Corporate Governance And Sustainability In Italian Large-Scale Retail Companies

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Abstract
The growing complexity of today’s business systems due to the economic globalization has led to a substantial modification of current corporate governance principles and approaches. In particular, the application of good corporate governance principles has increasingly required a clear focus on sustainability, which minimizes risks and, at the same time, ensures a positive outlook for the future of the company itself. Through the analysis of corporate governance systems, this study deepens the link between corporate governance and sustainability in retail companies, with particular emphasis on the Italian grocery retail system. The study highlights that innovation and process efficiency, promoted and implemented by a governance that values fairness and transparency, allow retail companies to obtain consensus and resources, thereby triggering a virtuous circle of sustainable business development.

Keywords: Corporate governance, sustainability, large-scale retail companies, Italian grocery retail system

Introduction
Corporate governance consists of a set of decisions that define a company’s basic orientation in order to achieve corporate strategies and goals, while ensuring a correct balance between the interests of all its stakeholders and the organization itself.

The issue of corporate governance dates back to Berle and Means (1932), who, through an in-depth analysis of large American corporations, made an important distinction between traditional capitalist enterprises, where the owners perform control functions, and managerial companies, where there is a separation of ownership and control.

Berle and Means’ landmark study has laid the foundations for most of the literature on corporate governance; indeed, in the 80s, scholars from various disciplines (e.g. law, business management, sociology, etc.) began
applying this theory to different contexts other than the Anglo-Saxon one. Since then, several issues pertaining to corporate governance have been widely debated with the underlying objective of creating and implementing institutions, norms, rules, and mechanisms to maximize a company’s value creation. According to the literature, we can basically distinguish two key approaches of corporate governance: the shareholder approach and the stakeholder approach.

In the shareholder approach, corporate governance is tightly regulated by a set of legal constraints that channel the governance process towards the shareholders’ interests, who are the final recipients of the value created.

The second one, which takes a broader view of the corporation, defines corporate governance as a set of rules, institutions, bodies, and customs that govern the reconciliation of all stakeholders’ interests, which ultimately determines the company’s value creation. Basically, this approach refers to open system enterprises that can interact with the market in a bidirectional way: on the one hand, companies can modify market influences, on the other hand, market conditions set limits on corporate governance. In addition to relevant stakeholder groups, the main external factors influencing this model are usually represented by the institutional, political, and formal justice systems. In this case, corporate governance can be considered as a process that is highly responsive to the stakeholders' expectations and market changes.

Globalization and the consequent increase in scale and complexity of business systems have led to substantial changes in the existing governance principles and approaches; in particular, the application of proper governance principles demands a clear focus on sustainability as the basis for risk minimization in order to ensure a positive outlook for the company.

Through the analysis of corporate governance systems, this study aims to deepen the link between corporate governance and sustainability in retail companies, with particular emphasis on the Italian grocery retail system.

**Corporate governance in large-scale retail companies**

Over time, the retail market has undergone intense structural innovation that has led to changes in both development strategies and governance of large-scale retail companies. These transformations have taken place at different times and in different ways according to the specific geographical context, determining differences in corporate strategies and governance, reflected in the present competitive scenario.

While, in the US, the development of modern distribution took place in the period between the two World Wars, in Europe the transition from
traditional to modern retail has become widespread only after the Second World War. In Italy, the distribution system modernization picked up only in the 1980s, causing a concomitant and progressive reduction in traditional retail (Riboldazzi, 2005). Thus, retail companies that were born and developed in contexts where the market changes occurred at an earlier time and at a much faster pace are the ones now showing more sophisticated development and governance policies, which, in turn, have allowed them to become major players in the global retail market.

In this regard, based on the growth that some large-scale retail companies have experienced outside their domestic market, and considering those governance systems that are prevailing at the international level, we can identify two main systems of corporate governance that are likely to be implemented by companies that compete in different market-spaces (Salvioni, 2008):

- the outsider system or market-oriented system, typical of Anglo-Saxon countries, characterized by the dominance of large-scale listed companies with fractional widespread ownership and separation of ownership and management; in such system, the market controls and influences corporate governance based on information received and the results of the company’s performance.

- the insider system, typical of European countries with less-developed financial markets, such as Italy, characterized by companies with a stable and concentrated ownership structure and poor separation of ownership and management; that is to say that the majority shareholders are involved in the management and are able to influence business decisions.

Thus, large-scale retail companies characterized by different proprietary forms and governance models compete in different market-spaces. With regard to the Italian system, these companies can be classified under three main categories (Ferrucci, 2009): 1) managerial enterprises, 2) capitalist family enterprises, and 3) consumer cooperatives.

1) Managerial enterprises are large entities or global players which retain a significant bargaining power within the international supply chain thanks to a highly competitive retail format on many foreign markets (e.g. large-scale retailers from the US or from other countries such as France, Germany, and the UK). These companies are generally listed on the Stock Exchange of many countries and, thus, are in a position to raise venture capital from many shareholders. In these large-scale companies there is often a separation between ownership, which is generally made up of a rather fragmented shareholder base, and governance, which is exercised by the top management. These managerial corporations implement global expansion strategies and, therefore, have to deal with an articulated and ever-changing stakeholder system on a global scale. To this end, large-scale retailers
generally form equity or non-equity strategic alliances and partnerships with variously localized subjects (e.g. suppliers, competitors, or other partners). These alliances, which are formed to specifically exploit the know-how and skills of specific actors in the value chain, will then lead to a significant improvement of the company’s performance and competitiveness.

It is, however, important to point out that, such governance approach, in order to ensure the pursuit of long-term profit in an open and unstable competitive market, has to reach the two-prong objective of increasing the shareholder value while satisfying other numerous stakeholder groups located in different countries.

2) Capitalist family enterprises are instead characterized by the presence of a stable and concentrated ownership, which in some cases belongs to a single capitalist family. The capitalist is the company’s owner, as he/she is the majority shareholder or in some cases owns the entire venture capital. Contrary to large managerial enterprises, where there is a separation of ownership and management, in capitalist family enterprises ownership and governance structure tend to coincide; the ownership exercises decision-making and control functions, thereby affecting directly the evolution and performance of the company itself. Large-scale retail companies, run by capitalist families, develop according to a local model, which hardly ever seeks international development, but rather pursues growth in the domestic market or in limited areas of the same. Thus, governance generally directs the company towards value creation while balancing the interests of local stakeholders.

Interestingly, many Italian retail companies are based on the capitalist family model and then, in some cases, evolve to different business models.

An example of capitalist family enterprise is Pam, a company founded in 1958 by three Venetian families, whose property remained unchanged for a long time. Currently, the Pam group manages 647 stores (e.g. Panorama hypermarkets, In's discount, Pam Local convenience stores, other franchising stores and Brek restaurants) with revenues of 2.4 billion euros (www.pamanorama.it).

However, the small size of capitalist family enterprises, compared to large global chains, often limits their development in terms of competitiveness. This might explain why many Italian family capitalist companies have been recently acquired by international large-scale retail companies.

In other cases, the competition of global retailers has forced domestic enterprises to move towards interorganizational networks based on inter-enterprise aggregations. Among these aggregations formed within the Italian distribution market, we can find voluntary associations and buying groups. Alternatively, many capitalist family enterprises have developed their own
store chain networks through other forms of association such as franchising agreements.

Enterprise aggregations are generally guided by a common governance that allows them to achieve shared goals, in compliance with the legal constraints implemented by the collective organization.

This is the case of the National Consortium Conad, the second company by revenue in the Italian retail market, grouping 2,722 independent retail entrepreneurs, aggregated in 8 cooperatives (Conad, 2014); each cooperative that is part of the Conad system is autonomous and has its corporate governance bodies. In addition to that, a second level of corporate governance implemented by the National Consortium (Conad Centro Nord, 2013) ensures a greater harmonization of common strategies and objectives.

Conad is an example of a company founded as a buying group (the company was created by merging 14 buying groups); also CRAI is an example of a buying group. CRAI was founded in 1973 by a small group of food retailers that joined forces to set up the Commissionarie Riunite Alta Italia (C.R.A.I), which later on turned into Commissionarie Riunite Alimentaristi Italiani, due to the entry of new members from other Italian regions.

Specifically, we define buying groups as horizontal aggregations of single enterprises operating at the same level of marketing channels; therefore, there can be retail buying groups and wholesale buying groups. Voluntary unions, unlike buying groups, are vertical aggregations in marketing channels, because they combine one or more wholesale companies with retailers.

An example of voluntary union is Despar Italy, founded in 1960 as SPAR. Currently, the Despar store brand is managed by 10 independent companies joint in the Limited Liability Consortium Despar Italy, which guarantees adherence to the overall corporate identity; the commercial coordination of Despar joint activities is instead entrusted to the Limited Liability Consortium Despar Services.

3) In addition to large-scale retail managerial enterprises and capitalist family enterprises, other entities that operate in the retail market include consumer cooperatives.

“A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise” (International Co-operative Alliance).

The first consumer cooperative was founded in England in 1844 by a group of English weavers, who joined forces to negotiate directly with suppliers the purchase of large quantities of raw products at lower prices than those charged by retail stores. In Italy, since the second half of the nineteenth
century numerous, small, local consumer cooperatives have been set up. After merging with each other, many of these small cooperatives have given rise to larger ones characterized by a heterogeneous social basis able to withstand competition from dynamic competitors. Consequently, closed cooperatives were transformed into open ones with stores accessible also to non-coop members.

With reference to governance, “cooperatives are businesses owned and run by and for their members” (International Cooperative Alliance)\(^1\); in these companies the property belongs to members that, through the right to vote, have the opportunity to actively take part in the governance of the cooperative and in its decision-making process. Each member has the right to cast one vote.

Cooperatives that operate in the retail market generally develop their activities over multi-regional or national areas. Consequently, governance is supposed to provide a set of performance standards in pursuit of the cooperative’s objective while increasing the satisfaction of a large number of members and other stakeholders present in the area where the company operates (e.g. consumers, workers, communities, etc.).

An example of consumer cooperative is Coop Italy, the first Italian retail company by revenue (12.42 billion euros) which owns 1,189 points of sale over the whole national territory (Coop, 2014). The Coop system is divided into three territorial districts within which there are three consortium areas that manage logistics, commercial, and administrative services for the associated cooperatives (Coop Lombardia, 2013). The three districts comprise 9 large\(^2\), 12 medium, and many small cooperatives. Coop Italy is the national organization that draws up strategies and marketing policies and manages private label decisions for the cooperatives belonging to the Coop system. The National Association of Consumer Cooperatives is the political and institutional representative body that monitors the behavior of cooperatives and forces them to comply with obligations and duties\(^3\).

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\(^1\) The cooperative principles are as follows: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education; training and information; cooperation among cooperatives; concern for the community. For further information see www.ica.coop.

\(^2\) NovaCoop, CoopLiguria, CoopLombardia, CoopAdriatica, CoopEstense, CoopConsumatori NordEst, Unicoop Firenze, UnicoopTirreno, CoopCentroItalia.

\(^3\) Other structures and organizations of the Coop system are as follows: The National Consortium Non Food, which carries out the function of national logistics center for non-food products; the National Consulting, Planning, Engineering Institute, which designs stores and supports the implementation through the creation of innovative solutions that reduce the environmental impact; the Coop school which carries out educational, training and research activities; Adriatic and Northwest consortia that develop the integration of business for Northwest and Adriatic Cooperatives (Coop, 2014).
Coop governance is carried out by different governance bodies for each associated cooperative, in pursuit of a single common corporate mission. In particular, Coop governance models are based on the one-tier or two-tier system. In the case of the one-tier system, the most common among cooperatives, Coop’s members hold a meeting to appoint the Board of Directors. In contrast, the two-tier system is constituted by two different bodies: the Supervisory Board and the Management Board, where the former, formed by Coop’s members, appoints and supervises the work of the latter.

**Sustainability in large-scale retail companies**

The concept of sustainability is often confused with that of corporate social responsibility. A large body of literature has indeed focused on the analysis of the two concepts often highlighting their interdependence and correlation (Keijzers, 2002; Kaptein & Wempe, 2002; Wilson, 2003; Van Marrewijk & Were, 2003; Montiel, 2008).

The issue of corporate social responsibility has been addressed by several researchers (Bowen, 1953; Heald, 1957; Davis, 1960, 1967, 1975; Frederick, 1960, 1986, 1994, 1998; Mc Guire, 1963; Davis & Blomstorm, 1966; Henderson, 1968; Johnson, 1971; Sethi, 1975; Eilbirt & Parket, 1973; Ackerman, 1973; Carroll, 1979, 1991, 1998, 1999, 2000). In particular, Carroll has proposed a paradigm where corporate social responsibility involves four types of responsibility. According to Carroll, “the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (Carroll, 1979). Thus, Carroll’s statement is consistent with a model where corporate social responsibility can be viewed as the basic principle of corporate sustainability.

Indeed, corporate sustainability refers to companies that, while implementing their growth and development strategies, meet the needs of their key stakeholders in a balanced way that, through sustainable development, will allow future generations to fulfil their potential. In particular, firms that implement sustainable development are those that develop their strategies and policies according to three basic principles (Elkington, 1997): 1) the creation of economic value for themselves and the

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4 The author defines four types of responsibility that relate to corporate social responsibility: 1) economic responsibility, which implies the production of goods and services useful to the community and sold at a price that will generate profit; 2) legal responsibility, which ensures respect for the rule of law and international norms; 3, 4) ethical and philanthropic responsibilities, which refer to social and charitable activities that the community expects from companies, whose regulation does not fall under any legislation.
community (economic sustainability); 2) the satisfaction of social actors, viewed as the ability to ensure conditions of human well-being in a fair way (social sustainability); 3) environmental protection, that is evaluating the environmental impacts of processes, products, and services developed by the company (environmental sustainability).

Therefore, sustainable companies are committed to creating a profit while respecting the individual and community well-being in harmony with environmental protection, without compromising the ability of future generations to meet their own needs.

Based on the Triple Bottom Line model, sustainable development is linked to three main dimensions: profit, people, and planet (Elkington, 1997).

Retail companies, acting as the interface between production and consumption, play a crucial role in the development of sustainability throughout the entire supply chain. On the one hand, their size and market power enable them to influence the supply relationships; on the other hand, the proximity to customers makes them the first interlocutors of new product and service demand and, thus, able to influence consumers’ behaviors.

The issue of sustainability in retail companies can be studied evaluating their activities concerning economic, social, and environmental sustainability, and in particular exploring their strategies pertaining to the pursuit of profit, respect for people, and environmental protection.

The pursuit of profit is tightly linked to the ability of large-scale retailers to gain and maintain an appropriate competitive position, which is generally achieved when the company can offer goods and services that meet customers’ needs sold at a price that will generate sales and revenues.

The pursuit of profit, in terms of sustainability, goes hand in hand with respect for people. The latter refers generally to the ability of large-scale retailers to create value for people, and in particular to protect the health and safety of workers and consumers, to build trust with and support local communities, and to meet the legitimate expectations of other social actors and stakeholders.

With regard to environmental protection retail companies seek to develop activities, processes, products, and services with a low environmental impact.

In particular, some of environmental policies implemented by major retailers worldwide refer to:

- the development and design of points of sale to reduce environmental impact such as green building initiatives and eco-design in points of sale.
- the optimization of resources in the management of operational activities like waste reduction, recycling, energy, and natural resource conservation in relation to the operational activities implemented by retailers.
- relationship building with partners and, above all, suppliers and customers. Large-scale retailers, acting as intermediaries between production and consumption, can promote through their activities environmental protection policies throughout the entire value chain.
- the development of other environmental protection initiatives such as information campaigns, training courses for employees or other subjects on environmental issues.

Corporate governance and sustainability in Italian large-scale retail companies

In recent years, the concept of corporate governance has evolved from a shareholder orientation and economic responsibility approach to a stakeholder one, which involves a number of legal/administrative, economic, social, and environmental responsibilities.

Indeed, globalization and the consequent increase in scale and complexity of business systems have led to substantial changes in the existing governance principles; in particular, the application of proper governance principles demands a clear focus on sustainable growth as the basis for risk minimization in order to ensure a positive outlook for the company. In other words, a company’s effectiveness implies the assumption of a global responsibility concept based on strict compliance with the law, respect for the environment (environmental responsibility) and the creation of constructive relationships with all of society (social responsibility). This does not mean losing sight of the importance of creating value and compensating risk capital providers (economic responsibility) (Salvioni, 2003).

In this scenario, governance authorities are the main guarantors of the implementation of the aforementioned responsible practices and must set up and enforce proper governance guidelines throughout the entire organization in compliance with responsibilities at the various decision-making/operational levels.

The adoption of a responsible behavior in all decisions and corporate actions, in turn, fosters consensus from stakeholders while ensuring availability of resources for the company’s continuous development.

In recent years, large-scale retail companies have become increasingly aware of the importance of sustainability. For instance, several global distribution companies [e.g Wal-Mart Store, Inc. (U.S.)\(^5\), Costco Wholesale Corporation (U.S.), Carrefour S.A. (France), Schwarz

\(^5\) Walmart is the first large-scale retail company in the world by revenue ($486 billion in 2015). The company operates more than 11,000 stores under 72 banners in 27 countries. (Wal-Mart Stores, Inc. Fact Book – Fiscal, 2015, updated on April 22, 2015).
Unternehmens Treuhand KG (Germany), Tesco PLC (U.K.))\textsuperscript{6} implement policies aimed at achieving a fair balance of responsibilities that defines the global responsibility concept.

In Tesco, for example, the corporate governance framework consists of a Corporate Responsibility Committee and four other committees: the Audit Committee, the Nomination Committee, the Remuneration Committee, and the Disclosure Committee, whose scope is to assist the Board in its work. The Corporate Responsibility Committee was established “…to ensure that the Board maintains an adequate focus on corporate responsibility in its widest sense”. “Corporate responsibility is at the heart of how our business operates” (Tesco, 2015).

It is therefore apparent that for many large-scale retailers sustainability is the common denominator of their development strategies. Indeed, sustainability is viewed as a way to achieve a broad consensus among stakeholder groups while ensure a long-lasting development of the company. Moreover retailers’ sustainable development orientation is often the subject of corporate governance communication, which through mandatory and voluntary documents, such as social or sustainability reports, informs corporate stakeholders about those sustainable actions that have been undertaken.

In the Italian retail market, in addition to large-scale retailers from other countries (e.g. Carrefour and Auchan), there is a strong presence of other retail companies that generally belong to the large-scale organized distribution. These are characterized by forms of associations and aggregations basically attributable to cooperatives, buying groups, and voluntary associations (Table 1).

Table 1. The main large-scale retailers in the Italian market. Market share in 2014.

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coop Italia</td>
<td>15</td>
</tr>
<tr>
<td>Conad</td>
<td>11.7</td>
</tr>
<tr>
<td>Selex</td>
<td>9.4</td>
</tr>
<tr>
<td>Esselunga</td>
<td>8.7</td>
</tr>
<tr>
<td>Auchan</td>
<td>7.2</td>
</tr>
<tr>
<td>Carrefour</td>
<td>6.2</td>
</tr>
<tr>
<td>Eurospin</td>
<td>4.9</td>
</tr>
<tr>
<td>Sigma</td>
<td>3.4</td>
</tr>
<tr>
<td>Pam</td>
<td>3.1</td>
</tr>
<tr>
<td>Finiper</td>
<td>2.8</td>
</tr>
<tr>
<td>Lidl</td>
<td>2.5</td>
</tr>
<tr>
<td>Agorà</td>
<td>2.4</td>
</tr>
<tr>
<td>Sisa</td>
<td>2.3</td>
</tr>
<tr>
<td>Aspiag</td>
<td>2.2</td>
</tr>
</tbody>
</table>

\textsuperscript{6} Top five distribution companies by revenue (Deloitte, 2015).
Unlike global large-scale retailers, organized distributors are characterized by smaller size, more limited business operations – generally, they do not operate outside the domestic market – and a governance that in most cases operates on two levels: 1) governing bodies of the single units that form the association/aggregation, and 2) corporate governance principles laid down by the association/aggregation.

Despite the differences mentioned above, it is possible to find some similarities between Italian retail companies and major global retailers when we consider strategies and marketing policies. Indeed, Italian retail companies operate dynamically by implementing innovative policies based on distribution formats, commercial offer and retailing mix, and seeking development focusing on sustainability. Dynamic behavior and sustainability orientation become more evident as firm size increases.

Upon in-depth analysis of the first three Italian mass retailers by revenue (i.e. Coop Italy, Conad, and Selex), we can identify the main initiatives7 regardless of the retailer’s corporate structure. Specifically, Coop Italy is a consumer cooperative, Conad is an organization that unites retail cooperatives, and Selex is a commercial group, which began as a voluntary union.

In these three groups, although sustainability and corporate social responsibility policies are laid down and implemented by the single units forming the aggregation, they must abide by the general criteria established by a central corporate level. Take the case of Coop Italy, where sustainability is the centerpiece of a system designed to blend together and harmonize the governance of the different cooperatives belonging to the Coop system, even though each cooperative has its own governance bodies based on different governance systems, reconducible to the one-tier and two-tier systems; the protection of customers’ purchasing power, commitment to the defense of health, quality and safety of products, the promotion of responsible consumption and environmental protection, are all key points of the Coop’s mission (Coop, 2013).

In Conad sustainability is a lever of change (Conad Centro Nord, 2013) able to influence the institutional bodies of the autonomous

7 In this section, we list some of the initiatives taken in recent years by Coop, Conad and Selex with regard to the pursuit of profit, respect for people, and environmental protection - the three dimensions, even if separately addressed, must be considered in an integrated way. Initiatives reported act as examples to understand how large-scale retailers can implement a sustainable growth. With reference to data collection, we consulted companies’ annual reports and sustainability reports, as well as the institutional web portal of the three groups.
cooperatives, in accordance with the governance of the consortium the cooperatives belong to.

Finally, in the Selex group, activities related to sustainability and corporate social responsibility are centrally coordinated by a team consisting of representatives from the associated companies and from Selex, who share and analyze the numerous initiatives implemented at local level and develop national scale projects.

In particular, the special attention given to sustainable governance policies by these three retailer groups is exemplified in a set of behaviors and actions that can be analyzed in the context of the pursuit of profit, the respect for people, and environmental protection (Tables 2, 3, 4).

Briefly, the pursuit of profit in the three groups is achieved through a widespread network of points of sale over the whole national territory belonging to different distribution formats, with store brands dedicated to meet specific demand segments. The store, the commercial offer, and the retailing mix are often renewed with a focus on efficiency in order to reduce costs and improve service quality.

The pursuit of profit by the three groups is implemented through actions that keep into account environmental protection as well as the respect for people. With reference to the latter point, the three groups are committed to ensure safety, health, the proper use of the workforce, and to organize training courses to update and improve workers’ skills and qualifications. Initiatives directed towards consumers are represented by the offer of safe, quality, cheap, affordable, and dedicated services/products. With regard to communities, corporate group policies are often aimed at supporting the territory, the local community, culture and education, sports and social or solidarity initiatives, many of which are the result of relations between the group and local institutions.

Finally, in recent years Conad, Coop, and Selex have invested heavily in R&D to minimize the environmental impact of their activities. These eco-friendly strategies are generally viewed as a unique opportunity to improve and innovate their business throughout the entire value chain.

Table 2. Some sustainable initiatives related to the pursuit of profit carried out by Coop, Conad, and Selex.

<table>
<thead>
<tr>
<th>Company</th>
<th>The pursuit of profit: initiatives</th>
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8 Cooperative members elect organs of the National Consortium.
9 Selex Group coordinates, on behalf of the associated companies, key strategic decisions; it also negotiates agreements in ESD Italy and Europe Emd, purchases common products for associated companies, develops and manages private label portfolio, and coordinates activities related to corporate social responsibility.
In Coop Italy, the pursuit of profit is achieved through the management of 1,189 points of sale spread in 89 provinces and 774 Italian municipalities. Through Ipercoop hypermarkets, Coop supermarkets, and other smaller stores, the cooperative has obtained revenues of 12.42 billion euros, of which 11.47 made by large cooperatives. Large, medium, and small cooperatives working on the market with 1,682,598 square meters of exhibition space (Coop, 2014). With reference to the renovation of the store network, the company has recently sold the discount channel, which operated with the store brands Dico and Dix, and has activated online sales, which have collected many orders mainly from the multimedia sector. Moreover, with regard to store innovation, besides a dynamic management of retailing mix including assortment, price, private label, merchandising, communication policies, the company has introduced, in some points of sale, new technologies such as self-scanning, self-checkout, self ticketing, electronic labels, etc. These technologies are integrated into the company's information systems and often support the efficient operation of commercial functions.

In particular, Coop has introduced systems for the efficiency of the supply chain, many of which promoted by ECR Italy (www.indicod-ecr.it), an organization which Coop has joined. Some of these innovations include: supply chain reconfiguration, fast perfect order-EDI, continuous replenishment program (CRP), collaborative planning, forecasting and replenishment (CPFR), optimal shelf availability (OSA), category management and customer relationship management (CRM). To make the procurement more efficient, Coop has joined Coopernic, made up of two major European distribution groups – Leclerc and Delhaize – that jointly negotiate the purchase of some products.

The Conad store network consists of 3,015 points of sale (1,792,790 square meters of sale area) spread over 108 provinces and 1,470 Italian municipalities; all together the stores produce revenues of 11.7 billion euros and are divided as follow: 25 Conad hypermarkets, 197 Conad Superstore, 1,010 Conad Supermarkets, 962 Conad City, 566 Margherita Conad, 189 Discount and 66 other points of sale (Conad, 2014). Over the last few years, Conad has reformulated its store network which from 2013 to 2014 decreased from 3,019 to 3,015 stores with an increase in the number of City Conad, Conad Supermarket, Conad Superstore, and discount stores at the expense especially of hypermarkets and Conad Margherita neighborhood stores. Besides changing some of the existing store main features, the company has developed new formats: the Sapor e Dintorni stores and ice cream parlours oriented to quality and localism. As an example of efficiency in commercial functions, it is possible to consider the reorganization that the company has undertaken in some logistic hubs that have gone from a model of deliveries in transit, to a model of storage, thanks to demand planning and automatic reordering. To make the procurement more efficient, Conad has joined Core Alliance, made up of four major European distribution groups - Conad, Colruyt (Belgium), Coop (Switzerland) and Rewe (Germany) - that jointly negotiate the purchase of some products.

With a network of 2,549 stores and approximately 2 million square meters of exhibition space the Selex group coordinates the Famila, A&O and C+C store brands, as well as a number of regional brands (over 20 Store Brands). Overall, the store network consists of 2,459 points of sale - divided in 21 hypermarkets, 60 superstores and minihypers, 272 integrated supermarkets, 753 supermarkets, 422 superettes, 449 discount stores and 482 minimarkets - and 90 Cash and Carry, with revenues of 8,850 million euros (Selex Gruppo Commerciale, 2014). In 2014, the group opened 58 new stores and renewed 61 points of sale. Furthermore, in January 2015, a new member, II Gigante, joined the Group, with its 53 hypermarkets and supermarkets. With regard to its efficiency, Selex carried out some initiatives such as CRM; the group has particularly benefited from joining ESD Italy, formed by five distribution companies: Selex, Aigorà, Acqua & Sapone, Sun and Aspiag Service. ESD Italy has also joined EMD, European Marketing Distribution, to gain more purchasing efficiency.
Table 3. Some sustainable initiatives related to the respect for people carried out by Coop, Conad, and Selex.

<table>
<thead>
<tr>
<th>Company</th>
<th>Target</th>
<th>The respect for people: initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coop Conad Selex</td>
<td>Workers and Employee</td>
<td>With regard to workers, Coop, Conad, and Selex, in the year 2014, employed 54,591, 47,382, and over 31,000 workers, respectively, of whom more than half were women and most of whom were employed on permanent contracts. The three groups have committed themselves to fostering a culture of safety, enhancement, and care for all their workforce.</td>
</tr>
<tr>
<td>Coop</td>
<td>Customers</td>
<td>As for consumers, Coop continues to develop its private label offer, which currently has 4,012 items made by more than 440 producers complying with cheapness, tastiness, safety, ethics, and respect for the environment. The different lines that make up the assortment - Tutela with 2,735 items, Vivi Verde with 551 items, Fiorfiore with 396 items, Solidal with 45 items, Bene.si with 80 items, Club 4-10 with 19 items, Crescendo with 131 items and Coop &amp; Go with 55 items - meet the objective of meeting different customer needs. Coop products cover all sectors, from food products to home and personal care ones (Coop, 2014). The value offer of the company is substantiated in the private label offer: the savings that Coop private label products guarantee in comparison with leader brand products amount to about 30%. In terms of cheapness, the company also regularly organizes promotional activities on private label products and on other assortment products. With regard to product quality and safety, private label production agreements include tests and continuous monitoring of the production chain, from the raw materials selection to production; all the monitoring activities are based on a certified quality system according to ISO 9001:2008. Furthermore, all Coop private label products have the &quot;certification service control&quot;, under which two accredited bodies - the Bureau Veritas and the CSQA - certify the reliability of the entire Coop control system. Lastly, fresh products must comply with manufacturing standards and are subject to quality control activities in the manner prescribed by the logo &quot;safe quality Coop&quot; (Coop, 2014). In 2014, the tests carried out on meat products, fish, fruit, vegetables, fresh packaged, and non-food products totaled to an amount of 3,114,338. For non private label products random tests and inspections at suppliers are planned and coordinated at the national and local level; in 2014, 25,859 food analyses and 149 inspections were carried out, for a total of 109 qualified suppliers. As for services, in addition to the aforementioned technologies introduced in their stores (e.g. self-scanning, self-checkout, and self-ticketing) and to online sales, the company offers numerous other services, such as the payment of bills and the booking of health services, and has diversified its business by developing 129 pharmaceutical points of sale, 20 fuel stations, as well as book shops, telephone services, travel services, which provide cheapness in non-food categories as well (Coop, 2014).</td>
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<td>Conad</td>
<td>Customers</td>
<td>Conad also offers a wide range of private label products divided into five brands covering different consumer needs for a total of 2,949 items divided as follows: 2,101 Conad, 500 Conad Percorso Qualità, 53 Conad II Biologico, 245 Sapori&amp;Dintorni Conad, 50 Creazioni d’Italia. In recent years, the Conad brand has grown compared to the market, offering cheapness in the order of 25-30%</td>
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(Conad, 2014). To support customers, the company has activated promotional initiatives - such as "the operation bis Conad" - on private label and non private label products. With reference to product quality and safety, in 2014, a total of 2,031 inspection visits to suppliers, distribution center, and points of sale were carried out (1,556 those to suppliers); 7,700 products samples comprising all brands and segments were analyzed (Conad, 2014); the total number of tests performed on individual samples has been increasing steadily and, in 2013, totaled 505,922 (Conad, 2013). As for the services, they include home deliveries, payment cards, the introduction of self-scanning, and the booking of school books; in addition to that, the company has further diversified its business by developing 16 Conad optical stores, 82 drugstores, and 28 fuel stations (Conad, 2014).

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<th>Selex</th>
<th>Customers</th>
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| In stores associated with Selex the product offer from national and local suppliers is complemented by an assortment of private labels as a result of the collaboration between the Selex Group and Italian producers. This assortment is selected according to quality criteria and attention to the territory. Private label products are more than 5,000 grouped under the following brands: Selex (3,000 items of specialized product lines: Natura Chiama Selex, Vivi Bene Selex, Vivi Bene Selex Senza Glutine, Primi Anni Selex, and Saper di Saperi), Vale (1,100 items Vale Natura in Tavola di Filiera Controllata, Vale Natura in Tavola Bio, Vale Le Specialità), Sù and Vanto (with 600 items) and other brands: Prodotto Risparmio, Le Vie dell’Uva, Atmosfera & Benessere, Storie di Gastronomia, Le Bontà del Pasticciere and, CasaxCasa (Selex Gruppo Commerciale, 2014).

The quality and safety of private label products are based on requirements submitted to suppliers by Selex. The specifications of purchase are reviewed on the basis of market prices and according to new laws or changes to existing ones. The Quality Assurance Service of Selex analyzes and tests in rotation all private label products in a timely fashion. With reference to cheapness, in 2014, the promotional initiatives development by Selex companies enabled customers to save more than 447 million euros - in 2013 savings equaled 413 million euros (Selex Gruppo Commerciale, 2014). The new entry of “Il Gigante” has enabled the group to expand the number of their services by offering fuel at competitive prices.

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<th>Coop</th>
<th>Community</th>
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| With regard to the community, Coop has chosen to buy mostly from Italian suppliers (90%); the company has also developed initiatives in favor of the community such as consumer awareness projects - in 2014, in this area, the company invested 2.5 million euros - local solidarity actions - in 2014, in this area, Coop invested 1,829,000 euros, among these activities, we can find the project “Buon Fine” - international solidarity actions - contributions for a total of 725,000 euros in 2014 - and the sale of ethical and equo solidal products (Coop, 2014).

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| There are 681 Italian suppliers of Conad private label products; the company also sells products from 5,551 local suppliers. As for the community, Conad has undertaken several initiatives towards education, sports, and other solidarity initiatives. In particular, in the first three editions of the project "Together for school", Conad delivered more than 45,000 computer equipment and teaching materials worth 10 million euros. Furthermore, 1,022 sports clubs
and more than 71,500 athletes were supported by Conad with a financial investment of Euro 5,891,235 (Conad, 2014).

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<th>Company</th>
<th>Environmental protection: initiatives</th>
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<td>Coop</td>
<td>Environmental protection is a value shared by all cooperatives that are part of the Coop System. In 2013, Coop &quot;Friends of the environment&quot; products were 1,604 and some of these are still present in the ViviVerde line (551 items) that combines biological production with eco-friendly processes (Coop, 2014). All ViviVerde food products are organic in compliance with the provisions of EU regulations; those related to home care display the Ecolabel trade mark; those for personal care contain at least 98% of natural ingredients. Environmental protection is also reflected in the rationalization of packaging according to the “3R project” (Risparmio, Riutilizzo e Riciclo; that is saving, reuse, and recycle, respectively) and in the safeguarding of the natural ecosystem - in 2014, products with Forest Stewardship Council (FSC) paper amounted to 23, to which have been added several coated cardboard packaging systems whose cellulose is FSC certified -. To protect natural resources and animal well-being, the company has joined different projects and standards such as Dolphin Safe, Friend of the Sea, Not Tested on Animals, etc. and has been supporting biodiversity conservation projects - Coop sells 813 non-GMO certified products -. Coop also designs and manages its stores focusing on environmental sustainability. In fact, to reduce the environmental impact of buildings the company uses renewable energy generated by 161 photovoltaic systems. Furthermore, Coop has made a move towards saving energy and resources by installing LED in 332 stores and by managing stores where the heating and cooling of buildings, the use of water, food refrigeration, and lighting are highly energy-efficient. Finally, the company has optimized goods transportation through the use of logistic platforms, which reduce the number of vehicles in circulation with a consequent reduction in environmental pollution. Other initiatives that testify Coop commitment for the environment include the EPD environmental product declaration – e.g. for Coop mineral water and the beef food chain – and its strong commitment against deforestation.</td>
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| Conad   | Conad’s commitment to environmental awareness ranges from the construction of low impact buildings, to the employment of distribution centers that rely on renewable energy; from energy efficient retail stores, to materials based on environmentally friendly raw materials; from integrated logistics, to the development of products without packaging; from waste disposal, to the launch of campaigns on environmental protection. Concern for the environment is also reflected in the “Conad II Biologico” product that comprises 53 items. Among the different projects activated by Conad there is the CPR System, based on the use of more environmentally friendly and

Table 4. Some sustainable initiatives related to the environmental protection carried out by Coop, Conad, and Selex.
Selex has also developed initiatives for environmental protection. Its Nature Chiamà Selex and Bio Vale private label products are made with organic raw materials. In addition, the group has set up several low-environmental impact stores – stores are located in Piazzola sul Brenta and Terranegra, in the province of Padua, and Camponogara and Cavarzere, in the province of Venice – whose photovoltaic systems ensure energy savings and low CO₂ emissions. The company’s attention to the environment is testified by specific projects aimed at spreading the culture of recycling and, more generally, of environmental protection. (Selex Gruppo Commerciale, 2013, 2014).

Conclusion

Taken all together, these data clearly indicate that the orientation to a sustainable development has become well consolidated among Italian retailers. The degree and success of such orientation strictly depends on the ability of governance bodies to size and exploit those market opportunities that can, likely, be turned into sustainable initiatives, which then will drive companies towards innovation and efficiency, ensuring a steady development in the future.

In this regard, our corporate analysis clearly indicates that the achievement of innovation and efficiency is the basis of the pursuit of profit of the organization itself. In the retail business innovation mainly applies to the following areas: 1) the renewal of the store network, which can be achieved through the acquisition, the constitution, or divestment of stores; 2) the distribution formats, which, thanks to changes in multichannel policies, can become crucial to gaining new market segments; 3) the features that make up the store (i.e. assortment and access, pre-sales, duration sale and after-sale services, often enhanced by means of new technologies); 4) and the retailing mix (i.e. assortment, private label, price, merchandising, and communication). The pursuit of innovation involves an efficient management of business processes (e.g. procurement, transport, storage, etc.), which should be dealt with while keeping an eye on cost reduction and respecting the full assumption of responsibilities for the employees, the community, the consumers, and other social actors (the people), as well as for the environment where the company operates (the planet).

In conclusion, it is clear that innovation and process efficiency, promoted and implemented by a governance that values equity, fairness, and transparency, allow retail companies to obtain consensus and resources, thereby triggering a virtuous circle of sustainable business development.
References:


