

Not all of the “made in Italy” sector is suffering. Products such as vending machines for food and beverages are thriving, with exports accounting for 60% of production. In this interview we hear more about this from Augusto Garulli, president of both the sector’s national association and Eva, European Vending Association, who feels certain that China will be a very attractive outlet for the Italians.

## European Vending Association: the way to expand abroad

GLOCALIST LEADERS 2

edited by Antonio Barbangelo

Italy holds an interesting and yet widely unknown record: it is the largest European and one of the world’s major producers of vending machines, with 60% of production being exported. In 2004 the sector reached sales for 1.5 billion euros. In Italy there are about 780,000 vending machines compared to a European total of 4.5 million. So, amid concerns and constant rebukes from the OECD and the EU Commission about a sluggish economy, this is a good example in Italy and contributes to the rise in GDP. Good signs also include increasing employment in the sector, which today employs more than 30,000 people.

Those who speak about developments in Italian companies say little about this small Italian miracle that concerns an economic sector known in Italy with the English term “vending”. This is a word, though, close to the heart of Augusto Garulli, a 64 year old man from Alto Adige with a typically English self-assured attitude. In 2003 he chaired Confida, the Italian association joining about 400 companies operating in the vending machine sector and is the President of Eva, the European Vending Association. Garulli is also the business development director of one of the major Italian manufacturers of vending machines, N&W, with offices in the Bergamo province.

### **Who is buying from vending machines?**

Demand comes from about 17 million people. A study conducted by AcNielsen

found that 29% of Italians regularly buy from vending machines, 19% in offices, 15% in hospitals and 7% in petrol stations. In Italy, vending machines are mainly found in “protected” places, i.e. schools, offices, hospitals. But this is now changing and they are becoming common also in railway stations, museums, art galleries, libraries, shops and gyms.

### **A long history...**

The first 10 vending machines were installed in Milan in 1946 for the sale of Coca Cola, which had arrived in Italy together with the marines the year before. After that, some companies started to manufacture their own Italian telephone token vending machines as well as proper machines. The first fully Italian vending machine was manufactured in 1961. The following year Faema entered the market. With its revolutionary espresso coffee vending machines this company introduced in Italy the concept of “the pause that refreshes”.

### **What is the production and distribution system behind the vending sector?**

In brief, the market has four players: manufacturers of vending machines, payment and accessory systems; manufacturers of products used in vending machines; managing companies, and service and merchandising companies. Confida was established 26 years ago in order to represent the interests of those players involved in the



production and distribution system. Today the association represents about 80% of all involved.

**Exports of 60% is certainly a good figure...**

Definitely. Its reasons go back in time. As soon as the first vending machines arrived in Italy after the war, Italian entrepreneurs, who were well aware of the importance of espresso coffee in our country, started to build ad-hoc machines, which proved very successful, not just in Italy. The only countries not to use these machines were those preferring other types of coffees, prepared differently and with a different taste, namely: Great Britain, United States, Northern Europe and Poland. The news is that in recent years the demand for Italian machines has increased as a result of the high consumption of cappuccino and coffee in the countries where espresso was unpopular in the past.

**Which are the main international associations?**

These days, almost every country has its own association. In Europe the sector is represented by Eva, which on 10 May this year founded the Worldwide Vending Association (Wva) together with its American counterpart Nama.

**Does Italy play an important role with regard to trade fairs?**

The importance of the Italian vending sector globally is demonstrated by the increasing success scored by "Venditalia". In 2004 this fair, which takes place every two years, was awarded the title of international fair since, of the 255 operators it hosted, as many as 51 were foreign. Even more international players are expected to take part in the 2006 edition that will be held at the "Fiera di Milano" from 29 March to 1 April. The significant role that Italy plays in this sector was also confirmed by the fact that, as President of Confida, I was also nominated President of Eva.

**Do you also focus on customers in the Far East?**

Obviously! In terms of exports, special attention is paid to oriental customers. China above all, as it could become a very

interesting outlet market for Italian distributors. As a matter of fact, oriental markets are expected to expand significantly. Already today their imports from the rest of the world are worth the equivalent of 150 billion dollars. It is with the objective of increasing the commercial potentials of Italian operators abroad that Confida has created the so-called "Punti Italia" in important international fairs in Poland, Hungary and China, with the collaboration of the Italian Institute for Foreign Trade (ICE) and the Ministry of Productive Activities.

#### **Still looking eastwards, what about the ten countries that joined the EU in May 2004?**

Right from the start, Eva adopted all the measures necessary to help Hungarian, Czech, Slovakian and Polish national organizations know and implement the European regulations in force on subjects such as CE marking of machines and their disposal, according to the RAEE directive. Within Eva we purposely proposed lower membership fees and the associations of the countries that are already EU members finance the translation of our newsletter into the languages of all the associations that are part of Eva.

#### **What about Italian technological solutions, we are not only good with espresso coffee...**

That's true. The new technological challenges concern the cash less systems. These do not require money, encourage impulsive purchasing and protect vending machines against the risk of theft and vandalism. Another new frontier where Italy is well placed is telemetry, for remote reading and checking of machines.

#### **What are consumers' favorite products?**

Coffee and mixed beverages like cappuccino, coffee with milk, etc. rank first and account for 66% of purchases. These are followed by mineral water (12%), cold drinks (8%) and snacks (14%). Coffee has always been a fundamental product for vending machines. But there is another aspect to consider: the vending sector is adapting to changes in consumer habits and lifestyles with people spending more and more time away from home. According to a recent study conducted by Fipe-Confcommercio, the rate

of food consumption outside the home has jumped from 24.9% in 1999 to today's 30.9% of the total food shopping of households, with more than 11 million people eating out every day for a total annual turnover of 46 billion.

#### **But in 2005 many experts predict the level of consumption to remain unaltered...**

On one hand, we are experiencing a change of habits and an increase in demand, on the other hand, though, companies are reducing their personnel and working hours. In any case, in 2003 the sales from vending machines increased by 15%, compared to an average European decrease of 4%. The challenge is to focus on the widening market and pay attention to the new requests resulting from a change in lifestyle and the growing need for healthy food.

#### **This aspect deserves attention. Are the companies in the sector dealing with the problem of food education and obesity?**

Manufacturers are committed to researching more dietetic food but some teamwork is needed with the participation of companies, schools, households and institutions. To solve the problem of obesity among children requires investments in culture and communication, where key words are healthy food and physical activity. Confida and Eva have subscribed the plan for the development of WHO's "Global strategy on diet, physical activity and health", absorbed by the EU. Confida also takes part in educational activities in schools to spread correct lifestyle principles. One example? The association is participating in an experimental plan in the Lombardy Region for the automatic vending of fruit and vegetable snacks, next to more traditional products, in some middle and high schools in the provinces of Milan and Cremona.

#### **What can you tell us about other remarkable steps taken by Confida at institutional level?**

The association has been successful at institution level. Just by way of example, the Ministry of Health has praised our manual of correct hygienic practices; we have received appreciation from the Ministry of Economy for combining our service with the supply of food and drinks. We are presently working



\_The first vending machines of drinks and snacks exhibited at the Milan's Fair

with the Ministry of Productive Activities to prepare a draft of the supply tender that may become a useful reference for the awarding of contracts in the public administration. We cooperated with the Treasury, Abi and the Mint during the period of transition from the lira to the euro by collecting lira coins.

Finally, we are working closely with the Ministry of the Environment to coordinate the activities for the disposal of vending machines at the end of their lifecycle.

**Are there measures and actions which can be taken by institutions to foster the development of the market in Italy?**

At institutional level we are committed to reducing the bureaucratic and administrative obligations for managers, which today are the same as those applied to a normal point of sale. Secondly, we are actively trying to convince the banking system to reduce the commissions charged to change coins into paper. Another aspect concerns VAT. Since managers pay 20% VAT and apply 4% VAT they always have credit. Having the opportunity to compensate this credit with other income taxes would definitely improve liquidity.

**Could you explain the association's objectives?**

The association would like to give more value to the public function of the companies associated with Italian and international public institutions; protect the sector in the national and European regulatory framework; encourage the technical, economic and cultural development of its members. Furthermore, it intends to collect and divulge

Italian and international news and data; promote fairs, shows, market research activities, studies and conferences on topics that are interesting for the sector. The services offered include: professional and specialized consulting on institutional issues as well as fiscal, legal and technical matters relating to food hygiene, work and quality; plus professional and managerial courses. This year Confida became part of Confcommercio.

**Which has been the greatest breakthrough recently achieved by Confida?**

Without a doubt, the Service Charter. It provides useful information for the operators in the sector concerning hygiene and health standards, the quality of the products offered, the functions of the machines and their re-supply. It also reassures the customers with regard to the insurance cover of the machines. All 400 members of Confida are committed to complying with the quality rules established. A quality stamp issued by the association and valid for two years will be affixed to the vending machines managed by member companies. The idea of a Service Charter was first envisaged in 1999. This initiative was demanded and strongly desired by the managers, and that is why it is so comprehensive. It does not come from above. Everybody did a great job in this respect; in particular the President of the Confida managers, Vincenzo Scrigna, who in the last few years has organized meetings with managers from all over Italy.

**What do you think the future holds? Which factors will contribute to the market's growth?**

A distinction must be made between mature and emerging markets. The former have the opportunity to increase the frequency of use and choose among different products. The latter have the fundamental need to promote a vending culture based on high quality standards. In Italy growth will largely depend on new daily habits especially among young people. After all, they are the future.