it may fail to align the whole organizational puzzle (ibid.).

A tool that may help to solve the Strategy Canvas limitations is the Business Model Canvas. Indeed, by filling out the Business Model Canvas' nine building blocks with the information over competitive insights gained from the application of the Four Actions Framework, the ERRC as well as the Strategy Canvas it is possible to facilitate and implement the process of either Business Model Generation or Innovation and to finally pursue Value Innovation (Berry, 2014).

Figure 2.3 below, formulated and created by the authors of the book “Business Model Generation” (2010), perfectly summarizes the complementary features existing between Blue Ocean’s milestone- namely, Value Innovation- and Osterwalder et Al.’s Business Model Canvas.

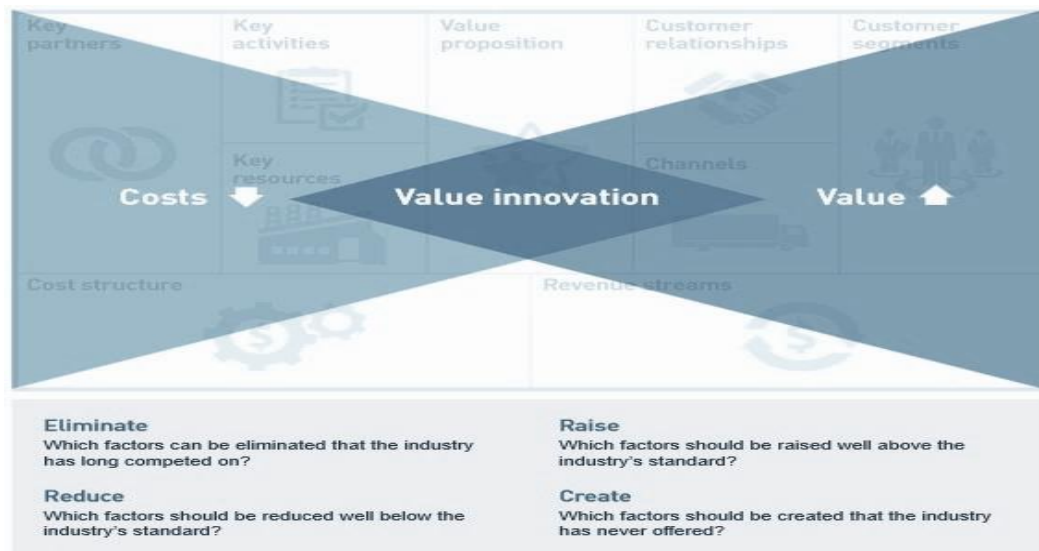


Figure 10 “BOS and BCG complementarity” (Osterwalder, Pigneur, & Clark, 2010)

Therefore, it should be clear now that the business model strengthens the ability to envision the business strategy and thereby enhance either the creation or the implementation of a Blue Ocean.

In particular, in the precise moment a company individualizes a Blue Ocean to be conquered with the help of BOS tools, it is fundamental that the organization aligns the new value-innovating strategy with the company business model by implementing a specific Business Model Canvas that permits to create a unique advantage hard to be imitated.

Conclusions

To conclude, Chapter 1 has introduced the necessary theoretical perspective to systematically cope with the case study of interest of this dissertation- namely, Eataly-.

First, the Chapter has dealt with the theory as well as the practical tools and definitions behind Blue Ocean Strategy. To be familiar with Kim and Mauborgne's pioneering work is necessary to understand as well as to answer the research question of this project- that is, whether or not Eataly formulated and developed an uncontested market space by pursuing the innovation of the preexisting business model.

For what concerns the business model concept and innovation, Chapter 2 is entirely focused on it. The Business Model Canvas was presented as a tool to describe a business as well as to innovate it. In particular, by altering two or more building blocks an organization may create or foster new demand.

The Chapter also recognized the presence of a consistent complementarity between the Blue Ocean Strategy's Value Innovation and the Business Model Canvas layout. Indeed, it is not possible to enter a blue ocean without having first aligned or created a Business Model Canvas that fits it.

Part II: Industry Insight

Chapter 3: Italian Large-Scale Food Retailing

This Chapter deals with the main changes, trends as well as characteristics dominating the modern Italian large-scale food distribution sector.

In particular, Paragraph 3.1 covers the evolution and the relevant statistics of the industry. Moreover, it provides information regarding how participant of the market may be categorized into the following five categories: ipermercato, supermercato, libero servizio, discount, cash and carry, and tradizionali.

Next, the Chapter analyzes the high degree of rivalry that characterizes this industry (Paragraph 3.2). In conclusion, it provides a description of the main leaders operating in the market, along with the market shares achieved by the most influential brands (Paragraph 3.3).

3.1 Trends and Categories of the Sector

The evolution of the large retail sector is a subject matter of extreme complexity. In particular, Italian large-scale food distribution, hereinafter also referred to as GDO, recently experienced remarkable changes in terms of market power as well as in the way leaders develop and adopt new strategic moves (Conad, 2014)⁵.

As Tommaso Venturini claims (2009), in Italy the GDO phenomenon has always followed a distinctive path that may be regarded as a countertrend to the homogenous dynamics monitored in the European context. Moreover, the Italian peninsula started experiencing late consumers' loyalty to the modern distribution business.

⁵ Full meaning of GDO: Grande Distribuzione Organizzata (Large Retail Organization)

In this regard, it is important to highlight that it is only from the early 70's that the Italian modern food distribution (GDO) started acquiring a substantial market share as well as remarkable size and profit margins.

As table 3.1 below shows, from 1970 onwards modern large retail organizations commenced prevailing over the traditional food stores, scoring an astonishing 78.2% of control with respect to the 21.8% achieved by traditional competitors.

Years	Modern Distribution	Traditional Distribution	Total
1970	17%	83%	100%
1980	26%	74%	100%
1990	54%	46%	100%
1995	72.3%	27.7%	100%
1996	72.9%	27.1%	100%
1997	73.3%	26.7%	100%
1998	73.7%	26.3%	100%
1999	74.7%	25.3%	100%
2000	75.4%	24.6%	100%
2001	76.1%	23.9%	100%
2002	75.9%	24.1%	100%
2003	77.2%	22.8%	100%
2004	77.6%	22.4%	100%
2005	77.9%	22.1%	100%
2006	78.2%	21.8%	100%

Figure 11 “Modern vs. Traditional distribution Market Share” Table Adapted from (Venturini, 2009)

However, it is important to notice that the development of the sector should not be attributed to a growth of Italian GDO companies. The expansion has to be

ascribed to the penetration in the national market of foreign enterprises. In fact, after a process of legislative deregulations, these foreign companies established a dominant position in the Country (Venturini, 2009).

If the levels of concentration and revenue margins are taken into consideration as factors of analysis, relevant geographical disparities arise. In fact, the highest level of concentration and proceeds in the food distribution sector is situated in the northern area of the Italian peninsula at the expense of the South (Perito, 2014).

Regardless the trends and statistics explained above, it is important to shed light to the categorization of the business, before dealing with the current tendencies of the GDO sector.

In particular, GDO participants can be classified into six different sub-groups. The grouping outcomes are based on the physical size of the retail stores, and they are as follows:

- 1) **Ipermercato**: structure with a comprehensive area larger than 2500mq
- 2) **Supermercato**: structure with a comprehensive area from 400mq to 2500mq
- 3) **Libero servizio**: structure with a comprehensive area from 100mq to 400mq
- 4) **Discount**: structure in which low cost unbranded products are sold
- 5) **Cash and carry**: wholesalers
- 6) **Tradizionali**: structure with a comprehensive area below 100mq

Nowadays, by basically considering the supermercato and ipermercato formula, the GDO sector counts around 264.000 employees and 81.7 billion of Euros of revenues (Perito, 2014).

In details, the revenues earned by the GDO industry are equivalent to the 65% of Country's revenues stemming from food sales, although with some geographical heterogeneous dispersion (ibid.). For what concerns the employment, it is also heterogeneously distributed across the Regions, as shown in figure 3.2 below.

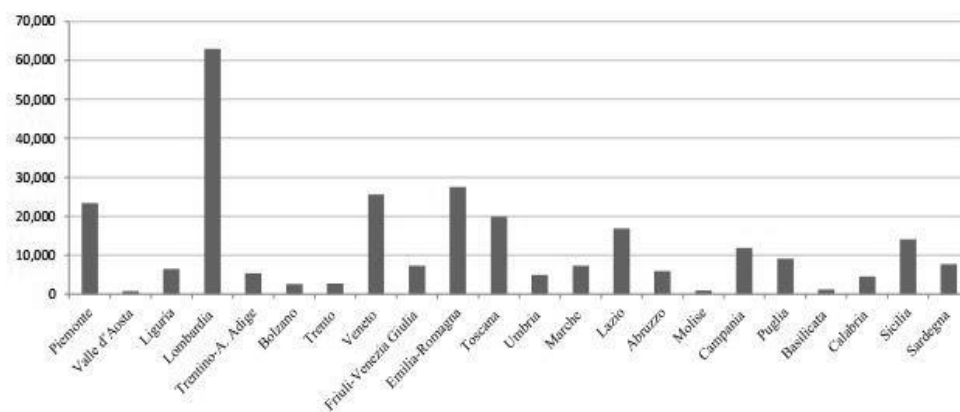


Figure 12 “Number of workers employed in the GDO sector across regions” Source: (Perito, 2014)

Over recent years, estimates of the sector have been subject to tremendous instabilities due to the impact of the financial crisis (2007-2012) upon the Nation economic solidity.

In particular, the recent credit crunch destabilized the global financial system as well as the economic welfare of citizens, and it resulted in a change of consumption behavior of Italian families and consumers in general (ISMEA, 2014).

For what concerns this new trend, retail stores have experienced a change in preferences toward the discount format (Perito, 2014). As shown from Table 3.3 below, the size of discount stores in the Country increased by 97.4% from 2004 to 2012 (ibid.).

Therefore, the recession period the Country has been going through results in the ongoing development and establishment of the discount format that may be considered as a consequence brought by the reorganization of consumers’ spending and loyalty toward low-cost offerings.

However, despite this increase in customers’ price sensitivity, supermarkets remain the leading format in terms of number of stores (see Table 3.4 below).

	Mq			Numero pdv		
	2004	2012	Var%	2004	2012	Var%
Supermercati	6.163.119	7.228.079	17,3	7.526	8.314	10,5
Ipermercati	2.978.049	4.205.077	41,2	595	858	44,2
Superette	3.197.246	2.985.271	-6,6	15.887	14.584	-8,2
Discount	1.442.344	2.846.905	97,4	2953	4694	59,0

Figure 13 “Structural evolution of GDO formats- square meters investments along with variations in the number of retail stores” Source: (Perito, 2014)

3.2 Industry Rivalry and Factors of Competition

As Tommaso Venturini reports (2008), before the advent of supermarkets, the food distribution occupied a merely residual role in the economy. Indeed, consumers were used to refer to traditional retailers to purchase those products that could not be produced autonomously at home. However, once supermarkets first appeared, food distribution expanded consistently and became a controlled industrial sector.

As Venturini indicates (2008), three mechanisms mostly characterize the GDO industry and, in turn, regulate the competition in it:

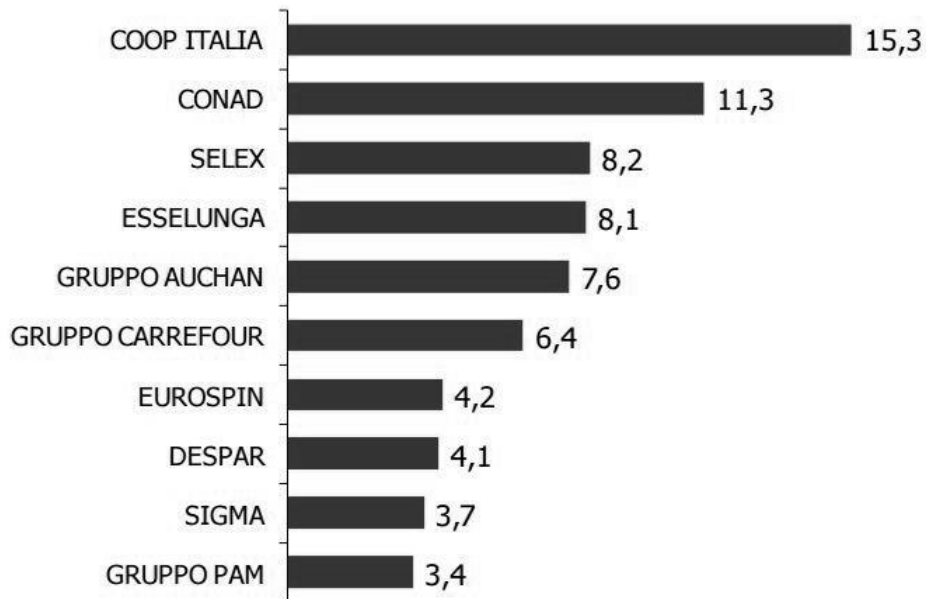
- 1) Economies of scale: the possibility to increase margins by both acquiring and selling massive quantities of goods.
- 2) Optimization of logistic performance: to adjust the in-and-out process of goods by maximizing the circulation while minimizing the stock-in.
- 3) Price competition: the possibility to attract customers by offering lower prices than competitors' on equivalent products.

As described from the last report about the Italian food retail industry, performed by Market Line analysts (2014), rivalry in this sector is fierce “due to the rather weak growth of the industry, limited product differentiation and consumers negligible switching costs combined with a challenging and volatile industry environment”. In addition, there also exist a large number of independent or specialty retailers operating alongside large incumbents (MarketLine, 2014). As a result, participants in the market are required to formulate aggressive, competitive pricing policies to ensure that customers remain loyal.

3.3 Leading Companies

As derived from Paragraph 3.2, the large-scale food distribution sector may be regarded as a bloody industry dominated by characterizing factors like high concentration as well as moderate entry and exit barriers. As a consequence, in this business reality few large companies may be considered as market leaders (MarketLine, 2014).

In this regard, Figure 3.4 below shows the market share owned by the main participants of the industry- i.e. Coop Italia, Conad, Selex, and Esselunga among the most influential companies.



Fonte: AC Nielsen – gennaio 2013

Figure 14 "GDO Market Share"

In the following, a brief description of the main leaders of the sector is provided in order to shed light on the main characteristics modeling the Italian GDO sector.

Coop Italia

Coop Italia, acronym of the Italian equivalent “Cooperativa di consumatori”, is a chain of Italian partnered cooperatives predominantly focused on the business of supermarkets.

The group is made up of smaller clusters, which, in turn, administer groupings of supermarkets that may differ in dimensions of their respective retail stores.

Established in 1947 the company is based and headquartered in Italy, where it principally operates.

However, despite the large size of the company, its incidence on the territory may not be deemed to be homogeneous. Indeed, its retail stores are concentrated in the North and Center of Italy, although it is trying to raise its presence on the South as

well as on the islands.

The company mission is to purchase and to sell high-quality products at the lowest allowable price for partners and for consumers in general (Coop Adriatica, 2015). In details, Coop strives to incentivize the consumption of bio-products as well as to certify food security (ibid.).

For this reason, it is possible to buy privately-labelled certified products (Coop products) at low price in its stores (See figure 3.5 below).



Figure 15 “Coop privately-labelled Products” Source: (Coop Italia, 2015)

Nowadays, Coop Italia runs superstores and discount stores retailing both food and non-food items. In 2010 the company counted 1444 chain stores and 56,000 employees (MarketLine, 2014).

Conad

Conad is the acronym for the Italian “Consorzio Nazionale Dettaglianti”⁶. It is a society of cooperatives operating in the large-scale food distribution sector (GDO). Established in 1962 and headquartered in Bologna, it currently consists of 8 cooperatives of retailers that run retail stores on its behalf and operate across the regions. Moreover, it also has a consolidated distribution center.

Analogously to its closest competitor (Coop Italia), Conad offers to customers a wide range of Conad-labelled food and non-food products. This offering translates into practice the impelling need of the current leaders to beat the competition by offering competitive high-quality products at the lowest possible price (See Figure 3.6).



Figure 16 “Conad products” Source: (Conad, 2015)

Nowadays, Conad counts 32,000 employees and 3,019 large-scale food retail stores in Italy and it started internationalizing its offer in foreign countries like Albania, China and Kosovo (Pomati, 2015).

⁶ Consorzio Nazionale Dettaglianti is the Italian equivalent of National Consortium of Retailers.

Esselunga

Esselunga S.p.a is an Italian society doing business in the GDO sector and operating in the North and Center of Italy.

Established in 1961, it is one of the oldest large-scale food retailers of the Country and it is currently controlled by Supermarket Italiani (Esselunga, 2015).

The company controls 8,7% of total national sales and it counts 140 stores mostly concentrated in the Northern part of the Country. Moreover, Esselunga is the Italian leader in the online retailing (from 2001), followed by Coop, Auchan and Despar (Il Messaggero, 2009). However, it may be important to clarify that the company does not ship across the Country, but rather it only serves selected Regions (Ibid.).

Esselunga is the fiercest competitor of Coop Italia in terms of prices battle. In fact, as reported from the journal “Il Sole 24 ore” (2007), in the Regions where both companies operate prices are far more convenient than in the rest of Italy.

Chapter 4: Consumer Analysis

In Chapter 4 an extensive buyers' analysis is performed. Firstly, Paragraph 4.1 deals with a brief outline describing the Italian contemporary and socio-demographic scenario. In particular, the observation of the trends occurred after the advent of the financial crisis outlines a reality characterized by small numerous families and by independent individuals. Next, the Paragraph delineates the habits that most characterize the new consumers. In particular, what is discovered is that people tend to make a compromise between the quantity and the quality of the products they intend to buy in favor of the latter. Finally, Section 4.2 goes in details to the new buyer's trends highlighted in Section 4.1, and the result of this descriptive process is the delineation of a no-longer-loyal, conscious, and parsimonious consumer that is primarily concerned with the quality and the price of the products she buys.

4.1 Outline of the Socio-Demographic Scenario

As calculated from OECD statistical reports (2015), in the last three decades average population growth in Italy has been equal to 14%⁷. In terms of size, population has grown by 7.7 million people⁸.

If an analysis focused on the last few years is performed, it is important to highlight in this scenario the weak growth of the population present in the Country (equivalent to only 0,31% in 2012) (OECD, 2015).

For what concerns families, from 1970 to 2011 their increase is estimated to be equivalent to 54%. However, over time they tend to be smaller and smaller showing a progressive reduction in the number of their members (ISTAT, 2011).

This drop may be attributed either to the increasing number of women employed in the job market, or to the increasing trend of quantity-quality trade-off (parents prefer investing in their offspring future life with respect to the number of children they

⁷ Values estimated by referring to data on population as provided from OECD database. Dataset can be retrieved at the following link <https://data.oecd.org/pop/population.htm>

⁸ See Note 6.

have), or still it may also depend on the negative impact that the last financial crisis brought to families' disposable income (ibid.).

The economic recession, which hit Italy in the last 8 years, affected the main habits characterizing the pre-crisis food purchase habits of Italian consumers. In fact, as previously mentioned in Section 3.1, there is an ongoing increasing preference toward discount markets. This phenomenon is mainly due to the reorganization of spending Italian citizens are obliged to undertake in order to seize expenditures in favor of the primary necessity goods.

In this regards, an important trend to be mentioned is the opposing tendency toward healthy food. In particular, as a Nielsen survey highlights, whether on one hand, Italians tend to reorganize toward savings in fields like clothing, cars, etc., on the other hand, they tend to spend more on products considered as healthy and bio (Scalise, 2015).

Therefore, as Ombretta Capodoglio claims, “the crisis does not reduce the shopping cart in terms of quality and freshness” (2013).

4.2 Preferences and Attitudes of the New Consumer

As highlighted on the “Coop Report 2013”, the crisis shaped a new typology of consumer (Salvagno, 2013). In particular, it is important to analyze by how much the purchase dynamics changed since the advent of the financial crisis and the consequent reduction of consumers' real disposable income.

Nowadays, buyers tend to be far more selective in regard to what to buy and what not. In particular, what they do is to buy products whose characteristics are eligible to improve customers' health.

Therefore, the crisis shaped a new consumer that may be defined as loyal to ideologies like sustainability and health care rather than to selected retail stores. Moreover, this new typology of buyer is selective, rational, pragmatic and aware of what she needs and under what terms she is willing to acquire it (Cipriano, 2012). Information transmission plays a crucial role in the mechanism meant to attract the modern customers. In fact, they are extremely careful about how information is

transmitted and promulgated. As a result, communication in the retail store, along with the marketing techniques formulated, needs to create a purchasing atmosphere able to improve the perception of products offered (Cipriano, 2012).

Nowadays, modern buyers feel needs defined by experts as a mix between product, service as well as consumption experience (ibid.).

For all the reasons cited above, the GDO has to be able to match its offering with the change in consumers' mindset to keep growing in size and margins.

First of all, it is crucial to formulate and develop a penetrating communication strategy. Therefore, leaders in the sector have to provide as much information as possible in relation to the origins and characteristics of the products they offer, and about the future customer-oriented initiatives of the brand.

In this regard, GDO players need to assist clients in every single step of the purchasing process (Cipriano, 2012).

To conclude, the low cost logic is no more sufficient to capture a consistent share of demand. Nowadays, modern customers require cheap, healthy products offered in a scenario focused on consumer satisfaction.

Conclusions

Part II of this dissertation has dealt with a study of competition as well as consumer analysis of the modern large-scale distribution sector, also referred to as GDO. In particular, Chapter 3 has provided an overall picture of the main changes and trends governing the rivalry and concentration of GDO participants in the Italian scenario.

After a slow catch-up the Italian peninsula matched with the leading trends present in the other developed Countries. However, the Country has always experienced a peculiar approach to the large-scale food distribution sector that differs not only across regions but also from North to South.

By employing a large portion of Italian workers along with scoring consistent revenues, the GDO may be classified as a fundamental sector of the Italian economy.

Moreover, the commercial performance of the industry, as well as consumers' approval, tends to fluctuates according to the economic cycle the Country is going through. In particular, during recent years, the financial crisis triggered a reorganization of families' budget and it also stimulated an overall consensus among consumers toward discounts formats.

This phenomenon has been further investigated in Chapter 4. In fact, after having provided the reader with a short outline of the main socio-demographic changes of recent years, paragraph 4.2 delineates the profile of the new consumer. In particular, nowadays the main leaders of the sector- Coop, Conad, Esselunga (shortly introduced in section 3.3) - have to leverage their strategy according to a selective, budgetary, rational consumer that not only search for bio and healthy products but that also switches easily from one retailer to another in order to find out the most favorable offer in circulation.

To conclude, in recent times the Italian GDO sector went through deep and contrasting transformations. The industry matured new strategic mechanisms, primarily oriented toward price competition and highly selected products in order to best embrace the new needs and preferences arisen in the modern targeted audience.

Part III: The Eataly Case

Chapter 5: The Company

The Chapter opens by providing the reader with an introductory passage about Eataly, the company chosen to be the case study of this work. In detail, Paragraph 5.1 deals with the genesis and the distinctive characteristics of the company. Next, Section 5.2 sheds light on the strategic supply arrangements that permitted to the creator of the company, known as Oscar Farinetti, to establish Eataly.

Paragraph 5.3, instead, extensively deals with the Grid of suppliers and *category managers* the company constructed and still develops. Additionally, the Chapter also defined the positioning strategy the company pursued and established.

Finally, Paragraph 5.5 gives a detailed description concerning the factors that Eataly innovated or reshaped in comparison to the matured large-scale food distribution industry.

5.1 The Story and the Idea behind Eataly

Eataly is the upshot of an idea primarily conceptualized by a revolutionary and ambitious Italian entrepreneur, Oscar Farinetti. His aim was to launch the most famous wine and food marketplace of the world. According to Farinetti's pioneering business concept, in the Eataly's stores the prestigious Italian products are not simply sold, but also consumed and studied (Venturini, 2009).

In this respect, as Jessica Bicknell observed (2011), Eataly should be seen as "a food museum" rather than a supermarket, where clients can "eat, shop, learn" about food.

In particular, Eataly's mission is to provide high-quality products and to make them accessible to everyone, by conveying to clients the story, the philosophy, and the production tradition characterizing producers.

The major corporate aim is to create an environment where the seemingly opposing concepts of large-scale distribution and high-end artisanal products coexist and cooperate to create a situation where tradition meets innovation in retailing.

In order to create a multidimensional experience for users as well as to stimulate the right perception of product quality, Eataly creates emphasis upon didactic activities intended for both grownups and kids. In particular, the activities include culinary courses, taste itineraries, and events aimed at teaching practices to correctly preserve and consume food (Venturini, 2009).

Regardless the opportunities to learn how to "eat well and to live better" (Eataly Manifesto, see Appendix A), and to have selected the most suitable producers, Eataly strictly adheres to the three fundamental principles of "good, clean, and fair" that characterize Slowfood, a non-profit organization opposed to the fast food movement (Slowfood, 2015).

In particular, thanks to the close long friendship that bonds Oscar Farinetti to Carlo Pertini (the Slowfood patron), at the genesis of the project the Italian entrepreneur constantly referred to his friend to collect precious advice (Sartorio, 2008).

Not by chance the strategic advisor of Eataly is Slowfood. In particular, the role carried out by the not-for-profit high-quality food ambassador is to control and verify continuously the quality of the products Eataly sells. Moreover, it evaluates that the producers partnered do not diminish the quality of their wares in order to always be able to satisfy the rising needs of customers.

Therefore, as it may be inferred, Eataly's primary focus is quality for every single aspect involved in its business model.

5.1.2 The genesis⁹

The origin of Farinetti's entrepreneurial idea can be traced back to November 11th, 2002. On this day, Farinetti signed the official papers to transfer Unieuro to an English corporation, Dixon (Sartorio, 2008). It is significant to mention here that, while selling this company, Farinetti was already drafting the blueprint of the first building of what will be known as the largest artisanal food marketplace of the world: Eataly. During the planning process, the influence that Carlo Pertini exercised on his friend may be regarded as noteworthy. The reasons are to be found in the fact that the Slowfood patron was acquiring an ever-rising notoriety in terms of local wine and food culture, and therefore his help resulted to be precious at the genesis of Eataly (Sartorio, 2008).

In the transition phase that spanned from 2002 to 2007, Farinetti performed an extensive market analysis in order to perfectly understand the strengths and weaknesses of the industry he was about to enter in. Indeed, he examined the major management practices and mechanisms that were governing the food distribution industry of the period (Sartorio, 2008).

Moreover, one of the main cardinal assumptions, identifying the Eataly project, is the creator's belief that an entrepreneur has to be rational in planning and developing his business model, but at the same time he has to be able to include in it "values and dreams" (Sartorio, 2008).

As Sartorio tells (2008), during the two-year period that lasts from 2003 to 2005 Farinetti travels around the world in order to find new inspirational ideas. In particular, he visits cities like Istanbul, the fish market in Tokyo, Harrods in London, and still Saluhall in Stockholm, Carrefour, Coop and IperCoop retail stores. Moreover, he likewise visited the biologic market in Alba as well as the traditional small food boutiques (Sartorio, 2008). As a consequence, during this period he exchanges views with many producers and merchants, and he understands the efforts they make to produce high-end artisanal food without the usage of chemical

⁹ This Section mainly refers to Sartorio's "Il mercante di utopie. La storia di Oscar Farinetti, l'inventore di Eataly" (Sperling & Kupfer, 273 pp.).

substances (Ibid.).

In the aftermath of this experience, Farinetti decides to establish his project upon the theory of “*contrastì apparenti*” (Sartorio, 2008)¹⁰. This theory consists of grouping together positive values that for the majority of people their coexistence is considered to be unmanageable (Spagnolo, 2013).

In order to establish Eataly in the respect of each characteristic it was supposed to have, since the beginning it has been crucial to respect the following ten fundamental requirements (Sartorio, 2008):

1. To create a huge building close to the urban center that is big enough to hold a great number of visitors.
2. To sell only high-end food and beverages.
3. The products are intended to be offered to the audience accompanied by a clear and original description.
4. To create cooperation between the distribution format and the restaurant industries.
5. To organize didactic events that catch the attention of the public, and that can be attended by everyone.
6. To offer products at sustainable prices by cutting the costs of acquiring them.
7. To include the main peculiarities belonging to the GDO sector (large spaces, convenient prices, etc...), and integrating them with the specialization characteristics of the small boutiques (high-quality, skilled personnel, etc...).

¹⁰ Italian equivalent to the English “apparent conflicts”.

8. To employ a skilled, motivated and smiling labor force.
9. To convince the largest number of suppliers to leverage their productivity, according to the ever-increasing demand of high-quality products.
10. To provide a range of social activities for all citizens.

The very first opening of Eataly occurred in the ancient *Opificio Carpano* on January 27th of 2007. In particular, the official launch was possible only after a four-year transition phase, whose purpose was to define and coordinate the following key elements of the business:

1. To find the products to offer and the personnel in charge of the different departments of the store
2. To acquire some members of the supply chain in order to control some key sectors.
3. To organize a corporate structure that is able to give financial soundness as well as sector experience to the company
4. To find the right location to open the first store, that must be in line with the entrepreneurial idea.

5.2 Tradition meets Innovation

After having studied and identified the core elements contributing to the success of the idea behind Eataly, a question spontaneously arises and it is as follows:

“How is it possible to adopt large-scale food distribution techniques without distorting the fragile equilibrium characterizing traditional production processes?”. This is given by the fact that modern and traditional technologies are regarded as opposing systems that cannot coexist (Venturini, 2009).

In this regard, Eataly had to stipulate some arrangements with small producers in order to create harmony in an apparently contrasting business. In particular, these small traditional partners were asked to formalize their production practices to meet the GDO requirements- i.e. to modernize the packaging, to include bar codes and an ingredients list (Venturini, 2009).

Broadly speaking, the opposition between modernity and tradition lies in the expansionary willingness governing big industrial systems and the conservative behavior typical of traditional communities (ibid.). Eataly’s role is to spread the idea that modern technologies can help profitably traditional productions in order to create new commercial paths to pursue and to expand (Venturini, 2009).

Eataly’s traditional innovation has to observe the basic ideologies behind its creation in every facet of the job; otherwise consumers will tend to reduce confidence toward the company (Ibid.). To meet this requirement, Farinetti has to continuously create radical innovations to both the traditional and the modern distribution so that he can improve his commercial success by imposing barriers to competition. In particular, Eataly has to be coherent with two needs (Venturini, 2009):

1. The logistics, as well as the organizational parameters of the modern distribution, are to be leveraged in order to take on the production rhythms typical of traditional productive processes.
2. Traditional manufacturers are required to develop and build a productive format that corresponds with the imperatives of the GDO system.

5.3 The Grid of Eataly

To select suppliers and departments supervisors, Eataly can count on the help of Slow Food. In particular, to dispel the myth spread out by the GDO participants that traditional production can only be addressed to a niche market, Farinetti decides which products are to be offered as well as the total number of brands for each product the company sells; however it will be Slow Food that will identify the producers that perfectly match with the company ideology (Venturini, 2009).

Suppliers' selection is carried out by adhering to the following three criteria (Venturini, 2009):

1. The quality of products (comparative and blind taste tours of products produced by different suppliers)
2. The sustainability of production processes that must be tied to tradition
3. The guarantee to offer a large enough quantity of products to be able to grant the large-scale demand.

However, Eataly cannot be seen as a simple large-scale distributor as it is compelled to rely on the local producers selected to take part in its supply chain. Therefore, this constraint results in higher prices of products and a supplier's logistic that cannot sustain the imperative rules of the GDO industry.

In order to partially overcome this hurdle, the company followed a two-fold strategy. On the one hand, it stipulated agreements with some of the suppliers, and on the other hand, it acquired the full ownership of others. The purpose was basically to reduce procurement costs and risks of crucial products like pasta, water, bread, etc..., and to consistently shorten the supply chain in order to reduce logistics costs and final prices (Venturini, 2009).

Nevertheless, it is important to outline that Farinetti, through the acquisition of companies, does not intend to alter their production mechanisms or culture, but rather he aims at respecting them while possibly balancing prices with the GDO sector (ibid.).

5.4 The Company Positioning in the Market

What differentiates Eataly from both GDO participants and specialized food stores is the fact that it intends to offer superior products at affordable prices to a large-scale public rather than to a niche market (Venturini, 2009). The rationale behind this objective lies in the fact that everyone can afford high-end products if he/she reduces the quantities in the chart (Ibid.).

By adopting Farinetti's ideology, it is possible to understand Eataly's positioning by observing Figure 5.1 below ("Quantity vs. Quality").

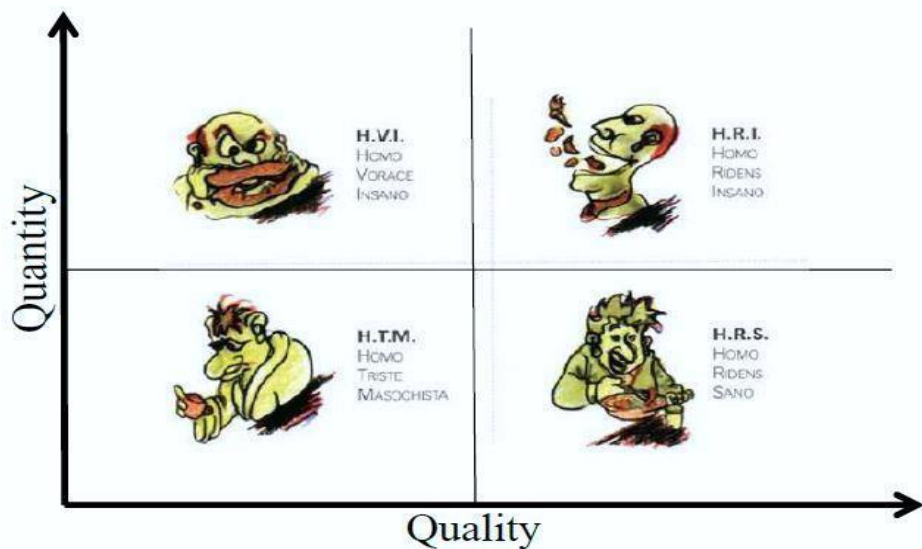


Figure 17 "Quality vs. Quantity" readapted from (Venturini, 2009)

The GDO clearly occupies the quadrant situated at the top left-hand side of Figure 5.1 above. In fact, the strategy mostly targets a huge number of consumers, whose focus is to buy many products at low prices. On the other hand, Eataly is lodged in the “Homo ridens sano” quadrant, since its customers are informed clients, who prefer to buy a small quantity of superior products (Venturini, 2009). In terms of quality, the most likely competitors of Eataly are the small traditional food stores, located in the H.RS quadrant as well. Nevertheless, they should not be regarded as real competitors of the company as Eataly has to be seen as a hybrid outcome which adopted the positive features of both GDO and small food boutiques: superior food at sustainable prices.

5.5 Key factors of Eataly Phenomenon

An extensive analysis of the main contributing factors, which made possible for Eataly to create a stand-alone position in the marketplace, is necessary to mature a comprehensive understanding of the company.

In the following, the most relevant innovation-contributing elements are listed along with an analysis of them.

5.6.1 Sustainable Prices

Eataly’s main objective is to demonstrate that high-quality products may be sustainable for everyone. It is important to highlight that the company does not express its prices are low, but rather it outlines that they are affordable- that is, the charges applied to products are deemed to be compatible with the disposable income of a family (Venturini, 2009).

The motif behind the opportunity for the company to offer relatively acceptable prices is that it adheres to a number of pricing-oriented strategies (ibid.).

First of all, Eataly diversifies prices by offering a range of products that goes from competitive to highly superior products. This scheme is analogous to GDO's price discrimination mechanisms. Indeed, large-scale food retailers tend to promote low prices products to attract customers and to induce them to buy more than they wanted to.

Next, one of Eataly's key strengths should be considered to be the negotiation process between the company and the producer. By drawing a comparison between the Eataly's business and the most relevant GDO participants, the latter generally exercise pressure on suppliers that numerous times feel oppressed by the requests forwarded by GDO clients and as a result they reduce the caliber of merchandise. The former, instead, does not intend to acquire bargaining power, otherwise many producers would decide not to take part of the project and thus the company would be standardized with other large-scale food distributors.

In fact, Eataly's category managers do not impose contractual duties to partners, but at the same time they do their best to contain the rise in prices demanded by producers. Therefore, the contracting process is basically based on a mutual agreement (Venturini, 2009).

Following, by acquiring some of its key producers, Eataly is able to create competitive pricing policies for these providers.

To conclude, for Eataly is important that the wares offered in the shops are seasonal and that respect the philosophical system of "kilometer zero". This strategy allows the company to impress the target audience by emphasizing the quality involved in these products, but at the same time it contains costs since seasonal and locally produced products are commonly cheaper than others.

5.6.2 Haute Cuisine: Eataly's restaurants

An important feature that highly differentiates Eataly from GDO is the choice to include in its business model a number of fine eateries.

Eataly's dining services are conceptualized following a fast-to-be-prepared logic that exclusively makes use of superior products. The variety of food, which can be tasted

by the audience, differs according to the restaurant the consumer decides to eat at.

Eataly's streams of revenues are highly affected by the restaurants' component. In fact, already in the first year since the opening Eataly earned 7 million Euros from this dining service, although it costs 20% more to the company with respect to the supermarkets' area (Venturini, 2009).

Moreover, restaurants are fundamental to induce customers to enter into an Eataly store. In particular, this is ascribable to the presence of renowned dining places to eat in (i.e. the "Guido per Eataly" restaurant awarded a Michelin star) that appeal clients to visit the place and consequently they also experience the multisensory atmosphere that characterizes a Eataly store.

Restaurants also fulfill a didactic role (Venturini, 2009). In fact, every meal prepared in a dining area of the store exclusively use products Eataly offers to the public. Therefore, customers by experiencing the quality of the food may decide to purchase some items.

To conclude, the last but not least role restaurants accomplish is to avoid to waste food (Venturini, 2009). In fact, in case Eataly identifies products surplus, it sends them to restaurants with the aim to have them employed in some of the recipes cooks invent.

5.6.3 Didactic Activities

Another aspect that highly differentiates Eataly from the modern GDO participants is the food didactics (Venturini, 2009).

This didactic side is an important component of the expansionary strategy Eataly enacts. In particular, the objective is to create an opportunity for customers in order to understand why products may seem quite expensive as well as to learn about food and about eating well (Ibid.).

In contrast, the modern GDO generally organizes some itinerary tours, events for kids and some music performances, but nothing related to teaching to clients to eat responsibly. The reason is as follows: modern supermarkets are conceptualized in a

way to create an atmosphere incentivizing a fast and easy shopping experience. Therefore, structured and complex didactic activities (like Eataly does) would not match with the format supermarkets represent.

To convey the message that eating responsibly at sustainable price is important, Eataly mostly employs various tactics to pursue the objective (Venturini, 2009). First of all, once entered into an Eataly's store you are surrounded from billboards celebrating Eataly's philosophy and culture (Venturini, 2009). This strategic device varies out a particular didactic role aimed at celebrating the philosophy of Eataly, giving extensive information to clients regarding producers, department *category* and the partners involved in Eataly's business reality (Ibid.).

Moreover, it is crucial to observe the know-how Eataly's personnel has. In particular, Eataly is inclined to hire young, motivated people, who are required to undertake a training process carried out by *category* managers as well by Slowfood.

Next, Eataly offers free to charge courses addressed to either kids or elderly people, whose purpose is to teach different values to the different audience. Moreover, these specific didactic activities also fulfil a strategic role: kids and old people can attract grownups to the store and consequently to attract that portion of customers that most contribute to increase margins (Venturini, 2009). In particular, events planned for adults are the only activities which require a prior payment, and the grounds are in the fact that they have to repay for the free activities.

Therefore, Eataly is a place where to spend long hours, in contrast to the modern large-scale food retailers.

As previously mentioned, also restaurants fulfill a didactic role, but the most important factor contributing to attracting, teaching, and retaining customers is the marketing Eataly formulated.

Restaurants, in conjunction with didactic activities (5.6.5) and sustainable prices (5.6.4), create the famous three souls of Eataly: "EAT, BUY, LEARN". In details, these three distinctive characteristics melt in a unique place, creating a distinctive experience of co-creation with the customers that can be called "eatertainment" (Montagnini & Sebastiani, 2009).

5.6.6 The Marketing of Eataly

Eataly is the upshot of a pioneering idea whose peculiarity is to match together seemingly opposing concepts- GDO vs. the quality offered by traditional small food retailers-¹¹. In order to do so, it is important for the company to develop a particularly mesmerizing marketing communications strategy.

For comparison sake, the traditional GDO marketing strategy is usually conceived to induce clients to purchase impulsively. On the contrary, Eataly wants buyers to buy fewer products, but by pondering about what they want/need and what not (Venturini, 2009).

In the following, the main characteristics of the marketing techniques Eataly adopts. First of all, Eataly's communicative approach may be easily differentiated from the others thanks to the wordiness of both its advertisements and slogans. In fact, the GDO is generally concise in the messages it intends to convey, and it makes use of slogans and posters that are extremely straightforward and full of vivid images. Moreover, Eataly uses hilarious phrases in many of its advertisements it creates. This is to be coherent with Farinetti willingness to be authoritative- in terms of devotion to cardinal values like quality and ethics-, but also ironic- the theory of "contrast apparenti", as discussed in Section 5.2-.

The marketing policy Eataly applies is unique and it can be perceived in every corner of the stores: from the outfitting to how products are located and presented. The company organizes each department in order to transmit a sense of conviviality, and not to position itself as a mere store where to go and buy generic products (Venturini, 2009). Moreover, it is not by chance that Eataly also selects historical and renowned locations to establish its openings- i.e. Torino Lingotto. It is, in fact, important for the company to have every single piece of the puzzle harmoniously matched with the others.

Everything in Eataly is conceived to convey emotions as well as values, to create a

¹¹ Please, refer to Section 5.2 for the theory of "contrast apparenti" formulated and developed by Oscar Farinetti.

memorable experience as well as a loyalty status. This dynamic seems to adhere to the fundamental assumptions that characterize the so-called *emotional marketing*¹².

¹² Emotional Marketing refers to the practice of building brands that appeals directly to customers' emotional sphere. It aims at triggering an emotional response to the audience.

Chapter 6: Eataly Value Curve and Business Model Canvas

The next Chapter opens with a brief introduction encompassing a recap framework. The objective is to remind the research question of this study and to summarize the theoretical background applied to fulfil it- namely, Blue Ocean Strategy and Business Model Innovation-.

Next, Paragraph 6.2 analyzes the Strategy Canvas of Eataly with emphasis on the study of those strategic moves able to lead the company to outstrip rivalry and to penetrate an unknown marketplace- Blue Ocean market-.

In conclusion, by emphasizing the complementarity role existing between the BOS and the Business Model Innovation, Section 6.3 deals with a systematic analysis of the curious Building Blocks composing the Business Model Canvas of Eataly.

6.1 Introduction

The objective of this dissertation, as explicitly written in the Introduction, is to investigate whether Eataly accessed an uncontested marketplace - namely, the Blue Ocean marketplace- by formulating a winning and innovative business model formula.

As previously exposed in Part I of this work, the fundamental goal of a Blue Ocean Strategy is to basically create a new market space in a matured industry. To succeed in doing so, it is important to move away from any universally accepted industry boundary, and to set a long-term objective to refrain the company to move in the head-to-head competition.

So far, Eataly's culture, mission, and main innovative factors have been observed and discussed by taking into account the differentiation dynamics that allowed the company to position itself into a distinctive market space.

However, in order to give a systematic solution to the research problem, it is important not only to investigate whether the company differs from other industry

players, but also to realize and scrutinize which factors contributed to its success. The methodical approach adopted will apply the theoretical tools discussed in Part I- namely, the Strategy Canvas and the Business Model Canvas-.

At the genesis of his idea to create the largest high-end food market/mall in the world, Farinetti had to front a matured and bloody creative industry- namely the large-scale food distribution (See Part II)-. Therefore, it was particularly important for him to formulate and develop an innovative business model to be able to outstrip the sector fierce competition.

To create a new marketspace and, thus, to build a winning value curve, it is important for an entrepreneur to adhere to the following Blue Ocean dynamics that, not by chance, Farinetti had intrinsically established in his risky groundbreaking mindset.

First of all, it is essential to think like an entrepreneur in order to reverse the basic industry assumptions others take for granted. Next, as introduced in Part I, it is important to assume that market boundaries can be leveraged and modified.

Moreover, it is also a concern of primary relevance, not to be focused on competition, but rather to individuate where and how the job has to be done.

Also searching for complementary services or products that may match with the main company business may be useful.

Finally, at last but not least, to recombine and, thus, to renovate the market is the key to success.

At this point, a question arises spontaneously: does the Eataly formula include the Blue Ocean dynamics listed above? And, as a result, did Farinetti create an uncontested market space by innovating and reinventing the business model of the food distribution industry?

The analysis of the company value curve (Paragraph 6.1 below), as well as the creation and study of its Business Model Canvas (Par. 6.2) are the required theoretical steps to be taken in order to find an answer to the research gap.

6.2 Eataly Strategy Canvas

In Chapter 1, the Strategy Canvas has been defined as “a visual diagnostic and action framework adopted by companies to conceive a value-innovating Blue Ocean Strategy”. Therefore, it may be denoted as a captivating graphic tool generally applied to observe innovation and differentiation opportunities in the marketplace of interest, and, if possible, to formulate a Blue Ocean Strategy.

As far as the subject-matter of this study is concerned, the figure 6.1 below gives a picture of Eataly’s Strategy Canvas. In particular, the company value curve may be analyzed in comparison with the value curves representing its closest industry competitors: the GDO retailers and the traditional food boutiques.

On the x-axis are captured the main factors of competition the company eliminated, reduced, rose, and created¹³. Together, these factors lay down the foundation of the value curve. On the y-axis, instead, the relative performance of Eataly along with each competitive variable is mapped.

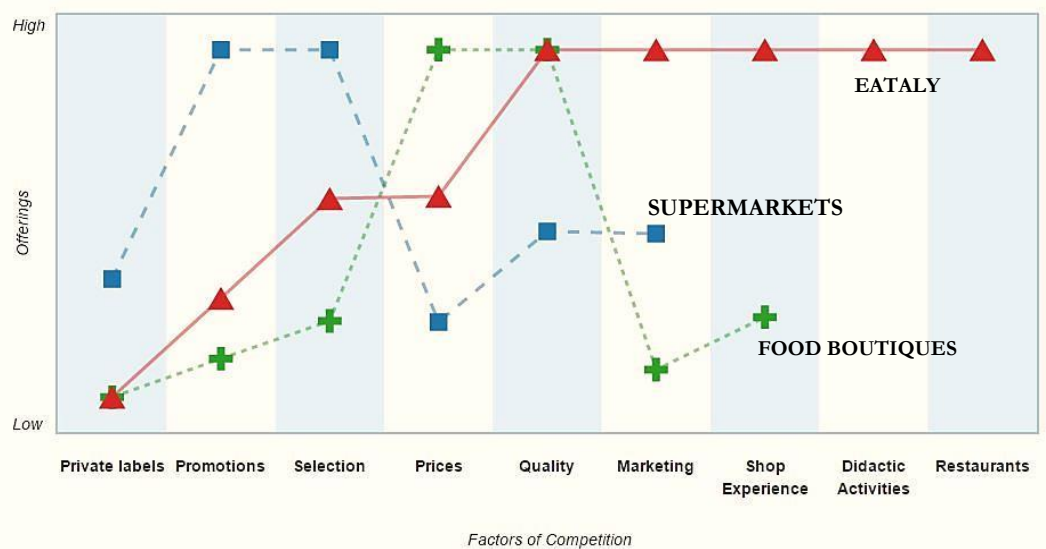


Figure 18 “Eataly Strategy Canvas”

¹³ See the Four Action Framework, Chapter 1.

As it may be noted by looking at the graph above, the relevant factors of competition in the analysis are as follows:

1. **PRIVATE LABELS:** the variety of products labelled with the supermarket brand.
2. **PROMOTIONS:** by how much the company focuses on discounting products.
3. **SELECTION:** the range of products that players offer.
4. **PRICES:** the level of prices the participant charges to clients.
5. **QUALITY:** the perceived quality of the products sold.
6. **MARKETING:** by how much the company focuses on marketing strategy to approach to and communicate with customers.
7. **SHOP EXPERIENCE:** the degree of willingness to convey to clients emotions, memories and experiences while shopping.
8. **DIDACTIC ACTIVITIES:** the organization of events and experiences oriented to instruct the clients regarding important values for the company.
9. **RESTAURANTS:** the presence of dining locations in the store, and their importance to convey the company mission to clients.

6.2.1 Discussion

In order to win the bloody price battle and to retain as many customers as possible, the GDO started offering **privately labelled products** at prices

substantially lower than branded foods (See Par.3.3). Eataly, instead, entirely eliminated this factor of competition as deemed not to be in line with the company culture and strategy, and adopted the same policy formulated by food boutiques.

Eataly's strategic value curve seems to diverge from the GDO sector also for what concerns **promotions**. In fact, while the GDO players distribute a massive amount of weekly flyers sponsoring the exclusive discounts they apply, Eataly is an entrepreneurial company where the rebates on the products it sells are rarely applied. Nevertheless, although it is not the main strategic move the company focuses on, it still presents some of the promoting strategies formulated by the GDO, in contrast to the inflexible traditional food boutiques.

As explicitly mentioned a number of times in the previous Chapter, Eataly clearly focuses on selling superior goods. As a consequence, its strategy led to a consistent reduction of the array of products offered (**selection**) compared to supermarkets. However, it is still able to offer a larger range of products than small boutiques given the higher number of partners and producers it has.

For what concerns the company **price orientation**, instead, it is clearly lodged halfway between the small food boutiques (extremely high prices) and supermarkets (minimum chargeable prices). In particular, what is important to notice here is the ability of the company to diminish a factor that has always negatively categorized the food boutiques, which are known to respect the industry assumption to sell high-quality products exclusively to a niche market at high prices.

By eliminating the commercial mediation with suppliers- Eataly is directly supplied by producers (short supply chain)- and, thus, by establishing a direct ethical relation with them, the company can offer products similar to what traditional small retailers propose, but at a far lower price. However, since Eataly products are quality-oriented, the prices that it charges are obviously higher than the ones set by supermarkets, generally lowered as a result of the bloody price war.

Therefore, from the analysis carried out so far, it is possible to claim that what Eataly does is to formulate strategic moves that enable the company to offer high-quality products- usually offered by boutiques- at sustainable prices- a bit higher than

supermarkets, but lower than small distributors, in order to be perceived as relatively affordable for everyone-. Therefore, Eataly has created a strategic value curve that may be perceived as a hybrid and situated halfway between the supermarket and the food boutique formats.

By turning the attention now to the factor of competition labelled as **quality**, while Eataly value curve (not-surprisingly) diverges from the supermarkets, usually selling medium-range products, it consistently converges to high-quality food boutiques.

Despite to small retailers, which do not apply any sophisticated marketing mechanism, and contrary to large-scale distributors that, in turn, apply marketing approaches merely based on attracting customers to buy strategic discounted products, Eataly is extremely focused on **marketing**. In fact, the company applies verbose marketing mechanisms in order to promote the corporate culture and to create consciousness in the audience in terms of company mission and the products offered (informed customers). Moreover, Eataly exploits sophisticated marketing initiatives aimed at creating brand awareness in clients' mindset.

Customers, visiting an Eataly store, do not simply purchase a product, but they acquire a high-quality culinary masterpiece with a story, a tradition characteristic to Italy.

Eataly successfully communicates and converses with clients through the use of overwhelming strategic advertisements. This is an absolute innovation in the sector as both GDO and traditional boutiques do not aim at creating any loyalty-based communicative relationship with clients.

From this analysis of the Eataly Strategic Canvas, it is possible to conclude that Eataly is an entrepreneurial business formula that may be perceived as radically different from both the supermarkets and small food retailers, although it also shares some mutual traits with them.

In particular, what really differentiates the company from all the others and leads it into a rivalry-free marketplace is the "EAT, BUY, LEARN" corporate philosophy. The charismatic and pioneering Oscar Farinetti created and established a place where

people can be emotionally involved into an all-around food experience. The “EAT, BUY, LEARN” soul of Eataly is present in the value curve (Figure 6.1) with the following three strategic moves:

- **Shop experience:** a slow, living and dynamic store, full of culinary initiatives, highly-skilled personnel, and overwhelming informative posters where customers get actively involved.
- **Didactic activities:** as already said, they are events meant to educate grownups, kids, and retired people at eating well and living better.
- **Restaurants:** strategic areas where customers can taste the products offered in the grocery departments and finally decide to buy them or simply to spend time together enjoying the taste and the fragrances of high-end products.

In conclusion to the extensive analysis of Eataly Strategy Canvas, it is possible to deduct that the company profitably formulated strategic moves that, although some of them are similar in some aspects to both the GDO and the small food boutiques, led it to acquire an important rivalry-free status. Therefore, Eataly cannot be seen as a competitor in the food distribution sector, but rather it should be seen as an isolated pioneering participant of it.

The key factor, which determined the success of the company, has been Farinetti's ability to formulate a project that could harmoniously match together apparently contrasting characteristics, belonging to both GDO and Traditional retailers, with innovative strategic moves, and let them co-exist in a single business format. In fact, he did not just adopted some of the fundamental traits of those formats, but he also radically innovated them, resulting in the exclusive “SHOP, EAT, LEARN” business model, whose Canvas will be presented and discussed in the next Paragraph.

The ERRC Grid below (Figure 6.2: “Eataly ERRC Grid”) serves as a summary of the Eataly Blue Ocean Strategy graphically shown in the Strategy Canvas (Figure 6.1).



Figure 19 “Eataly ERRC Grid”

6.3 The Eataly Business Model Canvas

The wide-ranging analysis of the Strategy Canvas has derived the conclusion that Eataly formulated and developed a Value Innovation Strategy through the fusion of two apparently incompatible businesses- that is the mass food distribution, represented by the GDO, and the niche high-quality distribution, exemplified by the small traditional Food Boutiques- and the creation of business specific strategic moves.

In this Paragraph, the Business Model Canvas of the company will be introduced in order to attest how well Eataly managed to remove the old assumption that high-end products could only be appreciated by a niche market¹⁴. In this regard, it is important to outline that to do so the company had to undertake a deep Business Model Innovation. In particular, each Building Block will be analyzed so as to investigate the way in which the strategic moves have been adapted to the business and, moreover, to understand the difference between Eataly's and both the GDO and Food Boutiques business models (See both appendix B and C).

Figure 6.4 below gives a graphical representation of Eataly's Business Model; in particular, it shows the Business Model Canvas of the company.

¹⁴ Regarding the Eataly effort about the assumption removal, see the Interview to Fiorella Palmieri posed in Part IV.

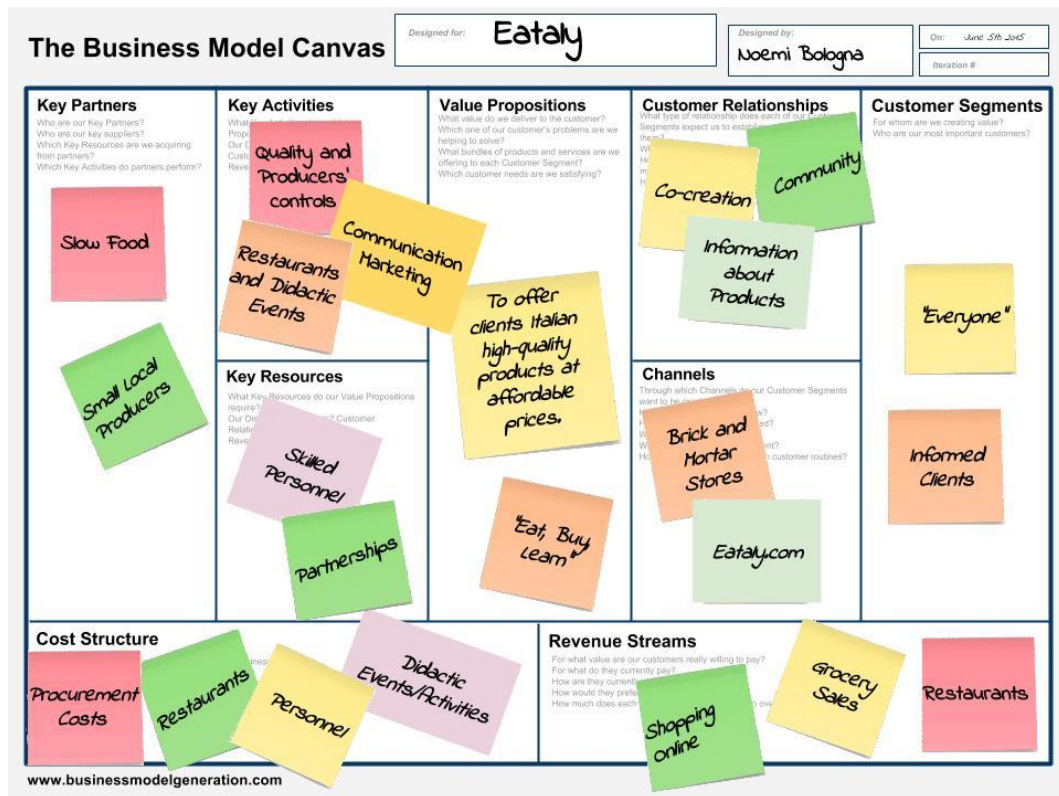


Figure 20 “Eataly Business Model Canvas”

In the following, a systematic analysis will be performed in order to examine the Building Blocks shown in the figure above and to understand the Business Model Innovation of the company.

Customer Segments

Eataly expressly states on the corporate Manifesto that “OUR TARGET AUDIENCE IS EVERYONE. Whether you're here to buy a loaf of bread, prepare for a lavish dinner or sit down to enjoy a meal, we want this to be your place. We want you to be comfortable, happy, and enriched by every visit” (2015).

Not surprisingly, the mass market proves to be the outcome of the segmentation process the company did. This is justified from the nature of this multifaceted business that wants to establish itself as the place to be if you want to enjoy an all-around high-quality culinary experience at sustainable prices.

The target customers that Eataly intends to attract are therefore the relatively the same consumers served by the GDO, but who also have an intrinsic difference. In fact, Eataly aims at attracting everyone at its store, by applying no distinction of race, age, gender or job. Nevertheless, in reality, the actual consumers are people who are informed, those who read and are careful in respect to what they buy and how they eat.

In these regards, Eataly prevalently advertises its initiatives on the most read newspapers in order to create knowledge among likely customers and, thus, to incentivize the word of mouth and to finally embrace its target: “everyone”.

However, how is it possible for Eataly to serve the mass market if Part II of this study observed that customers of the food distribution industry are mostly concerned on saving money? The answer has to be found in the innovative way the company approaches them, that will be examined in the next Building Block: “Customers Relationships”.

Customer Relationships

In Eataly, every single piece of the puzzle is perfectly matched with the rest and each Building Block of the Business Model is conceived to create a pleasant atmosphere where every choice and event is not left to chance.

In particular, the Customer Relationships Building Block is one of the most important for a company like Eataly that wants to approach as many people as possible by let them front a radically new distribution format.

Farinetti was aware that by creating such a pioneering project he had to fight against harsh challenges; among the most crucial there is the hurdle to educate the target clients to the new business.

Eataly may be deemed to be a winner in the way it approaches and retains its customers. One of the main mechanisms it applies is the co-creation of value; in fact a client visiting an Eataly store feels that he/she is a part of the corporate reality. Here, it is possible to exchange views, to create reviews and suggests improvements

or forward critiques.

The strategy Eataly applies is absolutely customer-centered, the company strongly wants its clients to be informed about the company culture, philosophy and most of all about what they buy and why. They want to form a rational and conscious audience that buys less but of high-quality. For this reason, in each category department there is the possibility to read the story and composition of the products along with the history of the producers and the ideology that define them.

It is important for Eataly to educate and inform its buyers as once people get aware of the benefits procured by a conscious dietary habit, they will find in Eataly the place to satisfy this need at sustainable prices.

Moreover, to be a close community is a factor of crucial importance for Eataly and this is improved by creating blogs, diaries, newspapers, and social networks accounts.

The value co-creation mechanisms are mainly conceived to generate a distinctive experience for the customers so that they will become loyal to the stores and, through the word of mouth, they will attract other potential clients to the store. It is important to notice here that each mechanism applied by Eataly is customer-oriented and it is based upon sophisticated and well formulated marketing strategies that, being one of the Key Activities of the company, will be discussed later in the analysis.

Value Propositions

Eataly mission is to create a place where people have the opportunity to buy high-quality products at sustainable prices, but also to experience the Italian culinary tradition through the dining areas and the didactic activities.

As said previously in this dissertation, the business model of Eataly is the upshot of a convergence process that wants to deliver to customers an experience that may be deemed to be as controversial. Here, the coexistence of seemingly incompatible factors and the creation of a unique multidimensional place has been made possible by creating a Value Proposition that, being implemented from the perfectly matched activities of the other Building Blocks, created a pioneering Business Model that

completely differs from the competitors’.

In particular, Eataly could not be what it is without the formulation and implementation of its “EAT, BUY, LEARN” dimension.

Channels

The main Channel of distribution on which the company mostly focuses is the brick and mortar store. As already discussed, Eataly requires of distinctive buildings, mostly located nearby the city and able to hold a large number of people, in order to properly fulfil its mission. Indeed, in contrast to both the GDO and the traditional food boutiques, is not only a place to go and buying products; but rather it is a place formulated to spend long hours shopping, learning and eating.

Moreover, as Eataly has both logistics impediments and it is supposed to respect the distinctiveness of its format, its presence on the territory does not serve the mass market as a GDO participant does, in fact, it has hundreds of stores dislocated across the Country. For this reason, the company established Eataly.net, a virtual platform that manages the shopping online of the company and that strictly adheres to Eataly philosophy in the layout and in the way products are presented to the online users.

Key Partners

Eataly is an entrepreneurial company that highly relies on its partners in order to effectively convey the quality-centered strategy it formulated. In fact, in contrast to both GDO and traditional retailers, for Eataly the Key Partners may be considered not only to be a source to reduce procurement costs and risks but also to be a key strategic factor in order to convey strategic coherence and sustainability to its customers.

The company Key Partners are obviously the non-profit organization in charge for quality check and for producers selection- Slow Food- and, of course, the small traditional local producers that are in line with the philosophy the company is based

on- that is, the quality and pureness of the products produced and sold-.

This is a distinctive trait for Eataly and it serves as a mean to ponder about the strategy behind this company. In fact, in Eataly everything is strategically formulated and developed in order to always be perceived as coherent with the ideologies and values deeply intrinsic to its organizational culture. This is a consequence of the fact that Eataly is a pioneering business primarily centered on the respect of the imposed quality standards. In fact, in case it appears to lack of coherence, customers will rapidly lose devotion in the company and this would rapidly lead to bankruptcy.

Key Resources

The components of the Key Partners Building Block discussed above may be also deemed to be one of the main resources the company has in order to effectively convey its Value Proposition. The reason lies in the strategic role the partnerships have, as previously discussed above.

Another important Key Resource of the company may be considered to be the highly-skilled personnel Eataly recruits. In fact, as soon as new members get access to the corporate workforce, they are supposed to attend periodical training seminars in order to be informed about the company mission and philosophy and to learn how to properly transmit it to clients. Moreover, it is important to outline that the quality value in Eataly is also mirrored in the people the company decides to hire. In fact, regardless the training courses they have to go through, Eataly selects people that were already specialized for the job position yet earlier than entering into Eataly.

Key Activities

In order to be in line with its Value Proposition, one of the main Activities the company has to perform is the periodic and accurate control of the products it sells and, as a result, of the producers it establishes partnerships with. This may be regarded to be a crucial activity as without a coherent and systematic control

mechanism the company in the long-run would risk to fail to adhere to the ethical principles it mostly celebrates: quality, transparency, tradition (among the most relevant ones).

Moreover, as already anticipated in the analysis, Eataly is a company profoundly devoted to complex marketing strategies. In fact, the marketing is the key principle that rules all the activities in Eataly. As Farinetti claims, the only problem in the distribution market is the lack of marketing capability. In fact, consumers need to be educated, they need to be informed regarding why they should decide to consume with consciousness and they have to be educated in loving your company and the culture behind it. If you, as an entrepreneur, are able to do it, then you will win your market share.

Without the transparency and the communication that makes Eataly stand out in the market place, the company would have never been able to profitably operate in the Blue Ocean Market discovered and consequently accessed.

To conclude, two of the three souls of Eataly- that is, eat and learn- are translated into the two following company's Key Activities: Restaurants and Didactic Events, already covered in details in Chapter 5.

Cost and Revenues Structure

The largest portion of earnings the company collects prevalently stems from proceeds of the grocery department and the dislocated restaurant. Only a mere percentage of Revenues is accrued from online retailing.

For what concerns the cost side, the Restaurants are deemed to be the most expensive component of the Eataly formula. In fact, as Venturini reports, it is equivalent to the 40% of the total cost structure, in contrast to the only 20% of the procurement costs (Venturini, 2009). However, the dining areas are an essential strategic component of the Business Model formula Eataly formulated and implemented (the "BUY, EAT, LEARN" concept), as by tasting products people are further incentivized to buy them.

To conclude, the company presents two further sources of cost: the personnel, with

the wages and training costs, and the didactic activities Eataly hosts. It is important to outline that the free of charge events offered to both retired people and kids are basically refunded by the revenues derived from the events primarily funded by adults (Venturini, 2009).

Conclusions

To conclude, in Part III of this study an extensive introduction of Eataly has been provided to the reader. Essentially, it was carried out by exploring the rationale behind the company and the characteristics that permitted it to stand out in the marketplace- i.e. short supply chain to offer superior products at sustainable prices, sophisticated marketing mechanisms, multidimensional store etc...-. Moreover, a detailed analysis of the company Strategy and Business Model Canvas has been conducted in order to fill the research gap identified in this work: whether Eataly created an uncontested market space in the food retailing industry through a systematic business model innovation.

Chapter 5 shed light on the mission Eataly intends to pursue and fulfill and also on how the company formulated its strategy to be in line with the objectives set at the genesis of the idea. Eataly may be regarded as a multidimensional and controversial business format, whose role is to remove the industry assumption that high-end food products may be offered exclusively to a niche market at extremely high prices.

The direct ethical and commercial relation with suppliers, the creation of a huge and dynamic all-around food show, where visitors can “buy, eat, learn”, are the crucial corporate fundamentals that permitted to Eataly to become the largest artisanal superior marketplace in the world.

After the study of the main strategic moves of the company and of the business model it formulated, developed and implemented (Ch.6), the conclusion derived to answer the research question is the following: Eataly profitably entered into an uncontested market space by radically reversing the business model previously existing in the food retailing sector. In details, this result has been achieved through the wise alignment of the strategic moves identified in the Strategy Canvas in Par.

6.2- i.e. sustainable prices, high-quality, shop experience, didactic activities, dining areas and emotional marketing among the most relevant- with a radically innovative business model canvas (Par.6.3).

Eataly is the place to be in order to experience an atmosphere where customers are an active co-creating resource for the business, and where the high-quality food is made affordable to *everyone* with the creation of a business model that projects it to an idyllic complex (but also simple) dimension never reached by others before.

Part IV: Empirical Research

Chapter 7: Interview

This Chapter presents to the reader a verbatim copy of the research interview addressed to Mrs. Fiorella Palmieri, Eataly press office manager at the Piazzale Ostiense headquarter in Rome.

The interview scope is to provide the reader with a consistent and reliable empirical proof in order to show how the company perceives itself in terms of business model innovation and market positioning and to verify whether the conclusions derived above may be regarded as consistent. In fact, this Chapter is important in order to reinforce the groundings of the inferences derived in the end of Part III- that is, Eataly effectively jumped into a rivalry-free marketspace through the successful reinvention of the traditional food retailing business model.

7.1: A Conversation with Fiorella Palmieri

In the previous section of this study, the analysis of the corporate Strategy Canvas and Business Model Innovation led to conclude that Eataly effectively jumped in a Blue Ocean Market through the creation of a complex and pioneering Business Model in the food retailing sector.

In the following, the interview addressed to Mrs. Fiorella Palmieri, press office manager at Eataly P.le Ostiense in Rome, furnish an empirical contribute that strengthens the validity of the conclusions above..

The interview is made up of eight questions that span both the study of the company Business Model Innovation and the analysis of the perception Eataly has of itself in terms of its positioning in the marketplace- that is, whether it thinks to operate in an uncontested market space or not.

The results validate the conclusions autonomously derived in the previous two Chapters.

Interview Transcript:

1) The idea behind Eataly immediately resulted in a winning bet. In your opinion, what are the elements of the business model that contributed to the creation of the original and complex distribution format?

Eataly simply invested on quality, but, in contrast to many others, it decided to convey this value to consumers according to three souls: learn, eat and buy. Each product we sell has a story. In Eataly, everything that can be eaten can also be bought and by means of our didactic laboratories and courses we tell how products are produced, and consequently we educate people to eat well.

2) The “Eataly concept”, from the opening of the first store to today. Have you been following an overall coherence with the initial business model or have you marginally changed it over time?

Our concept has always remained the same over time. Our philosophy did not change: we invest on the quality of Italian products and on their sustainability. What we do is to remove the assumption according to which superior products are accessible to only a niche market or hardly available.

3) What are the key suppliers the company relies on? And according to which criteria you select your producers?

Our producers must be in line with the corporate philosophy. This is the reason why we surround ourselves with a group of small companies, operating in different sectors of the wine and food industries, who center their production on the creation of high-quality products. Our main partners range from the famous Gragnano

durum wheat pasta to the Langarola egg one; passing through the water of the Alpi Marittime of Piedmont to the Piedmonts and Venetian wine, and still from the olive oil of the prestigious Ligurian coast of Ponente to the farm-raised beef of Piedmont.

4) What are the main sources of costs and revenues for a business format like Eataly?

What Eataly earns is reinvested in new stores. The cost streams are certainly higher with respect to a traditional supermarket, as we are focused on offering the highest possible quality existing in the market, thus spending a certainly larger amount of money. The revenues principally stem from our restaurants' and grocery departments' sales.

5) What is the impact that the development and establishment of the Eataly brand awareness have on the approach you adopted to attract the final consumers?

The customer that visits Eataly makes a precise choice: to eat consciously. This occurs not only when products are purchased, but also by being able to rationally choose them through the support of the narration we juxtapose them.

6) From the personnel training activities to the dining areas, passing through the didactic events to the taste itineraries. Are these activities performing a task of strategic support in the communication of key values Eataly aims at teaching and conveying?

Absolutely yes! By means of our three souls, events included, we always try to convey the ideals of Eataly. They can be considered as intertwined activities that, if matched together, they tend to express our philosophy in the clearest way possible. Our personnel are an essential part of a family, it knows and shares the values characterizing Eataly and it is also a completing part in the corporate decision-making process.

7) By turning our focus on the company positioning compared to the main participants of the food distribution sector, in your opinion, is it realistic to claim that Eataly is a complementary player in the industry, instead of being a rival?

Exactly! Sometimes it happens to experience some debates with some of the GDO distributors; however we do not see ourselves as their rivals, simply for the reason that we offer different products and services compared to them. Typically, our clients buy at our stores as in any other supermarket; however, the difference stands in the products they buy.

8) As the proverbial quote “better said than done” suggests, to replicate an original concept may turn to be a harsh accomplishment to reach. In this regard, is it possible to affirm that the innovative “Eataly format” is scarcely replicable for future competitors?

To follow the proverbial quote, I may reply “never say never!”. We cannot foresee anything in this regard. What I can say is that, until now, Eataly is for sure a format currently attributed to us and that has not been replicated yet. For what concerns the future, we hope that more and more companies, not only in the food industry, will start being always in line with the quality imperative!

Chapter 8: Consumers' Perception

The following Chapter copes with the explanation and the analysis of the questionnaire addressed to a random sample of Eataly consumers. In particular, the purpose of this survey is to examine how the company value-oriented strategy is perceived by customers and afterwards to analyze whether or not the company succeeded in conveying a shopping experience in line with the corporate mission. In particular, this Chapter serves as a conclusive empirical framework to observe whether there exists a coherence of perception between what the company intends to achieve and what it actually conveys to customers.

8.1 Questionnaire

8.1.1 Introduction

In order to execute a research study as reliable and complete as possible, after having dealt with the company perspective, it is time now to examine how the demand side perceives the value-oriented strategy of Eataly. In this regard, through the distribution of a questionnaire and its later elaboration, the dissertation attempts to provide the reader with an empirical analysis of the customers' business perception.

The spreading of the form occurred by using social network platforms- for the most part Facebook and Twitter-, so that it could result easier to collect the largest number of possible responses in terms of both geographical dispersion and sample heterogeneity and randomness. In this regard, the questionnaire resulted in 106 valid respondents, geographically dispersed across the Country.

The survey, made up of various qualitative and quantitative questions (multiple and open choice), is organized in 4 sections as follows:

- Demographic profile
- Eataly
- Experience Evaluation
- Personal point of view

The processing of results particularly focuses on those questions regarded as more emblematic than others in order to analyze the opinion consumers have of Eataly.

8.1.2 Analysis, Results and Findings

The randomly selected sample consists of both Italian men and women- respectively 46.2% and 53.8%-, prevalently aged between 18-25 years (63.2%, while the remaining portion of the cluster is dispersedly aged from 26 onwards) and who are mainly either single or married, respectively 67% and 21.7%, while the residual 11.5% is either divorced or widowed.

As a high percentage of respondents consist of young individuals (mostly aged between 18 and 25 yrs.), 65 people over 106 are still students, followed by 11 CEOs, and the rest goes from employees to housewives, passing from freelance to unemployed.

The essential pre-requisite to be regarded as a reliable part of the study is to have been in an Eataly store at least once, in fact the totality of the heterogeneous sample matches the requirement.

It is important to notice that the individuals that took part in the form are considered to be not only reliable as they all know Eataly, but also because their feedback geographically covers a high number of Eataly stores. In particular, as shown in Figure 8.1, the highest portion of people visited, or it is used to visit, the store located in Rome (65.3%), but the residual 34.7% is from the other stores dislocated across the Country. Therefore, it may be regarded as a good result in order to avoid biased findings.

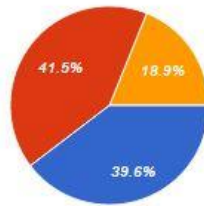


Figure 21 “Dispersion of stores visited by consumers”

On the graphs in Figure 8.2 are reported the frequencies with which the customers are used to respectively do shopping and eat in an Eataly store. Over a total of 106 replies, no one is used to go to Eataly in order to buy daily products- in fact, the customers are spread across those who “never” (39.6%) or only “once” (41.5%) or still “sometimes” (18.9%) have done shopping in an Eataly store-, in contrast to restaurants, which instead scored a striking 77.1% of participants- dispersed across “once”, “sometimes”, “often”- that consumed a meal in an Eataly restaurant.

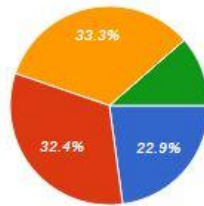
Therefore, it is possible to conclude in this point that Eataly is not seen as a place to go and buy daily products, but rather as a location to visit and to share some convivial moments with friends or relatives. This perception is completely opposed to a supermarket’s or to a food boutique’s one, where people simply go to buy groceries and head back home.

In the past 12 months, have you ever bought from Eataly?



Never	42	39.6%
Once	44	41.5%
Sometimes	20	18.9%
Often	0	0%

In the last year, have you ever had a meal in one of the Eataly restaurants?



Never	24	22.9%
Once	34	32.4%
Sometimes	35	33.3%
Often	12	11.4%

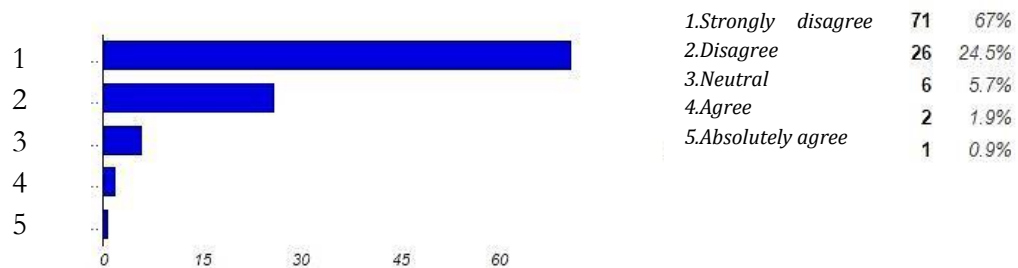
Figure 22 “Shopping vs. Dining Areas”

When asked to agree with a number of statements regarding the reason behind their actual (or potential) decision to buy from Eataly, customers’ responses determine an important upshot. In fact, despite the clear general agreement about the importance of quality products (almost the 80% of the sample either agrees or strongly agrees with the statements regarding the relevance that the quality, as well as the traceability and seasonality of the products, has on their buying decision), a striking result occurs when it is time for them to decide whether they buy (or would buy) from Eataly for necessity or curiosity. In fact, when asked to express an opinion about the necessity they have to buy from Eataly, the 67% of the sample is strongly in disagreement, followed by almost 25% that agrees (See Figure 8.4 below). On the contrary, when asked them whether they buy from Eataly for pure curiosity, almost 70% of the sample answered they agree or strongly agree.

This outcome is particularly striking and should be further investigated in future studies. The reason is that it prevalently sheds light on the perception customers have of Eataly- that is, it is a place completely new, and, therefore, it raises general curiosity in the audience. Hence, the pioneering “EAT, BUY, LEARN” business

model may be considered to foster new demand- as the BOS strategy forecasts-, but primarily driven by curiosity rather than need.

Necessity



Curiosity

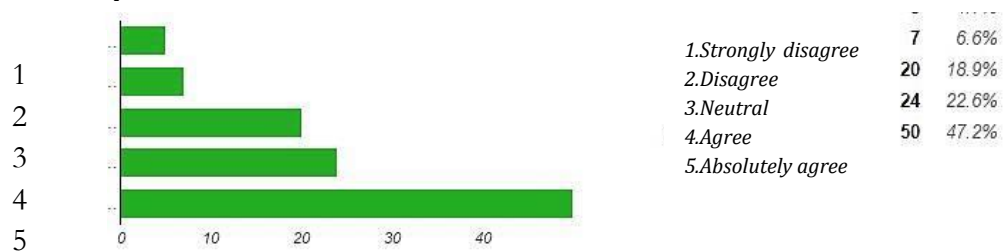


Figure 23 “Demand driven by curiosity”

For what concerns the reason behind the decision to visit, an important incentive is the atmosphere they can breathe in Eataly. In particular, around the 50% of the participants believe that the experience lived in Eataly will surely push them to newly visit the store (See Figure 8.5). On the contrary, the range of high-quality products and the opportunity to attend didactic events present a wide distribution of responses, resulting in results irrelevance. However, it is important to remind that this sample of consumers is particularly young, therefore, since this activities are not primarily addressed to them, they may be wrongly perceived. Moreover, restaurants also play an important role to incentivize people to visit (54% of responses range from “agree” to “strictly agree”).

11) Please indicate the degree to which you agree or disagree with the following reasons that induced, or could induce, you to visit an Eataly store and (perhaps) to come back:

- ***The shop experience you breathe in the store***

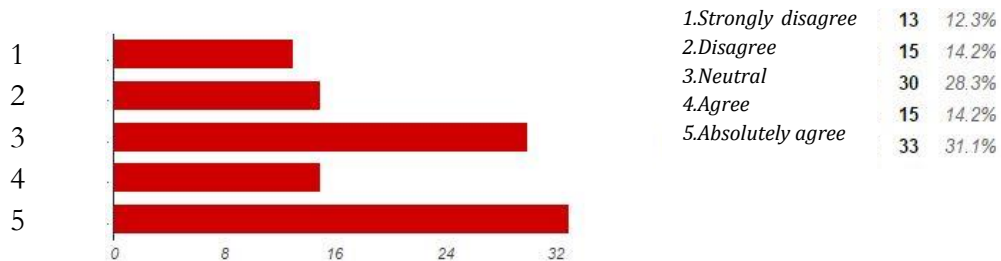


Figure 24 “Shop Experience as an incentive to visit”

- ***The possibility to spend time in dining areas***

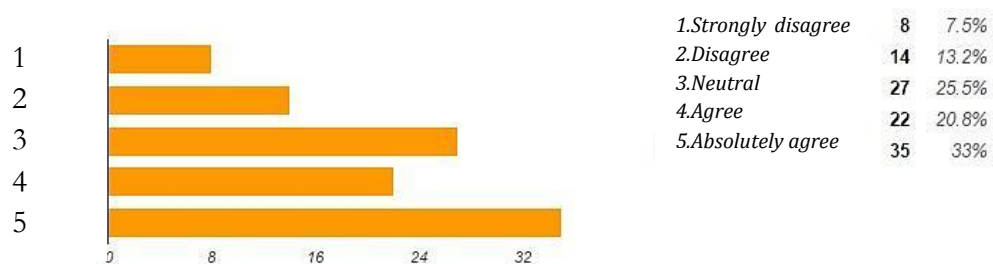
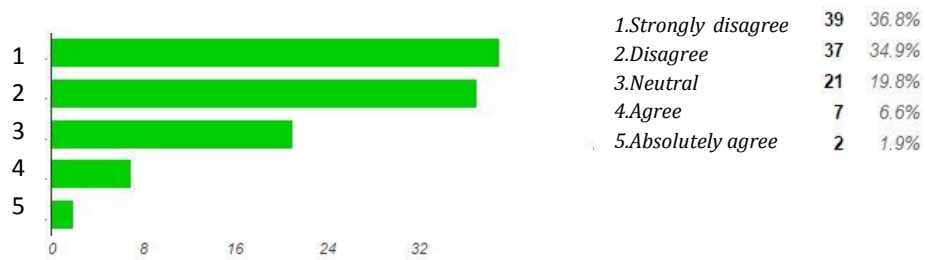


Figure 25 “Restaurants as an incentive to visit”

As summarized in Figure 8.8 below, when customers are asked to agree or disagree with a series of statements regarding their experience in Eataly, the factor that stands out is the overall dissatisfaction about prices, still perceived as too high. This outcome should be considered as a starting point to further investigate whether or not Eataly effectively achieved its strategy to serve high-quality products at sustainable prices, as the latter do not seem to be perceived in this way.

12) Please indicate the degree to which you agree or disagree with each of the following statements regarding your personal experience in Eataly:

- ***I purchased more than planned***



- ***Prices are not sustainable to everyone***

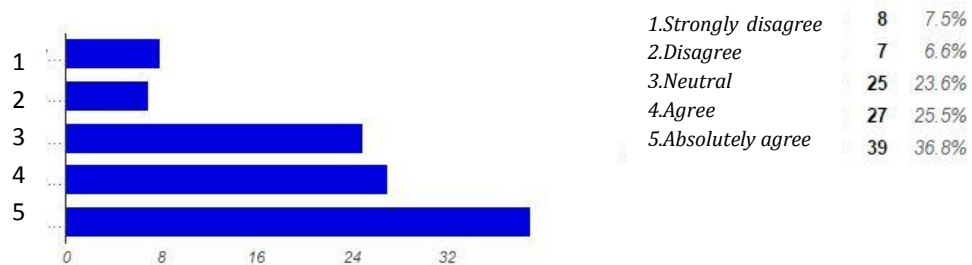


Figure 26 “Perception of High Prices”

On the other hand, although prices are still negatively seen, the general opinion of an Eataly store is that it is an absolute innovation and, as a result, it conveys a shopping experience that radically differs from the offer of any other supermarket. In fact, the 84% of the sample absolutely agrees with this statement, followed by a 12% that agrees and the rest 9% in spread across “neutral”, “disagree” and “strongly disagree”.

However, only 7 consumers over 106 agree when asked whether they would regard Eataly as their place for buying the daily grocery. In fact, the large majority, equivalent to around 87% of the sample, “strictly disagrees” or “disagrees” with this comment (See Figure 8.9)

- ***I could think of Eataly as the place to go for my daily grocery shopping***

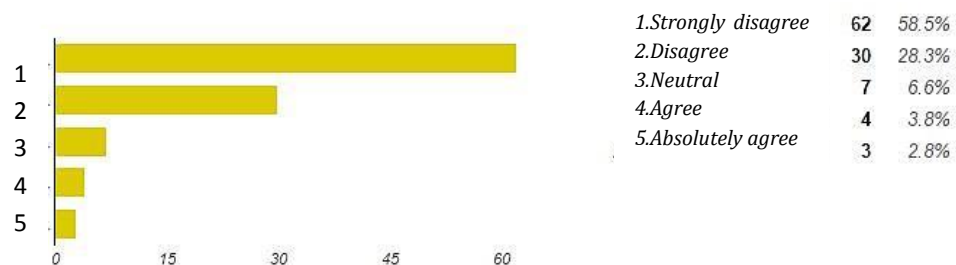


Figure 27 “Eataly as the place to be for buying daily products”

As a conclusion to the analysis of this form, it has been confirmed that Eataly effectively entered in a market perceived as new. This is also confirmed from the answers given by the sample portion (45 people over 106) that expressed an opinion in the open question. A striking 95% defines Eataly by using adjectives like “innovative”, “new”, “pioneering”, “unique”; while the remaining 5% defines it as a place in which “the Italian culinary cuisine is celebrated to 360°, while eating, learning or simply buying”. Therefore, the Business Model innovation Eataly formulated and implemented has been effectively perceived by its clients, although prices are still regarded as too high. However, this may be justified from the fact that Italy is still under recession and thus people are still refrained to buy less but good. In this regard, it could be useful to further dig into this question and to analyze the perception of prices foreigners have of the products Eataly offers and promotes.

Conclusions

Purpose of Part IV was to empirically test the result obtained in Part III. The methodologies applied are as follows: interview and customer survey.

Mrs. Fiorella Palmieri positively evidenced the creation of a distinctive Business Model, by also providing precious insights regarding how the company perceives itself with respect to the industry.

The questionnaire, instead, confirmed the creation of a Blue Ocean strategy as Eataly is effectively perceived as pioneering and unique by its curiosity-driven customers. However, prices are still perceived as excessively high, although the three souls of Eataly- “EAT, BUY, LEARN”- properly reached the target consumers- that is, “everyone”- in a radically new way still regarded as one-of-a-kind.

In conclusion to this dissertation, it is possible to finally say that Eataly successfully implemented a BOS by formulating a radically new business model and, thus, by setting itself as a complementary actor in the sector rather than a fierce rival.

Conclusions

The creative food industry, especially the distribution sector, is commonly regarded as a matured market space. The imperative strategic logic of this market is to fiercely benchmark competitors, by triggering a tough price battle that results in the creation of a definitely bloody red battle space.

This harsh business scenario has been generated by the sudden change in needs and preferences of average consumers, primarily due to the recession period the Country went through. In fact, this new typology of buyers is an individual that, being driven by savings-oriented impulses, is not loyal to any food retailer. Indeed, she tends to select those locations that offer the products she needs at the lowest possible price.

Therefore, supermarkets margins are shrinking toward the lowest acceptable bound and the commercial arrangements with suppliers are becoming stricter and stricter so as to be able to offer products at extremely low prices to finally attract consumers. In order to make competition irrelevant, it is important “to think outside the box”, to reframe boundaries, to formulate weighted strategic moves, rather than to keep on benchmarking rivals, as Kim and Mauborgne affirm in their book “Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant” (2005).

Eataly, the largest Italian food ambassador in the world, proficiently adhered to the Blue Ocean rationale, creating a business concept that is perceived as radically new and pioneering, and, for this, regarded as a singular reinvention of the supermarket.

Despite the economic recession, from the first opening to nowadays Eataly has tripled its revenues, demonstrating to everyone that what matters is to be creative, to remove the market assumptions and to create your own rules of the game.

In particular, by means of a wise reinvention of the business model, Eataly entered an uncontested market space, which, indeed, radically differs from any other business format of the food distribution sector.

As shown in the Strategy Canvas, Eataly formulated or removed strategic moves that were regarded both as cost savings and as contributive to promote the new business.

It is possible to remind the removal of intermediaries with suppliers, a tactic implemented to ensure a direct contact with the small producers and, thus, to reduce the extremely high prices usually linked to superior products. The organization also created an atmosphere in which, through the sapient use of emotional and communicative marketing, the customer can breathe a remarkable shop experience characterized by a business model based on the “eat, buy, learn” soul.

In Eataly, nothing is left to contingency and every single Building Block, composing the organization Business Model Canvas, is studied in details in order to achieve, to the maximum extent possible, the simultaneous pursuit of cost reduction and business differentiation- namely, a Value Innovation-.

Hence, Eataly is an example to follow in order to understand how to remove the cardinal industry assumptions, to overturn them, and to align the pioneering strategic moves into a Business Model Canvas, which will lead your business to enter the aspired Blue Ocean market.

As the interview to Mrs. Fiorella Palmieri outlines, Eataly does not perceive itself as a rival in the market, but rather as a complementary format to the already-existing offer of GDO distributors. Its multidimensional soul- “eat, buy, learn”-, the co-creation with customers, the presence of skilled personnel, and, finally, the offering of superior products to a large-scale public at relatively sustainable prices, are all factors characterizing Eataly and, most of all, determining the remarkable experience its customers will live once entered one of its stores.

However, although the questionnaire addressed to 106 Eataly customers empirically confirmed (analogously to the interview) the access of the company in a Blue Ocean marketpace, consumers perceive that the company price range is still not as sustainable as Eataly advertisements highlight, creating a demand that is curiosity-driven rather than motivated by real needs. Therefore, this may result in a focal point to work on for a company like this.

To conclude, Eataly is a pioneer in the food industry, a business that radically overturned the previously accepted industry boundaries by matching together seemingly opposing concepts in a multidimensional shop experience.

In 2007, from the very first moment Eataly opened the doors of its first store in Turin, it did not simply enter a Blue Ocean market; but, by means of a revolutionary

Business Model, it also radically overturned the supermarket concept, reinventing it under a completely new perspective, based on bringing back the years of splendor of the Italian culinary tradition.

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Appendix

A: Eataly Manifesto



0. WE'RE IN LOVE WITH FOOD

We're in love with high quality food and drink. We love the stories about it, the people who produce it, and the places it comes from.



1. FOOD UNITES US ALL

Good food brings all of us together, and helps us find a common point of view. We believe that one of the greatest sources of joy is what happens around a dinner table.



2. OUR PASSION HAS BECOME OUR JOB

We're in love with high quality food and drink. We love the stories about it, the people who produce it, and the places it comes from.



3. THE SECRET TO QUALITY OF LIFE? QUALITY PRODUCTS

By offering the best products we can find, we improve our own lives, and bring added value to yours. Enter a world dedicated to quality that mean quality food, quality drink and ultimately quality time.



4. OUR TARGET AUDIENCE IS EVERYONE

Whether you're here to buy a loaf of bread, prepare for a lavish dinner or sit down to enjoy a meal, we want this to be your place. We want you to be comfortable, happy, and enriched by every visit.



5. EAT. SHOP. LEARN.

This is a store with stories. Here, you won't just discover what you love, you'll also learn about what you love.



6. YOU ARE OUR CO-PRODUCERS

What you choose every day determines what we'll stock our shelves with over time. When you demand quality products, you support local farmers, fishermen, butchers, bakers, and cheesemakers who produce them. Consider yourself a co-producer, consciuos that the choices you make determine the quality and quantity of food on the market. Ultimately, you are creating a better environment for eating and beyond.



7. OUR THREE PROMISES TO YOU

1. **Choice:** We offer a diverse selection of quality food and drink.
2. **Accessibility:** We are dedicated to offering the best products at the lowest possible prices.
3. **Knowledge:** We feel that it's not just important that we know everything about what we sell and serve, but that you also learn about the products we are so passionate about. We share with you the stories of the people and places behind all that we offer. The more you know the more you enjoy.



8. YOUR TRUST IS EARNED EVERY DAY

In all ways, we promise to be scrupulously honest. We'll never encourage you to buy more than you need.

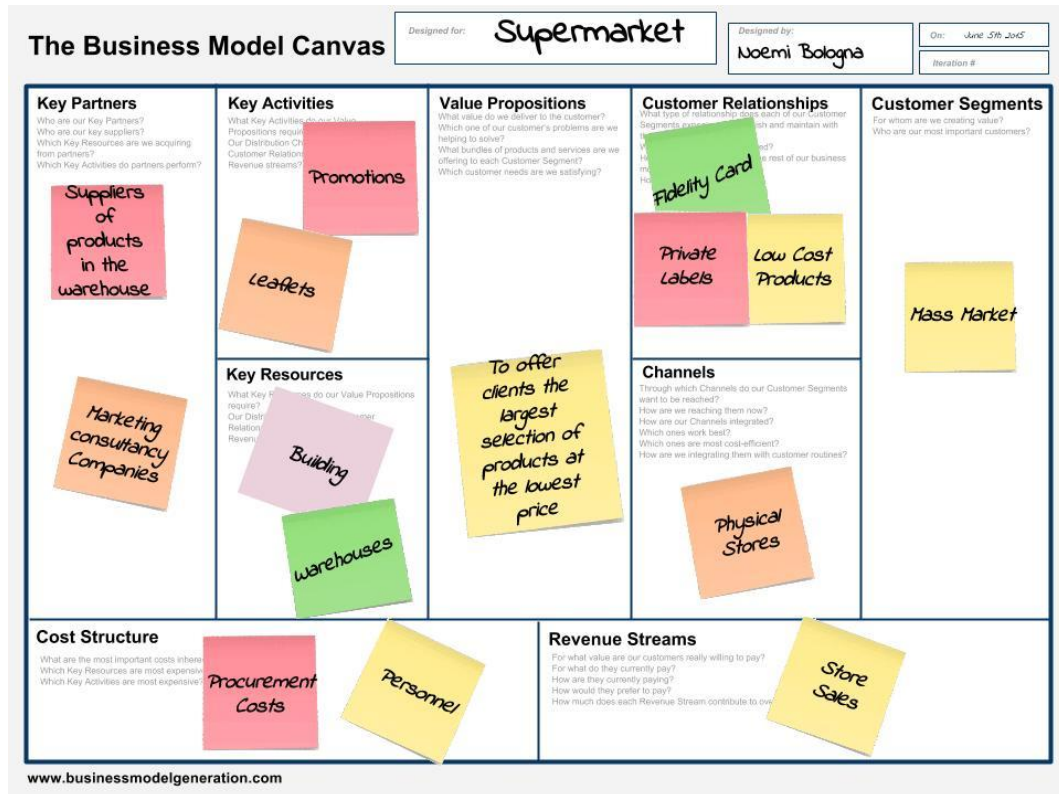


9. THE END GOAL

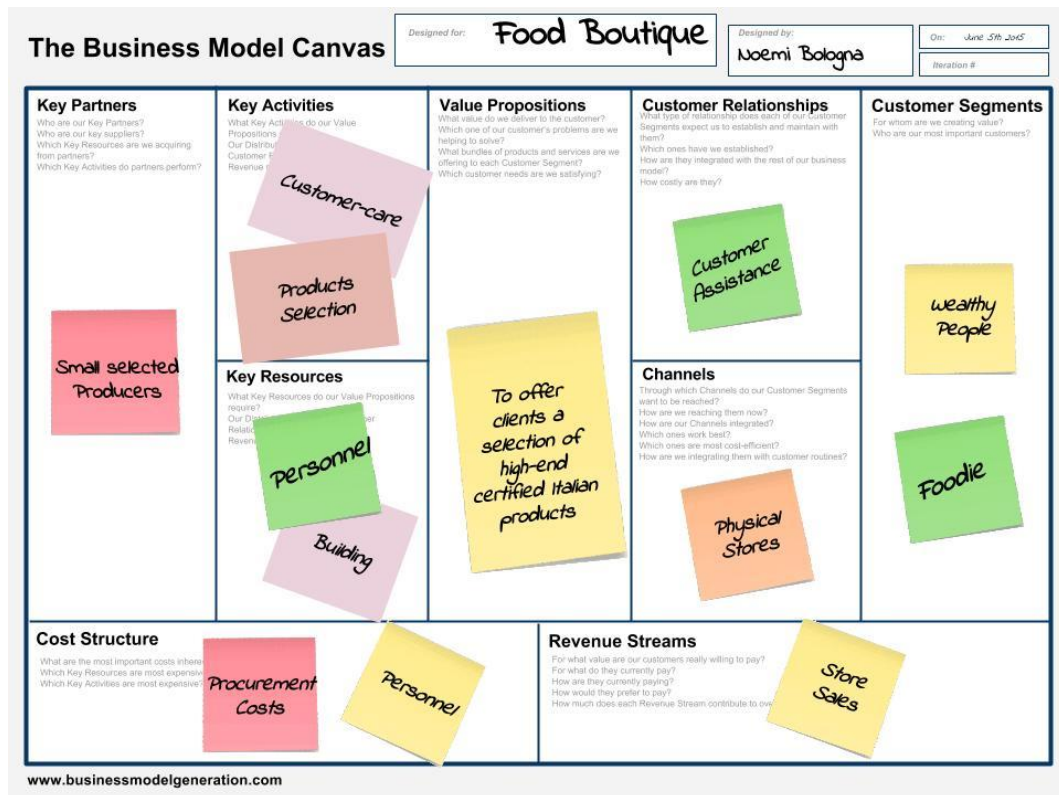
Our goal is to have you as our customer for a lifetime. The easiest means to that end is offering the best food and drink as well as the best environment in which to discover and expand your tastes. On that note, we look forward to seeing you again very soon!

Source: (Eataly, 2015)

B: Supermarket Business Model Canvas



C: Food Boutique Business Model Canvas



D: Interview to Fiorella Palmieri (Italian Version)

Oggetto dell'intervista: Studio dell'originale modello di business di Eataly e analisi circa la difficoltà d'imitazione del suo singolare format distributivo.

1. L'idea di Eataly è risultata sin da subito una scommessa vincente. Quali sono a suo parere gli elementi del modello di business che hanno contribuito alla creazione di un format distributivo tanto inedito quanto complesso?

Eataly ha solo puntato sulla qualità, ma a differenza di molti altri ha deciso di raccontarla al consumatore attraverso le sue tre anime: imparare, mangiare e comprare. Tutti i nostri prodotti hanno una storia, quello che da Eataly si può mangiare si può anche comprare, e attraverso i nostri laboratori e corsi di didattica raccontiamo come i prodotti nascono, educando ad una buona alimentazione.

2. Il “concept Eataly”, dall'apertura del primo punto vendita a oggi. E' stata mantenuta una generale linea di coerenza con l'iniziale modello di business o quest'ultimo ha subito nel tempo marginali modifiche?

Il concept di Eataly è sempre rimasto quello, la filosofia è sempre la stessa, puntiamo sulla qualità dei prodotti italiani e la loro sostenibilità, smentendo l'assunto secondo il quale i prodotti di qualità siano accessibili solo ad una fascia limitata di persone o difficilmente reperibili.

3. Quali sono i fornitori chiave sui quali l'azienda fa affidamento e in conformità a quali criteri e principi avviene il processo di selezione dei produttori?

I nostri fornitori devono avere la nostra filosofia. È per questo che ci circondiamo di un gruppo di piccole aziende che operano nei diversi settori dell'enogastronomia e che puntano sulla qualità dei loro prodotti, dalla celebre pasta di grano duro di Gragnano, alla pasta all'uovo langarola, dall'acqua delle Alpi Marittime piemontesi, al vino piemontese e veneto, dall'olio di riviera ligure di Ponente alla carne bovina Piemontese.

4. Può chiarire quali siano le principali fonti di costi e guadagni per un'azienda come Eataly?

Tutto quello che Eataly guadagna viene reinvestito in nuovi punti vendita. Le fonti di costo sono sicuramente più alte di quelli di un normale supermercato, perché ci rivolgiamo sempre al massimo della qualità esistente sul mercato, spendendo quindi sicuramente di più. I guadagni provengono principalmente dalle nostre vendite di mercato e ristorazione.

5. Che impatto hanno lo sviluppo e il consolidamento del marchio "Eataly" sull'approccio con i consumatori finali?

Il consumatore che viene da Eataly fa una scelta precisa, quella di alimentarsi in maniera consapevole. Questo avviene non solo acquistando prodotti italiani di qualità, ma anche potendoli scegliere liberamente attraverso il racconto che noi vi affianchiamo.

6. La formazione di personale qualificato, la ristorazione, le attività didattiche e gli eventi di degustazione svolgono una funzione di

supporto strategico nella trasmissione dei valori chiave che Eataly intende insegnare e comunicare?

Assolutamente sì. Attraverso tutte le nostre anime, inclusi gli eventi, cerchiamo sempre di trasmettere i valori di Eataly. Sono tutte attività strettamente connesse tra di loro che insieme tendono ad esprimere la nostra filosofia nella maniera più chiara possibile. Il nostro personale è parte integrante di una famiglia, conosce e condivide i valori di Eataly ed è parte anche dei processi decisionali dell'azienda.

7. Volgendo l'attenzione al posizionamento dell'azienda rispetto ai maggiori concorrenti nel mercato della GDO, secondo lei è realistico sostenere che Eataly sia un attore complementare nel settore piuttosto che un rivale?

Sì, è proprio così. Delle volte sentiamo di confronti con diverse aziende del GDO, ma noi non ci sentiamo in concorrenza con loro, semplicemente per il fatto che offriamo dei prodotti e dei servizi differenti. Nella maggior parte dei casi i nostri clienti comprano da noi come da qualsiasi altro supermercato, la differenza sta nei prodotti che vengono acquistati.

8. Se come dice il proverbio “tra il dire e il fare c'è di mezzo il mare”, tra il concept originale e la sua replicabilità si apre un oceano. A tal proposito, è possibile affermare che un format inedito come Eataly risulta difficilmente replicabile da potenziali concorrenti?

Se andiamo per proverbi allora possiamo dire “Mai dire mai”. Non possiamo fare previsioni in merito. È sicuramente un format che ci appartiene e al momento non è stato replicato, per il futuro possiamo augurarci che molte altre aziende, non solo nel settore del food, inseguano sempre la qualità.

E: Questionnaire (English Version)



Eataly: an investigation of consumer perceptions

This questionnaire is completely anonymous and the time estimate to complete it would be about 5 minutes.

The only pre-requisite to join the study is to have been in an Eataly store at least once.

I thank you in advance for your collaboration!

Ai sensi del D.Lgs. 196/03 sulla riservatezza dei dati personali tutte le informazioni a carattere personale saranno trattate ai soli fini statistici.

* Required

1) Gender *

- ☐ M
- ☐ F

2) Age *

- ☐ <18
- ☐ 18-25
- ☐ 26-35
- ☐ 36-45
- ☐ 46-55
- ☐ >55

3) Nationality *

- ☐ Italian
- ☐ Other:

4) Marital Status *

- ☐ Single
- ☐ Married/Live-in Partner
- ☐ Separated/Divorced
- ☐ Widowed

5) Employment *

- ☐ Student
- ☐ Unemployed
- ☐ Entrepreneur
- ☐ Freelance
- ☐ Chief
- ☐ Employee
- ☐ Worker
- ☐ Housewife
- ☐ Retired
- ☐ Other:

The company

6) Do you know Eataly? *

- ☐ Yes
- ☐ No

7) If yes, which store did you visit or are you used to go to?

- ☐ Torino-Lingotto
- ☐ Milano-Smeraldo
- ☐ Roma
- ☐ Genova
- ☐ Bari
- ☐ Firenze
- ☐ Bologna
- ☐ Other:

8) In the past 12 months, have you ever bought from Eataly? *

- ☐ Never
- ☐ Once
- ☐ Sometimes
- ☐ Often

9) In the last year, have you ever had a meal in one of the Eataly restaurants?

- ☐ Never
- ☐ Once
- ☐ Sometimes
- ☐ Often

10) Please indicate the degree to which you agree or disagree with the following statements regarding the reasons that convinced, or could convince, you to buy from Eataly. *

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Necessity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The quality of products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I appreciated the quality of products tasted in one of the Eataly restaurants, and I decided to buy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Product safety in terms of traceability, nutritional values, and seasonality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Curiosity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

11) Please indicate the degree to which you agree or disagree with the following reasons that induced, or could induce, you to visit an Eataly store and (perhaps) to come back: *

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
Range and quality of the products offered	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Didactic events and activities of interest	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The possibility to spend time in dining areas	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The shop experience you breathe in the store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12) Please indicate the degree to which you agree or disagree with each of the following statements regarding your personal experience in Eataly: *

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
I spent more time in the store than expected	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I purchased more than planned	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I imagined to buy more, but the range of products and prices were respectively limited and costly	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Prices are not sustainable to everyone	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The personnel availability and competency positively enriches the experience in Eataly	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In Eataly I breathe a shop experience that radically differs from the supermarket format (i.e. Coop, Conad...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I could think of Eataly as the place to go for my daily grocery shopping	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Personal consideration

In this Section of the questionnaire, you have the possibility to express your personal consideration regarding Eatly.

If I ask you to briefly define Eatly, what would you say?

Also simple adjectives or brief definitions are well-accepted.

F: Questionnaire (Italian Version)



Eataly: la percezione e il giudizio dei suoi consumatori

Il questionario è totalmente anonimo e il tempo per la sua compilazione è stimato essere di soli 5 minuti.

L'unico requisito per poter partecipare è di aver visitato un punto vendita Eataly almeno una volta. Ci tengo a precisare che non esistono risposte giuste o sbagliate, tutto si basa sul vostro giudizio riguardo l'esperienza vissuta in Eataly.

Ringrazio anticipatamente per la collaborazione!

Ai sensi del D.Lgs. 196/03 sulla riservatezza dei dati personali tutte le informazioni a carattere personale saranno trattate ai soli fini statistici.

* Required

1) Genere *

- ☐ M
- ☐ F

2) Età *

- ☐ <18
- ☐ 18-25
- ☐ 26-35
- ☐ 36-45
- ☐ 46-55
- ☐ >55

3) Nazionalità *

- ☐ Italiana
- ☐ Other:

4) Stato Civile *

- ☐ Celibe/Nubile
- ☐ Coniugato-a/convivente
- ☐ Separato-a/divorziato-a
- ☐ Vedovo-a

5) Occupazione *

- ☐ Studente
- ☐ Disoccupato/a
- ☐ Imprenditore
- ☐ Libero Professionista
- ☐ Dirigente
- ☐ Impiegato
- ☐ Operaio
- ☐ Casalinga
- ☐ Pensionato/a
- ☐ Other:

L'azienda

6) Conosce Eatly? *

- ☐ Sì
- ☐ No

7) Se sì, che punto vendita ha frequentato o è solito frequentare?

- ☐ Torino-Lingotto
- ☐ Milano-Smeraldo
- ☐ Roma
- ☐ Genova
- ☐ Bari
- ☐ Firenze
- ☐ Bologna
- ☐ Other:

8) Nel corso degli ultimi 12 mesi ha fatto acquisti da Eatly? *

- ☐ Mai
- ☐ Una volta
- ☐ Qualche volta
- ☐ Spesso

9) Nel corso dell'ultimo anno si è fermato a mangiare in uno dei chioschi/ristoranti di Eatly?

- ☐ Mai
- ☐ Una volta
- ☐ Qualche volta
- ☐ Spesso

10) Indichi il grado di accordo o disaccordo con ciascuna delle seguenti motivazioni che l'hanno spinto, o potrebbero spingerla, ad acquistare da Eataly *

	Per niente d'accordo	Poco d'accordo	Abbastanza d'accordo	Molto d'accordo	Assolutamente d'accordo
Per necessità	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Qualità dei prodotti esposti	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ho apprezzato la qualità dei prodotti gustati nel punto ristoro e ho deciso di acquistarli	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Per la sicurezza del prodotto in termini di tracciabilità, valori nutrizionali e stagionalità	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Per curiosità	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

11) Indichi il grado di accordo o disaccordo con le seguenti motivazioni che l'hanno spinto a fare visita ad Eataly o che la faranno ritornare: *

	Per niente d'accordo	Poco d'accordo	Abbastanza d'accordo	Molto d'accordo	Assolutamente d'accordo
Ricchezza e qualità dell'assortimento	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Presenza di eventi/corsi di interesse	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Presenza di luoghi di ristoro in cui trascorrere del tempo in compagnia	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Per l'esperienza vissuta nel punto vendita	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12) Indichi il grado di accordo o disaccordo per ciascuna delle seguenti affermazioni relative alla sua esperienza da Eataly *

	Per niente d'accordo	Poco d'accordo	Abbastanza d'accordo	Molto d'accordo	Assolutamente d'accordo
Ho trascorso più tempo del previsto nel punto vendita	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ho acquistato più di quanto avrei pensato	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pensavo di acquistare di più, ma la gamma di prodotti era limitata e/o costosa	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I prezzi non sono alla portata di tutti	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
La disponibilità del personale di vendita rende piacevole acquistare da Eataly	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Eataly propone un'esperienza di acquisto diversa dai normali supermercati (es. Coop, Conad...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Potrei considerare Eataly come luogo per la mia spesa quotidiana	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Considerazioni personali

In questa Sezione del questionario ha la possibilità di esprimere un suo breve parere (facoltativo) riguardante Eataly.

Se le chiedessi di definire in breve l'azienda Eataly, come la definirebbe?

Sono graditi anche semplici aggettivi o definizioni.

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