

MIND

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The Art of Creating Value

Strategic Priorities for Profitable Growth

Deloitte.

MAKING AN
IMPACT THAT
MATTERS
since 1845



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Editorial

Various sources repeatedly report that consumer behavior has decidedly taken a new, more nuanced path. Behind us are months of continued financial pressure, during which consumers have continued to buy, sometimes shifting their priorities in terms of choice. Raw material unavailability, consumer appetite, and financial market conditions have favored a sudden rise in the inflation rate that appears to be gradually stabilizing and - we trust - will normalize in the medium term.

Against this background, all eyes are on the food sector, where some consumer choices are a priority and a must. With this in mind, we observe that 7 out of 10 consumers expect food prices to increase in Italy over the next few months. This figure has been stable since the beginning of the year and is a few percentage points lower than was perceived for restaurants in March (75%), as shown by [Deloitte State of the Consumer Tracker](#) data. All this translates into behaviors that

express greater frugality, such as optimizing what ingredients are available when preparing meals (53%), buying only essential foods (36%), or favoring supermarket name brands (32%).

The leaders of companies operating in the Consumer Products industry know that passing on to consumers the increases to which they are directly exposed may bring some critical issues. Indeed, [recent Deloitte study](#) conducted internationally highlighted the complexity of the equilibrium that many companies in the sector are trying to establish: while 8 out of 10 companies plan to raise their prices in 2023, 48% of respondents believe that such a decision is likely to have a tangible impact on the demand for goods and services.

The survey shows that the companies that manage to remain profitable in the quest for balance between context and internal needs do not differ in terms of objective characteristics - such as

size, origin, ownership structure, or target market - but they stand out in certain key areas, such as digitization, innovation, or sustainability; and that is the common denominator of the entrepreneurial stories recounted in this issue of MIND.

In a general context of change, identifying these key areas is comparable to the intuitive insight of the artist who sees in a canvas or a marble block the work of art they intend to create and share with the world. From this perspective, it is fascinating to draw parallels with the vision of corporate leaders who regard an environment yet to be shaped as an opportunity to **create value!**

Enjoy your reading,



Eugenio Puddu

Deloitte Italy Consumer Products Leader



Zoom in, zoom out. Focusing On Challenges to Create Value.



Fabio Pompei

Deloitte Central Mediterranean
CEO

The Consumer Products industry relies on balance and stability, two elements challenged by external changes in the economic environment and changes occurring specifically in this sector. As the situation modifies, strategies must necessarily adapt, and organizations that, even under these circumstances, are continuing to grow have identified priority areas for action.

Adaptability to the new environment, attention to ESG criteria, and supply chain optimization through a data-driven approach: as you will read in this issue of MIND, these are some of the success factors for companies that, even in a complex scenario such as the one experienced in recent months/years, have managed to grow and achieve profitability margins.

When viewed from our privileged vantage point as a network operating on a global scale, ultimately, these companies all share a common feature: they have been able to capture the significant changes of our times and have managed to innovate their business strategies promptly.

And if the common denominator, as Eugenio Puddu puts it, of the entrepreneurial stories in this issue are “digitalization, innovation, and sustainability,” that is because these are the transformation processes that have most challenged our businesses, stimulating them to change and evolve.

Indeed, our businesses are growing in all three areas: digitalization, innovation, and sustainability. When it comes to digitalization, for example, Italy has made progress according to the European Commission’s Digital Economy and Society Index (DESI) 2022. According to the EU report, Italy ranks eighth in the EU regarding digital technology integration: 60% of Italian SMEs have reached at least a basic level of digital intensity, compared to an EU average of 55%. But at the same time, the study points out that the use of big data is still low, as is the penetration of Artificial Intelligence.

In addition to the crucial topic of innovation from a technological perspective (just think of the major ongoing debate on AI and its possible uses and consequences), the increasingly close link between innovation and sustainability also emerges from this issue of MIND. The companies that have performed better than others in recent months are those that have taken the sustainability challenge seriously. The best results

were achieved by companies that were attentive to the expectations of Italian consumers, who claim to be increasingly demanding in this role, and that understood and interpreted the urgency of the climate and environmental challenge through credible business responses.

After all, supporting companies through the green transition is precisely one of the ambitions we have been pursuing over the past year in establishing Deloitte Climate&Sustainability, the new benefit corporation in our network that will be entirely focused on climate change and sustainability issues.

Only a science-based, competency-based approach will enable us to meet this challenge together. That is precisely the lesson taught by the success stories of some virtuous and very successful companies: a greater focus on ESG criteria means higher profitability.



MIND
the data

The five areas in which profitable CP companies invest today



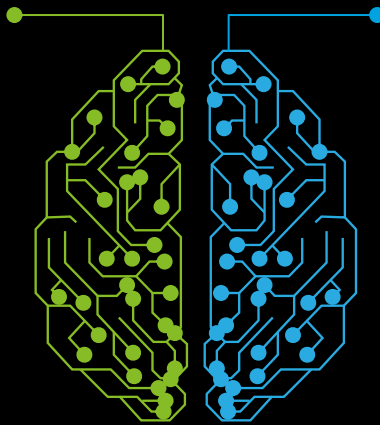
Consumer Products Industry Outlook

Explore the distinguishing features of profitable companies.

Consumer Products companies are trying to strike a balance between strong context pressure and their own development.

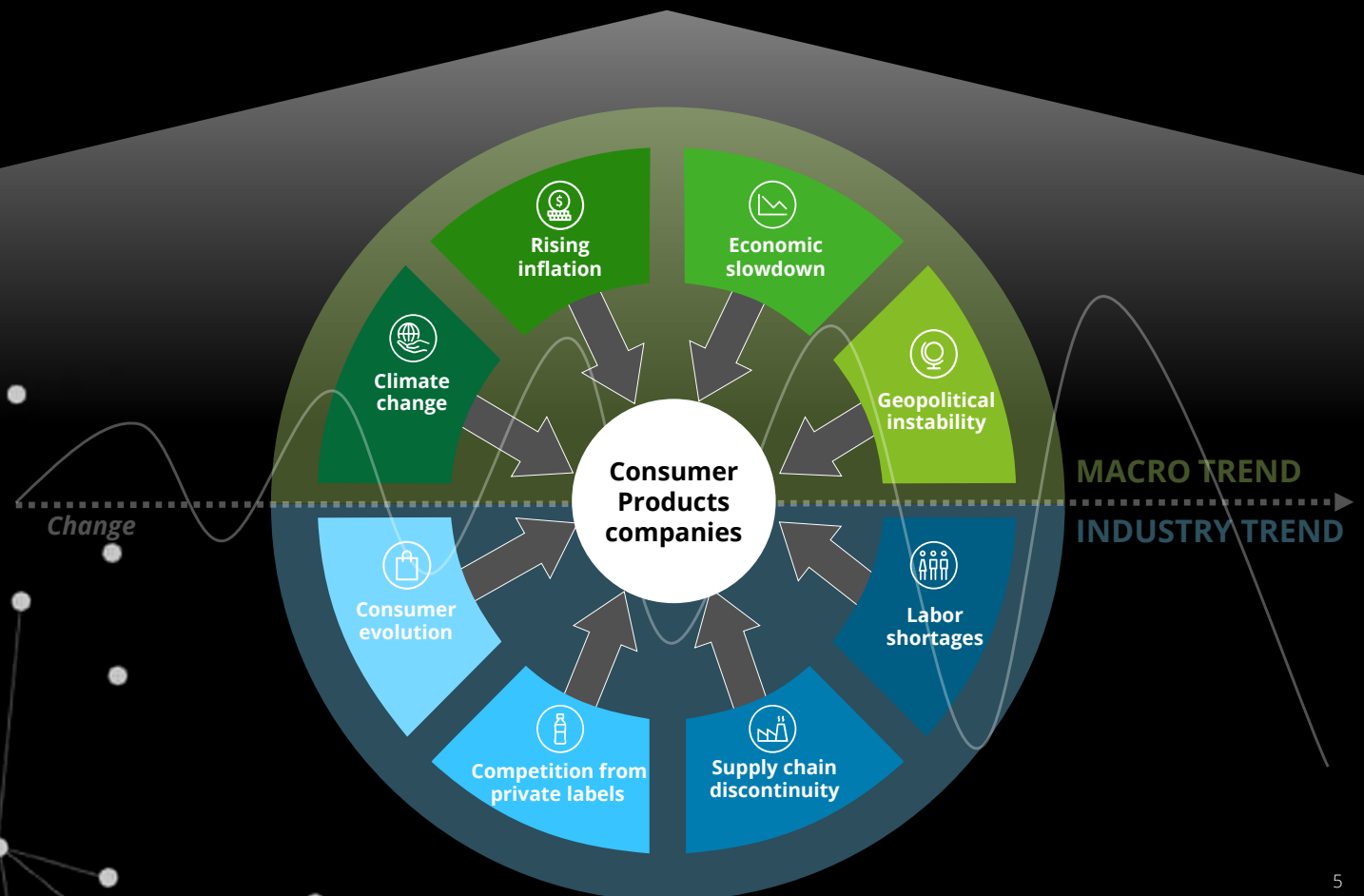
8 out of 10

CP companies expect to **raise prices** in 2023



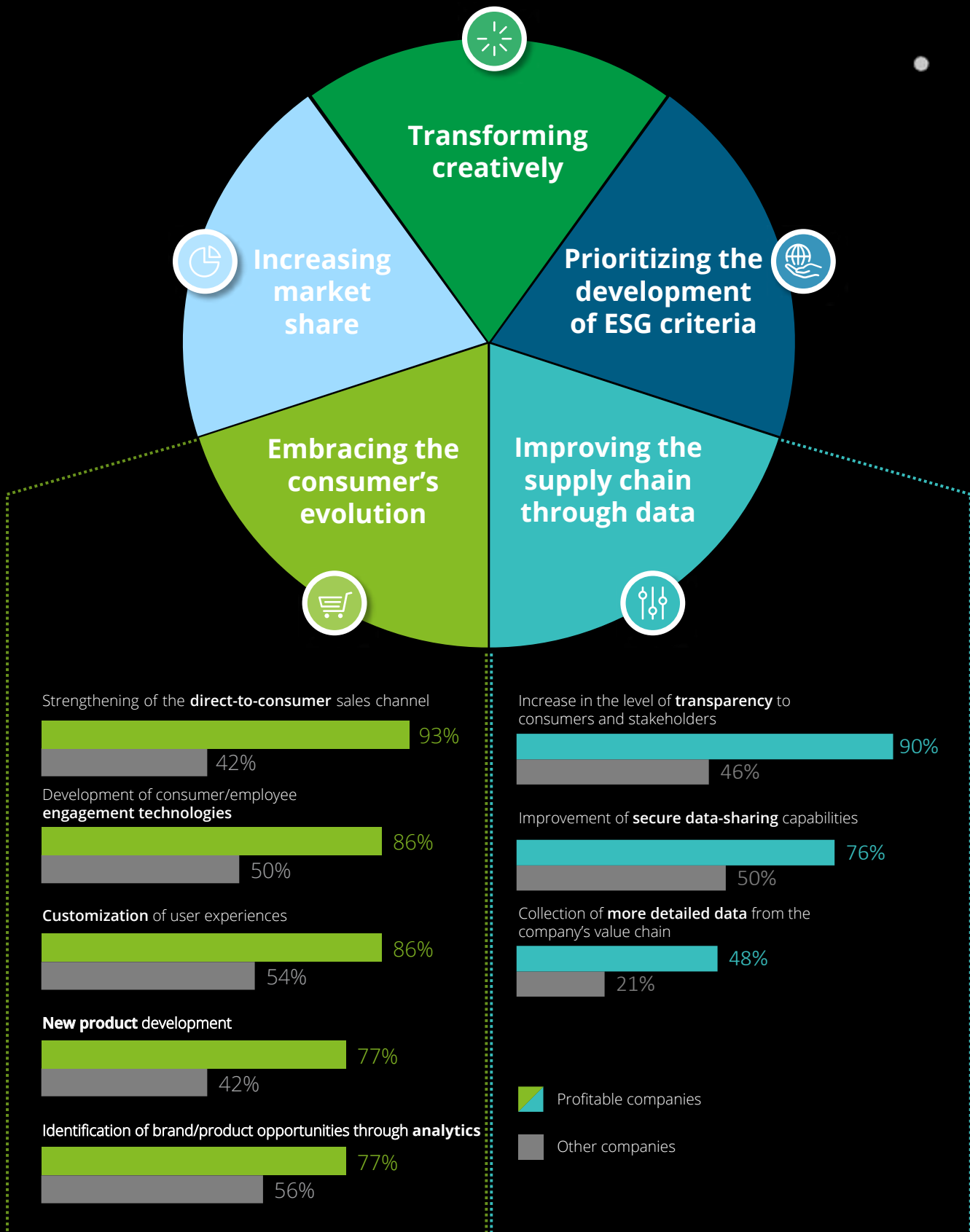
48%

think that price increases could have a tangible **impact on demand**





An analysis of the factors that distinguish growing businesses from the industry average reveals investments in 5 key areas:





Digital Innovation At Your Fingertips



Filippo Olearo

Head of Global eRetailer
and eCommerce

De'Longhi

People call it “the pocket-sized multinational” because of its agility more than its turnover, which is targeting 4 billion. Today, to support speed and flexibility, the company is capitalizing on the digital transformation journey it began a few years ago, with one eye on the end customer and one on process efficiency. Among the key enablers of this process is the online channel, which, besides offering many advantages to the consumer relationship, has also prompted the optimization of some crucial aspects to maintaining customer trust. Because innovation only makes sense if it contributes tangibly to the product or user experience.



What main aspects are you focusing on at the moment?


De'Longhi is often defined as a pocket-sized multinational with products at its core. However, it was lagging a bit behind in the digital world, so we embarked on a digital transformation journey four years ago. From e-commerce to social media, from apps to IoT, all the way to investments in Industry 4.0: these are the main areas we have been working on. In hindsight, our timing could not have been better because the digital channel helped us engage consumers, especially at the beginning of the pandemic. At the same time, the role of the trade - which also serves as a media publisher in the online environment today - and

consumers' expectations regarding collecting and using their data also changed. As we keep our focus on the end customer and efficiency, the main challenge at the moment, therefore, is being able to capitalize on the investments made in this area.

Speaking of returns, what are the main benefits you have experienced from developing a direct channel to the consumer?

E-commerce has many facets and benefits. Consider that appliances such as coffee machines and bread makers have a penetration that is not always very high and have medium-to-high price points. Hence, the site acts as a medium to support the entire

"consumer journey," the storytelling, whether in terms of brand positioning or learning about the product's features, which are illustrated in simple and easily understandable words. Hence, e-commerce platforms exist not only as conversion spaces but become real "homes" for brands and a contact point to support consumers in using products and accessing technical assistance. A further advantage is that it serves as an easy-to-use guide to recommended retail prices and, last but not least, that it provides opportunities to observe consumer behavior, analyze page visits, collect leads from potential customers, and enable direct communication in the pre-purchase phase - all of which is key to the development of a data-driven strategy.



The online channel has several benefits: it is a tool for brand and product feature storytelling, provides an anchor for product value, and enables the development of a data-driven strategy.



Can you talk to us about one aspect that proved particularly important - and one that you did not anticipate to be - for retaining the trust of your customers?

It was definitely the spillover of e-commerce onto customer care, especially at the beginning of the Covid-19 spread, when we experienced a substantial acceleration of contacts in the pre-purchase stages. In addition, consumers are increasingly used to, and spoilt by, the service levels of e-retailers, where aspects such as price affordability and service convenience are much more emphasized. All of this called for total commitment from our operations and logistics structure.

Whereas retail is setting the pace for operations, in which areas is the proprietary channel experimenting by itself?

With proprietary sites, you can build a tailored business proposition that allows you to differentiate yourself from the offerings of the trade. For example, through e-commerce, new products can be tested or combined with complementary ones that are unlikely to be offered on different platforms, thus creating cross-selling opportunities. In addition, making good coffee requires more than just a coffee machine; it also requires knowledge of the blends: therefore, information services can result in subscription models, i.e., subscriptions for coffee bean delivery. In any case, the goal remains integrating consumption opportunities.

What technology solutions are you focusing on the most for the group's digital transformation?

As I said, it all started with e-commerce, which took us from enhancing customer care to establishing identity management mechanisms for the contact details of customers and potential customers. Then we networked different worlds through marketing automation, which allowed us both to offer users an integrated experience and to know their preferences through data analysis so that we could reach out to them with increasingly relevant services. Looking to the future, it is data that will enable us to achieve the next goal, which is building strategies out of this asset. Indeed, we must not forget that it is essential to understand how each technology can create real value for the company.

So what is your relationship with innovation?

In the coffee business, innovation must necessarily contribute tangibly to the product or user experience, as opposed to introducing novelties that have no use other than to tell something different. Whether implemented in-house or in collaboration with universities or research centers, our approach revolves around the concept of "meaningful innovation," that is, responsible innovation designed for the consumer.

Speaking of sustainability, what are you working on at the moment?

We started with small things without making big statements. Let's take packaging as an example: we first tried to eliminate redundancies by making all the information about the use of the machines available on our website. We streamlined the user manual and went on to build comprehensive and practical digital experiences. In parallel, we intervened in the product life cycle, reconditioning the machines to reintroduce them into the market, thereby giving a new life to returned goods. Looking instead at the composition of materials, we are introducing increasingly large amounts of recycled plastics. All these activities have been mapped by a specialized team working to produce the sustainability report, the first in a long series.

Innovation must necessarily add tangibly to the product or user experience. Our approach revolves around the concept of "meaningful innovation," that is, responsible innovation designed for the consumer.



Innovation and Sustainability for Redefining Value For Money



Paolo Maggi
Managing Director
and President

Tetra Pak South Europe

Wholesomeness, quality, and safety - along with a fair price - are part of today's concept of "value for money." However, according to Tetra Pak, that idea "today should also include sustainability aspects." Within the packaging company, this intention takes shape in three design phases: conceiving, developing, and industrializing solutions to reduce environmental impacts, starting from selecting the material. All this is also possible thanks to research, which also takes place at the Modena headquarters. "Behind a simple container, there are years of studies to maximize the consumer's product experience." However, it is not just a matter of experience: when technology is applied to meet consumer needs, it can concretely improve accessibility and inclusion. Here's how.



How does more sustainable packaging come about?

Every year we invest 400-450 million euros in research and development, of which a large chunk is dedicated to more sustainable solutions. Innovation starts from rethinking and optimizing what already exists, such as components mix and materials. In fact, on average, 70% of our packaging already consists of paper sourced from responsibly managed forests, to which we add polymer components and a thin layer of aluminum, which are necessary to preserve the contents with no preservatives or without needing to refrigerate them.

Our vision for the future is to simplify the existing packaging structure, increasing the percentage of renewable, recyclable, and recycled raw materials, reducing fossil-based polymers, increasing plant-based ones, and eliminating aluminum.

How far has research progressed?

Several years ago, some studies were initiated that yielded very positive results. These were followed by tests of aluminum-free portion-size packages, which proved to be up to expectations regarding quality, performance, and handling. For some time now, we have been expanding the trials to larger formats for household use. Considering the results, we believe these products will soon become commercially available.

Besides raw materials, sustainability can also be expressed through waste reduction. What is your take on this?

Perhaps this is one of the main reasons why the company's founder developed solutions to preserve food for long periods that were not dependent on expensive distribution systems, such as the cold chain.

Actions to reduce waste should consider the supply chain from the very early stages of processing all the way to the end user. Design also plays a role in waste reduction: our beverage cartons are designed to facilitate product outflow, ensuring that no residue is left over.

We have the task of redefining the concept of value for money: while it used to include wholesomeness, quality, safety, and price, today, it should also have aspects related to environmental, social, and economic sustainability.

Have accessibility and inclusiveness also been considered?

Most definitely. If we look back on the difficult early days of the pandemic, the packaging industry supported the resilience of the agribusiness value chain by facilitating outreach to consumers far from major urban centers.

From a broader perspective, since its establishment in the late 1970s, Tetra Pak has rapidly expanded abroad, especially in Asia. For example, historically, milk in India was not sterilized, only boiled at best before serving; here, our technology has enabled producers to collect milk directly from the farms, thereby increasing the value of the product, and to set up distribution centers that have improved both the accessibility of a highly nutritional staple.

And there are still plenty of opportunities for other geographical areas. I have in mind, for example, sub-Saharan countries where maintaining the cold chain is prohibitively expensive. So we have the task of redefining the concept of value for money: while it used to include wholesomeness, quality, safety, and price, today, it should also have aspects related to environmental, social, and economic sustainability.





How do you stay in touch with the consumer's needs?

As a B2B company, we do not necessarily have a direct relationship with consumers. However, we conduct market research in most of the countries where we operate, which is then clustered in the R&D center in Modena to understand the needs of the final customers and how the product is used.

Let me give a concrete example: we have recently launched a water container whose cap was developed with an agency working with Nasa; we studied the flow of water - from the package to the consumer - using internal cameras and a haptic detection system to understand how the rim rested on the user's lips, and after two and a half years of research, we can say that we have improved the common user experience with plastic bottles thanks to our solutions.

That clearly demonstrates how, behind what may appear as a simple container, there are years of research to optimize the consumer's enjoyment of the product.

So you are used to looking ahead. What do you think are the factors that will reshape the packaging industry in the next five years?

There are two drivers to consider: market trends on the one hand and regulations on the other. The first issue to focus on on the market side arises from the gradual change in the stakeholders associated with quality assurance, which are increasingly shifting from governments to more or less structured consumer organizations, bearing witness to increasingly widespread participation. On top of this is the increased attention of consumers - especially younger consumers who will steer demand in the future - on sustainability aspects. Lastly, the product has an impact, too. In the Italian market, fruit juice consumption, for example, is declining for demographic and nutritional reasons, often resulting from partial and yet generalized viewpoints.

The real challenge, however, is that these changes are happening faster and faster, thus continually putting pressure on the resilience of the food and packaging supply chain, which, in turn, is continuously expected to maintain high levels of dynamism and proactivity.

But what about the regulatory side?

We are witnessing governments urging the implementation of two principles: first, the adoption of renewable materials, the elimination of what is superfluous - as in the case of plastic straws - and CO2 reduction; secondly, they insist that converters assume greater responsibility for the collection and recycling phases: collaboration and involvement in this commitment will therefore have to be increasingly widespread and more robust along the supply chain.

Tetra Pak has invested and continues to invest in raising public awareness for the proper disposal of beverage cartons. In parallel, we collaborate with partners in the recycling value chain to increase the volumes of recycled packages by giving all components - paper and polyal (polymers and aluminum) - a second life. In this way, we help generate more value for the supply chain, and, as in a virtuous circle, through value, we stimulate demand which, in turn, strengthens collection efforts at the local level.

Governments are urging converters to assume greater responsibility for the collection and recycling phases: collaboration and involvement in this commitment will therefore have to be increasingly widespread and more robust along the supply chain.



The Future of Packaging

The levers for change

The time for sustainability actions flows through seemingly distant yet connected domains. Thus, in manufacturing, the pursuit of innovation to reduce the environmental footprint starts from the process initiated to get there, also passing through packaging. That is already happening in many companies producing consumer goods, especially those already achieving [profitable growth](#). The impetus for change,

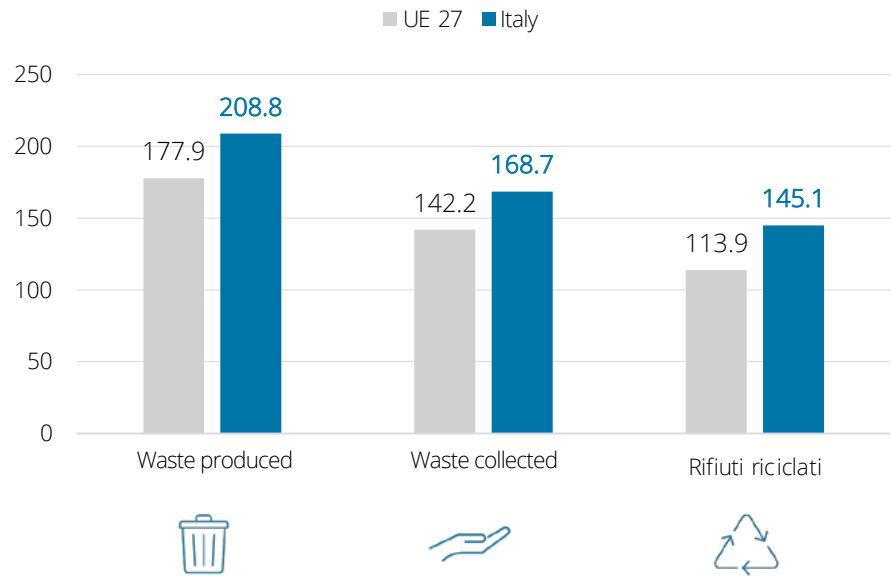
however, does not come only from within; in fact, it is inextricably linked to exogenous factors, such as the changing regulatory environment and consumer demand.

Considering regulations, for example, businesses in the sector must necessarily consider the drive to reduce impact from a circular economy perspective. Evidence of this is the goals set by the [Circular Economy Action Plan \(CEAP\)](#) - one of the pillars of the EU Green Deal - which

includes areas of focus ranging from sustainable production to consumer awareness, from waste reduction to circular economy implementation and also outlines the future direction for the packaging industry: to make all packaging reusable or recyclable by 2030. Many small and medium-sized companies are unaware that this is where the game is played. Today, sustainability is still regarded as a cost, whereas it is an investment needed to remain in the market.

Many small and medium-sized companies are unaware that this is where the game is played. Today, sustainability is still regarded as a cost, whereas it is an investment needed to remain in the market.

Figure 1 | I choose to design packaging from paper and cardboard because these materials are...



Source: Design Economy 2023, Survey by Fondazione Symbola, Deloitte Private, PoliDesign, ADI, February-March 2023

At the same time, the market is also taking steps to meet the needs of increasingly conscious consumers. As reported by the [FMCG Packaging Observatory](#), suffice it to say that more sustainable packaging has convinced 65% of Italian households to choose the product contained in it over other items with no “green” packaging. Not surprisingly, the development and use of sustainable packaging are considered by Italian consumers to be one of the five essential features distinguishing a sustainable brand, as revealed by Deloitte’s “[The Conscious Citizen](#)” report.

So where does more sustainable design begin today?

Going to the source: design and materials

Taking into account the materials used for packaging design falls within the at-the-source strategies for mitigating the company’s footprint on the ecosystem. Therefore, starting

at the design level is essential to reduce the environmental impact of packaging at the source. In this order, paper, metal, and plastic are the materials used by packaging designers today. According to survey data published in the [Design Economy 2023](#)



report, assuming the total materials used is 100, today, the vast majority - 65% - is cellulose-based, followed by metal (12.4%) and plastic (3.1%).

The predominance of paper and cardboard reflects a clear sustainability choice, as evidenced by the survey respondents: recyclability and renewability account for about 50% of the reasons mentioned (Figure 1). These factors are complemented by a focus on the source of the raw material: 43% indicate that if it is not recycled, it should be certified as coming from sustainably managed forests. And finally, if paper is coupled with other materials, designers pay particular attention to ensuring that doing so does not compromise its recyclability.

Accordingly, and also in keeping with regulatory trends, an increase in the amount of recycled raw materials in packaging is expected, which in the case of plastics, could affect 1 in 4 companies, as some recent studies indicate. In addition, a greater use of bio-based materials, including as substitutes for plastics, is expected; indeed, “biobased plastics” are derived in part or whole from biomass and thus enable the decoupling of plastics from their fossil source.

While 3.3% of designers use these today, the proportion rises to 3.9% over a 3-year horizon according to the Design Economy survey data; although slight, the growth occurs in a context in which instead, usage of traditional materials such as plastics is expected to fall (from 3.1% of users today to 2.3% over the next three years). One example is seaweed, refined to an entirely natural and compostable material for bio-packaging. In addition

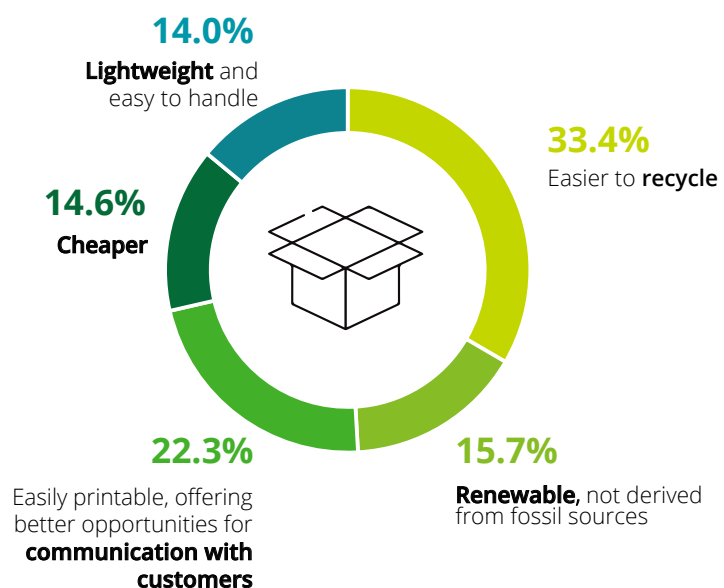


to improving composition in the planning stage, there are also efforts to reduce the material quantity and optimize shape, aiming to decrease the weight and bulk of the packaging, which directly impacts product handling.

impact of packaging do not end with its design, although this constitutes the first of the three steps that make up the activities companies undertake today, along with the development of programs for reuse and sustainable delivery and the use of technological applications.

However, the efforts to reduce the

Figure 2 | Packaging waste produced, collected, and recycled (Kg/inhabitant, 2020)



Source: Eurostat, 2020



Systematizing collection and recycling after use

Reducing the environmental impact of packaging cannot be separated from the introduction of alternative reuse and delivery models. Indeed, if companies increasingly use design to engineer reusable, recyclable, or compostable (RRC) packaging to have more and more product lines with 100% RRC packaging already in the short term, ensuring efficient and widespread collection - a target in several NRRP (National Recovery and Resilience Plan) projects - will be necessary.

Data show that in the European Union, the amount of packaging-related waste averaged 177.2 kg per inhabitant in 2020, according to [Eurostat](#). With 208.77 kilograms per inhabitant, Italy exceeded this value, although, similarly to the EU, the 2020 figure appears to be slightly down from the previous year, probably due to the impact of the pandemic on consumption (Figure 2). In this context, the amount of waste from packaging collected and recycled in our Country is in line with the EU trend.

Some organizations are already moving in this direction. Indeed, some retailers, in collaboration with dedicated platforms that encourage the reuse of packaging, are already reportedly offering reusable packaging - for products from a selection of brands - that can be returned and refilled with the following order.

However, although only a limited number of companies in the Consumer Products industry actively participate in the circular economy, profitable companies are already embracing the principle of circularity as their defining

feature: our surveys show that 68% are planning to do so. In this sector, especially in Italy, large companies often set the course for other companies in the ecosystem, proving that the adoption of such a model is a critical success factor, especially in a setting as uncertain as the current one, and contributing to growth under the banner of innovation and sustainability, also thanks to technology.

Technology's contribution to waste reduction

Besides enabling materials research and the development of increasingly cutting-edge circularity models, technological advances have the potential to generate greater value for consumers and various supply chain partners. A prime example is smart packaging, i.e., packaging that makes it possible to generate and read data about its contents. Information shared includes product quality, shelf life, product freshness, damage detection, and the presence of foreign materials or signs of deterioration, all of which help clarify when a product is still consumable, thereby reducing consumer-side waste.

On the business side, this system enables better decisions to satisfy customers, encouraging a transformation in how products are delivered, sold, and used. Through the multitude of available technology solutions - to name a few, radio frequency identification (RFID), QR-codes, hyperspectral imaging, big data, Internet of Things (IoT), near-field communication (NFC), time and temperature indicator (TTI) cloud services and the blockchain - products acquire a digital identity that indeed

enables the sharing of a broad range of information, which can be used to monitor products but also to support the assessment of their environmental impact throughout the supply chain, thus creating new opportunities to develop increasingly sustainable offerings.



The future of packaging runs along two connected tracks, namely, sustainability and digitalization. Therefore, it is necessary to develop a corporate culture dedicated to implementing innovation in these areas as well as specific skills.



On a Journey to Seize the World's Opportunities



Andrea Muzzi

Amministratore Delegato

IDB Group

In retrospect, mentally retracing the followed path might appear to be a mere memory exercise. Yet, when crossroads suddenly appear before us, the choices that mark a turning point rely only partly on memory. It's vision, insight, and courage that come into play - not least because opportunities do not necessarily come with prior announcements. Sometimes, as in this case, all it takes is an extra word spoken during a meeting with a business partner. "We found out that it wasn't just the panettone cakes that were for sale, but the entire company we were already working with. So, 23 years ago, everything changed: the family business became a group, and I became a commuter between Umbria, my home region, and Veneto." Since then, the miles traveled have led to other fortunate encounters, challenges, and goals: the Group now runs eight brands, boasts 150 recipes in its portfolio, sells to 62 countries, and operates across all channels. "The opportunities out in the world turned us into a structured company."



From artisan production to the volumes of industrial manufacturing. How did the transition come about?

Let me take a step back. I come from generations of pastry chefs, first with my grandfather and then with my father: sugar, butter, and cream are in our DNA. Over the years, the range offered by our company has evolved, focusing mainly on panettone. Although until the early 2000s, the company was run as a family business with more operational than managerial activities, later on, we came across an organization that made a product similar to ours and found out that it wasn't just the panettone cakes that were for sale, but the entire company we were already working with. So, 23 years ago, everything changed: the family business became a group, and I became a commuter between Umbria, my home region, and Veneto.

How many miles did you travel?

Fortunately, after commuting for a couple of years, the situation stabilized with my family's relocation. That period also saw a change of pace in production, which, while maintaining its artisan roots, became increasingly industrialized in volumes. The family brands - Muzzi and Borsari - were the first to contribute to the Group's growth. Later, brands known in other parts of the Country were added by acquisition: in 2009, it was the turn of Giovanni Cova & C. from Milan, followed by La Torinese in 2018. The mileage in Italy was eventually complemented by more miles abroad. Today, we cover about 62 countries worldwide, generating 20% of the total turnover. We have been exporting for 30 years, but the international market has developed significantly in the last period.

Panettone, however, is strongly linked to our traditions, besides being a seasonal product. How has it been received abroad?

Actually, international sales have allowed us to extend the production period. We used to start production in September, then we moved it forward to July, and now, just for the foreign market, we start in June. The longer cycle also allows more guarantees for the workers. Of course, culture and religion are critical factors for product penetration. If we look at the market mix, our presence is stronger in Catholic countries, for example, in the Latin American area. TV cooking shows have also brought us closer to different population segments, including young people. Therefore, it will be increasingly important to interpret the needs of new palates without losing touch with tradition.



The main challenge is to keep costs under control because it is hard to pass everything on to the consumer. From a company perspective, this means being even more efficient and synergistic.





Speaking of challenges, what are the main ones you are perceiving now?

Over the past 12 months, management control has proven particularly complex, mainly because of the virtually nonexistent margin for negotiation with suppliers. Admittedly, the price increase was initially driven by energy costs, but later there was perhaps also the desire to recover something. However, this is a vicious spiral that might have unwanted effects, so the main challenge is to keep costs under control because it is hard to pass everything on to the consumer. From a company perspective, this means being even more efficient and synergistic and cutting off dead wood, if necessary. Efficiency and quality must be placed on one plate of the scales, with investment on the other. In general, the underlying mechanism is changing, which calls for greater consideration of the changing needs of staff and attention to the environment.

What steps are you taking to make your business more sustainable?

On the one hand, we will definitely certify the achievement of ESG goals. Although many initiatives are already being undertaken, this step is beneficial to continue developing the business, as investors not only tie credit access to ESG goals but also make it cheaper for organizations that implement ESG criteria - a mechanism that stimulates continuous improvement. Thus, we have upgraded our photovoltaic system, we have made plans to utilize waste for energy production through biomethane, and we are also trying to

optimize packaging by reducing the use of paper, thus meeting consumer preferences as well.

Innovation is implicit in all these processes. In what areas are you taking priority action?

We are investing in product traceability technologies, consumer welfare assurance, and production flow efficiency. Regarding the latter, the need arises from a shortage of human resources, either because of the company's geographical location or increased industry competition. So, we must look for solutions to help us overcome the lack of personnel by optimizing human input and interaction with machines.

What about digital technologies in the sense of e-commerce?

We are addressing this challenge to be closer to the consumer. Until a few years ago, the main concern about setting up a direct e-commerce channel was that it would annoy distributors; today, even our distributors have enabled online shopping. Although, with revenues of 300,000 euros, the online channel still appears marginal, the habits of end customers have changed: convenience, or choice availability, have become, for all intents and purposes, drivers of spending, sometimes surpassing that of price. That is, therefore, another journey that, in our opinion, is worth embarking on.



We need to look for solutions that will help us overcome staff shortages by optimizing human input and interaction with machines.



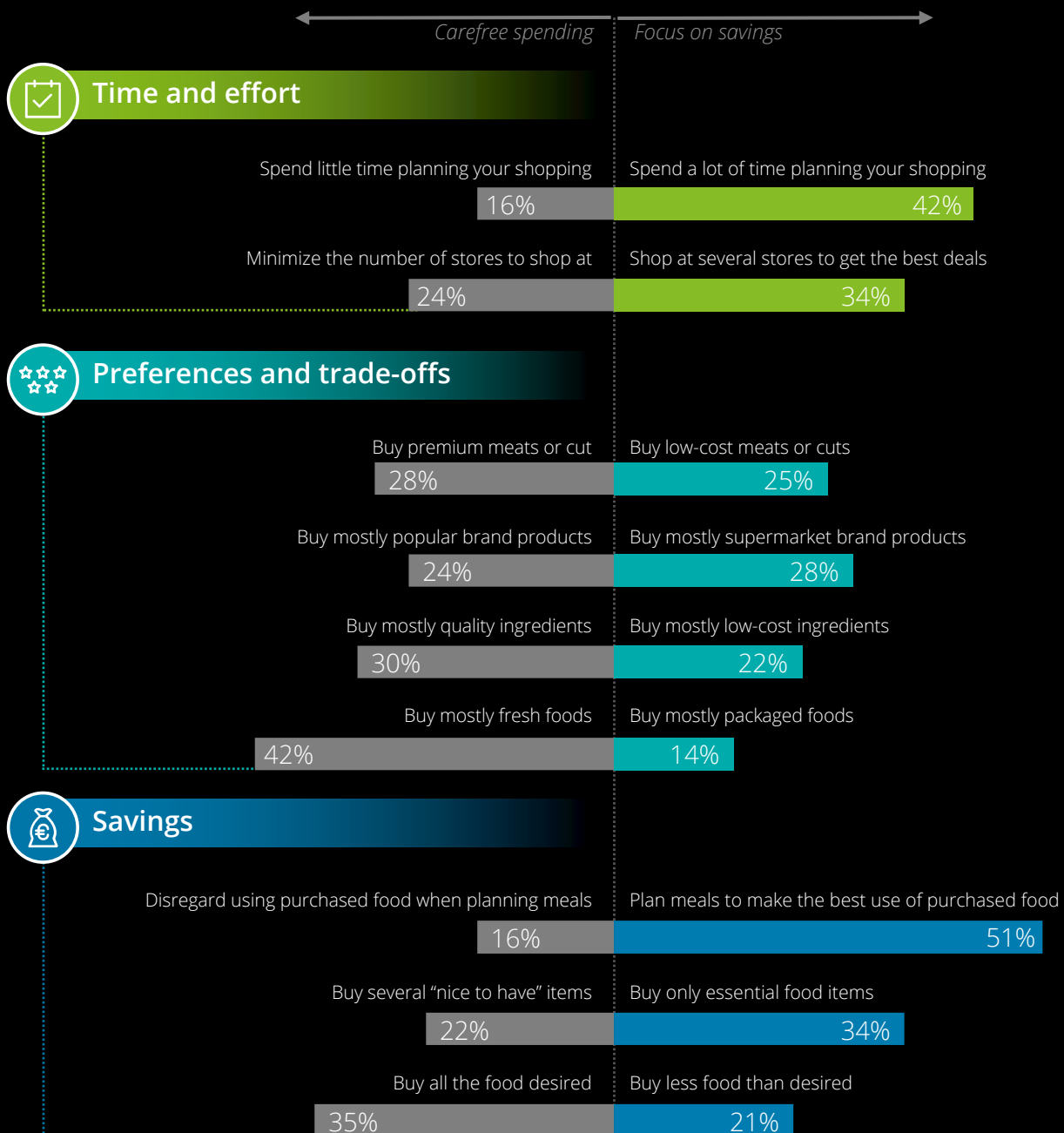
Inflation Slows Down, But Grocery Shoppers Stay Frugal



Deloitte State of the
Consumer Tracker

New data on consumer sentiment
is available at this link

Consumers are reacting to prolonged financial stress by adopting savings-oriented purchasing behaviors without compromising on quality.





The Competitiveness of the Design Sector as an Asset for the Environment and Local Communities



Ernesto Lanzillo

Deloitte Central Mediterranean
Deloitte Private Leader

Sustainability is a cross-cutting competitiveness factor for organizations and the Country System, and design can provide useful tools to rethink businesses' environmental and social impact. Yet, to put designers' "know-how" at the service of the community, the sector's organizational structure - which is currently too fragmented and fragile - needs to be strengthened, especially in light of the uncertainty of the current situation.

Italy's creative industry, in which design plays a central role, is an asset that contributes to the Country's economic and social development, positively impacting national reputation since it is an expression of Italianness, and in real terms: overall, it accounts for 5.6% added value to the economy as a whole. Thus, it can potentially play a crucial role in the Country's competitiveness and attractiveness, fostering local cohesion and development while projecting Italy toward sustainable growth. For these reasons, design is central to several flagship National Recovery and Resilience Plan (NRRP) projects.

In a world where knowledge and know-how are central to business growth, the design sector - and, more in general, the same applies to Italy's entire entrepreneurial network, made up of SMEs - consists of players with inadequate skills in management, strategic planning, and governance, although these competencies are essential to ensure the survival of the company and to enable it to put its "know-how" at the service of the community. To further advance the design sector and make the most

of its untapped potential, action is needed to improve the competitiveness and soundness of its players, especially in light of the current macroeconomic and geopolitical uncertainty climate.

Intervention in the design sector is particularly urgent because of the fragmentation of businesses but also because of their ability to respond to the great challenges of our time, including sustainable environmental and social transition. Indeed, out of the approximately 36,000 players in Italy - 16.2% of the EU total - more than half (over 20,000) are freelancers and self-employed. In most cases, it emerges that sustainability is not only a skill designers count in their "toolbox" but, more importantly, a relevant to ongoing projects.

In the survey included in the latest Design Economy report, it emerges that almost 9 out of 10 designers consider themselves prepared on environmental issues and that, to an equal extent, this aspect is important for current design assignments, especially concerning durability, recycling, and disassembly. At the same time, 7 out of 10 players feel prepared on social

sustainability aspects, which are relevant to half of all current assignments, mainly focused on user well-being, accessibility, and inclusion. Looking at these findings from an ESG criteria perspective, the Environment component is confirmed to be more explored and in demand, while the Social component offers more potential for development, starting with strengthening the need for services in this context.

The sectors that prove to be the most sensitive and mature are closely linked to Made in Italy manufacturing - from furniture to food, clothing, and footwear to automotive, sectors where virtuous supply chains are being created - but are not confined to the manufacturing sphere alone. That is because sustainability represents a cross-cutting competitiveness factor for the organization, as it can influence the optimization of resources and processes to achieve objectives as well as consolidate the relationship with the company's various stakeholders, whether these are end consumers, employees, investors, or the community in which the organization operates, ultimately strengthening its reputation in the market.

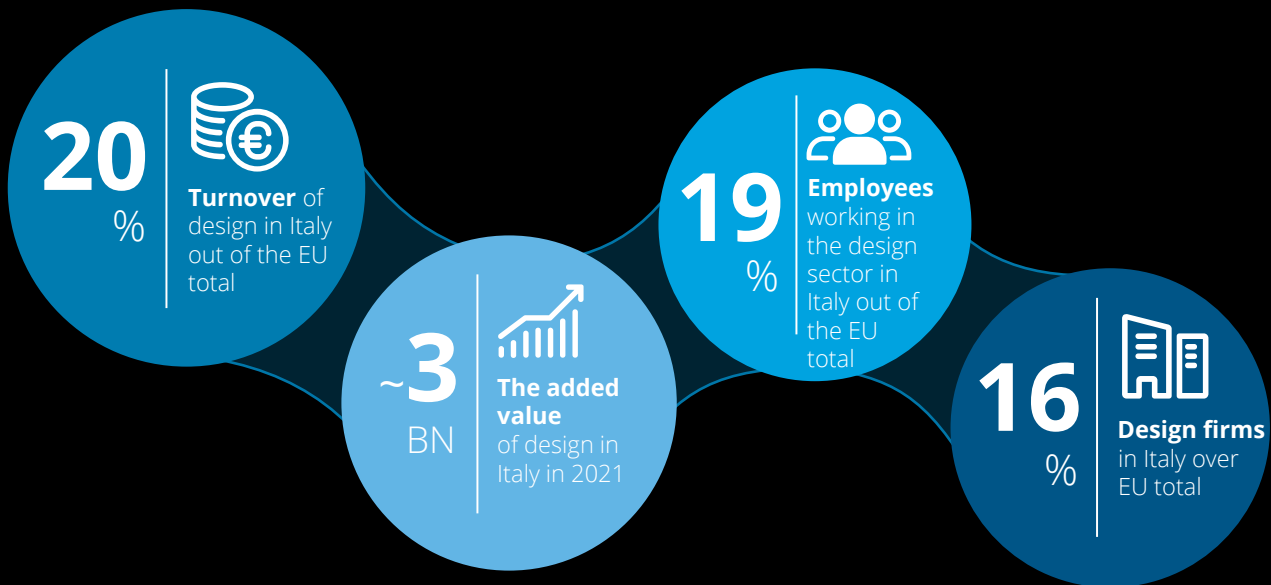


Sustainability Depends Also On Design

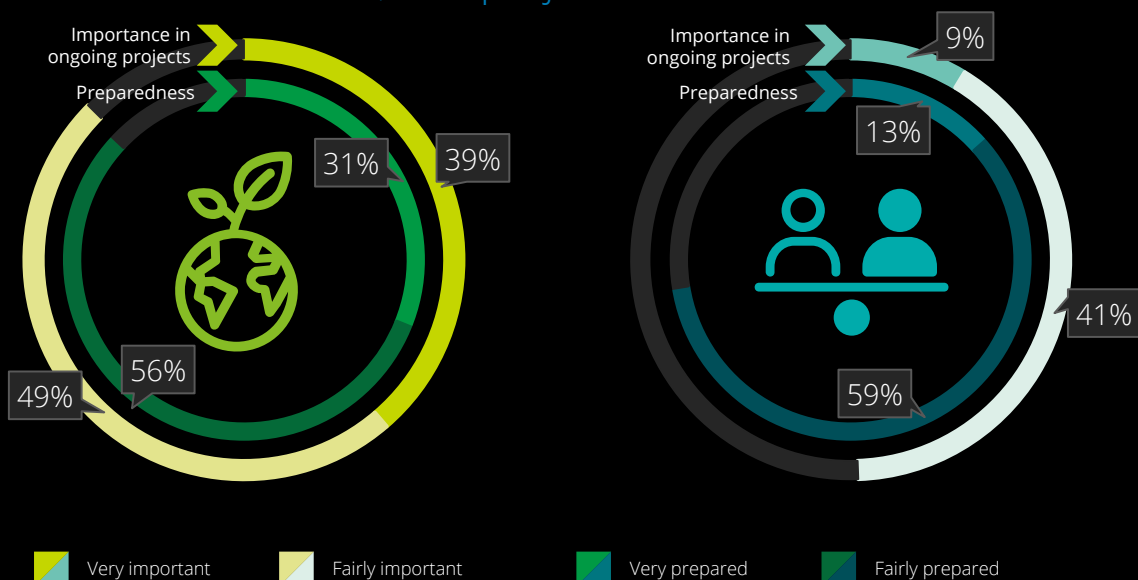


Design Economy
Find out more about how design contributes to environmental and social sustainability in the new 2023 report available at this link

Italy continues to be the EU leader in the number of design firms, while several indicators are returning to pre-Covid levels



In addition to their contribution to the Country's economy, designers are already prepared to integrate sustainability aspects, both environmental and social, into projects





A Home for the Individual and the Local Community



Gian Luca Gessi
Founder and CEO

GESSI

In this story, the home is the starting point and also the destination. The process starts with research carried out “in-house” in the company’s design center, where products are designed that focus on well-being in private spaces, i.e., at home. It then moves on to sharing skills and training in the technological and cultural hub of Casa Gessi, a “talent garden” and a space for experimentation surrounded by woods. And finally, we bring to homes around the world the expression of Made in Italy manufacturing, the result of the encounter between innovation and craftsmanship. The stages of this process include caring for the needs of end customers and optimizing resources and processes, the results of which have also been acknowledged through the Best Managed Companies award granted to us for five consecutive years. “The increasingly dynamic business environment demands that we continue to innovate, shaping the target market daily: this strategy holds true for us today and tomorrow.”



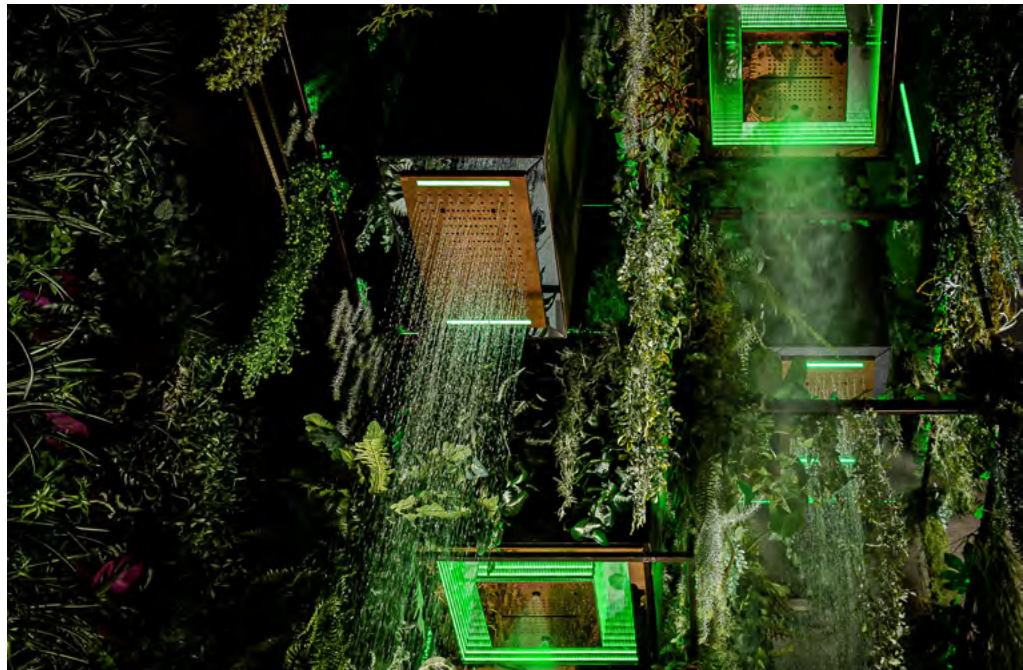
The Salone del Mobile 2023 week is approaching, an occasion for meeting people and sharing ideas. Could you give us a recent example of cross-fertilization?

Cross-fertilization can also come from different sectors. For example, just on the occasion of the 2023 Design Week, we launched the concept of “Haute Culture,” a term inspired by the haute couture codes, drawing on its values of tailoring and attention to the individual. This expression, which encompasses the world of culture in the broadest sense, designates the highest expression of experimentation with materials, shapes, and techniques that GESSI brings to the world, generating - beginning in our sector - new value for Made in Italy products globally.

Does cross-fertilization also lead to co-creation? How is research conducted?

The development of innovative solutions has roots in the company's culture. To a large extent, developing new solutions is the responsibility of the company's in-house design center. However, independent research is complemented by prestigious international collaborations, such as with the U.S.-based Rockwell Group for the Inciso collection or with Spanish interior decorator Lázaro Rosa Violán, who designed the Venti20 collection.

The new hub is a workshop where technological innovation, training, and human and mechanical dimensions come together.



Yet design is not just about aesthetics. How does it merge into the company's strategy?

The environment, technology, and sustainability constitute the indispensable framework for giving life to creations that express beauty and “well-executed work” and become a symbol of the artisanal know-how in manufacturing that distinguishes Made in Italy products. That is why, at GESSI, we prefer to talk about beauty and well-being, two elements that allow us to realize our vision: to improve the quality of people's lives in the most intimate living environment, summarized in the concept of “Private Wellness.”

When thinking about people's well-being, the social aspects of sustainability come to mind. What steps are you taking in this regard?

When faced with sustainability challenges, our company has adopted an ethical approach in which all three dimensions - environmental, social, and economic - are valued and experienced. Intending to share our achievements and next steps,

in 2020, we started to prepare our Sustainability Report: a first step toward transparency, mutual exchange, and continuous improvement. Since then, the reporting activity has become increasingly cross-organizational, thanks to the involvement of different departments.

Moreover, the commitment to improving corporate performance according to ESG criteria is fulfilled by reducing and optimizing the company's usage of resources. For example, from 2019 to 2021, the company's CO2 emissions decreased from 3,572 to 2,178 tons. Water use - the most valuable resource for production - has been optimized from the withdrawal to the discharge point, reducing water waste and mitigating the resulting environmental impact.

Of course, technology helps in resource management; therefore, we have always invested in equipment that supports savings, sustainable self-production, and preventive maintenance. Only by doing so have we completely offset the carbon footprint of all the buildings in Parco Gessi.



On the subject of Parco Gessi, how was the new hub designed?

We put the same care that we have been devoting to the protection of our local area for the past 30 years into designing the hub, which has been built using the most advanced techniques: the facilities will use heat pumps, and the control systems will make it possible to optimize primary energy savings; in addition, the project includes energy recovery systems, clean energy production through the upgrading of the photovoltaic system and water reuse. The installation of electric charging stations will complement these interventions to facilitate mobility options that are less dependent on fossil fuels. Thanks to the extensive work involved, the new hub has become an exemplary asset for the area, whose value is attested by the LEED® GOLD certificate.

Speaking of value for the local area, what goals does the hub set for itself?

Definitely, excelling in technological innovation and in-the-field training opportunities. The new hub thus becomes a workshop where the human dimension meets the mechanical dimension, as applied to materials processing. In this setting, we aim to fulfill the dream of making industrial production more attractive, more environmentally friendly, and more people-oriented.

So, what technological solutions are you focusing on at the moment?

Today, technology cannot fail to meet two criteria: excellence in metalworking, combined with an artisanal approach, and the achievement of sustainability goals. Among the solutions available at the moment, we see great potential in Artificial Intelligence as well as the blockchain, which should be implemented to enable product traceability throughout the supply chain.

Today, technology cannot fail to meet two criteria: excellence in workmanship and the achievement of sustainability goals.



Conclusions

Through the experiences of managers and entrepreneurs, we have systematically explored the features that, according to our surveys, characterize enterprises that express “the art of creating value,” interpreting change, and knowing how to seize opportunities even in contexts of significant change.

Embacing the evolution of demand

Among the strategies companies implement to engage directly with consumers are investments aimed at developing proprietary e-commerce, which can lead the end customer through brand storytelling. The evidence collected confirms that this channel has established itself as complementary to trade and, in parallel, that it has led to the optimization of certain aspects necessary to maintain customer trust, such as support services during purchases or operations. In addition, product innovation is an additional enabler of consumer contact, as it aims to provide concrete experiences that are increasingly aligned with consumers’ needs.

Concrete commitment to ESG goals

One of the paths to innovation involves sustainability itself, driven both by users’ shared values and by an evolving regulatory environment. The companies interviewed agree on its cross-cutting implementation: from building design to product design, from user experience to packaging, and on to waste processing and recycling. Along this path, environmental issues are also beginning to be complemented by social ones, such as well-being, accessibility, and inclusion, thereby helping to redefine the concept of value for money.

Increasing the market share

Innovation and sustainability are integral to the know-how behind the “beautiful and well-made” products that distinguish Made in Italy manufacturing and design, for which demand remains high even abroad.

Internationalization broadens corporate horizons and proves to be an option endorsed by excellent companies, which also gain corporate strength from it. As a way to increase their market share, all the companies surveyed have also developed the ability to seize expansion opportunities, for example, through M&A deals.

These aspects are accompanied by additional ones, including the ability for creative transformation, by outsourcing or integrating parts of the supply chain according to business needs, to improve the corporate value chain.

Consumer Products companies still have great potential to consolidate and express if they skillfully pull on well-chosen and prioritized strategic levers. Through MIND, we will continue to share best practices that can inspire the art of **creating value!**

Until next time!

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