

H A R V A R D | B U S I N E S S | S C H O O L



Academia Barilla Case Discussion

Mary Shelman
IAMA Case Conference
June 25, 2007

Case Introduction

1. Case question

- This would be a subpoint
- This could be a second subpoint

2. This Would be the second bullet point

- This would be a subpoint

Barilla Background

1. World's leading Italian food company

- €2.6 billion revenues in 2005, €341 million EBITDA
- 40% - 60% share in Italy in pasta, bakery categories
- About 1/3 sales outside of Italy (EUR, NA)

2. 130-year-old company with 4th generation family ownership

- Guido, Luca and Paolo Barilla chairman, vice chairmen
- CEO Luca Bolla

3. Entered US market in 1993

- Commitment to “authentic Italian” pasta
- Adopted FMCG model (national distribution & advtg support) in 1995/96; timing coincided with Wal-Mart supercenters
- Barilla leading pasta market share by 1999 (\$200 million investment)
- 22% share in 2005 in pasta; 4% in sauce

Italian food background

1. Italy – high pasta consumption (28 kg/person) and low prices (€ 1/kg)
2. **Beyond pasta: the Mediterranean Diet**
 - Simple, healthy foods
 - Olive oils, tomatoes, cured meats, cheese
 - Health benefits recognized
3. **Traditional production**
 - DOP products – based on geography and production methods
 - Many small producers
 - Long production process
4. **Italian products outside Italy**
 - Most popular “ethnic” cuisine
 - \$6 - \$8 billion “fake” Italian products sold in US

Academia Barilla Background

1. **Concept evolved around authentic Italian**
2. **Product line, culinary center, gastronomic library, publishing**
3. **AB name chosen to support but not compete with Barilla**
4. **US first market**
 - Initial sales to white tablecloth restaurants
 - PR support
 - Distribution expanded to gourmet retailers
 - Also direct consumer sales through AB website
5. **\$10 million sales by 2006**
6. **Growth options**

Barilla success factors

Barilla growth prospects

Academia Barilla success factors

AB potential: significant contributor or niche?

Compare AB and parent

Barilla objectives for AB

Recommendations Barilla

Recommendations AB

Lessons learned

1. True innovation in food industry is very difficult.
2. The power of national brands has decreased with retail consolidation (powerful buyers), media fragmentation, changes in customer buying behavior and demands.
3. So Barilla must try new things. Academia Barilla might make sense
 - High cost and variable product quality (risk) = brand opportunity
 - Talking to the customer sets up a way to learn (to stick a toe in the water)
 - Gianluigi's past success buys time for AB to grow
 - Private ownership allows longer time horizon
4. Barilla's challenge: to integrate learning into fast moving consumer products business.