

**POLITECNICO DI TORINO**

Master of Science in Engineering and Management

*Master of Science Thesis*



**BUSINESS MODEL INNOVATION IN HORECA  
INTERMEDIATION**

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## **Abstract**

The following paper was drafted with the aim of analysing the phenomenon related to the emergence of new innovative business models in the field of purchases made by operators within the catering industry.

The analyzed phenomenon has very recent origins, suffice it to say that among the realities considered conducting the research the oldest was founded only in 2014.

However, precisely because of the youth of the phenomenon and the growing economic importance of the restaurant industry, the sector is particularly interesting from an entrepreneurial point of view.

Precisely for this reason, various start-ups have been founded with the aim of innovating the purchasing process and establishing themselves as a reference digital leader in their respective markets. However, the phenomenon is still limited and undergoing consolidation.

The start-ups are using different approaches, differentiating themselves according to different value proposals.

The aim of the research is therefore to identify at international level the main configurations of innovative business models and how they differ with respect to traditional distribution models. On the basis of the models identified, an empirical study was also carried out in the Italian market, in order to assess how value propositions are perceived by consumers and whether they are able to satisfy latent needs.

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## **Introduction**

The last few decades have seen a sharp increase in away from home food consumption. Consumptions are fuelled by an innumerable number of activities that operate every day to provide consumers with the opportunity to spend their meals outside. The growth in consumption and the emergence of food trends linked to greater attention to health and environmental aspects, leads most businesses to refine and change their purchases, so as to be able to provide an adequate offer to their own customers.

The following thesis project aims to examine the dynamics related to the purchases observed by the public businesses operating in the catering sector and how the distribution market is experiencing a moment of change in recent years.

This change is fuelled by the spread of business models based on the use of products online sales. In this context, the leading companies operating within the sector started to digitalize their commercial offer, with the dual objective of reducing sales costs and at the same time simplifying the consumers ordering process.

In addition to the leading companies' digitalization, in recent years numerous start-ups have been founded with the aim of revolutionizing a sector that for many years has been neglected from an innovative point of view. These start-ups aim to disrupt the industry by adopting models based on the marketplace concept, leveraging market conditions that seem to favour their diffusion.

The thesis is structured in five chapters, organized in such a way as to analyse all the elements deemed necessary for carrying out the project.

Within Chapter 1, the role of the Horeca sector will be discussed, defining the meaning of the term and analysing the market trends linked to the spread and expansion of away from home consumptions at the international level.

Within the second chapter the distribution systems that have been consolidated over the last few decades at the international level will be analysed. At first, the food supply chain configurations will be analysed based on length, distinguishing between direct and indirect supply. In the second part of the chapter the distribution structure will be analyzed more in detail, analysing the different types of intermediaries present and the related functions performed.

Within the third chapter, attention will be dedicated to a particular category of intermediaries: the traditional foodservice distributors; in particular, market dynamics and the evolution of the sector will be analyzed. This discussion will be useful to be able to describe the value propositions of the emerging business models.

Within the fourth chapter, the phenomenon of digitization within the foodservice distribution market will be analyzed more in detail. In the first part of the chapter, the evolution and spread of e-commerce in recent years will be discussed, highlighting the rapid expansion of the

phenomenon. As will be shown, however, not all product categories have suffered the same influence from online sales; in particular, the causes of the slow diffusion of online sales of food products in the Business to Consumer area will be analyzed. This analysis will be used to make a comparison between the food market in the Business to Consumer context and the one in the Business to Business context, highlighting factors to the advantage and disadvantage of the latter.

In the second part of the chapter, instead, the difference between inventory-based business models and those based on the marketplace concept will be discussed.

In the third and last part of the chapter the business models based on the marketplace concept will be analyzed in detail, highlighting the main elements.

Within the fifth chapter, attention will be focused on the Italian market. Also in this case the main dynamics of the foodservice and distribution market will be analyzed.

The main innovative realities born on the Italian territory will be subsequently analyzed, including among them the one of Gustavo B2B, a start-up with which I had the opportunity to collaborate with during the thesis work.

Within the last part of the chapter the results of an analysis carried out in Turin and Milan through the use of questionnaires and interviews with operators within the sector will be exposed. The analysis, as it will be described, was carried out with the twofold objective of understanding the procurement process by Horeca operators and assessing the validity of some hypotheses that underlie the various value propositions of nascent start-ups.

# 1. Horeca Analysis

## 1.1. Definition

The term Horeca is used to commonly refer to the set of commercial activities that operate in the supply of food and beverages goods for the away from home consumption; Horeca is indeed the abbreviation of the words Hotel, Restaurant and Café, that represent the main supply channels for from away consumption. Anyway, restaurants hotels and cafeterias are not the unique channels, since away from home consumption can also take place in other commercial and non-commercial activities.

It is possible to consider and provide a wider perspective by considering the whole set of companies and institutions that operate to supply meals intended to be consumed away from home, namely in restaurants, hotel and cafeterias and, in addition, in cinemas, theatres, hospital and scholastic canteens etc.

Depending on the geographical area, there are different terms that refers to the industry. The presence of several terms creates a high level of ambiguity.

The whole set of institution and companies operating in the away from home consumption of food and beverage goods is usually referred also as hospitality industry.

Anyway, there are different terms that are used with different meanings in different geographical areas; the first reason of ambiguity is then due to terminology.

In the United States, it is usually used the term *foodservice*, referring to the whole industry, comprehensive of the supply of foods and beverages goods to final consumers and the upstream activities, namely production and distribution of products in the supply chain.

In the United Kingdom, and more in general in Europe, even though the slight linguistic difference, the term *food service* is usually used to refer to the sole set of activities that supply food and beverage goods to final consumers, while the term *catering industry* is used to refer to the whole industry, assuming the same meaning that *foodservice* has in the United States. Moving forward and leaving out the linguistic ambiguities, the food service is usually recognised as: “The [serviced] provision of food and beverages [meal] away from home”.

It is possible to provide an additional distinction considering the activities' scope: if on one hand there are profit activities, on the other it is possible to identify all those activities involved in the provision of public services.

The figure below aims at providing a complete overview about sectors in which the food service covers an important role:

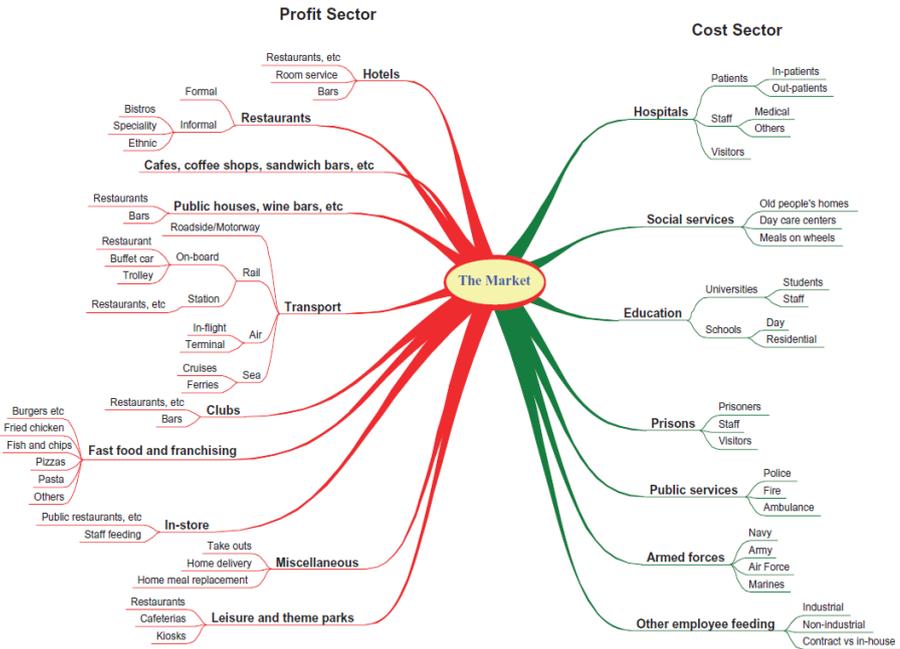


Figure 1- The diversity of the food service industry. Source: Journal compilation 2009, Wiley Periodicals, Inc. Journal of Foodservice, 20

Restaurants, hotel and cafeterias represent just a portion of the distribution channels available to away from home consumption; anyway, also in the case of the term Horeca there are certain ambiguities, since it is usually used as synonymous of the terms listed before.

In the following paper, all the listed terms will be used, as it usually happens, as synonymous. Anyway, a clarification is necessary: in the remaining part of the chapter there will be analysed the away from home final consumers' consumptions.

In the next chapters, there will be analysed the upstream activities in the supply chain, considering then the entire industry.

In the last Chapter, it will be analysed deeper the Italian situation, specifically referring to the consumptions that occurs in restaurants, hotels and cafeteria.

## 1.2.Global Overview

The away from home consumptions industry is one of the most promising industries in most countries. Due to the higher opportunities offered to final consumers by foodservice operators, together with the fact that lives are getting more frenetic, away from home consumption is indeed increasing popularity among consumers; consuming food away from home is increasingly perceived as a convenient and comfortable solution with respect to buy food and consume it at home.

According to a study led by the society GIRA Foodservice, additional social factors contribute to the increasing propensity to consume meals away from home, such as the evolution of households' structure; indeed, for those households composed by just one or two members consume meals away from home represent, in most of the cases, an affordable expense.

Basing on a Cushman & Wakefiel's research, in the 2016 the away from home consumptions worldwide amounted to 3.3 trillion US dollars, subdivided among several geographical areas as represented in the picture below:

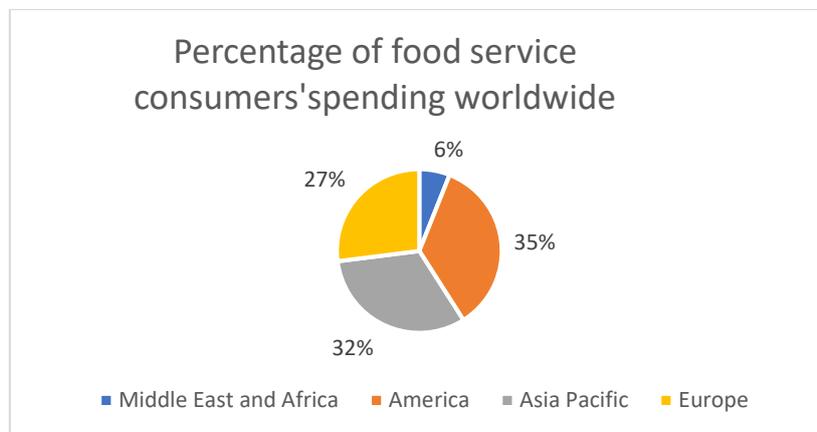


Figure 2 - Percentage of food service consumer's spending worldwide

In America, expenditures amounted to 1174 billion US dollars, corresponding to 35% of global consumptions. United States led the expenditures, representing the 62% of the American expenditures, followed by Brazil, 9%, and Venezuela, 6%.

Asia Pacific is placed in the second position; expenditures amounted to 1052 billion US dollars, corresponding to 32% of global expenditures. China registered the higher consumptions, corresponding to the 25% of Asian expenditures, followed by India, 14% and Japan, 12%.

In Europe, third in terms of consumptions, consumers spent 881 billion US dollars, representing the 27% of the total global expenditures. The leading markets in the European area have been Spain, corresponding to 15% of European expenditures, followed by United Kingdom, 14% and Italy, 12%.

Lastly, the area corresponding to Middle East and Africa registered 18.5 billion US dollars in expenditures, equal to the 6% of the global expenditures. Saudi Arabia, Egypt and Iran have been the leading markets with percentages equal to, respectively, 16%, 12% and 7%.

Proceeding in decreasing order, the leading markets in the 2016 were represented by United States (22%), China (8%), India (5%), Spain (4%), Japan (4%), United Kingdom (4%), Brazil (3%) and Italy (3%).

As it has been anticipated the entire sectors is facing a continuous expansion. The more consolidated markets are America and Europe, that, even though register an increasing trend, they show growth rates lower with respect to the other geographical areas.

The figure below illustrates the average annual growth rates in away from home consumptions between 2006 and 2016 and the provisions till the 2026.

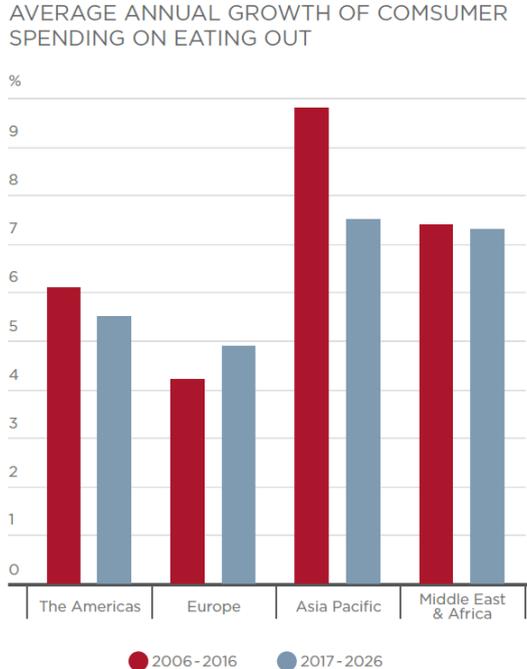


Figure 3 - Average annual growth of consumer spending on eating out. Source: Cushman & Wakefield, *The Global Food & Beverage Market, What's on the menu?*, 2017

Asia Pacific has been the first geographic area in terms of annual growth rates, with an average value equal to 9.8%, followed by Middle East and Africa (7.4%), America (6.1%) and Europe (4.2%).

In some areas, household's consumptions away from home have increased at such extent to overcome at home consumptions.

As it is shown in Fig 11 below, in the 2010 swayed from home consumption in the USA overcame at home consumption.

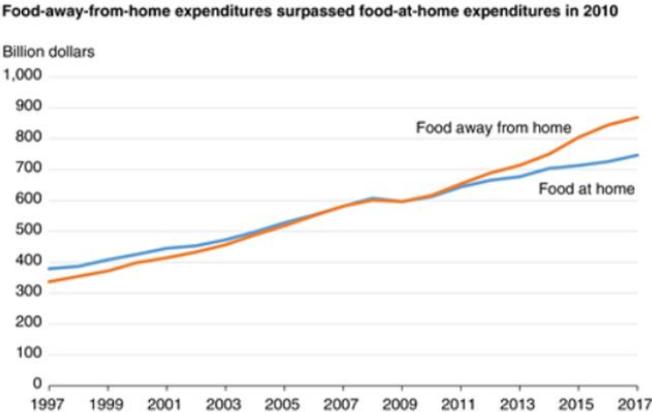


Figure 4 - Comparison of away from home and at home food consumptions in US. Source: USDA, Economic Research Service, Food Expenditure Series

According to the same study, in Europe one fifth of meals is consumed away from. In the last chapter it will be study more in detail the evolution of the Italian market.

## 2. Food Supply Chain

### 2.1. Supply Chain Management

In the following paragraph it will be discussed the concept of Supply Chain and Supply Chain Management with the purpose to provide a preliminary overview of the subject, which will be studied in deep regarding the Food and Beverage industry.

A Supply Chain can be seen as a system of several entities, organizations, people, resources and information, aimed at delivering a product or a service from suppliers to customers. Among the network, different actors are involved such as producers, vendors, wholesalers, transportation companies, and retailers.

According to The Council of Supply Chain Management Professionals (CSCMP), Supply Chain Management is defined as:

*“Supply Chain Management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. In essence, supply chain management integrates supply and demand management within and across companies. Supply Chain Management is an integrating function with primary responsibility for linking major business functions and business processes within and across companies into a cohesive and high-performing business model. It includes all of the logistics management activities noted above, as well as manufacturing operations, and it drives coordination of processes and activities with and across marketing, sales, product design, finance, and information technology.” CSCMP*

In the last decades it has been widely recognised the importance of the Supply Chain Management' role. Indeed, properly managing and organizing the Supply Chain, allows companies to dramatically reduce costs and achieve thus a competitive advantage with respect to competitors.

Supply Chain Management has the objective of increasing the profitability thanks to operational costs reductions.

The concept of Supply Chain is often used interchangeably with the one of Logistics. Anyway, the concept of supply chain is built upon the definition of logistic, but it considers a wider perspective than logistic itself.

While logistic has aims at managing the flow of materials through the business, the Supply Chain involves other aspects such as the integration of multiple actors from producers to end

customers.

Logistic can be defined as the process of strategically managing the procurement, movement and storage of materials, parts and finished inventory (and the related information flows) through the organisation and its marketing channels in such a way that current and future profitability are maximised through the cost-effective fulfilment of orders.

Logistic, then, is just one among the Supply Chain's functions. In particular, logistics is the area that deals with transportation, distribution and warehousing, while Supply Chain operates to integrate all the functions together.

It is possible to identify four types of flows in the Supply Chain:

- Primary Product Flow: material, components, supplies, services and finished products
- Primary Cash Flow: Payments of products, supplies
- Information Flow: invoices, sales literature, specifications, orders, receipts
- Reverse Product Flow: Return for repair, replacements, recycling, disposals

Even though it is commonly used the term "Supply Chain", the concept should be broadened to the one of "Supply Network", since it is not just a linear chain involving a single supplier and a single source of demand.

On the contrary, the Supply Chain involves the linkage between suppliers of suppliers, and customers' customers.

The concept of "Supply Network" can be graphically represented through:

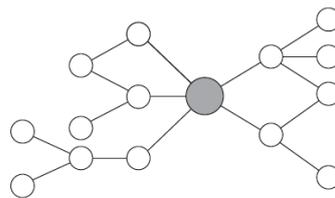


Figure 5 - The Supply Chain Network. Source: Martin C., *Logistics & Supply Chain Management*, Pearson Education, 2011

Each Supply Chain can assume a specific configuration subjected to necessities and dynamics of a certain industry. In the following paragraph it will be discussed the configuration that the Supply Chain assumes in the Food and Beverage industry.

## **2.2. Food Supply Chain**

As it has been introduced in the previous paragraph, the Supply Chain covers a fundamental role to link together supply and demand and to make, thus, products/services available to customers. A Supply Chain is specifically designed around each specific category of product/service in order to fulfil specific needs and necessities.

Depending on the products considered, a Supply Chain can vary in complexity and number of players involved.

The following paragraph has the objective to describe and analyse how the Food Supply Chain is configured. Anyway, even though it is possible to provide and analyse common factors, as the main type of configurations possible and the common players in the Supply Chain, the actual configuration of a certain Supply Chain strongly depends on the specific social, economic and geographical context in which the Supply Chain is designed. Indeed, there are different typologies and configurations possible, and the predominance of one configuration over the others is a context-specific feature.

Anyway, the analysis will have strong relevance in order to understand the main interactions that take place in the Food Supply Chain and how new business models, that will be described later in this paper, can enter in the current context and how they can affect and influence the presence and the importance of the established players.

Moreover, even though this introductory chapter does not aim to provide specific insights related to a specific context, further analysis will be instead provided relatively to the Italian situation, that will be deeply analysed and discussed in Chapter 5.

The role of Food Supply Chain is fundamental in order to make food available at the right quantity, quality and time. It represents then a series of steps through which raw materials and inputs are converted, manufactured and then transferred from producers to consumers. The transfer of goods includes both a material dimension, related to the physical transfer of goods, and an immaterial dimension, related to the necessary exchange of information between the players involved in the supply chain, namely supply and demand, in order to make exchanges possible.

### 2.2.1. Distribution Channels

Most companies rarely sell products directly to consumers; indeed, it is very frequent that companies rely on intermediaries that cover the marketing and distribution role between producers and consumers.

According to Kotler, the choice of the proper distribution channel is one of the most challenging and strongly influences other marketing choices such as pricing and brand positioning in the market.

The presence of intermediaries between production and consumers often leads to economic advantages and allows to reach high level of efficiency.

As it is shown in the picture below, by means of intermediaries it is possible to drastically reduce the number of contacts that take place between supply and demand.

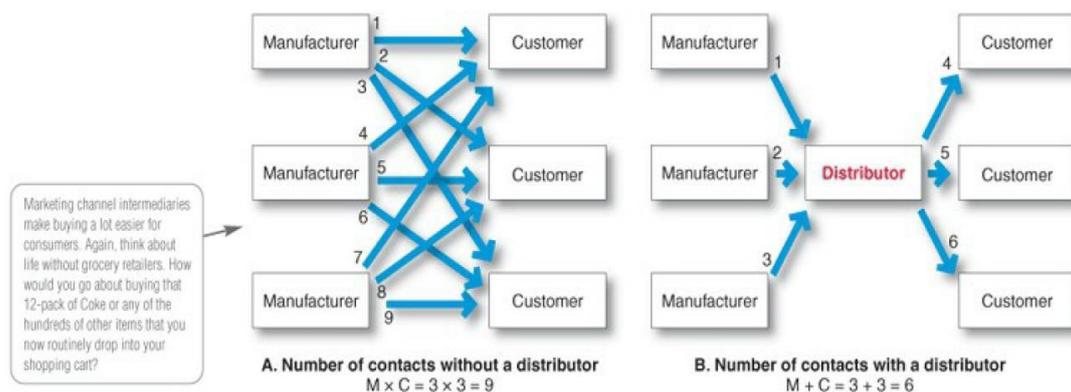


Figure 6 - Number of contacts depending on the presence of a distributor. Source: Kotler P., Principles of Marketing, Pearson Education, 2017

As represented in the example, the number of interactions involving three producers and three customers without the intermediaries would require nine contacts, while, thanks to the presence of a distributor they are reduced to six. The benefits obviously increase as the number of players involved increase.

In addition, intermediaries can contemporarily satisfy different producers and consumers' needs; indeed, if on one hand producers often produce a small range of products in large quantities, consumers need to purchase a higher number of goods categories in small quantities. For this reason, intermediaries acquire big quantities of products from different producers and resell them in smaller quantities to consumers.

Basing on the structure complexity and the presence of several layers of intermediation, it is possible to distinguish between different configuration of distribution channels.

A first distinction is, thus, based on the number of layers, defined in literature as “Channel Levels”.

“Channel Level: A layer of intermediaries that performs some work in bringing the product and its ownership closer to the final buyer”. Kotler P., *Principles of Marketing*

The number of layers identify then the length of the distribution channel.

It is possible to distinguish, preliminary, between:

- *Direct distribution channels*: do not involve the presence of intermediation layers (Zero level channel)
- *Indirect distribution channels*: involve the presence of one or more intermediation layers (usually one, two or three level channels)

The distinction based on channel levels is represented in the picture below:

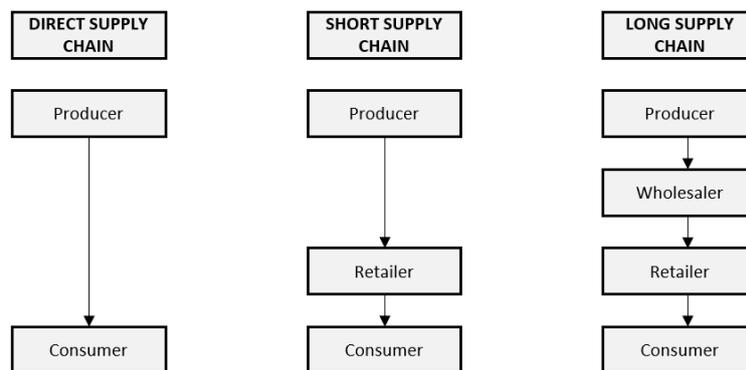


Figure 7 - The length of the Food Supply Chain. Personal Revision. Original source: Kotler P., *Principles of Marketing*, Pearson Education, 2017

The figure illustrates some of the possible configurations:

- *Direct Food Supply Chain*: in this configuration the producer sells directly to the consumer, without the presence of intermediaries.
- *Short Food Supply Chain*: in this configuration the producers do not sell the product directly to consumers, but, between producer and consumer there is the presence of the intermediation constituted by retailers
- *Long Food Supply Chain*: in this configuration, between producers and consumers there are several levels of intermediation. In addition to the presence of retailers, there is also

the presence of a wholesaler that serves as a link between production and retail. Consumers, then, have the possibility to purchase goods from retailers.

Even though not represented, it is also possible to longer distribution channels:

- *Three or higher channel levels*: in this case it is possible to identify additional levels of intermediaries with respect to the previous cases.

It is possible to identify, for example, intermediaries that handle the distribution of goods in specific geographical areas in return for commission fees for the service offered. It is possible to distinguish between *super stockists* and *carrying forwarding* intermediaries. Both act in behalf of the producer; while the former buy products from producers and sell them to other intermediaries or retailers, the latter act as distributors in last mile deliveries.

Additional intermediaries can be, thus, positioned upstream or downstream with respect to wholesalers.

It is important to notice that, as represented in the picture below, companies often rely contemporarily on more than one channel for the distribution. They adopt then multi-channel strategies with the intent to reach different customers segments.

This kind of strategy can create conflicts between the different distribution channels and for this reason it should be carefully managed in order to avoid counterproductive results.

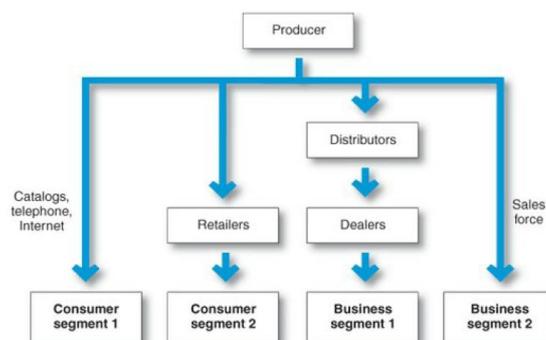


Figure 8 - Multi-channel distribution system. Source: Kotler P., *Principles of Marketing*, Pearson Education, 2017

### 2.2.2. *Distribution Operational Models in Horeca supply*

Specifically considering the food supply chain aimed at supplying products to foodservice operators, it is possible to identify specific patterns that take place during the distribution activities:

- *Pre-sales model* is used by manufacturers to directly sell products to customers. As the name suggest, the order is placed before the delivery of goods and it usually occurs one day before the delivery.

The responsibility of collecting orders and make deliveries belong to the same person, who, usually, following a specific route, visit foodservice operators, collects orders that will be delivered the subsequent day.

- The *Auto-sales model* is used by producers to sell products directly to consumers. Differently from Pre-sales model, orders are not placed before the delivery of goods. Indeed, trucks are loaded at the maximum capacity and the delivery operators follow a specific route to meet foodservice operators. If it occurs, sale, payment and delivery of good are carried out simultaneously. This type of delivery is primarily used for perishable goods.

- *Direct Delivery Operational Model* is used by producers to sell products directly to consumers.

In this case, differently from the two cases discussed above, orders are placed directly to producers by initiative of the customers, who can place orders by using devices such as telephone, fax etc.

As soon as the order has been received, the producer manage the delivery that can be performed by the producer itself or by an outsourced delivery company.

- *Distributor Model: Manufacturer Sales*, business relationships are carried out directly through manufacturers and foodservice owners, but in addition there is the presence of a distributor who acts in behalf of the manufacturer and take the responsibility of store and transport goods.

- *Distributor Model: Direct sales:* as the previous case, there is the presence of a distributor that takes care of logistics aspects.

Anyway, in this operational model, the customer starts a business relationship directly with the distributor; indeed, there is a change in the ownership of products that move from manufacturers to distributor warehouses.

Even though the “distributor” and “wholesaler” terms are used interchangeably there exist a distinction based on who takes the ownership responsibility of goods. Companies that purchase products and resell them are usually referred as wholesalers, as in the case of Distributor Model Direct Sales.

The distribution of goods can happen in two different ways:

- The foodservice customer has the responsibility to move to the warehouse and take goods; it is the case of Cash & Carry
- Goods are delivered to customers: it is the case of traditional foodservice distributors; in this specific case it is then possible to distinguish between different typologies of distributors that will be described later.

According to the length of the distribution channel, the figure below summarizes the most used operational models:

Lenght of Supply Chain	Operational Model
Direct Distribution Channel	Pre-sales model
	Auto-sales model
	Direct Delivery Model
Indirect Distributor Channel	Distributor model: Direct sales
	Distributor model: Manufacturer's sales

Figure 9 - Operational model depending on the length of the supply chain.

### 2.2.3. Main Players

Figure 7 represents a simple scheme relatively the different configurations that a Food Supply Chain can assume depending on its length. Anyway, due to its simplicity, it is certainly not able to describe the complexity and the multitude of differences between players acting in a specific role.

Indeed, the Food Supply Chain is extremely complex, and a further analysis is necessary.

A new scheme is then proposed in Fig 10 below to better represent the Food Supply Chain and give a better understanding of the players involved in the process and their role.

It represents more in detail how macro categories of players can be subdivided in order to better analyse each single player.

Even though it has not been represented for a sake of simplicity, a first major distinction has to be made considering “Producers”.

Indeed, Producers include both “Farm Producers” and “Food Manufacturers”.

Farm Producers are agricultural companies that produce food in raw form as meat, vegetable, fish etc. Then food supplied by Farm Producers move to Manufacturers, who manufacture food in order to meet customers’ requirements.

Food Processors cover a multitude of tasks that include the preparation of fresh food into formats easier accessible from consumers and to manufacture raw materials to produce other forms of goods that meet customers’ expectations.

In order to supply food, Producers needs machineries, capital and labour resources that constitute the “Input Supply”.

Farm producers and Food Manufacturers have been aggregated in a single label, “Producers”. Indeed, most of the flows of foods are possible both from Farm Producers and from Food Processors. So, except the cases in which it will be necessary to make a distinction, it will be used the generic term of “Producers”.

Direct Supply Chain is represented by the distribution channels that brings products from Food Producers to costumers. As it is represented, then, Costumers and Foodservice operators can buy Food Directly from Producers.

This alternative allows buyers to purchase goods, avoiding the intermediation, in general terms, preferred for those products which confer high value to the commercial activities thanks to the differentiation of the commercial offer.

When the purchase is made directly interacting with the producers, the supply of goods can be:

- Provided by the producers themselves by means of their own salesforce (or eventually can provided by third-party outsourced logistics providers)
- Performed by the commercial foodservice operators that can move directly to the enterprise to receive goods

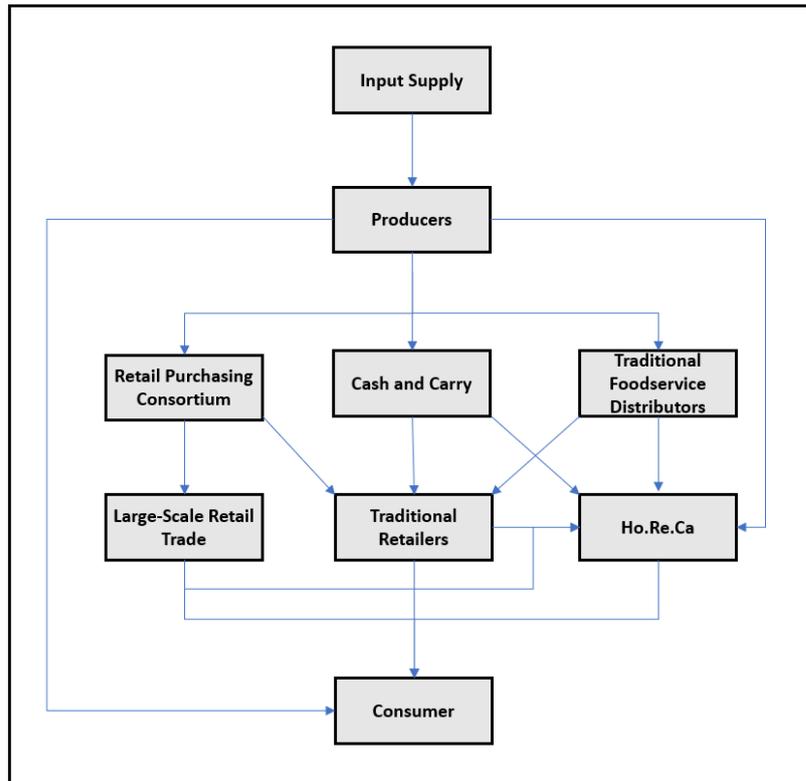


Figure 10 - The structure of the Food Supply Chain.

As Previously described, distribution companies are intermediation companies that operate in order to put in contact production companies and foodservice operators and other forms of retail. Distributors can vary in dimension, from small to big enterprises that provide food and beverage goods from suppliers to commercial owners that, in their turn can make the products available to the public.

Intermediaries can be subdivided accordingly to the functions, the type and the level of service provided to the clients.

Depending on the different service that provide to costumers and the role that perform, intermediaries have been decomposed among:

- *Traditional Foodservice distributors*
- *Cash and Carry*

Moreover, the aggregation of more costumers originates the birth of Retail Purchasing Consortium that serve as an instrument used by retailers to gain a greater contractual power with respect to suppliers.

Small and medium retailers or big retail chains, i.e. *Large-Scale Retail Traders*, form purchasing groups in order to maximize economies of scale in purchases and to obtain more

advantageous contractual terms. Increasing purchase volumes, they can obtain a greater bargaining power and optimize costs reductions.

Cash & Carry shops are distribution channels aimed at providing consumer goods both to commercial activities owners and professional clients (generally they need to be VAT registered, even though in some cases it is not required).

The main characteristics are the following:

- Cash & Carry are wholesale suppliers
- Traditionally, commercial activities owners, should go directly to the wholesale in order to purchase. However, similarly to traditional foodservice distributors, also Cash & Carry wholesalers are progressively introducing the delivery service in order to be more competitive
- Cash & Carry provide a self-service, clients need to select autonomously products that are intended to buy
- Payment is made in the moment of the purchase

The main advantages provided by the Cash & Carry are:

- the variety (possibility to find different categories of goods) and the depth (possibility to find several varieties of the same product category) of the offer. It is worthwhile to point out that Cash and Carries provide not just Food & Beverage goods, but a wide range of products in which commercial activities owners or professional customers can be interest to
- Convenience

Anyway, though these features can be found in the majority of Cash & Carry worldwide, the level of service provided by stores can vary substantially depending on specific market characteristics and the Cash & Carry's brand.

The second major player identified is represented by *Traditional Foodservice distributors*. They can have different configurations and width of scope with respect to product assortment and level of service offered to its clients.

Traditional foodservice distributors, in turn, depending on the target market and the assortment/type of products traded can be subdivided among:

- *Broadline Distributors*: this type of operator is characterised by the high number of items that deal with and the high volume of products that are carried. Broadline

distributors are indeed not specialized in one specific product but at the contrary they provide to costumers the possibility to purchase a wide selection of products, covering the role of a “One-stop-shop”, giving to the customer the possibility to find everything he needs. Broadline distributors mainly target independent restaurants, hotels, cafeterias, caterers but also, at lower extent, canteens, hospitals, and big chain restaurants.

- *Specialty Distributors*: this type of distributors, as the name suggests, primarily deals with the distribution of specific categories of products and special niche of products.
- *System Distributors*: these distributors can be considered similar to broadline distributors, since they deal with a high number of products and perform the transportation of a big number of items but, differently from broadline, they are primarily in commercial relationships with big restaurant chains.

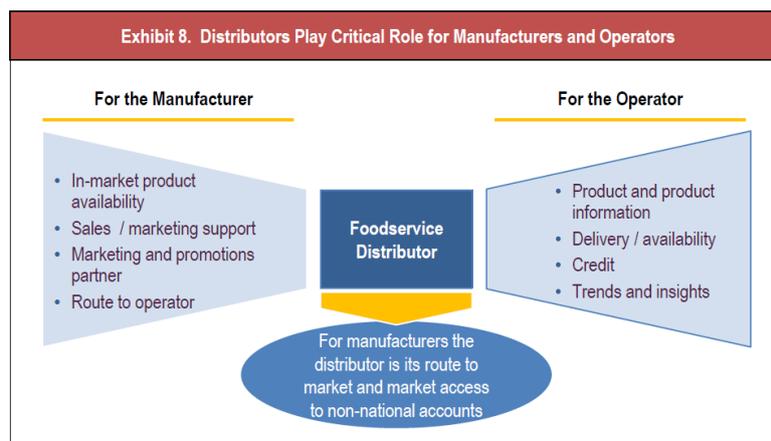


Figure 11 - The role of the traditional distributor. Source: The Hale Group, *Foodservice Distributors of the Future – The Evolution of the Foodservice Distributor Sector, Initiative Strategic*

The figure above illustrates which is the role of a foodservice distributor in the market. More in details, Traditional Foodservice distributors generally offer the following functions:

- *Logistic function*: traditional wholesalers provide logistic functions in order to facilitate and overcome some of the problems faced by producers and commercial activities owners.

Considering the point of view of producers, a first problem to be considered is that commercial activities are overspread over the territory. The geographical dispersion

implies that, in order to reach several commercial activities and an enough level of penetration, the producer should invest considerable amount of resources to market its products.

Assigning the task of commercializing the products to third parties like foodservice distributors, represents a way to overcome the issue linked to the geographic dispersion of the commercial activities.

Considering, instead, the point of view of the foodservice operators, foodservice distributors are strongly appreciated thanks to the delivery services provided. As it will be later analysed, the possibility to place orders and receive them without the necessity to move, represents a big benefit perceived by Horeca operators thanks to the opportunity to save time.

- *Assortment function*: foodservice distributors provide different benefits:
  - they satisfy the producer needs of specialization; producer can indeed specialize in a specific category of products
  - the need of variety faced by commercial activities owners is met by the presence of foodservice distributors, in particular broadline distributors since they allow to purchase different categories of goods from a single source
  
- *Financial function*: foodservice distributors provide financial support to commercial activities owners by means of the following modalities:
  - directly financing commercial activities owners, with the objective of establishing a long-term relationship between the parties;
  - providing supplier credit: allowing longer payment terms than usual
  - taking the risk of lost sales
  
- *Informative function*: consulting activities both to commercial activities owners and producers concerning trends, prices, promotions etc

Referring again to the Fig 10 mentioned before and moving forward into the analysis, *large scale retail traders*, *traditional retailers* and *Horeca operators* represent the last layer of intermediation between final consumers and producers.

*Large scale retail traders* in turn can be subdivided in several other categories, which are

differentiated by the quality and the width of assortment and by the sales area dimension. The distinction among these sub categories goes beyond the scope of the thesis work, and for this reason, it is enough to consider *large scale retail traders* as retailers, which, according to a classification provided by the consultancy company Nielsen, have a sale area higher than 100 m<sup>2</sup> and supply a wide range of products. As represented, this distribution channel is used by final customers, but is not rare that also Horeca operators choose to buy some products from this channel, primarily to join of temporary promotions and to respond to unexpected necessities.

It is also important to notice that this distribution channel, is often used by Horeca operators, thanks to the possibility of purchasing goods that will be used in working activity, but that are anyway purchased as personal consumption goods; this conduct leads operators to avoid tax expenditures.

Traditional Retailers, instead, represent small sale points, with a sale area lower than 100 m<sup>2</sup>, in which customers can purchase Food and Beverage goods. Differently from Large Scale Retail Traders which sell several categories of food and beverage products, Traditional retailers are often small shops specialized at providing a specific type of goods (pastry shops, butchers, bakery etc).

Commercial activities owners choose this source of supply primarily to purchase fresh daily consumption goods and to obtain high quality products to differentiate the offer.

## **3. Foodservice distribution analysis**

### **3.1. Industry Analysis**

As it has been discussed in Chapter 1, the Foodservice considered with a wide perspective includes producers, distributors and all the activities involved in the distribution of food and beverage items to the final costumers.

In the previous chapter the main actors that are involved in the distribution process have been described. In the following paragraph it will instead be described some of the factors that influence the industry competitiveness, specifically considering the point of view of traditional foodservice distributors, that represent the first source of purchasing for most of the Horeca operators.

#### ***3.1.1. Porter's Five Forces Analysis***

##### *Competitors*

The actors that are involved in the distribution process have different characteristics and can vary in dimension, assortment, typology of products that they deal with etc.

Due to the complexity of the Food Supply Chain, together with the high commercial activities territorial dispersion, the presence of big players in the industry that operate in wide geographical area is accomplished with the presence of a high number of small companies that on the contrary operate in a more local context. The distribution industry for this reason is highly fragmented and competitive.

In the 2015 in the United States, 16500 companies competed in the foodservice distribution industry, generating revenues equal to 268 billion US dollars. The first eight leading distributors together owned the 41% of the market share, leaving the remaining 59% of market share to be divided among an enormous number of companies. Sysco has been the leading company, generating 50.4 billion US dollars, with a 18% market share.

The following picture illustrates the results of a research conducted in the 2010 and significantly reflects the market trend, in which a small portion of the companies is able to generate the biggest part of the revenues.

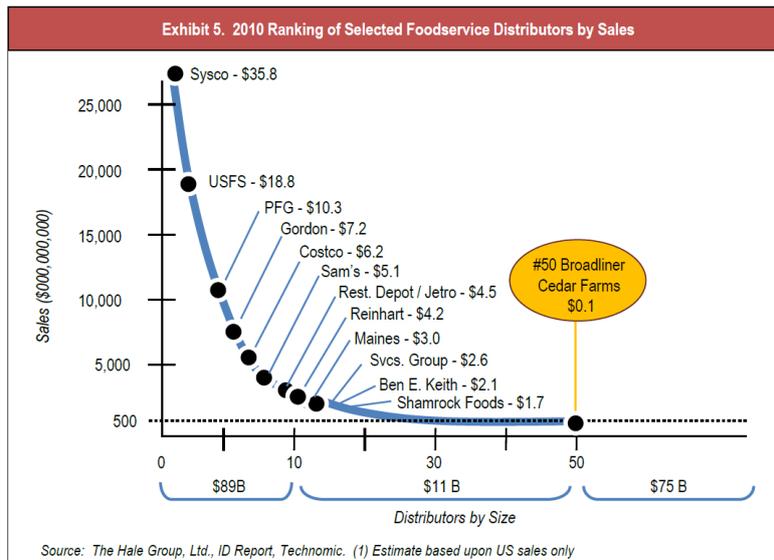


Figure 12 - Ranking of US distributors by sale in 2010. Source: The Hale Group, *Foodservice Distributors of the Future – The Evolution of the Foodservice Distributor Sector, Initiative Strategic*

Europe shows a similar competitive situation; indeed, according to a McKinsey's Research, small, local and family conducted companies supply roughly the 60% of the market.

### *Bargaining power of suppliers*

As in the preceding case, also the manufacture landscape is highly fragmented, and it is characterised by a high number of small or medium enterprises family conducted and big multinational companies.

Big companies can benefit from brand recognition and from a high production volume and for this reason they usually have a high contractual power. Small companies, on the contrary, especially those producing perishable products, cannot benefit from brand recognition and rarely have the possibility to obtain advantageous contractual terms; the situation gets worse in the case in which they relate with big distributors.

In addition, it should be mentioned the low degree of direct sales to foodservice operators, that make the distributor role fundamental to companies go-to-market strategies.

The high number of competing companies often lead to compete on prices.

The bargaining power of suppliers is then from medium to low, depending on the distribution company that producers deal with. Bigger distributors companies indeed can benefit from an additional advantage since they can rely on their high level of penetration in the market, acquiring then an even greater importance for manufacturers. Smaller distributors on the

contrary cannot rely on high levels of penetration in the market and the high number of them in the territory make easy for producers to easily switch distributors, increasing their bargaining power.

### *Bargaining power of buyers*

The bargaining power of buyers is strictly dependent on the dimension of the business. Foodservice companies can supply goods to a wide variety of players. Addressing Horeca operators, like restaurant, bar and hotel represent an attractive opportunity for foodservice companies thanks to their limited dimension. Indeed, these types of activities are always small, and this factor contribute to reduce their bargaining power.

Anyway, it should be pointed out that is currently taking place a phenomenon of orders aggregations also for restaurants and small activities. This phenomenon leads to obtain greater benefits due to higher aggregated orders volumes.

If the small dimension of buyers decreases their bargaining power, on the contrary, it is increased by the high number of local distributors that reduces the switching costs and make simple to change supplier. To fight this, distributors try to set long term commercial relationships financing the purchase of goods and equipment and try to establish strong trusted relationship, that, as it will be illustrated, represent an important deterring factor to change suppliers.

Moreover, Horeca buyers are price sensitive regarding the purchase of raw materials, since it represents one of the biggest sources of expenditures. Operators also particularly care on the quality of the service and of the products purchased. All these factors contribute to generate medium-high bargaining power of buyers. But once again, the bargaining power of buyers changes in relation to the foodservice distributors' features. For broadline distributors, which are lower in number and are characterised by a high penetration on the territory and a wide range of products, make more difficult to foodservice operators to switch and change supplier. On the contrary, Horeca operators have face less difficulties to change small operators, especially if they commercialize products that are commonly provided by other suppliers. For this reason, distributors that traditionally succeeded, have focused their efforts on growing their products catalogue, or specialising in niche categories of products.

### *Threats of new entrants*

Traditionally the industry is characterised by high entry barriers and does not allow new entrants to easily gain a relevant competitive position in the industry.

Among the several barriers to entry it is possible to identify strict government regulations regarding the safeguard of products, the highly competitive environment and the consistent amount of capitals required to enter in the industry.

To enter in the industry, it is indeed necessary to make big upfront investments in warehouses, transportation fleet, inventory and logistics management systems. Moreover, as it will be shown in the following paragraph, local territorial penetration is fundamental to excel in the industry. Geographic expansion is often reached by acquisitions, that require big amount of disposable capital.

### *Threat of substitutes*

As described in the previous chapter, the Horeca operators have at disposal different source of supply. In addition to traditional distributors, there is the presence of large retailers, traditional retailers, direct purchases from producers, Cash and Carry.

The threat that an operator could change supply channel is therefore high. Horeca operators often buy simultaneously from several different sources for complementary needs. The, even temporary, promotion of a product by one of the players from which food service operators are approved, leads operators to consider one channel over another.

It is also necessary to consider that the needs of the operators are very varied and subject to a food trend. The emergence of trend needs, such as the search for organic and local products, can represent a great threat for distributors operating in the sector, as the difficult availability of products can lead operators to change suppliers and rely on those who are able to satisfy his needs.

According to a study conducted by Bain & Company, the companies that have been able to excel and to obtain above the average level of profitability, have recognised the importance of three fundamental elements: *the focus on local business*, the proper *choice of inventory offer* in order to increase gross margins and the costs reduction reached by *operational efficiency*. Reaching just one of the three identified factors is not enough to reach successful results; on the contrary, the combination of at least two of them revealed to be determinant to remain

competitive in the market landscape.

According to the research, the Sysco success is indeed attributable to the ability to contemporary put in place all the three strategies, as represented in the picture below:

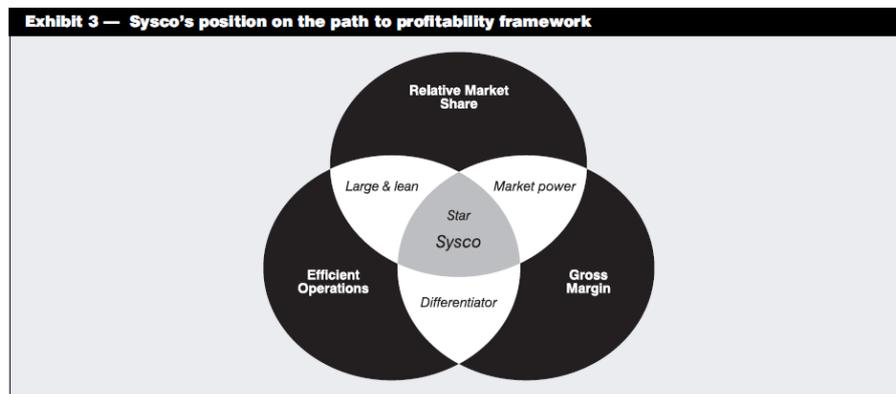


Figure 13 - Path to profitability framework. Source: Buchanan J., Rovit S., Sweder K., *How top wholesalers succeed: secrets of a brutal business*, 2002

To reach the strategic objectives, companies put in place several different tactics.

In particular, in order to reach a sufficient level of relative market share (i.e. the market share in relation to the competitors one, evaluated on a local basis), growing companies aggressively acquire small local companies. In order to maintain a high level of local penetration, companies rely on the presence on the territory of a salesforces that build strong fiduciary relationships with Horeca operators. High gross margins are obtained introducing private labels with the objective to increase margins and at the same time to decrease the bargaining power of suppliers. Moreover, it is fundamental to reduce operating expenditures by properly managing the inventory and the warehouses. It is also important to focus on a portfolio made by small clients rather than big foodservice chains that own a higher purchasing power.

Diversifying the portfolio of clients results to be particularly important considering the results provided by a Hale research in which the average profit and loss statements are shown: in particular, small foodservice activities guarantee an operating profit margin equal to 7%, while large operators as big chain restaurants or hospitals, schools etc just guarantee a 3% operating profit margin. National accounts and GDO guarantee just a 1%. The main differences among the segments is attributable to the different promotional incomes provided by manufacturers to distributors, that are equal to, respectively, 4%, 2% and 1%. Higher operating profits are guaranteed even though the overall operating expenses are higher and equal, respectively, to 15%, 13% and 10%. Transportation costs accounted just to nearly 3-4% for all the segments, while sales force accounted for, respectively, 5%, 4% and 2%.

## 4. Digitalization of the Foodservice Distribution Industry

In the preceding Chapter it has been described the traditional competition in the foodservice landscape and which features have been necessary in order to being competitive.

Anyway, the industry is facing a period of big changes and competing just considering the traditional competitive forces could not be enough to emerge in the industry.

One of the biggest changing leading factors is represented by internet and the progressive digitalization that is spreading within the industry.

If in the past the industry innovated by means of incremental innovations, nowadays just the companies that will reveal to be able to radically adopt innovative solutions and to strategically use digital instruments will be able to remain competitive.

The advent of internet, the digitalization and the consequent disintermediation are reshaping the industry competitive landscape.

According to a research conducted by Deloitte, the digitalization has been defined as an “*omni-disruptor*” factor; indeed, if on one hand it allows the digitalization of the industry physical processes, by other hand it boosts the diffusion of other changing phenomena, disintermediation and the birth of new business models.

The digitalization of the industry and the birth of new businesses models based on e-commerce has been made pushed by different factors, as the low level of innovation in the sector, the high room for improvements in the industry.

The digitalization in this context acquires a double function with respect to the companies that are already established in the sector.

On one hand it represents an opportunity to pursue the strategic objectives identified in the previous chapter, allowing a higher value proposition and reducing operative costs; on other hand, anyway, allowed the birth of new business models based on the concept of marketplace, a business model sharply different from the one adopted by incumbents companies. Anyway, it is necessary to make some considerations in order to understand the phenomenon of the digitalization in the foodservice industry. Before analysing the foodservice specific sector, it will be considered the expansion of e-commerce in retail and in the grocery industry.

The process of expansion of business model based on e-commerce has successfully affected most of the retail sectors. The sector related to the grocery is nowadays strongly debated; indeed, though the first tempts to digitalize the purchase of groceries date back to the first

2000's , the grocery market has not been affected in the extent that was predicted in the past by many experts and researchers.

The reasons of such a slow diffusion process can be explained in the light of the many difficulties inherent to the product itself – food – and some market conditions.

The chapter will at first describe which have been the diffusion performances of E-Grocery, trying to identify the reasons for such a slow diffusion.

In the last two decades, many established retail companies and start-ups, competed mainly in Business to Consumer segment. Anyway, a more recent phenomena is taking place: many incumbents company already operating in the foodservice supply chain and many start-ups indeed started to address specifically the Business to Business Market. This choice can be interpreted in the lights of many factors.

A first element is surely represented by the low level of innovation that affected the sector in the last decades, structural factors that in a certain way can reduce the difficulties faced addressing the Business to Consumer market, and then the increased households' expenditures in out of home consumption.

Indeed, away from home consumptions expenditures increased at the extent that in some cases, as in the United States, they represent the 50% of total Food and Beverage consumptions. The purchase of Food and Beverage goods is then increasingly moving from final consumers to foodservice operators. For this reason, addressing this segment can represents a good financial and growth opportunities for many start-ups.

Moreover, the lower level of innovation in the wholesale industry represents a good opportunity for those companies that will be able to take advantage from the many inefficiencies in the current purchase process. Anyway, together with the birth of new start-ups, threatened incumbents started an innovation process in order to fight new entrants in the industry. The presence of well-established companies in the industry can represent then a strong disincentive to address this specific industry.

In the following chapter it will be at first discussed the evolution of the e-commerce in the retail and in the food and beverage sector, with the objective to highlight the difficulties and the relative advantages in addressing the business to business market.

Moreover, has already described in Chapter 2, the Ho.Re.Ca operators' behaviour is highly fragmented. Indeed, thanks to the VAT licence, foodservice operators have more distribution channels at disposal than average final consumers. Anyway, as it has been pointed out, purchasing distribution channels specifically designed for foodservice operators do not always

represent the preferred option for each category of goods. They have indeed the opportunity to use the same distribution channels available to other final consumers such as retailers. The multichannel approach of many Foodservice operators does not exclude the possibility that a new company, trying to address the Business to Consumer market, can represent also a good alternative for Foodservice operators.

For this reason, companies that specifically address Horeca market need to implement some useful instruments able to diversify them from other competitors. In particular, the main differences between Business to Consumer and Business to Business will be discussed in the chapter.

Lastly, the chapter will deal with the description of the digitalized business models arisen worldwide.

#### **4.1.E-Commerce overview**

The term E-commerce refers to the set of commercial transactions that take place thanks to the use of internet.

Through the diffusion of e-commerce web sites, the consumer has not the necessity anymore of visiting traditional stores, he has the possibility to purchase goods and services directly by means of devices connected, from everywhere and in any hour of the day.

Internet has, thus, radically changed the way in which consumers perceive the purchase process, that is continuously moving from physical channels into digital ones.

Firms started an innovation process with the objective to increase their presence on digital channels, a necessary condition to be competitive in the market landscape.

E-commerce led to enormous advantages both to consumers and companies: customers have the possibility to increase their user experience, thanks to the possibility of lowering geographical and temporal barriers for the purchases; at the same time, companies, for the same reasons, have the possibility to reach markets that otherwise would have not been possible to reach.

The possibility to reach new markets, together with the opportunity to decrease overhead costs, have been a strong successful factor for all those companies that have been able to properly manage the digital channel.

Companies have thus started a process to strengthen their online presence mainly by means of their own websites or, otherwise, selling their products on other third parties' platforms, that have the function of market aggregation.

Even though the multitude of benefits provided to customers by the opportunity to purchase online, the diffusion has been, at least initially, hampered by the consumers' fear of paying online. Anyway, the diffusion of security standards as SET ( Secure Electronic Transaction ) and SSL (Secure Socket Layer), has been able to reassure consumers to buy online and now it represents one of the preferred options.

The online sale of products in the last decade has been able to become an excellent substitute of physical stores sales. Physical and digital anyway still coexist and they can be considered as complementary channels, since the consumer behaviour is still highly diversified.

According to an analysis carried out by the consultancy firm KMPG, indeed, the 52% of surveyed consumers declared that the offline channel still represents an important source to trigger the willingness to buy a certain good; 59% of consumers declared instead the digital channel as a primary source of inspiration.

Once a consumer has decided to buy a certain good, then, it still exists a fragmented behaviour and multichannel approach continues to represent an important pattern: 55% of consumers cited internet as a powerful and used instrument to make products considerations; they indeed declared that usually use internet to see reviews and to visit companies web sites. Anyway, 26% of consumers declared that they usually move into physical stores to have the opportunity to see the product in first person.

Companies, thus, have the necessity to compete by means of both the physical and digital channel; a multichannel approach results to have a high strategic relevance in order to reach consumers in every phase of the purchase process.

It is also necessary to point out that the consumer’s propensity to use the physical channels or the digital ones can change during the purchase process. It is not unusual that consumers search products online and then decide to buy the good from a physical store or vice versa.

Even though the multichannel approach is strongly relevant, nowadays, the physical channel still represents the preferred options for consumers.

As it is represented in the graph below, even if physical purchases still represent the preferred options, the percentage of online purchases over physical ones is steeply increasing.

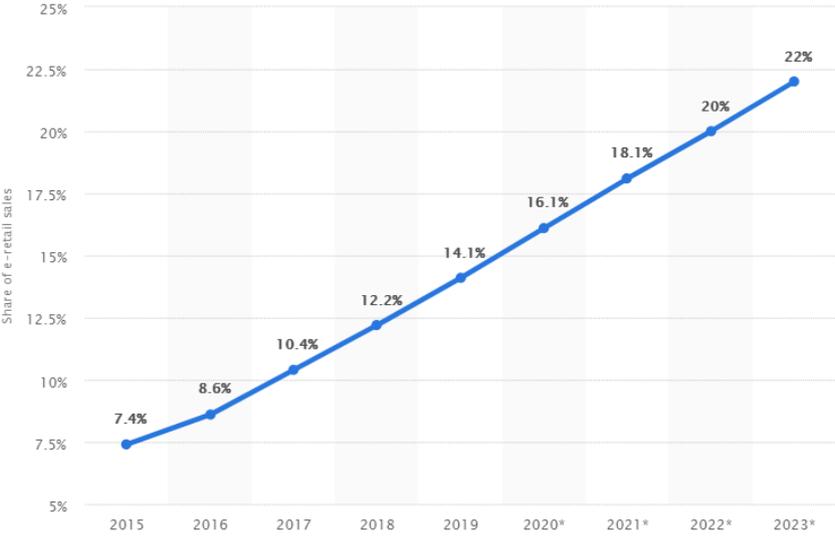


Figure 14 - E-commerce share of total global retail sales from 2015 to 2023. Source: Statista

Even if the amount of sales carried out over internet strongly depends on the geographical region considered, the graph, illustrating the whole amounts of sales, is explanatory about the impact of E-commerce.

As it is shown in the graph below, even though the E-commerce sales have been driven primarily by North America, the trend is supposed to reverse in the next years; indeed, if in the 2010, North America accounted for 39%, Asia-Pacific accounted for 32% and Western Europe for 26% of the whole E-commerce sales, in the 2017 Asia-Pacific accounted for the 60%, North America for 18% and Western Europe for 15%. The situation will be also more unbalanced in the future, since it is supposed that in 2021 Asia-Pacific will account for 67%, North America for 18% and Western Europe just for 10% of global E-commerce sales. According to the expectations Asia-Pacific will account for more than two thirds of global sales.

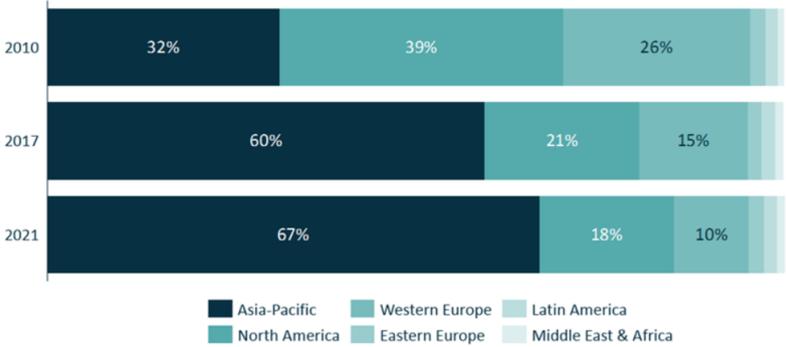


Figure 15 - Regional e-commerce sales share of global e-commerce. Source: global-e-commerce-figures, IPC

#### 4.1.1. Food and Beverage E-Commerce in the Business to Consumer Landscape

Even though E-commerce disrupted several businesses and lead to extremely successful results in the last two decades, the same performances have not been reached in all the categories of goods.

Food and Beverage e-commerce refers to all the transactions through which consumers purchase Food and Beverage goods and includes different categories. It is possible to distinguish between:

- *Grocery goods*
- *Eno-gastronomy goods*
- *Ready-to-eat food from restaurants*

The diffusion of Food and beverage e-commerce sales has been slow in the past decades due to several operational challenges and due to some consumer's habits in the purchasing behaviour. As shown in the graph below, in the United States the percentage of sales occurred online represents a small fraction of the total sales.



Figure 16 - Proportion of U.S. grocery spend made online; Source: GlobalData consumer research

As represented in the figure, the volume of expenditures occurred online have been low in the last years, but they are expected to considerably increase and to reach 9,7% of the total sales in the 2022.

Anyway, despite the low volume of sales occurred online, in the 2018, according to a Coresight Research Study, in the United States 36,8% of the population purchased food and beverages

goods online, showing then a relevant level of penetration of the service. The discrepancy between the percentage of sales occurred in the 2018 (5,5%) and the level of penetration (36,8%) can be explained by the facts that consumers that purchased online for a limited category of products and for a limited number of times.

The picture below indeed shows the limited products scope in the purchasing process:

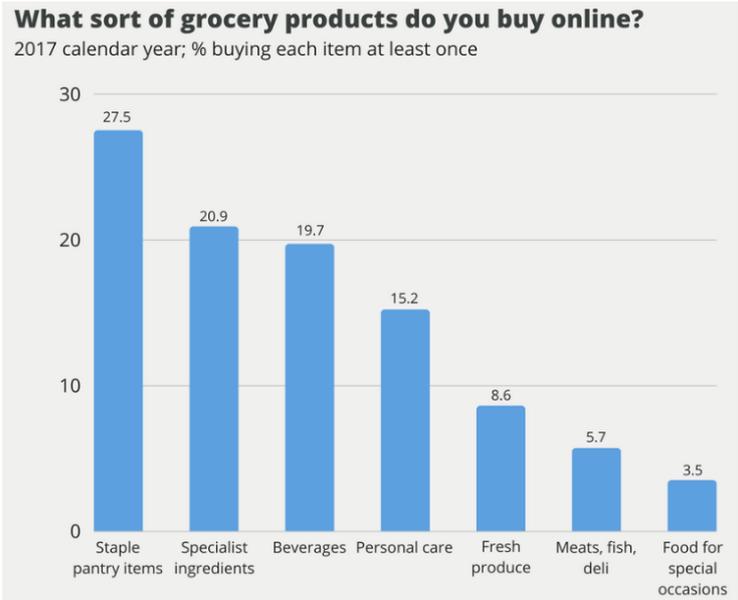


Figure 17 - Grocery purchased online in the U.S. by category in the 2017. Source: GlobalData consumer research

As shown in the picture above, consumers purchases are not distributed equally among the different categories of goods. In particular, the percentage of consumers that decided to purchase perishable goods online is considerably lower if compared to other categories of goods. As it will be shown later in the paper, the main reason, among several factors, of the difference relies on the still low level of trust to buy those products without the opportunity to personally evaluate the quality of goods.

According to a Nielsen research conducted in the 2015, Europe lives a similar situation, with 13% of the population that purchased online for home delivery and 9% of people that ordered online and picked up products inside the store. Anyway, for both the mentioned purchasing modalities, people are willing to increase the percentage of online purchases, with 50% of people that declared to be willing to use online orders for home delivery and 48% of them that revealed to expect to order online and pick up products inside the store.

The increasing trend is also confirmed by considering data in the figure below:

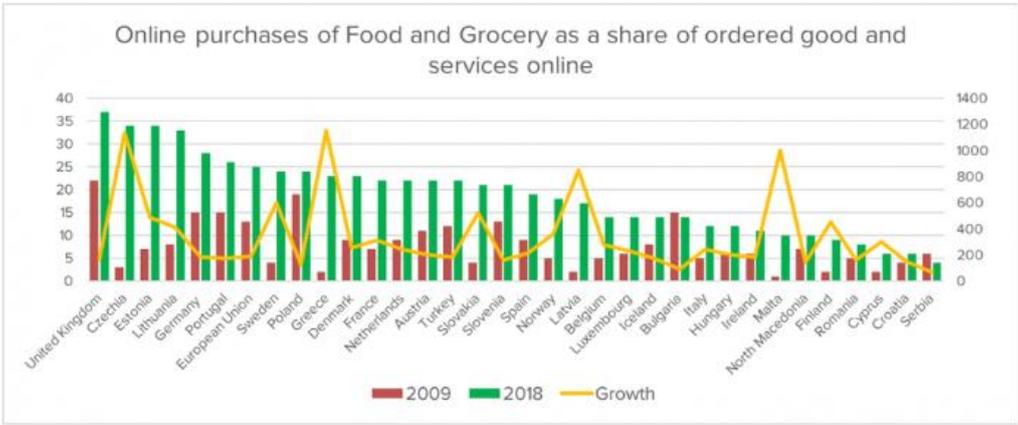


Figure 18 - Share of Food and Grocery online purchases over whole online purchases. Source: Forbes

By considering the 2009, in Europe, Food and Grocery online purchases just accounted for the 13% of the total purchases made online, considering all products and services offered; anyway, from 2009 to 2018 the percentage moved from 13% to 25%, with a 92% growth. As represented in the figure.

Even if E-Grocery accounted just for a small fraction of the whole sales online, the sector, accordingly to the provisions, is expected to live an expansion on sales in the next years. The table below shows the provisions about the leading global online grocery markets.

As it is shown, in Fig 19 below, the 10 leading markets account in the 2018 for 147.9 billion US dollars.

According to the expectations anyway, the total amount of sales is expected to reach 227 billion US dollars sales, with a 20.4 % increase by 2023.

Markets that accounted mostly in the 2018, i.e. China, US and Japan, will remain leaders in the 2023, with CAGR values of, respectively, 31%, 20% and 7.8%.

Country	Online grocery market size \$bn		Value growth \$bn	CAGR	Online grocery channel share %	
	2018	2023			2018	2023
China	\$50.9	\$196.3	+\$145.4	31.0%	3.8%	11.2%
US	\$23.9	\$59.5	+\$35.6	20.0%	1.6%	3.5%
Japan	\$31.9	\$46.5	+\$14.6	7.8%	7.1%	9.9%
U.K.	\$14.6	\$22.1	+\$7.5	8.7%	6.0%	7.9%
South Korea	\$9.9	\$21.3	+\$11.4	16.5%	8.3%	14.2%
France	\$11.6	\$17.2	+\$5.6	8.2%	4.5%	6.0%
Australia	\$2.1	\$4.2	+\$2.2	15.3%	2.1%	3.7%
Germany	\$1.3	\$3.8	+\$2.5	23.2%	0.5%	1.2%
Canada	\$0.8	\$2.1	+\$1.3	21.0%	0.8%	1.8%
Spain	\$0.9	\$2.0	+\$1.1	17.9%	0.7%	1.4%
TOTAL	\$147.9	\$374.9	\$227.0	20.4%		

Figure 19 - Leading global online grocery markets – Source: IGD Research 2018

The slow diffusion of these services has also involved Italy. According to studies conducted by the B2C e-commerce Observatory Netcomm of the Polytechnic of Milan, in 2019, the sale of online food products generated 1.4 billion euros. Although a strong growth with respect to the previous year, with a 39% increase, digital sales still play a marginal role compared to sales through the physical retail channel. The study involved the sale of both ready-to-eat food products, the Food Delivery, which represented 566 million euros and food and wine products, which generated 383 million euros.

Online sales of Food & Grocery products (Food Delivery, supermarket products, food and wine products and Health and Care products), amounting to 1.6 billion euros in the 2019, have represented only 1.1% of the purchases made through the physical retail channel. Furthermore, the online sale of Food & Grocery, compared to the other categories of products and services sold online in Italy, represents one of the items that generated the lowest number of sales together with the insurance sector, each corresponding to 5% of the total, preceded by the tourism sector (34%), Electronics (29%), clothing (10%), and other aggregate products and services not included in the categories listed (29%).

#### **4.1.2. *Foodservice attractiveness***

The slow diffusion of E-Commerce phenomenon applied to Food and Beverage goods can be explained mainly by considering industry structural problems and by the initial reluctance of consumers to adopt it.

The combination of several obstacles has made difficult to reach the profitability in the industry. Anyway, even if most of the difficulties still exist considering both Business to Consumer and Business to Business market, the latter can provide some interesting opportunities lowering the effects of some of the deterring factors.

The following paragraph will then deal with the analysis of the attractiveness of the foodservice segment, both in comparative terms with respect to the broader Food and Beverage industry and in absolute terms describing some inefficiencies in the foodservice operators' purchasing process.

#### *Food and Beverage Industry Challenges*

The main challenges can be attributed to the following factors:

- *Small Profit Margins*: small margins are due to high storage and delivery costs of goods; indeed, since the industry deals with foods and beverage goods, it is necessary satisfy rigid quality standard either for the storage of goods and for the delivery. Products, indeed, especially perishable ones, need to be stored and delivered keeping temperature levels that guarantee the products' safety. High level of capital and investments in infrastructures and refrigerated trucks are necessary.

In addition, together with high level of costs associated to the service, consumers claim an high level service able to deliver goods fast; but, if on one hand the service provided must be excellent, on the other hand, the consumers' willingness to pay for the service, that according to a McKinsey' analysis has been estimated around 7 dollars, is low if compared to the cost to provide it.

The combination of these two factors leads to extremely low margins.

According to a Strategy&' study, the delivery management for a typical retail shop leads to 13% additional costs that can undermine the possibility to make delivery profitable. As Bloomberg' Ellen Huet declared that "if the grocery is a low margin business, around 2-3 %, and on top of that it is offered delivery, in the same day, in a two or three hours window, you start to really think... it is unclear where the margins come from". Managing properly logistics aspects then assumes a central role: warehouse's automation, optimal routes' prediction and ITC instruments able to coordinate all the

players involved represent crucial aspects to reach successful results.

- *Consumers are still reluctant to adopt new delivery services:* even though grocery purchase represents a time-consuming task for most people, the delivery service has not been able to reach high penetration levels due to the presence of some deterring factors. The graph below shows the results obtained through a survey conducted in three USA cities, New York, Los Angeles and Seattle, with the objective of identifying the reasons why consumers are still reluctant to adopt grocery delivery. Even though the surveyed areas are limited to three cities, the results significantly represent common trends that have been identified common of the global areas: one of the major reason is that consumers still prefer to pick out products by themselves in order to personally evaluate the food quality during the purchase.

Beyond pure operational obstacles, then, supposing that a certain company is able to provide a high-level service and quality standards, one of the biggest obstacles that competing companies need to overcome is reassure and convince consumers about that. As already preannounced, the low willingness to pay strongly influences consumers' behaviour and it has been identified as the second reason why consumers are reluctant to purchase food and beverages goods online, claimed by almost the 19% of respondents.

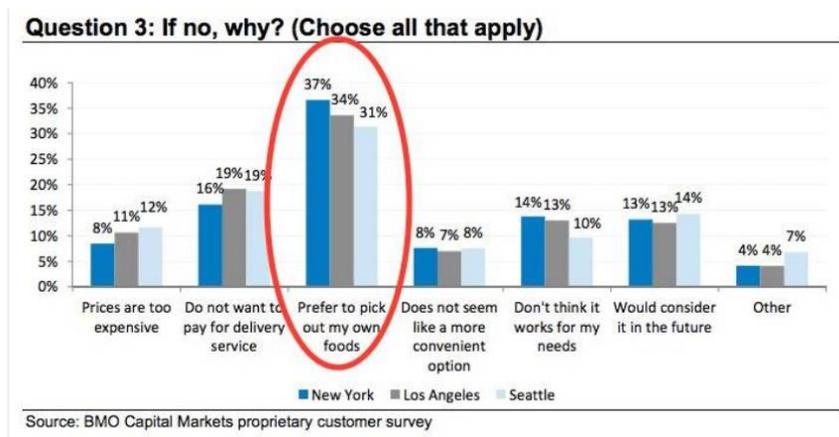


Figure 20 - Deterrent factors to purchase online. Source: BMO Capital Markets proprietary customer survey

To overcome this last obstacle, many players provide to consumers the possibility to benefit from a free delivery if the order amount exceed a certain threshold established by the company.

Anyway, most of consumers still prefer to purchase small quantities of goods in

different moments. As a Statista's survey suggests, around 40% of consumers in USA purchase grocery at least 2-3 times a week, and another 40% of consumers purchase goods once a week; reaching a minimum order can represent then a disincentive to use the service, especially for all those consumers who prefer to frequently buy grocery and that would have to change their habits.

Figure 21 represents the results of a survey conducted in Europe. Even with small differences, the results are like the ones provided in the previous graph.

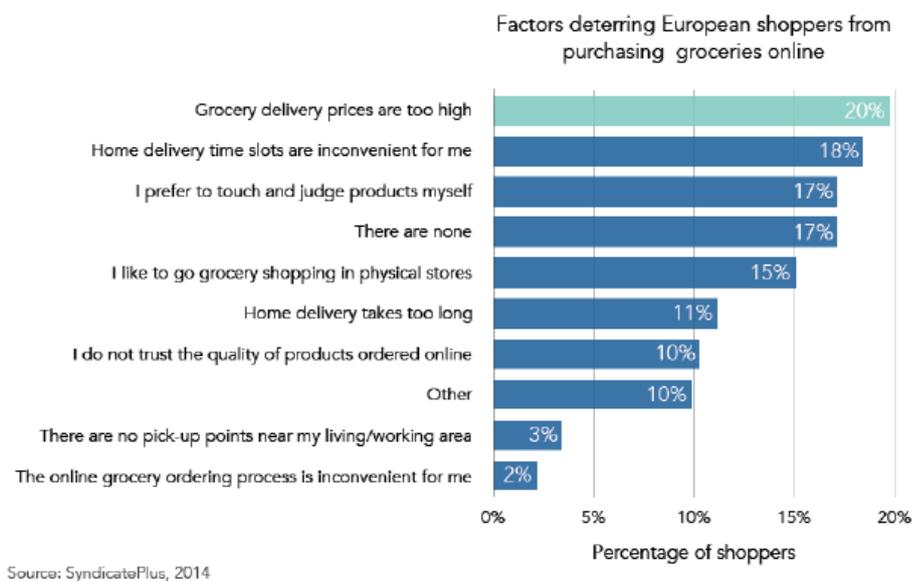


Figure 21 - Deterring factors for European online grocery shoppers. Source: SyndicatePlus, 2014

Once again, the delivery cost represents a strong deterring factor; having the possibility to see and touch products in first person is identified as third factor.

A relevant percentage of respondents, then, the 18%, judged negatively the time slots at disposal, considered inconvenient.

Even though most of the problems, especially operational ones, are common both in the Business to Consumer and Business to Business landscapes, in the latter case some of them could be significantly reduced.

Indeed, considering the Horeca operators' necessities, a first major distinction is based on the average amount spent for a single order, that is significantly higher than order made by the average consumers. Moreover, also the frequency of orders is presumably lower due to the higher storage capacity. Both these two factors can make easier the delivery management.

In particular, higher margins obtained by higher orders can partly justify and cover the elevated costs associated to the delivery process.

Another important element that need to be considered concerns the foodservice operators' purchasing behaviour. As described in the previous chapter, commercial activities owners have the possibility to purchase goods from different distributing channels. Even though they purchase a significant number of products in first person from physical stores, distributors that already manage the delivery cover an important role in the purchasing process. Since traditional wholesalers already provide the delivery service for their products, Horeca operators are in a certain way already confident with the delivery service.

They are then already used to trust, at least partially, other third parties for the selection and the delivery of goods. Anyway, Foodservice operators build strong fiduciary relationships with their representants and distributors; then, even if an Horeca operator is more confident to purchase goods through third parties, new companies need anyway to convince customers about products and quality offered. They have then to be able to provide to be at least reliable as current traditional providers. The difficulties described are then lower for those companies that already have commercial relationships with foodservice operators and decide to sell products online, as in the case of cash and carry.

Moreover, it is necessary to consider that, if the average consumer who purchases for personal use quality is a fundamental aspect, for an Horeca operator it acquires even more importance since they acquire for professional use and quality of their products determines the success of their activity. All these aspects will be deeply discussed analysing the Italian market.

#### *Away from home consumption*

Even though at home consumptions represent the bulk of the economy in the industry, it is important to highlight the increasing trend of away from home consumptions that, in turn, entails higher purchase from foodservice operators.

#### *Inefficiencies in the current purchasing process*

Most of the incumbent companies started then to strengthen their online presence in order to maintain their competitive positions in the market landscape.

At the same time, several start-ups caught the opportunity to enter into a market segment that has not been innovated for many decades and that is characterised by big process inefficiencies. During the purchase process made by means of foodservice distributors, foodservice operators

must fill orders by telephone or by using e-mails. This process results as a time-consuming activity and lead to frequently make mistakes. Moreover, it is negatively perceived the lack of price transparency, especially when dealing with small distributors.

On other hand also producers have to deal with the inefficiencies put in place by the current supply chain structure. Indeed, small and medium producers suffer the presence of big intermediaries in the supply chain and do not have the opportunity to be properly represented in the market. Even if small producers have the possibility to commercialize their product to foodservice operators, the bargaining power of big distributors leave to them thin margins. All these aspects will be studied in depth analysing the Italian market in chapter 5.

## 4.2. Classification of E-commerce Business Models

The following paragraph has the objective to illustrate which business models have been adopted in the Food and Beverage E-commerce companies acting in the Business to Business landscape.

The analysis has been conducted considering an international perspective, in order to provide a complete overview about the several models born in the last two decades.

The research has been conducted in order to categorize which models are present worldwide.

### 4.2.1. *Distinction based on types of players involved*

A first distinction on the several types of E-Commerce business models is related to Supply and Demand sources. It is possible to distinguish between the following categories of E-Commerce models:

- Business to Business (B2B)
- Business to Consumer (B2C)
- Business to Government (B2G)
- Consumer to Consumer (C2C)
- Consumer to Business (C2B)
- Government to Business (G2B)
- Government to Citizen (G2C)

The ones listed represent all the possible configuration in E-Commerce; anyway, since the first two are relevant considering the Food & Beverage E-commerce, the remaining ones have not been exploited yet and, thus, they are not object of the analysis.

- Business to Business (B2B)

The term Business to Business (B2B) refers to exchanges of goods or services that take place between organizations/companies.

Business to Business transactions then, involves different players in the supply chain but do not include transactions aimed at addressing final users. In the retail commerce, for example, B2B transaction can occur between producers and wholesalers, between wholesalers and retailers and in some cases directly between producers and retailers.

More in general, the term Business to Business involve different types of transaction categories. The Business to Business landscape has been subjected to a strong level of

digitalization, with the objective of optimize different activities. It is possible to distinguish among:

- *E-procurement*: the term refers to those activities aimed at purchasing goods or services from suppliers
  - *E-supply chain execution*: the term refers to the set of technological solutions to support purchase and invoicing activities that generally includes logistics, commercial, administrative and accountant phases
  - *E-supply chain collaboration*: the term refers to all those activities that enable the collaboration between suppliers and buyers and embrace different areas: logistics monitoring, stock planning etc
- Business to Consumer (B2C)  
The term Business to Consumer (B2C) refers to the exchange of goods or services that take place between companies or organizations and final customers.  
Even though the term is usually used in reference to transactions that occur online it involves all those transactions that target directly the final user.  
The company that sell products to consumers can be either a production company or an intermediate company between production and consumers as the case of wholesalers.

As it has been explained, these two configurations are the most common in the Food and Beverage E-commerce.

As the objective of the thesis work is to analyse alternative means of intermediation in the Horeca market, the Business to Business configuration is the most interesting one. Anyway, as it has been already mentioned, it is not common to find companies with a distinctive configuration. Indeed, most of the companies act both in the Business to Business and Business to Consumer landscape.

Moreover, even in the cases in which a given company acts in a specific contest, as the B2C, the same company could potentially provide its services to other businesses as well, de facto adopting again a hybrid configuration. This possibility would occur especially in those markets in which there are not solutions specifically designed to address the needs of people operating in the Horeca context.

B2B e-commerce companies need to provide some specific features, not usually provided by B2C players, in order to satisfy specific professional necessities and to guarantee the same level of service that is usually provided by non-online operators.

The following features need then to be implemented:

- *Bulk purchases discounts*: professional consumers must have the opportunity to receive discounts that increase as quantity purchased increase. This represents indeed a common practice in most of the commercial negotiations
- *Flexible prices* according to the specific relationship with certain customers. It is indeed possible that some consumers, thanks to purchases' frequency or average order amount, can reach specific agreements; in these cases, it is necessary to correctly manage prices
- *Simple re-orders*: most of the professional consumers purchase repetitively certain categories of goods; in order to provide an efficient and fast purchase service, consumers need to manage repetitive orders easily
- *Credit to consumers*: according to the specific policy, companies often provide to consumers the possibility to postpone the payment in a period between 30 and 120 days

**4.2.2. Distinction based on the ownership of the inventory**

Basing on the ownership of the inventory, e-commerce companies can be subdivided as follows:

- *Inventory Based Business Model*: the main characteristic of this configuration is that consumers buy goods directly from the E-commerce company. Indeed, the company has the responsibility to purchase goods directly from suppliers, store them into warehouses of its property and then sell products to final consumers.

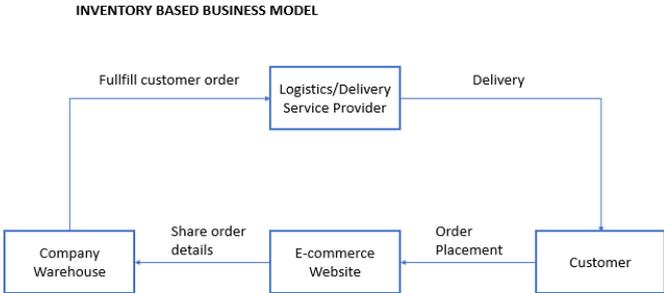


Figure 22 - Inventory Based Business Model

The Figure above represents the main interactions that occur in the inventory-based

business model. Among the responsibilities of an e-commerce company that opts for this model there are: purchase of goods from suppliers, management of inventory, relationship with consumers, management of logistics and delivery aspects (that can eventually be outsourced).

- *Marketplace model*: the main goal of a company opting for a Marketplace Business Model is to provide an information technology platform that enable customers to virtually meet suppliers.

A given platform has, thus, the role of facilitating the interaction among several players. Differently from an Inventory Based Model, when a transaction is carried out by means of a digital platform provided by a pure Marketplace company, the buyer is purchasing directly from the supplier rather than the platform itself.

Generally, thus, a company operating through a Marketplace Business Model has not the responsibility over the management of the inventory, while there is a multitude of configurations possible concerning the responsibility of logistics and distribution aspects. Marketplace Business models are part of a wider category, the platform business models; the next paragraph will describe more in detail the mechanism governing this type of models.

The main interactions that occur in Marketplace business model are described in the picture below:

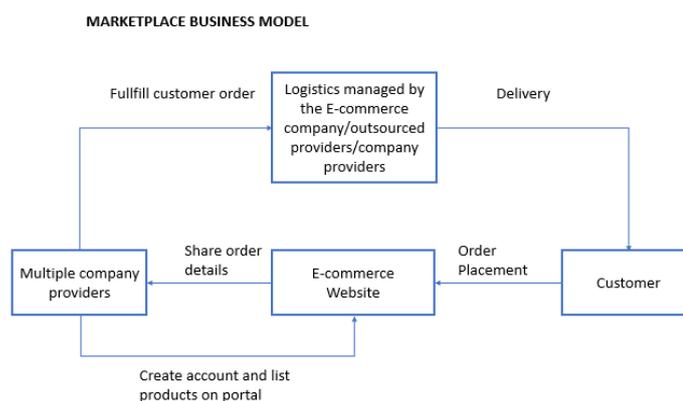


Figure 23 - Marketplace business model

Beyond the two pure business models described, there exist also the possibility to build

a business model which does not belong completely to the pure forms described, relying instead on a hybrid configuration.

- *Hybrid Business Model*: this configuration includes a mix of elements common both to the Marketplace Business Model and to the Inventory Based Business Model.

Companies that rely on this business model, de facto create a marketplace, since customers can find different products from different suppliers and confront them as it happens in a marketplace. Anyway, the big difference emerges considering the relationship between the E-commerce company and its suppliers; indeed, companies adopting this particular business model offer inventory storage, packaging and delivery services as it would happen in a pure Inventory Business Model, but at the same time a seller has the possibility to manage these aspects by its own.

The seller's choice is conditioned by specific elements, such as the type of product commercialised and the margin that the seller can obtain from sales; indeed, leaving the fulfilment of inventory to e-commerce company responsibility, is often the case when products can grant sufficient margins to the seller, able to cover the expenses for the additional services provided by the company; on the contrary, producers prefer to manage by their own those products that provide low margins and that do not require high inventory space.

By considering the point of view of e-commerce players, they often push to obtain the possibility to manage the sellers' inventory thanks to a series of benefits as:

- increment on profits thanks to the higher fees charged to sellers
- higher sales led by trust posed by end customers into the standard of the service provided by the e-commerce players

Choosing the business model to adopt is a challenging task for most of the companies that decide to compete online. Indeed, there is not a business model that prevail over the others in absolute terms, but the choice is strictly dependent on specific conditions.

Anyway, it is possible to consider and analyse some advantages and disadvantages of each model, regardless of the specific condition in which it is applied.

In particular, the marketplace approach is highly attractive thanks to its inherent capability of lowering costs with respect to other types of business models.

The concept of reducing cost has been defined by Jonas Kjellberg, a Skype co-founder, through

the term “Innovating in zeros”, namely, innovating reducing unnecessary costs, in order to increase the competitive advantage with respect to competitors.

With respect to Inventory based model, a first advantage is thus the absence of costs related to warehouse ownership and all costs related to inventory management.

Furthermore, it should point out that, even if marketplace business models require less capital than inventory-based models, substantial amounts of capital are anyway necessary to carry out and develop all the functionalities that need to be designed in order to make the platform profitable and attractive.

Since a marketplace e-commerce company does not own any warehouse and does not need to build its own inventory, it can scale markets even easier than a company who rely on the inventory business mode.

Furthermore, marketplaces can rely on a high number of products and producers on the platform, who in turn increase the benefits perceived by customers giving to them the possibility of comparing more offers. Anyway, even if the attractiveness of a marketplace increases as the number of sellers increases, it must be pointed out that an excessive number of sellers with respect to the number of buyers, could lead to negative effects, affecting negatively the dynamics between marketplace participants. This imply a big challenge in managing marketplaces business models, which strongly rely on network effects, that should be properly managed. Due to the importance of this aspect, it will be deepened in the following paragraph. Due to the worldwide successful obtained companies adopting this business model, it often results as an attractive alternative to investors, increasing then the opportunity to easily raise capital.

Analysing then the main disadvantages of the marketplace business model, it is possible to identify the difficulty related to the quality control of goods supplied by sellers on the platform; indeed, it happens that sellers does not satisfy quality requirements, negatively affecting the e-commerce company reputation.

Furthermore, the absence of centralised warehouses governed by the marketplace owner, usually leads to higher shipping costs than the ones faced by inventory-based companies.

### ***4.2.3. Platform Business Model***

In the previous paragraph it has been briefly described the meaning of a Marketplace Business Model. As it has been anticipated, a marketplace business model is just one among the multitude of forms of business models that can derive from the more generic concept of a Platform Business Model. In the following paragraph it will be deeply described the main characteristics and features of such a business model that, thanks to some dynamics that will be illustrated, has been able to disrupt several industries in the last two decades.

A platform business model is based on the possibility to technologically connect several participants with the objective of facilitating the interactions between them.

The importance and the effectiveness of a platform is specifically relevant in those industry in which the information covers a central role; this happens both in the cases in which the information is the good that need to be exchanged and in the cases in which information, even though is not the good exchanged, is relevant and has economic value.

The purpose of a platform business model is then to make interactions between people or organisations easier and facilitate the exchange of goods or services.

#### *Core Interaction*

As it has been introduced, the role of a platform is to enable and facilitate the exchange of value among the participants.

In literature, the activity that allows users to exchange value is called core interaction. A core interaction represents, thus, the reason why a specific platform has been designed. Considering for example a marketplace, a transaction that allows a specific good or service to be exchanged represents the core interaction.

The core interaction can occur thanks to the presence of three fundamental elements: participants, value unit and filter:

participants + value unit + filter → core interaction

- Participants are the users in the platform directly involved in the interaction. Increasing the number of participants on the platform is fundamental for the platform success and for this reason it is necessary to properly design strategies able to pull participants on the platform
- The Value unit represents the valuable information provided through the platform, and in the case of a marketplace, it is represented by products information.

- The Filter is a mechanism that need to be properly designed in order to facilitate match between participants; indeed, a user in search of a specific product should have the possibility to see and evaluate just those products able to satisfy him. If the user would have the chance to see all the products available on the platform, the user experience would be compromised

The proper management of these three aspects is essential in order to build a platform able to effectively create value. Moreover, the integration of them can lead to create an essential value creating mechanism: the presence of network effect.

### *Network effects*

The success of Platform Business Models and their ability to gain a competitive advantage and successfully provide value to its customers strongly rely on the presence of network effects. Indeed, network effects represent the mechanism through which the utility created by a platform is influenced by the number of the participants using that; anyway, network effects are not always able to increase the value for the platform participants; indeed, it is possible to distinguish between positive and negative network effects: if not properly managed, network effect can also be detrimental to the platform success.

When network effects are positive, they cover a fundamental role in the value creation process; indeed, through the presence of positive network effects, a platform can create a self-reinforcing loop that increases the number and the quality of the interactions between participants. Figure 24 represents a simple example of the impact on value creation led by the presence of network effects: considering a market constituted by two essential entities, producers and consumers, the increase on the number of producers leads consumers to receive more value; due to the increased value, customers are more incentivized to join the platform that, in turn, increases the value for producers and subsequently their number.

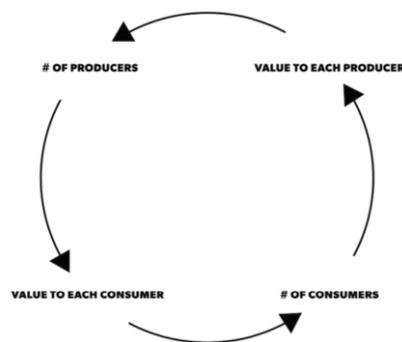


Figure 24 - An example of network effects mechanism.

Network effects, in general terms, are present and able to influence all those businesses which value provided is positively or negatively conditioned by the number of users. This mechanism can take place in a multitude of businesses; a significative example is represented by considering the mobile phone industry, in which the value perceived by consumers is clearly positively correlated to the number of users that are part of the network. If the number of users that own a telephone increases, it also increases the number of links as well between costumers and in turn the opportunity to benefit from using the device.

In the example described, the value created depends on the number of users belonging to the same category, namely final users.

#### *Two-sided network effects*

Figure 24, actually represents a different situation, in which Network Effects are established by means of the increase in the number of users that belong to two different categories: by one side there are producers, i.e. the supply side of the market, while in the other side there are consumers, the demand side. Network effects arising from the interaction of customers belonging to different sides of the market, as it occurs in marketplaces, have been described in literature as *Two-sided network effects*.

Two-sided network effects take place when the number of users belonging to one side of the market can affect both the sides of the market.

Managing two-sided network effects is one of the most challenging tasks of a company that decides to compete adopting a platform business model. Indeed, if every company that rely on network effects it is essential to reach a critical user base in order to make them effective, a company that deals with both the two sides of the market has to face additional criticalities. Both supply and demand user bases, indeed, need to increase proportionally as the business scales up. Reaching and maintaining a correct balance between participants is not trivial but is fundamental: just granting the right proportions it is possible to trigger positive network effects; if this condition falls, a platform would risk generating negative network effects.

As it has been already suggested, for example, a marketplace in which the number of producers is unproportionally higher than the number of served customers, producers would compete fiercely, in turn affecting negatively the profitability. At the same time, an excessive number of customers with respect to producers could negatively affect the users' experience for those customers that cannot be served due to a short supply.

In two sided markets it is possible to distinguish among four types of network effects: *same-side effects*, *cross-side effects*; both can be positive and negative.

*Same-side network effects* occur when the number of users on one side directly affect the value received by each user in the same side; on the contrary, *cross-side effects* occur when the number of users that belong to one side affects the value perceived by users on the opposite side.

As it has been described above, as the number of producers increases, the value for customers increases as well; this represents positive cross-side network effects; on the contrary, the same increase, if results to be disproportionate, can generate negative cross-side network effects. Still considering the same example, the increase in the number of producers can also lead to same-side positive network effects if effectively that increase leads to a higher customer engagement, that in turn increases the value for producers themselves; anyway, the same increase could lead to a higher competition between producers or to a higher difficulty in matching producers and consumers: these dynamics are the result of negative same-side network effects.

Managing network effects is really challenging for every company but it represents a fundamental task to succeed: positive or negative effects would indeed lead to, respectively, to competitive advantage and growth opportunities or failure.

#### *Structural Impact of platform disruption*

As it has been anticipated, platform business models have been able to disrupt several industries ranging from the home renting industry, thanks to the advent of companies like Airbnb or Booking, the retail industry, with the birth of Amazon, Alibaba etc, multimedia and so on.

The disruption occurred by means of the processes described in the following:

- *De-linking assets from value*: platform business models allow to easily facilitate the trade of assets with the objective of maximise their potential value, regardless the actual asset's ownership. This mechanism allows assets owners to produce value trading assets that, otherwise, would not be fully used
- *Re-Intermediation*: the presence of platforms in most industries represent a new form of intermediation between supply and demand. Differently from traditional intermediaries, companies that rely on the presence of a platform, can create a new intermediation able to easily scale markets thanks to the fact that base their operation on algorithms instead of relying on human resources efforts.

Moreover, an easier collection and possibility to access and analyse data, allows

companies to elaborate more efficient processes and to get smarter.

Another powerful source of advantage of new intermediaries with respect to the traditional ones is represented by the fact that by means of platforms, users can easily obtain information and feedback provided by other users using the same platform. This represents a strong incentive to use a platform since its presence confers to consumers a higher-level of trust.

- *Market Aggregation*: on a platform, different producers have the possibility to sell their products/services. The presence of a multitude of products/services on the same platform gives to customers the opportunity to compare them and to reduce search costs. Thanks to Market aggregators, then, customers have the possibility to take a faster and presumably a better decision.

### **4.3.Digitalized Business Models**

Moved by the necessity to remain competitive in the distribution landscape, many of the traditional distribution companies started to sell their products online.

Considering the main two distribution players, namely cash and carry and traditional foodservice distributors, as it has been described in the previous paragraph, they act as wholesalers.

They imply that they purchase products in bulk quantities from producers, store and resell them to consumers. When selling products online, they act, then, primarily selling their own products to consumers, adopting an e-commerce inventory business model.

As it has been pointed out, the main difference between broadline distributors and cash and carry is that while the former traditionally base their business selling products in physical stores, the latter rely on a strong presence of salesforce in the territory.

Cash and Carry then, starting to sell products also by mean of digital channels started a multi-channel strategy, which benefits have been already introduced in the previous chapter.

For a Cash and Carry which base their business relying on low margin, the delivery management can represent a critical aspect primarily due to the necessity of building new competencies and to rely on new assets.

Even though the difficulties, innovating and build a solid digital presence is one of the first priority and all the major players moved toward this direction.

Indeed, the top three companies operating in the industry, Costco, Metro AG and Bj's Wholesale Club implemented the delivery service.

Also, traditional broadline distributors moved toward digitalization.

It allowed the distributors to offer a stronger value proposition to its customers and at the same time to reduce operational costs.

If traditionally, indeed, orders are placed by telephone, fax, or more recently by means of instant messaging, the digitalization allow customers to place orders in a simpler and more intuitive manner; on other and, it enable to reduce the number of telephone calls and contacts between distributors and operators, reducing operational costs.

In addition, online sales allow distributors to take advantage from the transactions' data, that represent a big source of value.

Managing data, distributors have the possibility to segment clients, offer customised offers and clearly understand market dynamics.

The adoption of digital sales has been primarily forced by the increasing willingness of consumers to buy online.

Indeed, according to an Oliver Wyman’s Research, the costumers in the Business to Business landscape reveal a strong preference toward digitalised experience with respect to the physical one, as represented in the figure below:

<b>B2B Buyers Preference for Online Purchasing</b>				
<b>Age of Buyer</b>	<b>60+</b>	<b>46-60</b>	<b>36-45</b>	<b>18-35</b>
<b>Favor Online Purchasing</b>	29%	45%	68%	90%

Figure 25 - Business to Business buyers’ preference for online purchasing. Source: The Hale Group, Foodservice Distributors of the Future – The Evolution of the Foodservice Distributor Sector, Strategic Initiatives

So, distributors started to sell their own product online to answer to consumer’s needs. In addition, internet allowed sellers to directly sell their products to consumers. This represents a big threat for distributors that would in this way lose their traditional strategic role.

The figure below represents the increase of e-commerce sales from manufacturers to foodservice operators, by means of Direct sales, conducted by means of own personal e-commerce web sites or aggregation platforms are expected to reach the 15% of the total sales in the 2025 in the United States, while they have been almost absent in the past.

<b>Share of Operator Purchases of Expendables % in U.S</b>				
	2010	2015	2020	2025
Broadline	59%	59%	55%	51%
System	11%	11%	12%	12%
Specialty	19%	17%	15%	13%
Cash & carry/clubs	11%	13%	12%	10%
E-commerce	0%	0%	6%	14%
TOTAL	100%	100%	100%	100%

Figure 26 - Share of Operator Purchases of Expendables in the United States. Source: The Hale Group, Foodservice Distributors of the Future – The Evolution of the Foodservice Distributor Sector, Strategic Initiatives

According to the research, broadline distributors will be the player that will suffer more from this trend, losing 8% of market share from 2015 to 2025.

This represents expected trend represents a strong threat for distributors, which, if will not be able to satisfy costumers' needs and properly navigate in this changing and turbulent environment. Build their own digital distribution channels represent then an imperative for traditional distributors.

In addition, due to the birth of new companies acting as supply aggregators, the reinforcement of e-commerce sales from producers and the increase in purchases groups, the role of the traditional distributors that will not be able to answer to the digitalization process is expected to change.

Indeed, if traditionally distributors covered a *gatekeeper role*, determining their inventory, strongly influencing the acquiring price for manufacturers' products and influencing costumers for their purchases, the direct sales from manufacturers strongly threaten their traditional strategic role.

Manufacturers will be increasingly influenced directly by the costumers and will have the possibility to manage by their own the go-to-market strategy.

The role of the distributors is then expected to change, and it will increasingly cover a logistic role rather than wholesaler one.

As the role of distributors will change, the required capabilities and the revenues models will change as well.

In particular, the revenue stream will be affected changing from a mark-up, typical of the wholesaler model, to a revenue fee model. In addition, an important source of revenues for traditional distributors is represented by *trade promotional monies*, received from manufacturers to guarantee a stronger distributors' effort to sell their products.

This represents an important contribution, that amount to 6-8% of the total revenues received by traditional distributors. As the manufacturer's influence on foodservice operators will increase, this source of revenues is expected to decrease.

Historically, distributors based their businesses on purchasing capabilities and on strong relationship between distributors' salesforce and foodservice operators.

Anyway, it is expected than required capabilities will then change toward purely logistics and operational ones and purchasing capabilities or distributor's salesforce capabilities will be less relevant.

The expected change in distributors' role make also more evident the necessity to build their own digital strategy to fight the threats explained.

In addition, since manufacturers' will increasingly capture the transactions' data, for distributors it will be fundamental to, together with the design of proprietary e-commerce

websites, to develop analytical capabilities in order to capture value from data and use them to deliver a higher value proposition both to customers and manufacturers.

Many incumbents then developed a digital strategy, one of the first company has been US Foods.

US Foods (formerly U.S. Foodservice) is one of the American leading broadline distributors. It serves around 250,000 customers, providing over 350,000 national brand products made by dry products and fresh ones.

At the end of the 2017 fiscal year the company totalized 24 billion US dollars.

The company put in place a digital strategy developing its own e-commerce website and mobile strategy, with the objective of delivering a higher value proposition.

Among the possible foodservice distributors' clients, restaurants represent a great chance for distributors to deliver value added services; the figure provides an overview of the distribution role with respect to client's typology.

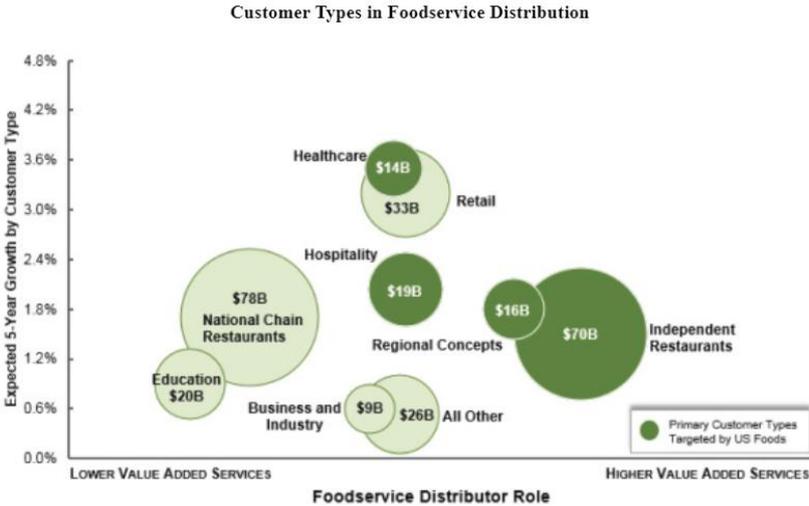


Figure 27 - Customers types in foodservice distribution. Source: US Foods Holding Corporation, Prospectus supplement, 2017

As represented in the picture, US Foods based its strategy serving Healthcare, Hospitality, Regional Concepts and Independent Restaurants segments.

Among the several strategic choices put in place to deliver higher value-added services, the company caught the opportunity to take advantage by the e-commerce services.

In the 2013 the company launched its own digital platform, offering to the customers the possibility to easily place orders, track shipments, analyse food costs, analyse trends, managing the inventory and quickly review product information.

As reported in the annual statement, at the end of the 2017 fiscal year generated 16 billion US

dollars from orders placed by means of e-commerce, representing 68% of total sales.

In addition, the company revealed that customers that place orders digitally show a 5% higher retention rate and 5% higher volume purchases than other customers.

The figure below represents the benefits provided by the e-commerce platform and how customers changed the preferred purchase channel over time.

Even though the extremely successful e-commerce results, the company in the 2019 developed and put in place a complementary online service.

Indeed, as it has been shown, the original e-commerce strategy gave to its customers to purchase US Food's products.

The original e-commerce strategy was base then on the inventory e-commerce business models. As Nick Underhill, senior director of corporate strategy reported, customer research feedback revealed that there was another important unmet customer' need.

Indeed, as a research reveals, 63% of foodservice operators say they want to differentiate them from competitors.

Anyway, the differentiation often is boosted by the ingredients used to prepare meals. So, foodservice operators have the necessity to purchase hard-to-find specialty items and ingredients. Since the turnover of these specialty items is low, broadline distributors often do not afford to store them in warehouses, pushing customers to find them relying on other distributors, or personally find them by means of other channels. Anyway, the research represents a time spending activity and difficult to manage. US Foods to help its clients to overcome this challenge, in the 2019 launched US Foods Direct, a new e-commerce platform, in which customers can directly purchase by other suppliers in behalf of US Foods.

US Foods is not the only company that opted to launch a complementary marketplace business model. Metro, a leading Cash and Carry company, has recently started a project in order to enrich its digital offer. Indeed, even though the Cash and Carry business model was based on purchases made in store, it has enlarged its offer by giving the opportunity to purchase online or by telephone and receive products delivered to the commercial activity.

Together with the sale of its products, in the 2019 Metro launched a business model based on the concept of marketplace. A marketplace business model, as Philipp Blome, CEO of METRO Markets suggested, can represent the best solution to provide a wider set of products to customers and to scale up faster markets, giving the chance to third party providers to sell their products on the METRO e-commerce platform.

#### **4.4. Marketplace Business Models**

As it has been described in previous paragraphs, many companies operating within the food service distribution sector have started a digitalization process aimed at offering their customers the possibility to place orders online and to use data analysis services, with the goal of providing a greater user experience to customers.

These models, for the most part, are based on the inventory-based business model.

Among the major players that have adopted such solutions there are traditional food services distributors and cash and carry.

Together with the birth of these business models, the distribution market ,in recent years, has seen the emergence of new business models based on concept of marketplace.

Analysing the different solutions at international level, it has been possible to identify mainly two different types of business models, characterized by different value propositions and characteristics. Each of the two categories include different possible business models variants that will be discussed in detail. For the sake of simplicity, it has been initially proposed the following distinction, that will be deepen in the following paragraph:

- *Disintermediation business models*: Foodservice operators have at disposal the opportunity to purchase goods from different sources and, among them, traditional foodservice distributors and cash and carries are the most used. For this reason, due to the presence of strong intermediaries in the supply chain, the zero level channels of distribution, namely direct distribution channels, between producers and consumers are not common.

With the advent of internet, so, many start-ups started to develop systems able to make supply, made by producers, and demand closer with the objective to reduce the length of the food supply chain.

- *Suppliers Aggregation Business Models*: In their pure form Distributors' offers aggregation business models, aim to digitize the offer of the various suppliers that are already operating in the market and allow consumers to have a digital platform at their disposal buy in a single point from different suppliers. At international level, different realities have been created with the aim of unifying and digitizing a commercial offer which, as has been highlighted, is highly fragmented.

Due to the high fragmentation, foodservice operators need to manage commercial relationships with multiple distributors, and this translates into an inefficient purchasing process.

Based on the inefficiencies deriving from the high number of companies operating in the industry, the first objective of these new start-ups is to leverage technology in order to make the process simpler. The advantage derives from the possibility to rely on a single platform to place orders and from the possibility to use digital tools to analyse business trends. Even though all the start-ups have in common the objective of simplify but then in addition, is has been possible to make a further distinction and to point out that some companies have the explicit objective of decreasing purchasing costs of foodservice operators.

#### 4.4.1. Business Models Comparison

In the following paragraph will be analysed more in detail the business models identified during the development of the thesis work.

The objective is to show the main elements that constitute the different business models. The tables that will be shown have been built with the objective to aggregate different solutions adopted and not to describe a business model of a specific company; the objective is then to summarize the different strategic choices that have been adopted worldwide.

##### *Disintermediation Business Models*

<b>Features</b>	<b>Type A – logistics providers</b>	<b>Type B – no logistics providers</b>
Customer Segments	<ul style="list-style-type: none"> <li>- Small and medium high-quality food producers</li> <li>- Horeca operators</li> </ul>	<ul style="list-style-type: none"> <li>- Small and medium high-quality food producers</li> <li>- Horeca operators</li> </ul>
Value Proposition	<ul style="list-style-type: none"> <li>- Enhancing small and medium producers' visibility in the market</li> <li>- Providing IT tools to producers to deeply analyse market opportunities and trends</li> <li>- Improving the Horeca operators' purchasing experience</li> <li>- Easily access to local products</li> <li>- Lower prices for local high-quality products</li> <li>- Possibility to easily find niche products</li> <li>- Last mile distribution for local producers</li> </ul>	<ul style="list-style-type: none"> <li>- Enhancing small and medium producers' visibility in the market</li> <li>- Providing IT tools to producers to deeply analyse market opportunities and trends</li> <li>- Improving the Horeca operators' purchasing experience</li> <li>- Easily access to local products</li> <li>- Lower prices for local high-quality products</li> <li>- Possibility to easily find niche products</li> </ul>
Channels	<ul style="list-style-type: none"> <li>- E-commerce Website</li> </ul>	<ul style="list-style-type: none"> <li>- E-commerce Website</li> </ul>

	<ul style="list-style-type: none"> <li>- E-commerce mobile application</li> <li>- Phone calls</li> </ul>	<ul style="list-style-type: none"> <li>- E-commerce mobile application</li> <li>- Phone calls</li> </ul>
Customer Relationships	<ul style="list-style-type: none"> <li>- Phone customer service</li> <li>- Social networks</li> <li>- Social events</li> </ul>	<ul style="list-style-type: none"> <li>- Phone customer service</li> <li>- Social networks</li> <li>- Social events</li> </ul>
Revenue Streams	<ul style="list-style-type: none"> <li>- Transactions fees charged on producers</li> <li>- Subscription fees on producers</li> <li>- Mark-up over prices</li> </ul>	<ul style="list-style-type: none"> <li>- Transactions fees charged on producers</li> <li>- Subscription fees on producers</li> </ul>
Key Activities	<ul style="list-style-type: none"> <li>- Software development and update</li> <li>- Producers selection and engagement</li> <li>- Logistic functions – last mile distribution and warehouse management</li> </ul>	<ul style="list-style-type: none"> <li>- Software development and update</li> <li>- Producers selection</li> </ul>
Key Resources	<ul style="list-style-type: none"> <li>- Information technology</li> <li>- Warehouses</li> <li>- Trucks fleet</li> </ul>	<ul style="list-style-type: none"> <li>- Information technology</li> </ul>
Key Partnerships	<ul style="list-style-type: none"> <li>- Logistics operators</li> <li>- Small and medium local producers</li> </ul>	<ul style="list-style-type: none"> <li>- Logistics operators</li> <li>- Small and medium local producers</li> </ul>
Cost Structure	<ul style="list-style-type: none"> <li>- Software development</li> <li>- Human resources</li> <li>- Logistics operators</li> <li>- Warehouses</li> </ul>	<ul style="list-style-type: none"> <li>- Software development</li> <li>- Human resources</li> </ul>

Table 1 - Disintermediation Business models

The table is built considering the two business models in two different columns with the objective of highlighting the differences among them. Before explaining the main elements of

the *disintermediation business models* represented, it is necessary to make an additional distinction that is not highlighted in Table 1. The distinction is based on the type of service offered to the customers; indeed, while some companies have the objective to put in contact producers and Horeca operators, providing producers' information, allowing financial transactions to occur by mean of the platform, providing analytics tools and in some cases managing the logistics aspects, other just provide information about producers that are present in the territory, leaving to producers and Horeca operators the responsibility to manage all the other aspects by themselves. Due to the limited impact of the second category of business models, the paragraph will deal more on details with the first one.

Table 1 represents two different types of business models adopted by companies operating as *disintermediation* companies; the element that distinguishes them is the fact that companies operating through the model represented on the left side perform logistics activities, while companies on the left side do not perform logistics. Even though the two business models are pretty the same, some areas of the business models are affected and differ. The discussion will then proceed in parallel for both of them and the differences will be pointed out when necessary.

The mission of both the companies represented is the same: to provide high quality, fresh, organic and often local foods to customers, putting them in direct contact with producers. These will lead to Horeca customers the following benefits:

- higher price transparency, since prices are set directly by producers
- higher knowledge about products' provenience
- high quality products
- lower prices due to the simplification of the supply chain
- simplification of the costumers' purchasing experience

Among the benefits provided to costumers, the simplification of the purchasing experience is allowed providing costumers the possibility to purchase through a single source, the digital platform, products from different producers. In addition, it is possible to benefit from the advantages provided by the marketplace, compare products and find those that best address their necessities. Moreover, by means of digital tools that make simpler to costumers to purchase, as for example intuitive re-order tools.

By other hand, the objective of companies acting through this business model is to leave to producers' higher margins that they would obtain selling products to large wholesalers. Indeed, as explained, the bargaining power of large distributors allow them to purchase products

at low prices.

The price of organic products is highly conditioned by the costs that arise step-by-step from producers to costumers and for this reason, the direct commercial interaction between producers and Horeca operators, together with the simplification of the supply chain, can lead to a decrease in purchasing costs faced by consumers.

Producers, moreover, could benefit from the possibility to sell their products directly on a platform and to reach a larger base of customers that they would not have reached otherwise. Moreover, among the other benefits provided both to producers and Horeca operators, platforms usually provide information technology tools to them with the objective of obtaining higher business insights. Producers, by one hand, have the possibility to better monitor their sales and to better understand markets' dynamics. On other hand costumers have the possibility to benefit from different features. They have indeed the possibility to use tools to monitor their expenditures, to catalogue them and to easily access to statistics about prices fluctuations over time.

In the table, producers and costumers have been identified as costumers' segments for both the represented business models; indeed, both producers and costumers can benefit from the value proposition and their interactions is essential to provide benefits to both of them.

In order to provide an efficient service, the digital platform needs to be properly designed and constantly updated. The platform management is then one of the most critical activities that should be performed.

An additional crucial activity than needs to be performed is the producer's selection. Indeed, as far as quality of products is fundamental in order to satisfy customers and represents the core value proposition, most of the companies put in act a selection process in order to allow just reliable producers to sell in the platform. Even though the selection would seem as an inhibitor of user's engagement, it actually is part of the more general *curation process* necessary to manage the platform. Indeed, as it has been described, even though platform business models benefit from network effects, in some circumstances they could also be negative. Allowing low quality producers to join the platform would indeed be detrimental to the user experience and would make it more difficult to find the proper goods on the platform, leading then to negative effects.

In addition to software development and producer's selection and engagement, companies that provide logistics by their own have to manage it, performing activities as last mile distribution, warehouse management etc.

Differences among companies that provide logistics or not mainly affect business models' aspects related to key resources and costs.

Companies that perform logistics activities need to invest on warehouses, truck fleet and, in addition, sign partnerships with third-party logistics providers in order to obtain higher levels of efficiency.

By other hand, companies that just provide the platform environment in order to allow transactions, do not perform logistics activities themselves but leave to producers the responsibility to manage deliveries by their own; in this case producers have to rely on their existing delivery resources and companies do not have to invest in logistics assets. These companies, in addition, provide to those producers that are not able to manage the delivery the possibility to send products by means of third-party logistics services providers managed by the platform.

The other factor that impact the cost structure is represented by human resources to be paid for their job contribute. Human resources can be employed for different tasks: managing relations with customers in case of needed assistance, sales force in order to promote the platform etc. Another important cost voice is represented by the necessity to develop the IT platform and provide maintenance assistance to it.

Depending on the level of services and tools offered to both segments of customers, the revenue model can be defined as a consequence. Producers can be requested to pay a percentage of the transactions occurred to repay the obtained visibility and/or the logistics service provided by the platform. Moreover, producers can be charged to pay subscription fees to have the possibility to join the network of clients in the platform and obtain then higher visibility and to benefit from the possibility of starting marketing campaigns to address specific groups of customers.

By other hand customers that use the platform usually are not charged to pay for the services. Customers, in the case in which the logistics is not managed by the platform company itself, can be requested to pay for delivery costs, but in most of the cases, once a specific purchase threshold has been exceed, expedition costs are honoured by producers.

In order to conclude the discussion of marketplace disintermediation business models, it is essential to point out the existence in the market of companies that actually position themselves in the middle from the traditional distributors and pure marketplaces. Indeed, the peculiar characteristics of marketplaces business models is to allow consumers to directly purchase from manufacturers. There exist anyway companies of type A (that perform logistics), that, even

though provide to the customers the possibility to obtain higher transparency on products provenience and prices, they actually do not allow to purchase directly from producers. It is the company that, once order is placed, purchase products from manufacturers, apply mark up on prices and then distribute products to customers. It has been decided to consider them in the middle between traditional systems and new marketplaces ones since, even though they provide most of the characteristics and benefits provided by pure marketplaces companies, the operational model is similar to the one of traditional distributors. Even though these business models are usually referred as *disintermediation business models*, it would be more precise to define them as a *new form of intermediation*. Business models of this type can be considered as a new form of intermediation because with respect to the traditional ones, they have the objective of managing the entire supply chain, from producers to costumers, eliminating some of the steps that make the supply chain inefficient and are responsible of increasing products prices. Relying on information technology they have then the objective of improving the process and proposing themselves as the only intermediate in the chain.

Concluded the discussion about disintermediation business models, the following part of the paragraph will be dedicated to analysing the role of the second categories of business models identified: *Suppliers Aggregation Business Models*.

#### *Suppliers Aggregation Business Models*

Differently from *Disintermediation Business Models*, the main objective of these aggregators business models is to digitalise the physical purchasing processes. There is, with respect to the previous case, a shift in the priority and importance given to the different elements of the value propositions. Indeed, in *Disintermediation Business Models* the digitalization of the processes does not represent the core feature of the value proposition, but rather it can be considered more as a mean to make disintermediation possible and more efficient. Surely it can lead to a more efficient purchasing process and provide a greater user experience, but it does not represent the focal point. For *Suppliers Aggregation Business Models*, the role of the different features is reversed. Indeed, as it has been anticipated, most of the foodservice operators purchase from different local, national distributors and producers and as a result, they have to manage several suppliers each time they need to place an order, and this makes the process inefficient.

Inefficiencies derive from the fact that foodservice operators need to undertake unstructured commercial relationships, manage different instruments to place orders and rarely have the possibility to compare products among different suppliers when placing the orders.

The suppliers aggregation business model is represented in the table below:

<p><b>Key Partners</b></p> <p>Commercial partners:</p> <ul style="list-style-type: none"> <li>- Producers</li> <li>- Foodservice Distributors</li> </ul>	<p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>- Website/Mobile Application development and update</li> <li>- Customer care</li> <li>- Online/offline marketing</li> </ul>	<p><b>Value Proposition</b></p> <p>1) Producers/ distributors</p> <ul style="list-style-type: none"> <li>- Enhancing visibility in the market</li> <li>- Easier order acquisition</li> <li>- Digitalized orders and invoices</li> <li>- business insights</li> </ul> <p>2) Horeca operators</p> <ul style="list-style-type: none"> <li>- Manage all the purchases from a single platform</li> <li>- Simplification of administrative tasks</li> <li>- Business insights</li> <li>- Inventory Management</li> <li>- Find new suppliers</li> <li>- Receive and compare offers</li> </ul>	<p><b>Customer Relationship</b></p> <ul style="list-style-type: none"> <li>- Social networks</li> <li>- Social events</li> <li>- Phone customer service</li> </ul>	<p><b>Customer Segments</b></p> <ul style="list-style-type: none"> <li>- Foodservice Distributors</li> <li>- Producers</li> <li>- Horeca operators</li> </ul>
<p><b>Key Resources</b></p> <ul style="list-style-type: none"> <li>- Information technology</li> <li>- Human Resources</li> </ul>		<p><b>Customer Channels</b></p> <ul style="list-style-type: none"> <li>- E-commerce website</li> <li>- E-commerce mobile application</li> </ul>		
<p><b>Cost Structure</b></p> <ul style="list-style-type: none"> <li>- Platform development and maintenance</li> <li>- Marketing</li> <li>- Human resources (sales, administrative support etc)</li> </ul>			<p><b>Revenue Stream</b></p> <p>Suppliers:</p> <ul style="list-style-type: none"> <li>- Transaction fees on suppliers</li> <li>- Advertising</li> <li>- Subscription fee</li> </ul> <p>Customers:</p> <ul style="list-style-type: none"> <li>- Free</li> <li>- Subscription fee</li> </ul>	

Table 2 - Suppliers' Aggregation Business Models

The first objective of these companies is then to simplify the purchasing process by means of technological devices.

The main customers segments are Horeca operators and foodservice suppliers, both distributors and producers, already operating in the market.

These aggregators business models so provide different benefits to the customers segments. On one hand distributors and producers have the possibility to digitalise their catalogues' offers and to digitally register orders. These business models give the possibility to small distributors to benefit from digital instruments that, due to their limited financial resources and dimensions, would not develop by their own. The digitalization leads to distributors many benefits as the possibility to make more efficient the orders acquisition process, they can increase the user experience of their customers and, they have the possibility to better analyse consumers trends and easily obtain markets insights thanks to the presence of information technology instruments at disposal. Moreover, they have the possibility to start marketing campaigns, easily make promotions to their clients and sponsor certain categories of products. Distributors and producers have also the possibility to benefit from built-in CRM instruments. In addition, they can easily handle with payments, managing invoices and easily take trace of insolvents clients or situations that need to be solved. Some companies in addition provide useful delivery route management tools to optimize the delivery of goods.

On other hand customers have the possibility to manage their orders by a single platform, and to benefit from management information technology tools. To costumers it is usually provided the possibility to leverage analytics and statistics to obtain greater business insights and take trace of expenditures. In addition, they have the possibility to benefit from additional instruments, not usually provided by disintermediation business models, as inventory management tools, invoice systems etc.

One of the most important benefits provided to costumers, however, is represented by the possibility to manage all purchases through a single platform, through which they have also the possibility to find new vendors and suppliers.

Supplier aggregation business models, then, base their value proposition more on the provision of a digital management tool at disposal of foodservice operators aimed at simplifying the purchasing process and the carrying out of administrative and managerial tasks. The objective, then, is not to directly fuel the direct purchase from manufacturers but to simplify the current purchase process.

There is then a significant change in perspective among the value propositions of the two models and it can be sum up as follows:

- Disintermediation Business Models highly focus on quality
- Suppliers Aggregation Business models focus on the simplification of the process and on the management optimization

Benefitting from marketplaces mechanisms, it is then necessary to consider a secondary effect that occurs considering the *suppliers aggregation business models*: as far as the number of producers and distributors in the platform increase, depending on the customer needs, it increases as well as the opportunity to find high quality products on the platform. In this latter sense, it is possible to make an analogy with the case discussed for disintermediation business models: as for disintermediation companies the main objective is to enhance the procurement of greater quality products and the increment in the user experience can be considered as a secondary effects, on the contrary *suppliers aggregation business models* aimed at increasing the user experience and the research of high quality products can be a secondary effect.

Moreover, to provide a complete overview about the solutions in the market, it is necessary to make a further distinction. As it has been remarked by the founder of BlueCart, there exist essentially two different types of companies acting in the market landscape by means of managerial platforms: companies that try to strengthen the existing relationship among suppliers and their clients and companies that try to base their value proposition giving to costumers the possibility to compare products, prices and optimizing purchases. Both the alternatives share the common goal to simplify the process and provide management tools to costumers. The business models are then similar, but differences lie on choices regarding the marketplace openness and the possibility to browse vendors and suppliers: companies that apply a more conservative approach, indeed, put in place some mechanisms to safeguard the current relationships among suppliers and customers and to avoid a fierce price competition on the platform among suppliers. The marketplaces dynamics, then, just provide marginal benefits. A noticeable example of the first types of models is provided by BlueCart. The company, founded in Washington in the 2014, is one of the most promising start-ups operating in the sector. As declared by the founder of the start-up, there are several mechanisms in place in order to protect suppliers from competition. For example, distributors and producers can start marketing actions just targeting customers that do not buy yet products in the same category for which the marketing company is trying to boost sales. At the same time, the company does not want to incentive competition on prices among producers and for this reason the comparison

among prices and products is in a certain way impede; customers do not have the possibility to view all suppliers products, but just products of suppliers that are in commercial relationship with. To start a new commercial relationship, costumers need first to request catalogues and wait the producers acceptance. Another element that witnesses the lower importance given to the marketplace mechanisms is represented by the fact that just distributors and producers that pay for a premium account can be contacted by customers.

By other hand, there are companies that adopt a more open approach, allowing the fully comparison among suppliers; this represents one of the core values of some companies: customers can fully exploit marketplace power and for this reason there are not restrictions.

*Supplier Aggregators Business Models* provide different strategies to monetize.

Some companies decide to charge customers and suppliers to pay subscription fees in order to join the network and benefitting from the management tools offered.

Once again it is interesting to mention the BlueCart case, that differently from most of its competitors decided to not charge neither customers nor suppliers for the service. Both of them, indeed, can freely use the service and are requested to pay just for using additional services. For example, customers can freely purchase from the platform, place order, pay etc. They are requested to pay just for additional services like inventory management tools, access to analytics etc. The major source of revenues, anyway, is provided by advertising paid by those producers that want to acquire higher visibility.

Moreover, before concluding the discussion of these business models, it is worthwhile to notice the presence in the market of companies that just focus on the optimization of expenditures and use digital platform to reach this scope. It is the case of companies like ChefMod that create a network of selected suppliers in order to generate benefits from large scale purchasing and to decrease costs for its members. Companies like ChefMod act as Group Purchasing Organizations.

Even though the two approaches are different, some companies adopt a business model that include some features belonging to both the pure forms business models, merging the distinct value propositions.

The following chapter will describe more in details some aspects of the two business models describing an Italian start-up case: Gustavo B2B.

In the remaining part of the paragraph, will instead deal with the description of international cases that adopted marketplaces business models.

Companies worldwide

### *GrubMarket*

GrubMarket is a private company founded in May 2014 in San Francisco, by Mike Xu.

The company operates in the market of Grocery E-Commerce.

The mission of the company is to make fresh and healthy food accessible to everyone and to provide products at prices up to 50% off traditional grocery stores.

To reach his goal and successfully serve his customers, GrubMarket built a network with local producers, namely farmers, fisheries and food makers. Customers can buy directly from producers, reducing thus the presence of intermediaries in the supply chain.

Using the GrubMarket platform, the customer can easily have access to organic foods, vegetables, gluten-free foods etc. As Mike Xu, CEO and founder, declared, GrubMarket should be considered as a platform that allows the farmers market to meet online grocery shopping.

The GrubMarket, thus, relies on a marketplace business models in which the two sides of the market, supply and demand are easily put in contact.

GrubMarket represents an interesting case of study, since, in an industry characterised by many several challenges and by a high level of competition, has been the first company that declared to reach profitability.

The company, in order to become profitable, put in place strategies with the goal of diversify revenue sources; indeed, currently, the company relies on the following source of revenues:

- Charging delivery fees to customers
- Receiving commissions or mark up from producers
- Introducing the possibility to receive food boxes through a subscription model (GrubBox)
- Allowing yearly subscription (GrubMarket Premium Membership)
- Allowing bulk sales to restaurants and other businesses

The company, moreover, started a partnership with Alibaba and JD.com in order to supply the two companies with U.S grocery products under its own brand.

From the foundation date, the company raised 92.3 million of dollars.

### *Meicai*

Meicai is a Chinese start-up founded in the 2014 by Liu Chuanjun and Xu Xueyin. Meicai, literally “Beautiful vegetable”.

Since the founding date the company raised 800 million US dollars and in the 2019 it is evaluated 7 billion US dollars.

In the 2017 the company operated in 100 Chinese cities, generating 1.5 billion US Dollars. The company mission is to serve restaurants with fresh products, as vegetables, fruits, meat etc, delivered directly from farms.

The company in order to scale faster rely on full time staff and outsource freelance drivers.

## 5. Analysis of the Italian Market

The following chapter has the objective to provide an overview about the Foodservice industry in Italy. It will be analysed the amount of expenditures in the Italian market, regarding consumption for Food & Beverage goods at home and out of home and the trends registered in consumptions in the last decade.

It will be then analysed how consumptions are distributed among the several typologies of foodservice activities in the territory.

It will then be analysed the foodservice distribution industry in Italy.

It will be discussed the geographical distribution of these commercial activities in the Italian territory and some trends relatively to the birth and closure of activities over the last decade.

The last part of the chapter will be then dedicated to analysing the marketplace companies founded in Italy and their value propositions. Basing on the discussion of business models carried out in the previous chapter, it will be analysed an empirical analysis made in the Italian market to assess how consumers perceive the arisen value propositions.

### 5.1. Analysis of the foodservice industry in Italy

In the 2017, households spent in the Italian territory approximately 234 billion Euros (233642 million Euros) in overall Food & Beverage goods, subdivided between 151 billion Euros (150774 million Euros) for Food and Beverage (excluding alcoholic beverages) spent for home consumption and 83 billion Euros (82868 million Euros) spent in out of home foodservices. Considering just the Food and Beverage consumption, *away from home* consumption represents an important amount equal to 35% of the total Food and Beverage consumption.

**Tab. 3 - Spesa sul territorio economico delle famiglie residenti e non residenti**  
(in milioni di euro correnti - anno 2017)

Capitoli di spesa	v.a.	v. %
alimentari e bevande non alcoliche	150.774	14,2
bevande alcoliche, tabacco, narcotici	43.261	4,1
vestiario e calzature	64.754	6,1
abitazione, acqua, elettricità, gas ed altri combustibili	246.624	23,3
mobili, elettrodomestici e manutenzione della casa	66.116	6,2
sanità	37.379	3,5
trasporti	129.956	12,3
comunicazioni	24.266	2,3
ricreazione e cultura	71.470,4	6,7
istruzione	10.395	1,0
alberghi e ristoranti	109.162	10,3
- servizi di ristorazione	82.868	7,8
beni e servizi vari	105.036	9,9
<b>Totale</b>	<b>1.059.193</b>	<b>100,0</b>

Fonte: elaborazione C.S. Fipe su dati Istat

Figure 28 - Total 2017 expenditures in Italy. Source: Fipe, Rapporto Ristorazione 2018

Considering Figure 28, representing the total consumptions in the 2017, emerges that, considering a total amount of expenditures equal to approximately 1 trillion euros (1059193 million Euros), total Food and Beverage consumption represented the 22% of the total consumption, while consumptions out of home represented the 8% of the total expenditures.

Moreover, it is worthwhile to notice that, though *away from home* consumption already represents an important percentage of the total consumptions, *away from home* consumptions are increasing, while at home consumption are decreasing over years.

Comparing household total consumption between 2007 and 2017, as shown in Figure 29 below, the expenditures related to Food and non-alcoholic beverages at home have been decreased of 14746 million of Euros, while expenditure in *away from home* consumptions have been increased of 4028 million of Euros.

**Tab. 4 - Variazione dei consumi delle famiglie nel periodo 2017/2007**  
(in milioni di euro – valori concatenati con anno di riferimento 2010)

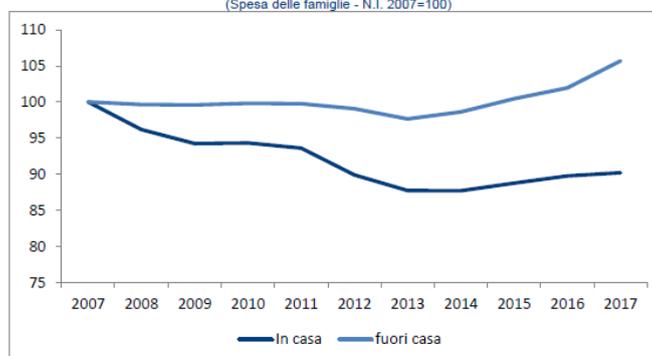
Capitoli di spesa	mln. di euro
alimentari e bevande non alcoliche	- 14.746
bevande alcoliche, tabacco, narcotici	- 4.994
vestiario e calzature	- 3.059
abitazione, acqua, elettricità, gas ed altri combustibili	7.145
mobili, elettrodomestici e manutenzione della casa	- 8.430
sanità	1.072
trasporti	- 20.918
comunicazioni	4.283
ricreazione e cultura	2.053
istruzione	- 494
alberghi e ristoranti	6.652
- servizi di ristorazione	4.028
beni e servizi vari	4.155
<b>Totale</b>	<b>- 27.093</b>

Fonte: elaborazione C.S. Fipe su dati Istat

Figure 29 - Variations occurred from 2007 to 2017 in the Italian household's expenditure. Source: Fipe, Rapporto Ristorazione 2018

The trend between 2007 and 2017 is represented in Fig 30 below:

**Fig. 3 - Alimentari: in casa vs. fuori casa**  
(Spesa delle famiglie - N.I. 2007=100)



Fonte: elaborazione C.S. Fipe su dati Istat

Figure 30 - Away from home and at home food consumptions in Italy. Source: Fipe, Rapporto Ristorazione 2018

At home consumption have been decreased of 10% from 2007 to 2017 and are almost stationary from 2014; on the contrary, away from home consumption lived a stationary trend from 2007 to 2011 and then, after a slight decreasing trend between 2011 and 2013, started to increase, reaching in the 2017 a net increment of 6% with respect to 2007.

According to the Ateco classification, Restaurants and Foodservice activities are catalogued with the code I 56; activities are then subdivided according to the following classification:

- 56.1: Restaurants and mobile foodservice activities
- 56.2: Ready to eat products supply companies (Catering) and other foodservice activities
- 56.3 Bar and other similar foodservice activities without kitchen

In the 2017, in the “Camere di Commercio Italiane” database, 333647 foodservice companies were registered under the code 56.

Moreover, the activities were subdivided as shown in Fig 31, and, in particular, 181317 were registered under as restaurants and mobile foodservice activities, 149154 were registered as bar and similar foodservice activities without kitchen and 3176 were registered as ready to eat product supply companies and other foodservice activities.

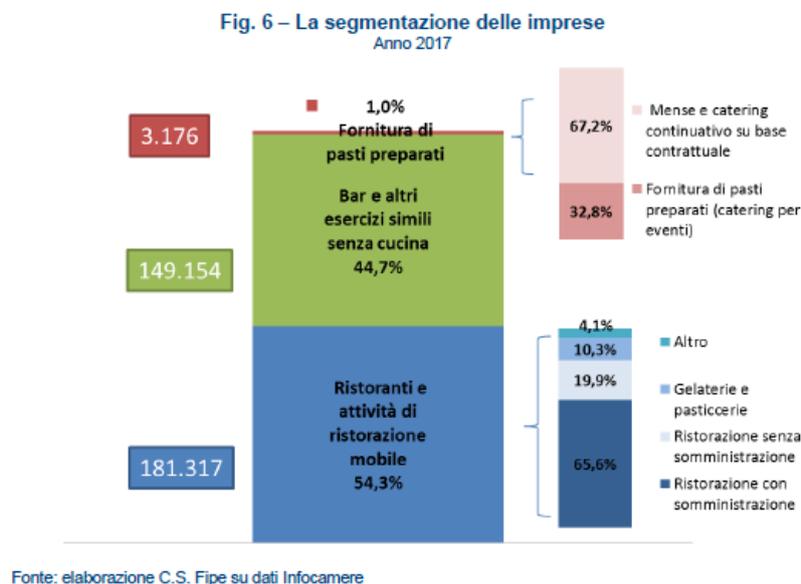


Figure 31 - Segmentation of Italian companies in the food and beverage industry. Source: Fipe, Rapporto Ristorazione 2018

Moreover, it is worthwhile to consider the distribution of the activities in the territory. The distribution, indeed, is not uniform, but, on the contrary, is concentrated in specific regions. The distribution is shown in the figure below:

Tab. 9 - Servizi di ristorazione  
(Distribuzione delle imprese attive- anno 2017)

Regione	Valori assoluti	valori %
Piemonte	23.773	7,1
Valle d'Aosta	1.111	0,3
Lombardia	50.925	15,3
Trentino A.A.	5.739	1,7
Veneto	26.251	7,9
Friuli V. Giulia	7.201	2,2
Liguria	12.643	3,8
Emilia Romagna	25.401	7,6
Toscana	22.306	6,7
Umbria	4.660	1,4
Marche	8.462	2,5
Lazio	36.882	11,1
Abruzzo	8.319	2,5
Molise	1.916	0,6
Campania	32.118	9,6
Puglia	19.473	5,8
Basilicata	2.755	0,8
Calabria	10.722	3,2
Sicilia	22.006	6,6
Sardegna	10.984	3,3
<b>Italia</b>	<b>333.647</b>	<b>100,0</b>

Fonte: elaborazione C.S. Fipe su dati Infocamere

Figure 32 - Number of companies in the food and beverage industry operating in the different Italian regions. Source: Fipe, Rapporto Ristorazione 2018

## 5.2.Competitive Landscape in Horeca distribution

The foodservice distribution market in Italy has similar competitive characteristics as discussed previously in relation to the US and European scenario,

The distribution market to the Horeca channel is in fact characterized by a high level of companies operating in the sector and a consequent high level of competitiveness.

The volume of purchases made by the Horeca channel in Italy is estimated at around 16-17 billion euros.

The demand for food and drink products is met by different types of suppliers. In particular, according to the estimates provided by the MARR group, company leader in the sector, in the 2015 annual report, the demand was satisfied by wholesalers (including both Cash & Carry and traditional wholesalers), with a share of 64%, producers, with a share of 19% and from retail with a 17% market share.

The market is highly fragmented. In fact, as revealed from a Clairfield research, there are more than 3850 companies competing as traditional foodservice distributors. By analyzing the traditional distributors, in Italy MARR Spa is the leading company in the sector, with revenues much higher than those of the main competitors. In 2018 Marr Spa achieved about 1.7 billion euros (1667.4 million euros), corresponding to a market share of 16% considering only the demand satisfied by traditional distributors.

The top 5 competitors together represented a further 10% of the market share. The top 6 companies in the market are therefore responsible for 26% of sales generated by traditional wholesalers. The remaining 74% is generated by a large number of companies.

The fragmentation of the market for food and beverage distribution takes on an even greater significance if it is considered the entire demand generated by the foodservice channel and therefore satisfied by companies operating through different models. In fact, the first six companies operating as wholesalers in the market (MARR Spa and its first six competitive followers), in an aggregate manner in 2018, generated approximately 2.73 billion euros which, while maintaining demand estimates dating back to 2015, (which required demand total amount of 17 billion euros), correspond to only 16% of the total demand of the foodservice channel.

The competition is made high both by the high fragmentation of the market and by the multitude of distribution formats present on the territory.

The different distribution formats have differentiated their commercial offer through different methods.

A distinction was made between Cash & Carry and foodservice distributors, in turn, divided into broadline distributors and specialty distributors.

As has been previously introduced, the major difference between broadline distributors and specialty distributors lies in the vastness and depth of the assortment of treated products.

Regardless of the type of distributor considered, in the previous chapters it was pointed out that, in order to obtain performances above the market average, it was necessary to be able to achieve at least the combination of two of the following three factors: *relative market share*, *efficient operations* and *gross margins*.

By analyzing the Italian situation in more detail, considering different types of distributors, more specific factors have been identified that can influence the economic performance of the companies in question.

The figure shows the main features of the broadline distributors and two categories of specialty distributors: beverage wholesalers and confectionery wholesalers.

Some features are highlighted comparing companies with economic performances in line with the market average and those that have managed to excel. The main elements that emerged and discussed within the literary work "*Foodservice marketing*" will be analyzed below.

Parametri	Grossisti di bevande		Grossisti di prodotti dolciari		Grossisti catering	
	Media	Imprese	Media	mercato	Media	mercato
	mercato	eccellenti	mercato	eccellenti	mercato	eccellenti
Giro d'affari/anno (milioni di euro)	1,9	17,0	1,4	8,0	3,5	80,0
Dipendenti (unità)	4	60	3	15	8	120
Dimensione superficie di deposito (mq)	1.500	4.183	800	2.500	1.500	40.000
Referenze trattate (unità)	1.000	1.960	1.200	1.400	2.000	10.000
Numerica fornitori (unità)	100	120	80	150	80	480
Numerica clienti (unità)	480	3.350	650	1.200	350	5.000

Figure 33 - Traditional foodservice distributors analysis. Source: Fornari E., *Il marketing del foodservice: Le dimensioni competitive nel mercato della ristorazione*, EGEA, 2006

Concerning *beverage distributors*, there is a differential of around 15 million euro in revenues between average companies and excellent companies; the latter have an average turnover about 9 times higher than average companies. This result is attributable to a larger storage area which is approximately 2.8 times greater than the average companies. Greater logistic capacity is also reflected in the possibility of storing more processed products, which are twice as high as the market average. These factors, as mentioned, are reflected in a higher turnover, obtained thanks to an average number of customers equal to 3350, much higher than the 480 owned by distributors in the market average.

Considering the *wholesalers of confectionery products*, the biggest difference between the average companies and the excellent ones lies in the size of the warehouse area, about three times greater. In this case there is no difference between the number of products processed, which is almost similar. Excelling in the market means owning twice as many customers as average companies and obtaining a turnover about six times greater. The largest differences can be found by analyzing the *broadline distributors*, which achieve a turnover of around twenty-three times higher, attributable to a storage space of about twenty-seven times higher and the number of products treated five times higher than the market average.

It is also interesting to note the number of employees belonging to each of the categories examined: considering the wholesalers of drinks, confectionery products and broadlines, respectively, on average they are companies formed respectively by four, three and eight employees, once again demonstrating how fragmented the industry is. Excellent companies are instead characterized by a higher number of employees, although still limited. Respectively, in

the same order, the excellent companies have sixty, fifteen and one hundred and twenty employees at their disposal.

The differentiation between traditional distributors, therefore, is mainly based on the number of references treated and their depth.

However, expanding the perspective and considering all the distribution formats present in the market, there are further variables that influence the purchase choice by the Horeca operators, making the purchasing process particularly complex. The presence of traditional distributors, Cash & Carry, physical retail channel (formed in turn by different distribution formats differentiated with respect to specialization and size of the store), gives the opportunity to Horeca operators to be able to choose one channel rather than another depending on supply requirements.

There are several variables that affect the buying process. In particular, the following factors have been identified as potential drivers in the purchasing process: price, quality of the products, vast assortment, assistance to purchases by suppliers, refueling frequency, convenience in purchases, promotional offers, the possibility of purchasing having home delivery available and the possibility of purchasing using the supply credit. All the listed factors will be analyzed in the empirical analysis.

Several suppliers guarantee the satisfaction of certain factors listed above compared to others. In particular, Cash & Carry focus their commercial offer on the vast assortment and cost-effectiveness of purchases; in fact, comparing the commercial offer with that of the distributors, it emerges that with the same products treated, the Cash & Carries are able to offer products at an average price lower than 7% compared to traditional wholesalers. Promotional offers further tend to further increase the convenience of purchases in this category; considering therefore the sale of products in promotion, a price reduction of 12-15% was estimated. On the other hand, in the face of a reduction in the purchase cost, traditionally Cash & Carry does not guarantee other relevant elements such as supply credit and home delivery.

In order to further enrich its offer in terms of the service offered, however, Cash and Carry have gradually added the possibility of making home deliveries, in order to increase their level of competitiveness if compared with that of traditional distributors.

Considering the major Italian player, METRO, it is possible to positively assess the impact of the introduction of the home service. Considering the fiscal year 2017/2018, Metro Italia has a

turnover of 1.74 billion euros, of which 264 million euros generated by the home delivery service.

The introduction of this service represents an important step forward to meet the needs of restaurateurs who do not have the ability to independently manage the logistics of their purchases.

The introduction of this service also serves to bridge the difficulty for consumers to go personally to Cash & Carry that are distributed unevenly throughout the country; the reduced number of Cash and Carry in the territory makes it complex to reach the point of sale and discourages consumers from buying from this channel.

In order to increase the level of service offered and further reduce the gap, METRO Italia has also introduced the possibility to defer payment up to one month through the use of the Pro Card, associated through its bank account and through which consumers they can facilitate payments more easily.

### **5.3. Companies with a marketplace business model in Italy**

Together with traditional distribution formats, in Italy recently have been founded several startups that base their business model on the concept of marketplace. The following paragraph will describe the realities present within the Italian territory. Two startups operating with the *disintermediation marketplace model*, Deliveristo and Direttoo, will be discussed, while in the next paragraph the business model implemented by the startup Gustavo B2B, which I had the opportunity to collaborate with during the development of the thesis work, will be described in more detail.

#### **5.3.1. Deliveristo**

Deliveristo is a startup founded in Milan in 2017 and operating in the market starting from 2018. The goal of the startup is to shorten the food supply chain and put production and the catering market in direct contact. The model is therefore attributable to the disintermediation models analyzed previously.

The Deliveristo business model therefore places a focus on facilitating the search for producers and at the same time buying products in a simpler way using an e-commerce platform.

The producers are selected from all over Italy with the aim of providing high quality products to consumers. The treated products involve different food categories, such as pasta, rice, cheese, meat, wines etc. The platform counts on a network of more than 200 selected producers and several processed references exceeding 4500 units.

The business model is structured in such a way as to only credit the producers through a percentage, and not crediting the restaurateurs for the service used. As far as shipping costs are concerned, these will be credited to the restaurateur, but if the order exceeds a certain amount, depending on the manufacturer from which you purchase, the shipping amount will be credited to the producer himself. Producers are also required to have an entry fee to access the benefits deriving from the possibility of being present on the marketplace portal. Deliveristo is therefore responsible for facilitating transactions, managing logistics and simplifying invoicing by issuing a single summary invoice at the end of the month. In particular, the shipment is handled by logistics partners managed by Deliveristo, such as DHL for dry products and STEF for fresh products.

As reported by "Il sole 24 ore", Deliveristo has envisaged a 25% reduction in costs for end users, a reduction deriving from the efficiency of the logistics chain, placing a single intermediary between production and buyers.

Deliveristo is currently present in Italy in the cities of Turin and Milan.

The company has collected investments amounting to 630 thousand euros divided into two rounds of investments and aims to expand on the Italian territory.

### **5.3.2. Direccion**

Direttoo is a startup founded in Rome at the beginning of 2016. As in the case of Deliveristo, the goal of the startup is to shorten the food supply chain and put producers and restaurateurs in direct contact using a web platform. Also, in this case it is therefore a business model based on *disintermediation*. The startup also offers its customers the possibility of being able to obtain and analyze data deriving from transactions, with the aim of giving restaurateurs the possibility of being able to monitor their own expenses and, on the other hand, producers can carry out targeted marketing campaigns .

The startup has an annual turnover of around three million euros, generated by serving more than 150 restaurants.

As stated by Diego Pelle, CEO of Direttoo, the start-up aims to act as a reference point for the purchase of food, non-food products and complementary services such as menu engineering, Sommelier services etc. As early as 2017, the platform had over 5,000 products in the catalogue, numbers that are difficult to reach by traditional distributors. Direttoo aims to sell all product categories but, as stated in an interview with Diego Pelle conducted by "The Food Makers", in 2017, 30-35% of turnover was represented by fruit and vegetable products, which therefore represents the category of driving product sales for the start-up. The goal of Direttoo is therefore to put producers and restaurateurs in touch through the web platform and to manage the logistical aspects. In 2017, the start-up opened a hub near Rome to be able to reduce logistic costs, store the products of the producers and distribute them to restaurateurs, thus performing the function of managing the last mile shipment. The products are in fact sent by the producers directly to the Lazio hub within the h. 5 am and Direttoo takes care of the final delivery to the restaurateurs. To be able to make deliveries the business model was structured in such a way as not to charge the service to the restaurateurs but to withhold a fee as a percentage of the products sold. The startup has raised funds of 275 thousand euros in 2017. Thanks to the investments received and the economic performances obtained, the startup, started in Lazio, has subsequently expanded to Berlin and has as a future objective that of strengthening its presence on the Italian territory and on the German one.

### **5.3.3. Gustavo B2B**

Gustavo B2B is a startup founded in 2017 and operating in the market starting from the end of 2018. The startup aims to serve the cities of Turin, Milan and Bologna and to expand subsequently on the Italian territory. Gustavo B2B founded its business model on the union of elements common to both business models described in the previous chapter.

In fact, the company's business model can be positioned conceptually in an intermediate position between the two business models listed in the previous chapter, namely the *disintermediation business model* and the *supplier's aggregation business model*.

On the one hand Gustavo B2B proposes itself in the market as a digital tool aimed at improving purchasing processes for foodservice operators; within this category, companies have been distinguished among those that aim to guarantee the comparison between the offers of various distributors and those companies, defined more conservative, which want to strengthen the

existing relationships between suppliers and restaurateurs. In this sense, Gustavo B2B adopts the second configuration: while simplifying the purchasing process, guarantees that the current commercial relationships that take place through the physical channel, will still exist within the digital one. In this regard, solutions have been designed in a such a way that marketing campaigns and the research of new suppliers is, for the moment, only possible if customers do not already have a supplier operating in that product category, as in the case of BlueCart.

The management approach of Gustavo B2B is obtained by giving the possibility to its customers tools to make ordering methods more efficient, to carry out a simpler control of purchases and to centralize the administrative management of which Gustavo B2B acts as guarantor.

Using the management platform, it is possible to carry out automatic reorders, insert the owned group of suppliers, reduce administrative burdens through the scheduling and aggregation of payments. Users can make a single payment: Gustavo B2B then deals with breaking down the single payment and making the payment with different suppliers. The digitalization of the process also implies the possibility of obtaining invoices in digital format and being able to constantly monitor and optimize purchases.

Gustavo B2B also offers its customers the opportunity to take advantage of analytics tools to monitor the activity. This last feature will be accessible just premium clients.

On the other hand, considering the suppliers of products, always considering the management approach of the service, Gustavo B2B provides suppliers with the opportunity to take advantage of an innovative system for the acquisition of orders, obtaining more accurate traceability of payments and being able to have more control over your business.

The use of digital systems to present its commercial offer guarantees the supplier the possibility to receive orders in a standardized manner and to be able to easily make ad hoc offers for its customers. Gustavo B2B, guarantees its suppliers the possibility of maintaining unaltered the commercial relations that are established between suppliers and customers: suppliers in fact have the possibility to apply prices and any economic benefits depending on the client considered.

While on the one hand Gustavo B2B presents itself as a digital tool, differently from those that focus its focus solely on this aspect, on the other hand the company has the objective of providing the advantages deriving from *the disintermediation business model*. In addition to implementing on the platform the suppliers already owned by Horeca operators, Gustavo B2B aims to introduce small producers, suppliers of high-quality products, to facilitate direct contact

between producers and restaurateurs. In this regard, the startup offers logistical support to producers who do not have their own distribution network: Gustavo has given away a collaboration with a logistics provider.

The figure 34 below illustrates the Gustavo B2B business model.

<b>Key Partners</b> <ul style="list-style-type: none"> <li>- Commercial Partners (producers and traditional foodservice distributors)</li> <li>- Logistics partners</li> </ul>	<b>Key Activities</b> <ul style="list-style-type: none"> <li>- Website/Mobile Application development</li> <li>- Small/Medium Food Producers selection</li> <li>- Logistics coordination</li> <li>- Customer care</li> <li>- Online/offline marketing</li> <li>- Payment management</li> </ul>	<b>Value Proposition</b> <ul style="list-style-type: none"> <li>1) Producers/distributors <ul style="list-style-type: none"> <li>- Enhancing visibility in the market</li> <li>- Easier order acquisition</li> <li>- Digitalized orders and invoices</li> <li>- business insights</li> </ul> </li> <li>2) Horeca operators <ul style="list-style-type: none"> <li>- Improved purchasing experience</li> <li>- Simplification of administrative tasks</li> <li>- business insights</li> <li>- Inventory Management</li> <li>- Access to niche and high quality products</li> </ul> </li> </ul>	<b>Customer Relationship</b> <ul style="list-style-type: none"> <li>- Social networks</li> <li>- Social events</li> <li>- Phone customer service</li> <li>- Phone calls with foodservice distributors</li> </ul>	<b>Customer Segments</b> <ul style="list-style-type: none"> <li>- Medium-high Horeca activities</li> <li>- Innovative Horeca operators</li> <li>- Small/medium food producers</li> <li>- Small and local traditional foodservice distributors</li> </ul>
	<b>Key Resources</b> <ul style="list-style-type: none"> <li>- Information technology</li> <li>- Human Resources</li> </ul>		<b>Customer Channels</b> <ul style="list-style-type: none"> <li>- E-commerce website</li> <li>- E-commerce mobile application</li> </ul>	
<b>Cost Structure</b> <ul style="list-style-type: none"> <li>- Payment management: <ul style="list-style-type: none"> <li>- percentage fee % for credit card transactions</li> <li>- 50 cents for bonifico or Sepa</li> </ul> </li> <li>- Platform development and maintenance</li> <li>- Marketing</li> <li>- Human resources (sales, administrative support etc)</li> </ul>		<b>Revenue Stream</b> <p>Freemium revenue model:</p> <ul style="list-style-type: none"> <li>- Subscription fee for suppliers</li> <li>- Free for customers for basic services</li> <li>- Subscription fee for premium customers</li> <li>- 5% commission fees on suppliers on new transactions</li> </ul>		

Figure 34 - Gustavo B2B Business Model

## 5.4. Italian Market Research

### 5.4.1. Analysis objective

As discussed in the previous chapters, new business models have emerged that provide different value propositions to Horeca consumers and producers/distributors.

Considering the point of view of the Horeca operators, the value proposals are articulated with the aim of solving various problems concerning:

- The purchasing processes
- Managerial management of the commercial activity (inventory management, analytics etc.)

Within the following thesis project, it has been investigated how effectively the value proposition associated with the purchasing process can be accepted by restaurateurs operating in the sector.

Inherently to the purchasing process, the startups born have the dual objective of:

- Provide the opportunity to purchase high quality products through a network of producers
- Simplify the ordering process thanks to the use of digital technology

Different value propositions rely on different hypothesis concerning customer needs.

In the following are illustrated the underlying hypothesis of the different value propositions:

- *disintermediation business models* rely on the idea that effectively Horeca operators perceive the benefits of directly purchasing from producers and for this reason they are willing to strengthen direct purchases; moreover, these models, base their value proposition on the creation of a network of high quality suppliers and do not necessarily implement all the foodservice operators' producers. These companies rely then on the underlying customers' willingness to shift suppliers.

- *suppliers aggregation business models* rely on the underlying hypothesis that the current purchasing process has some inefficiencies, that these inefficiencies are perceived by operators and that the digitalization can solve them; these companies allow the integration of all the distributors on the digital platform and for this reason it is not necessary to shift suppliers. Anyway, also in this case it will be important to verify the costumers' willingness to shift suppliers to assess the validity of the two approaches identified in the previous chapter, namely allowing products and price comparison or adopting a more conservative approach and inhibiting the marketplace mechanisms.

All the three models, regardless the ultimate objective of the business model, have in common the necessity to purchase online. Purchasing online can be or a mean to reach an ultimate objective as the research of high-quality products or to simplify inefficiencies, it is important to evaluate the customers' willingness to purchase online and eventual barriers that can prevent customers to do that.

During the thesis project, a survey was conducted on Turin and Milan to better understand the purchasing process and identify possible factors that could facilitate and hinder the spread of these business models.

To sum up, the survey, shown in Exhibit 1, contained questions in order to:

- Capture the current purchasing process
- Assess the validity of the described hypothesis

The analysis was also carried out in order to provide a contribution to the scientific literature, traditionally focused on the analysis of Business to Consumer purchase behavior of food products through digital channels.

### **5.4.2. Analysis Results**

By carrying out the analysis it has been possible to obtain 82 responses from Horeca operators distributed between Turin and Milan.

The characteristics of the respondents to the questionnaire are shown below:

Place where the business is located

- 70% in Turin
- 30% in Milan

Type of activity:

- 94% Restaurants
- 6% Bar

Age of the business owner:

- 14% Age between 18-30 years
- 28% Age between 31-40 years
- 28% Age between 41-50 years
- 25% Age between 51-60 years
- 5% Age over 60 years

Number of years of business management:

- 28% between 0-3 years
- 23% between 4-6 years
- 14% between 7-10 years
- 35% over 10 years

Number of seats:

- 30% less than 30 seats
- 47% between 30 and 60 seats
- 14% between 60 and 100 seats
- 9% over 100 seats

Average expenditure per person:

- 27% less than 25 euros
- 43% between 25 and 40 euros
- 16% between 40 and 50 euros
- 10% between 50 and 75 euros
- 4% over 75 euros

After having explained the characteristics of the respondents, the following part of the analysis will focus on identifying how the purchasing process is carried out by the operators; the analysis has the dual objective of understanding how purchases are made and of analysing whether there are actually inefficiencies in the process and whether these are perceived.

First of all, it was asked to indicate which supply channels are chosen by operators to carry out their supplies. As highlighted in the figure below, the most used channels for procurement are small and medium producers, Cash and Carry and traditional distributors. However, it is necessary to underline that this representation is only an indication of how much these channels are chosen and is not indicative of the distribution of spending in purchases within each channel.

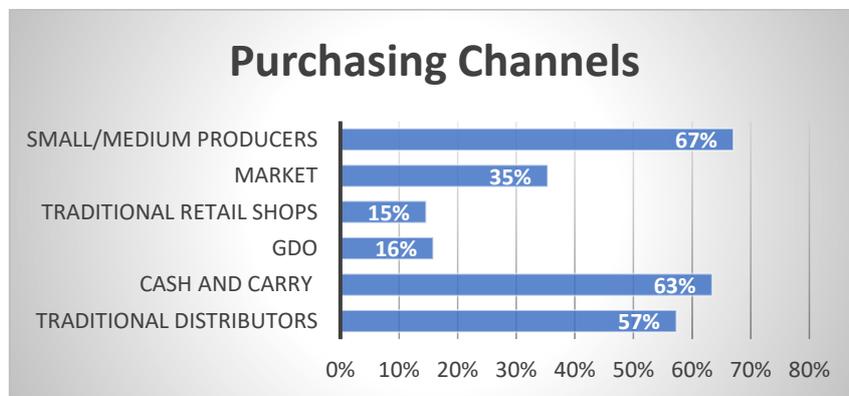


Figure 35 - Chose Purchasing Channels

It is also useful to investigate the multi-channel approach by operators in the sector. As shown in the figure below, 89% of respondents said they made purchases from more than one channel among those possible. The 30% of respondents stated that they rely to two purchasing channels, while 41%, the majority, buy from three channels; the number of respondents who buy from multiple channels is reduced as the number increases, but it is interesting to note that 17% of respondents buy from more than four supply channels.

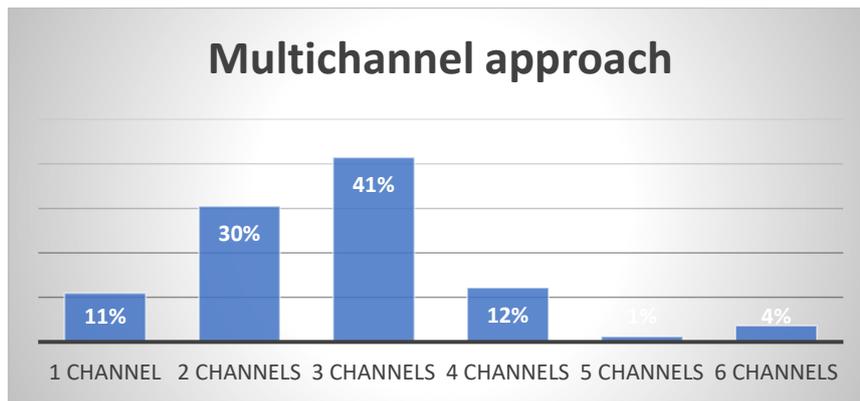


Figure 36 - Multichannel approach

As described in the thesis project, a multi-channel approach is justified by the fact that different supply channels allow consumers to be able to benefit from complementary benefits and obtain the greatest possible convenience during purchases; convenience linked both to product aspects, such as quality and price, but also to the fact that the purchasing process meets the time limits imposed on the Horeca operators.

Therefore, the factors that have the greatest impact on the choice of their own supply channels have been investigated; the results are shown in the following figure:

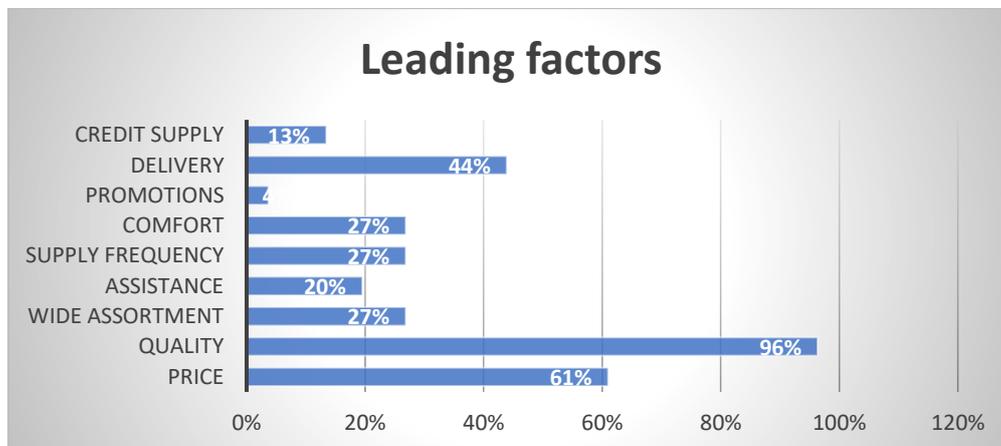


Figure 37 - Factors that influence the choice of the purchasing channels

As represented, the quality of the products, as predictable, is the factor that most affects the choice of the supply channel, selected by 96% of the interviewees.

The price appears to be the second variable to influence the choice, selected by 61% of the interviewees. It is also important to note the importance of delivery in the choice of channels, which can be justified by the fact that, being the sector highly demanding in terms of time to devote, the delivery of goods can strongly facilitate operators. Only 20% of respondents identified purchase assistance as a determining factor.

The factors that are perceived as a barrier to the change of suppliers from which the operators are supplied have been investigated. The following figure summarizes the results:

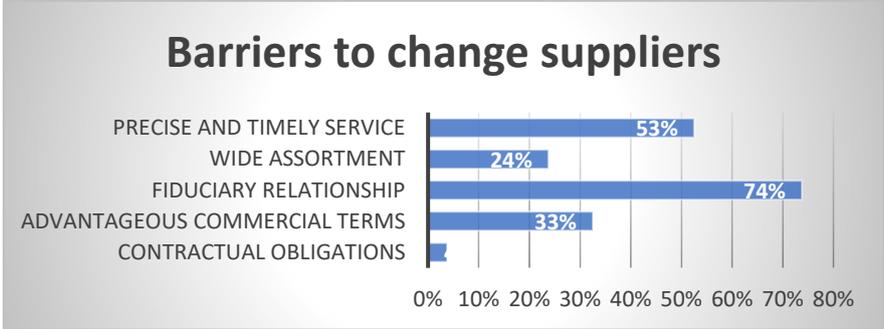


Figure 38 - Barriers to change suppliers

The factor that absolutely represents the highest barrier to the change suppliers is the trust relationship established between supplier and customer. This factor was indeed identified as significant by 74% of respondents. The second most important factor is timely and precise service, identified by 53% of customers. Advantageous commercial terms are instead identified as significant by 33% of respondents. The results suggest that, as important as the commercial terms and the convenience of purchases in economic terms, they can at least be partially put aside by a service that is efficient and, above all, by the trust placed in supplier.

It was subsequently investigated what is the number of suppliers managed by each restaurateur (considering all types of suppliers), assuming that an excessive number of suppliers could imply difficulties in the management of purchases.

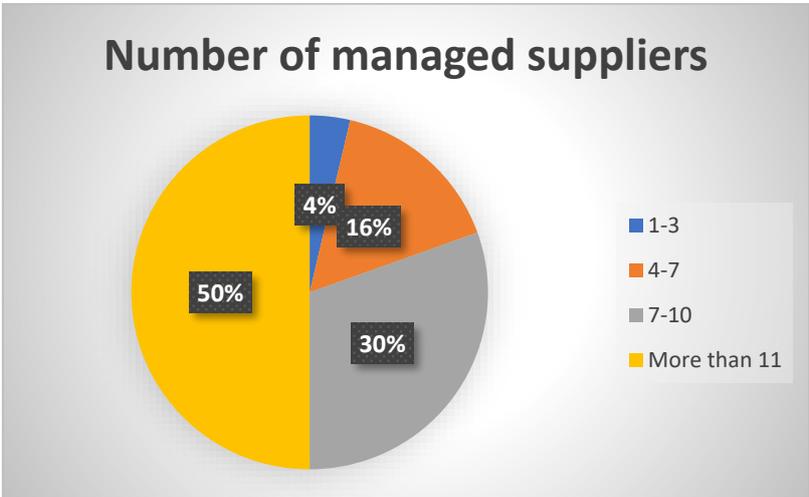


Figure 39 - Number of managed suppliers

As highlighted in the following figure, surprisingly 50% of respondents simultaneously manage more than 11 different suppliers; 30% of operators instead manage a number between 7 and 10 suppliers. Only the remaining 20% manage less than 7 suppliers.

The following two figures illustrate the number of orders that are made weekly by operators in the sector and how long it takes to manage the purchasing process.

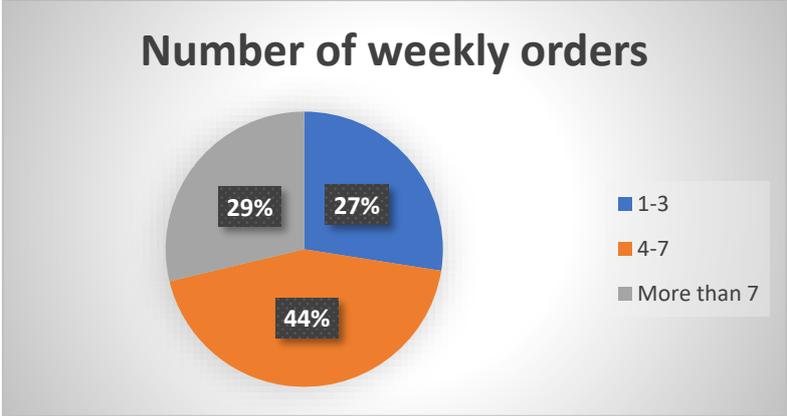


Figure 40 - Number of weekly orders

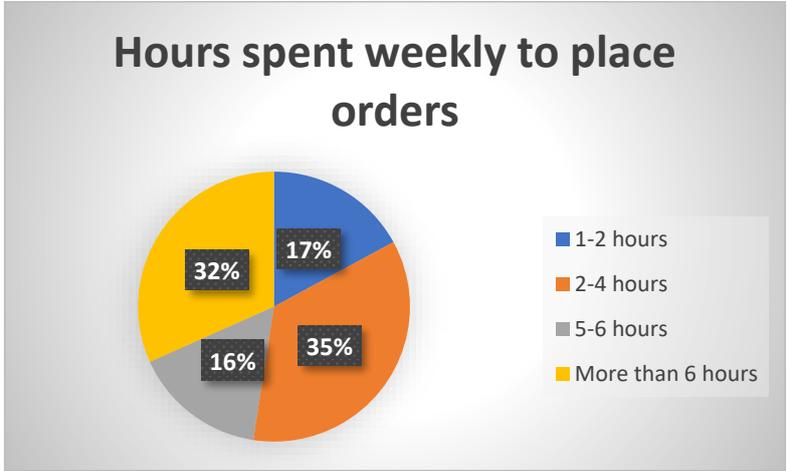


Figure 41 - Hours spent weekly to place orders

As highlighted in the two previous charts, consumers for the majority of cases, 44%, carry out on average 4 to 7 orders per week. The remaining answers are distributed almost uniformly among those who declared to place between 1 and 3 orders a week, 27%, and those who declared that they made more than 7 orders a week, 29%.

Regarding the time spent on purchases, on the other hand, the majority of those interviewed stated that they spend between 2 and 4 hours, 35% of the cases, but the number of people who claim to occupy more than 6 a week remains substantial and represents the 32% of the answers.

It has also been investigated what are the methods through which operators within the sector make purchases. The results are summarized in the following figure. Phone calls and instant messaging are the most frequently used methods, selected by 69% and 67% of respondents respectively.

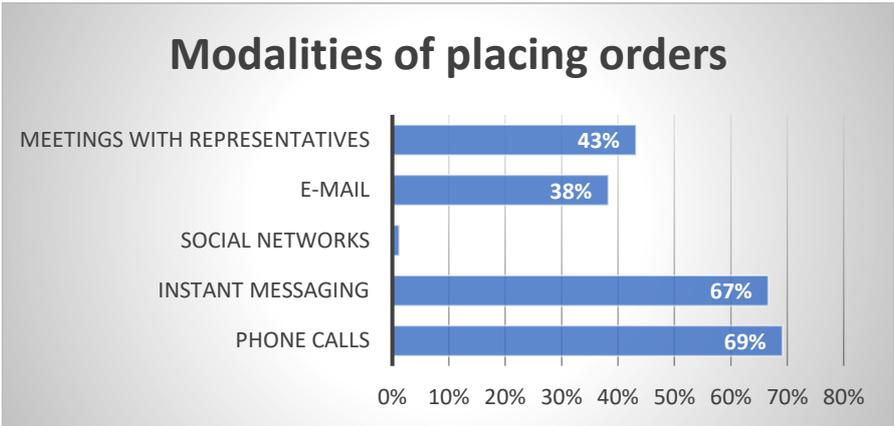


Figure 42 - Modalities of orders placement

It has been therefore investigated whether errors during the ordering and delivery of the products occur frequently (3 or more times a month) during the current purchasing process. The result shows that 29% of respondents state that they occur, while the remaining 71% are not faced with this type of problem.

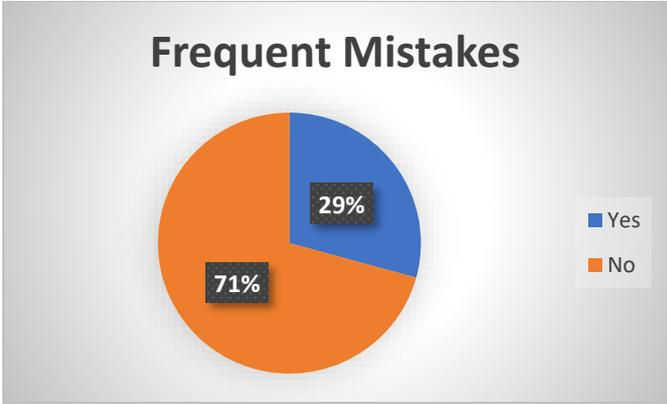


Figure 43 - Assessment of the frequency of mistakes

In the following figure, instead, is shown the results related to the perceived difficulty by operators to find certain types of products.

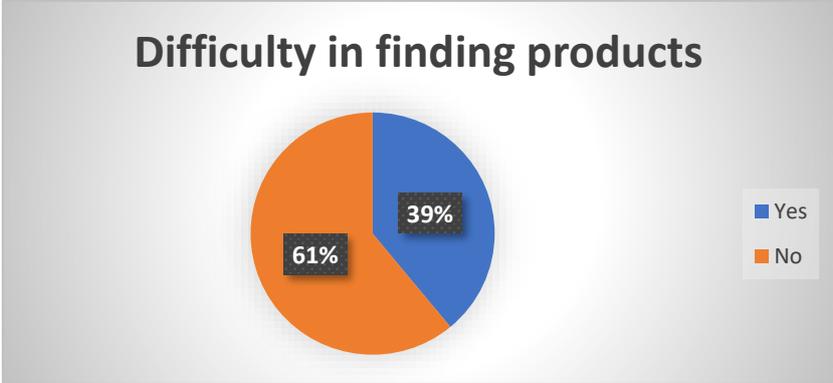


Figure 44 - Difficulties in finding certain categories of products

The availability of certain categories of products appears to be a more perceived problem for operators in the sector compared to errors in the ordering phase. However, even in this case, most of the respondents, 61%, said they had no such difficulties.

After having analysed potential sources of inefficiencies within the process, the interviewees were asked to provide their own opinion regarding the satisfaction with the purchasing process, the perception of being able to obtain the optimal quality / price ratio and any areas that can be improved inside the process. The results are represented in the following 3 figures:

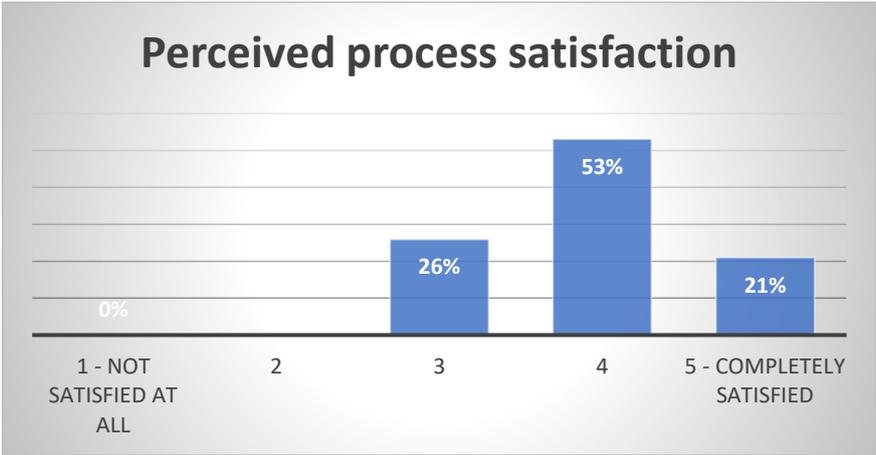


Figure 45 - Perceived process satisfaction

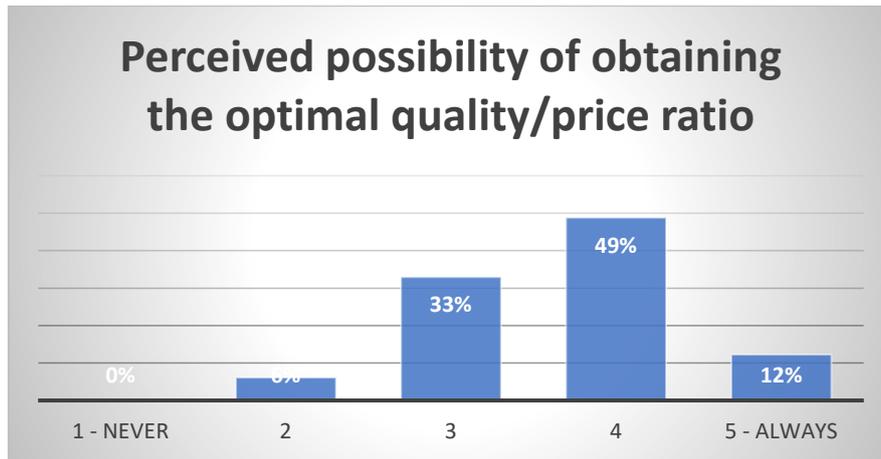


Figure 46 - Perceived possibility of obtaining optimal price-quality ratio

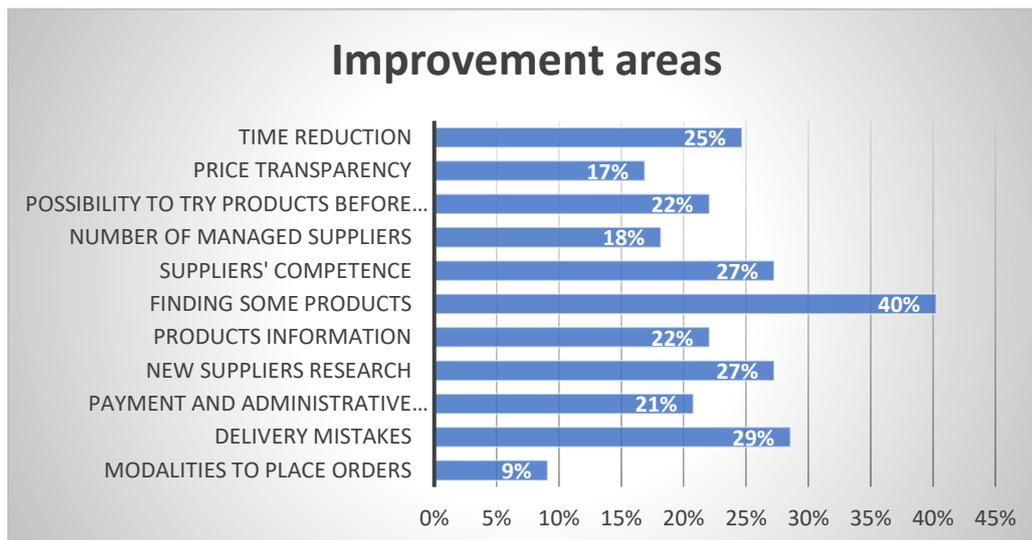


Figure 47 - Improvement areas

As indicated in the graphs, consumers operating within the sector, overall, are satisfied with their purchasing process: in figure 46 it is shown how, on a growing satisfaction scale from 1 to 5, the 53% of respondents declared a satisfaction level of 4; 21% indicated 5, completely satisfied, and 26% indicated 3, a value indicating an average satisfaction with respect to the minimum and the maximum allowed. However, it is interesting to note that none of the interviewees responded by indicating 1 or 2.

In figure 47, instead, are summarized the results related to the perception of the operators to be able to determine the optimal quality-price ratio. It has been asked if, during the purchases, they are able to determine the optimal ratio, indicating as possible answers 1, if they are never able

to obtain such an optimal ratio, or 5 if they are always able to obtain it. Also in this case, as in the previous one, most of the interviewees stated that they could easily obtain this ratio, indicating that they had this factor under control. In fact, 49% indicated 4 as an answer, 12% declared 5, 33% declared 3 and only 6% declared 2. Even in this case, no respondents evaluated completely negatively this aspect by selecting value 1.

With regard to areas for improvement, on the other hand, it is not possible to identify distinctly which factors should mainly be improved; this situation can be attributable to various factors including: the limited number of responses, not sufficient to determine a distinct trend, or the fact that these factors are actually perceived equally by the operators.

Although there is no net trend, it is still interesting to note the values that have achieved the greatest and the least number of responses, namely the possibility of finding some products, selected by 40% of respondents and the way orders are placed, equal to 9% of answers.

After analysing some elements related to the current order process, some elements were investigated more in detail regarding the value proposition of start-ups that intend to disintermediate the process.

It was therefore investigated whether consumers perceive advantages or barrier by purchasing from small and medium producers. The willingness of the Horeca operators to increase purchases made through this channel was therefore investigated. The results are summarized in the graphs below:

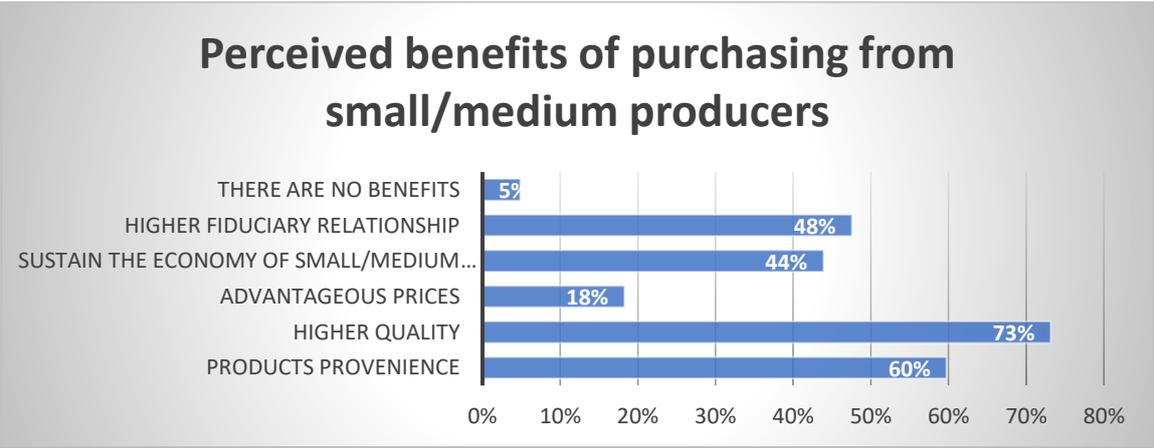


Figure 48 - Benefits of purchasing from small/medium producers

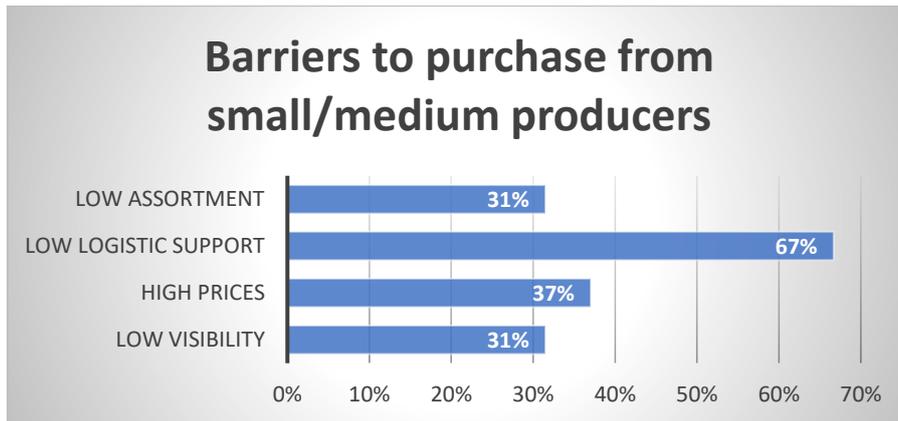


Figure 49 - Barriers to purchase from small/medium producers

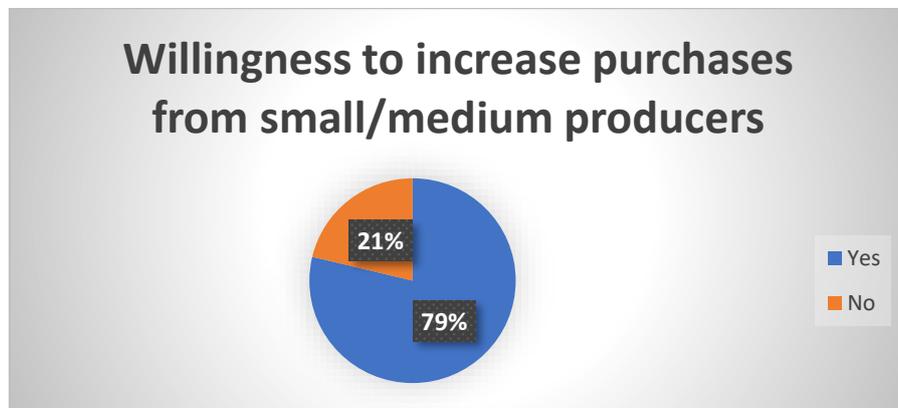


Figure 50 - Willingness to increase purchases from small/medium producers

As highlighted in the graphs above, almost all the interviewees perceive positively the possibility of buying from small and medium producers. In fact, only 5% declared that they did not receive at all benefits.

Regarding the perceived benefits, the possibility of obtaining higher quality products compared to other sources of supply is evident; this factor was indeed identified by 73% of respondents. Proceeding in descending order, the possibility of knowing the origin of the products (60%) and establishing a greater fiduciary relationship (48%) have been identified as important factors. A small number of respondents, 18%, instead indicated the possibility of obtaining lower prices than those offered by the other channels.

With regard to the perceived barriers, it is interesting to point out that only 66% of the respondents answered this question, indicating that the remaining 44% did not identify deterring factors at all.

However, among the factors identified as a possible barrier to the purchase, the role of poor logistical support predominates, namely the difficulty of being able to receive the products delivered, or to receive deliveries with a low frequency of supply, resulting in the need by the operators to go personally or to give up the purchase. The second factor is instead represented by excessively high prices, identified by 37% of respondents.

Considering barriers and opportunities, a total of 79% of those interviewed stated that they wanted to increase their direct supplies from producers, indicating a higher perception of the benefits compared to the disadvantages.

Finally, some factors related to the possibility of buying products online were analysed. In particular, it was investigated whether operators currently make purchases through this channel and possibly what the perceived advantages are. On the other hand, the major perceived barriers have been investigated.



Figure 51 - % of consumers that purchase online

As shown, 46% of respondents said they make online purchases for their business. However, not all of them make purchases for food products; in fact, 49% of those who declared to make online purchases are buying food products, while 30% of them said they buy drinks products and 78%, the majority of those interviewed, declared that they were buying packaging. These numbers acquire greater significance when compared to the total number of respondents, as shown in the figure 52 below.

It is also interesting to notice how the online purchasing behaviour can be affected by other relevant factors. In particular, it has been analysed the age of the respondents in order to verify a relation between age and aptitude to purchase online. Surprisingly, the 29% of respondents, the majority, that purchase online for the commercial activity has age between 41-50. People

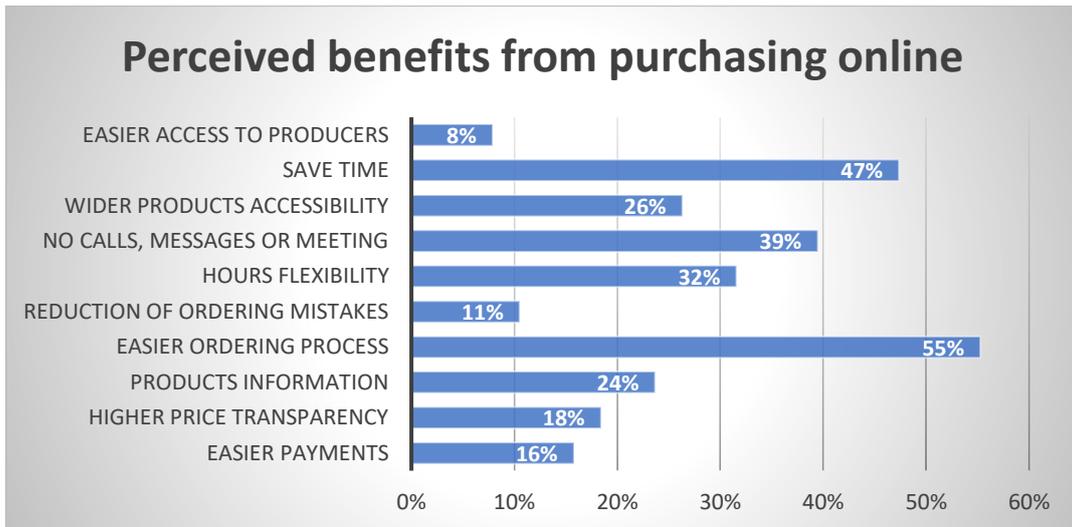
with age between 18-30 did not shew up the highest value but just represented the 18% of the positive answers. Unsurprisingly, people older than 60, represented the smallest group of respondents, corresponding to the 8%.

It was also investigated if people who declared to purchase online food and grocery products in their private life, shew a greater propensity to purchase online also for the commercial activity. Interestingly, it has been found that among who that purchase food and grocery at their home, the 81% declared to purchase online also for their activity. Considering the remaining 19% of respondents, the 71% of them declared the willingness to purchase online. These results acquire even more significance if compared to the answers provided by people that do not buy online for personal use: only the 34% purchase online for its activity; who do not purchase online for the activity, just the 28% declared to be willing to do so.



Figure 52 - % of online purchases by product category

Therefore, considering the users who declared to make purchases online, the main benefits received were investigated:



*Figure 53 - Perceived benefits from purchasing online*

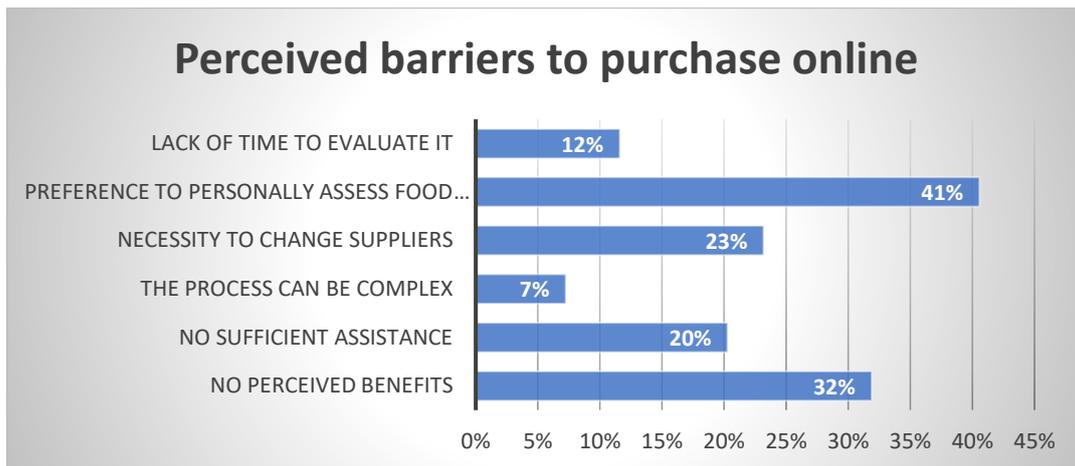
Most consumers who buy online perceive positively the possibility of making purchases more easily (55%) and save time (47%), a factor that can partially be included within the previous one. Similarly, as a third identified factor (39%), there is the possibility of avoiding making phone calls, send messages or meet representatives; this factor can also be considered as one of the benefits included within the more generic factor of a simpler process.

The willingness of 44% of people who declared not to shop online was investigated if they could be interested in doing so. Of these, 24% indicated that they wanted to make purchases online.



*Figure 54 - % of customers willing to purchase online*

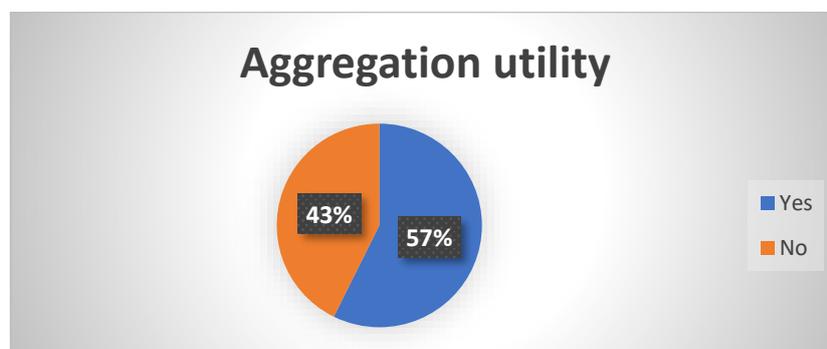
Despite the desire to buy online, analysing the factors that are perceived as barriers, they largely correspond to those identified by the totality of the respondents. Without discriminating in relation to the previous answers provided, these barriers have therefore been investigated by analysing all the sample of respondents:



*Figure 55 - Perceived barriers to purchase online*

As in the case of business to consumer, even for commercial operators the biggest barrier to buying online is represented by the preference of being able to personally evaluate the quality of the products, identified by 41% of respondents. The 32% of respondents declare instead that they do not perceive any benefits, mainly due to high satisfaction in the purchasing process. The 23% of respondents stated that to do so they should change their suppliers as they do not allow it. Only the 7% of respondents believe that the process can be complex. From interviews it also emerged a the important barrier about the lack of trust on the quality of goods delivered. Respondents were also asked what are the ways in which they search for new suppliers if necessary, in order to assess how much the Internet is used for this purpose. The Internet has been identified as a preferred channel by 42% of respondents. However, more traditional methods dominate such as word of mouth (61%) and personal knowledge (63%).

In order to perceive directly how the aggregation of orders through a digital platform can be perceived positively, this question was asked directly to the respondents. As highlighted, 57% of respondents stated that they considered this opportunity useful.



*Figure 56 - % of customers that would find useful to aggregate orders*

In order to have a clearer view, users were also asked if they would find interesting to use a complete management platform that allows them to manage orders, buy online and obtain statistics on business performance. The results are shown in the following figure:

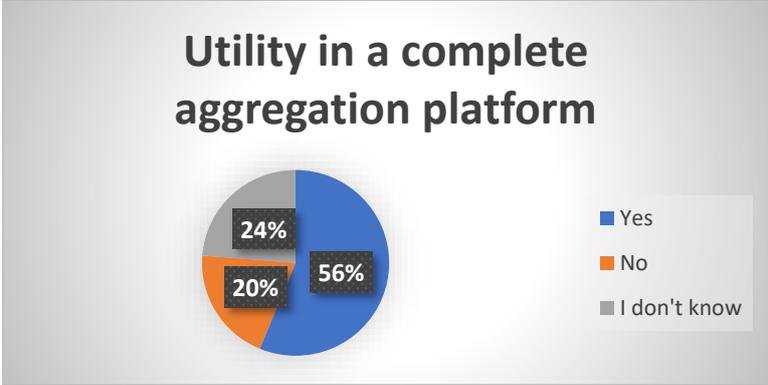


Figure 57 - Utility from using a complete platform

To complete the drafting of the results, the following tables have been drawn up, with the aim of relating the answers of the interviewees with some factors considered relevant, such as:

- the presence of a fiduciary relationship as the main barrier to changing suppliers
- the usefulness of aggregating orders in a single channel
- the propensity to buy online
- the usefulness to a platform able to unify orders, buy online and take advantage of the possibility of analyzing business trends

Within the three tables, the composition of the entire sample is represented within the first line.

In the following lines, on the other hand, it is represented in which percentages a given target has responded positively in relation to a given element. For example, in Table 3 below, the intersection between "Fiduciary Relationship" and "0-3" indicates the percentage of people who have declared to have opened the business from 0-3 years and at the same time they identified the trust factor as a relevant factor.

years from the activity's opening	0-3	4-6	6-10	+10
Whole set of respondents	28%	23%	13%	35%
Fiduciary relationship	61%	95%	91%	59%
Aggregation Utility	78%	53%	45%	48%
Buy online	48%	58%	27%	45%
would find useful a platform	78%	47%	73%	34%

Table 3 - Analysis in relation to the number of years from opening

In the Table above, the identified relevant factors have been related to the number of years from the opening of the commercial activity.

Activities recently opened (0-3 years), surprisingly identify the trust factor in 61% of cases, while this percentage drops to 59% considering activities open for more than ten years. However, it is useful to note that the highest values have been provided by people who manage the activity for 4-6 years (95%) and 6-10 years (91%). It is also interesting to note that there is no apparent relationship between the propensity to buy online and the youthfulness of the commercial activity.

Age	18-30	31-40	41-50	51-60	+60
Whole set of respondents	16%	29%	27%	23%	5%
Fiduciary relationship	85%	67%	73%	74%	50%
Aggregation Utility	69%	63%	45%	58%	50%
Buy online	54%	38%	50%	42%	75%
would find useful a platform	77%	50%	55%	53%	25%

Table 4 - Analysis in relation to the respondent's age

Table 4, instead, relates the factors described with the age of the business owners. Also in this case, among the various interesting factors to note, there is the lack of relationship between the age and who has indicated trust relationship as a determining element. Also in this case, in fact, younger managers (18-30), have indicated in a higher percentage of trust relationship than more old managers (over 60 years); the percentages correspond, respectively to 85% and 50%.

In this case, however, there is a relationship between age and perceived utility in the use of a complete management platform. The 77% of respondents with age between 18 and 30 declared that they would find this opportunity useful; only 25% of users over the age of 60 have declared to be interested.

	selected target	Others
Whole set of respondents	10%	90%
Fiduciary relationship	88%	72%
Aggregation Utility	88%	56%
Buy online	63%	46%
would find useful a platform	88%	53%

*Table 5 - Analysis in relation to a defined target*

Within the last Table, instead, it was decided to identify a sample of users relevant to the analysis; the selected target, therefore, is made up of users with less than 40 years of age who have recently opened the commercial age, which is therefore open from less than 3 years. This target was interesting as it seeks to identify potential customers who are about to manage a business for the first time.

The results follow the same trends identified within the previous figures, in an even more marked manner. In this case, in fact, 88% of the selected target identified the trust factor as relevant, compared to 72% of the remaining sample.

In this case, the percentage of users in the selected target continues to be relevant, which would find a complete management (88%) useful.

## Conclusion

Within this thesis work the phenomenon related to the emergence of new business models in the foodservice distribution industry was analysed.

These models are based on digital technology and the possibility to make online purchases by foodservice operators.

In particular, the principles and value propositions associated with business models based on the concept of marketplaces were presented.

Within the last chapter, an analysis was also performed in the Italian market to evaluate the value propositions of nascent business models.

Although it is not possible on the basis of the results carried out to determine in absolute terms which is the optimal business model for the Italian market, the results of the questionnaires provided interesting elements in order to make some considerations.

In fact, some factors emerged clearly from the analysis.

First, considering the *disintermediation business models*, as has been analysed, their value proposition relies on the possibility of increased purchases from small and medium producers. The analysis highlighted how the Horeca operators perceive positively the purchases from this channel, first of all thanks to the ability to supply high quality products. Precisely because of the benefits assigned by these products, almost 80% of those interviewed stated that they wanted to increase their purchases from this channel. However, despite the benefits, some difficulties are present and are highlighted; in particular, the lack of adequate logistical support has been identified as the main barrier. In light of this, carrying out logistics and / or coordinate it seems of fundamental importance: providing adequate logistical support seems to be a key element in the evolution of purchases from this channel. The management and the simplification of the logistic process also serve to positively impact on the purchase prices, going to reduce what is identified as a second barrier from operators, namely prices too high. In addition, the marketplace-type approach can positively influence the two other factors identified as barriers: low products variety and low visibility of producers.

As regards the *supplier aggregation business models*, potential service inefficiencies have been analysed. Analyzing the process in an objective manner and with a critical approach, actually the process appears to be, at least in appearance, complex and articulated. The data are

explanatory: most consumers manage a large number of suppliers, in most cases above 11 units. The process is also very time consuming; as has been pointed out, 32% of respondents take more than 6 hours a week to make purchases. Within a sector characterized by a high work intensity, a high number of hours spent making purchases can only negatively impact.

Furthermore, it should be noted that about 30% of respondents stated that errors in the process occur frequently and almost 40% said they had difficulty finding certain products.

However, from the analysis conducted, it appears that these service inefficiencies are little perceived by operators in the sector, or at least, if perceived, they are not considered as relevant.

This is evidenced by the fact that overall 74% of the interviewees stated that they were totally or almost totally satisfied with their procurement process.

Furthermore, it is interesting to note that operators in the sector have the perception of always or almost always obtaining the best price-quality ratio during purchases; in fact, 61% of respondents said they could get it almost or always. Only 6% of those interviewed stated that they almost never succeeded in obtaining it, while 33% provided an average satisfaction answer.

However, by questioning which areas should be improved in the process, several factors have been identified. Many of these factors, such as the possibility of finding new products, reducing purchasing time, obtaining greater transparency on prices, finding new suppliers, facilitating the management of payments etc. could potentially be solved thanks to the digitalization of the process. The analysis therefore shows that, although inefficiencies are not able to negatively influence the evaluation of the purchasing process, the process actually presents wide rooms for improvement and digital can actually represent a great opportunity.

By analysing the benefits perceived by those who actually buy online, multiple factors are identified. It is interesting to note that the main factors identified actually concern simplification in the purchasing process, considered simpler (55%), able to reduce purchasing time (47%) and avoid having to make calls, messages etc (39%).

The benefits deriving from the online purchase are therefore confirmed by those who actually use this channel.

However, only 22% of users make purchases for food products. Of users who do not buy online, only 25% intend to do so.

The main reasons are related to the fact that consumers prefer to personally buy and evaluate products. It represents the main factor also in the case of business to consumer and even in the case of Horeca operators it is probably linked to the purchase of fresh products. However, 32% said they did not perceive the benefits. The 23% of respondents state, instead, that to purchase online, it would be necessary to change suppliers. This last figure suggests that if the possibility was offered, the respondents would probably be interested in buying online.

This last factor, together with others, suggests the importance of implementing the current suppliers owned by customers within digital platforms.

In assessing which factors represent the greatest barrier to changing suppliers, 74% stated the importance of the trust relationship in all of them. It is therefore difficult to imagine that operators in the sector are willing to change their suppliers with whom they have built a stable and solid relationship of trust over time. This argument, if evaluated together with the current level of satisfaction perceived by the Horeca operators, makes it clear that it is fundamental for all the digital platforms that are proposed within the market, to guarantee operators the possibility of being able to carry on the already existing commercial relationships. In this perspective, the approach of companies that adopt a more conservative approach is facilitated, they intend to digitize the current processes and propose the marketplace benefits as a complementary element and not the core of the value proposition.

In the long term then, even considering the difficulties in the diffusion of a new service, it is reasonable to believe that benefits provided by platforms able both to implement current suppliers and at the same time to guarantee a network of reliable and trusted producers, will be able to provide a solution that can satisfy a wider range of needs and for this reason able to succeed. Anyway, it is also necessary to consider the barriers. Barriers that can be primarily associated to the satisfaction in the current purchasing process. Anyway, barriers toward the adoption of an innovative solution as the one proposed by Gustavo resulted to be lower for young Horeca managers. Indeed, respondents aged between 18 and 30, provided an interest considerably higher than the other respondents. Differences are even more accentuated by considering young managers at their first experience, that show an even higher innovative approach to their job.

It will be of primary importance then, to take advantage of the innovative aptitude of younger generations.

## **Exhibit 1 – Survey Horeca**

Question n. 1 – City:

- Turin
- Milan

Question n. 2 – Type of activity:

- Hotel
- Restaurant
- Bar

Question n. 3 – Age

Question n. 4 – How long have you managing the activity:

- 0-3 years
- 3-6 yerars
- 6-10 years
- More than 10 years

Question n. 5 – Average expenditure per person in euros:

- Less than 25
- 25-40
- 40-50
- 50-75
- More than 75

Question n. 6 – Number of available seats:

- Less than 30
- 30-60
- 60-100
- More than 100

Question n. 7 – Average expenditure per person in euros:

- Less than 25
- 25-40
- 40-50
- 50-75
- More than 75

Question n. 8 – Channels you rely on:

- Traditional distributors
- Cash & Carry
- GDO
- Traditional retail shops

- Markets
- Small/medium producers

Question n. 9 – Most important factors to choose distribution channels:

- Price
- Quality
- Wide assortment
- Credit supply
- Delivery
- Comfort
- Supply frequency

Question n. 10 – Indicate, if any, advantages to purchase from small/medium producers:

- Products provenience
- Higher quality
- Advantageous prices
- Sustain the economy of small/medium producers
- Higher fiduciary relationship
- There are no benefits

Question n. 11 – Indicate, if any, advantages to purchase from small/medium producers:

- Products provenience
- Higher quality
- Advantageous prices
- Sustain the economy of small/medium producers
- Higher fiduciary relationship
- There are no benefits

Question n. 12 – Barriers to purchase from small/medium producers:

- Low assortment
- Low logistic support
- High prices
- Low visibility

Question n. 13 – Time spent weekly to manage purchases:

- 1-2 hours
- 2-4 hours
- 5-6 hours
- More than 6 hours

Question n. 14 – Number of managed suppliers:

- 1-3
- 4-7
- 7-10

- 11 or more

Question n. 15 – Number of weekly orders:

- 1-3
- 4-7
- More than 7

Question n. 16 – How do you place orders:

- Phone calls
- Instant messaging
- Social network
- E-mail
- Meetings with representatives

Question n. 17 – Are there frequent mistakes during the purchasing process (more than 3 times a week): Yes/No

Question n. 18 – Do you have difficulties to find any products: Yes/No

Question n. 19 – Are you able to determine if you are obtaining the optimal price quality ratio during purchases?

From 1 to 5.

1: Never

5: Always

Question n. 20 Improvements area in the purchasing process:

- Time reduction
- Price transparency
- Possibility to try products before purchase
- Number of managed suppliers
- Suppliers' competence
- Finding some products
- Products information
- New suppliers research
- Payment and administrative
- Delivery mistakes
- Modalities to place orders

Question n. 21 – Ways to research new suppliers:

- Internet
- Word of mouth
- Personal knowledge
- Sales representants contact me

Question n. 22 – Barriers to change suppliers:

- Precise and timely service

- Wide assortment
- Fiduciary relationship
- Advantageous commercial terms
- Contractual obligations

Question n. 23 – Would you find useful to aggregate different orders through a single channel: Yes/No

Question n. 24 – Do you buy online food and grocery items at home: Yes/No

Question n. 25 – Do you place online orders for your activity: Yes/No

Question n. 27 – Which products do you purchase online?

- Food products
- Drink products
- Packaging

Question n. 28 – Main advantages of online purchase:

- Easier access to producers
- Save time
- Wider products accessibility
- No calls, messages or meetings
- Hours flexibility
- Reduction of ordering mistakes
- Easier ordering process
- Products information
- Higher price transparency
- Easier payments

Question n. 29 – Do your current suppliers allow to purchase online: Yes/No/I don't know

Question n. 30 – Would you like to purchase online for your activity: Yes/No

Question n. 31 – Barriers to purchase online:

- Lack of time to evaluate it
- Preference to personally assess the quality of goods
- Necessity to change suppliers
- The process can be complex
- No sufficient assistance
- No perceived benefits

Question n. 32 – Satisfaction level of the current purchasing system:

From 1 to 5.

1: No satisfied at all

5: Completely satisfied

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