

**Supermarkets Italiani:
Nelson A. Rockefeller's International Basic Economy Corporation
and the Introduction of Supermarkets to Italy**

by Emanuela Scarpellini

Researcher in Contemporary History
University of Milan, Italy
escarpellini@tiscalinet.it

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Editor's Note: Emanuela Scarpellini visited the Rockefeller Archive Center in October of 1999. She has published about Italian culture and society in the twentieth century and is currently studying the beginning of the mass market with special regard to the political and economic aspects of modernization. She is the author of a book about this subject and the coming of supermarkets in Italy. This research report is presented here with her permission but should not be cited or quoted without her consent.

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When I started my research on the arrival of mass marketing and mass distribution in Italy, my aim was to explain the origin of a peculiar phenomenon. Thousands of small shopkeepers were still the only traders in the 1950s, while supermarkets and department stores were already common in Europe and the United States. These small shops were usually run on a family basis, and they did not sell processed food or frozen products. Hence, there was a kind of "displacement" between the level of development enjoyed by the production industry and the backwardness of the retail trade world. The first supermarket in Italy finally opened in Milan in 1957, starting a rapid diffusion of the new sales systems. The International Basic Economy Corporation (IBEC), an American corporation based in New York and owned by Nelson A. Rockefeller, created that supermarket. Until my visit to the Rockefeller Archive Center (RAC), I had been able to gather little information on the story or about the company's motivations and final results. Newspapers and local archives were not particularly helpful.

The documents I found at the Archive Center were fundamental to understanding what really happened at that time and to gaining a better insight into the beginnings of the mass market in Italy. Among the RAC collections the records relating to the IBEC story were especially interesting, as were the personal papers of Nelson A. Rockefeller, who closely

followed the whole IBEC experience in Italy. The Wayne G. Broehl papers also were very useful because they contained papers and documents collected by a professor at Dartmouth College who had written a book about IBEC in 1968 (*The International Basic Economy Corporation*. Washington, D.C.: International Planning Association, 1968). Here I found important evidence concerning the corporation's economic and financial status and also lively reports from different witnesses.

Nelson A. Rockefeller created IBEC in 1946 with the aim of promoting economic development in Latin America after he had observed the poor living conditions in those countries during his service in the U.S. government. The new company was special insofar as it sought to combine philanthropic goals in developing the basic sectors of local economies with an adequate profit on the investment. Philanthropic organizations had all too often failed in their final aims, without in the least changing the situation of underdeveloped countries. And private corporations had often simply exploited local resources with little or no advantage to the local people. Rockefeller's idea was to find a reasonable compromise by creating a company that could be useful for the host country in the long term while at the same time operating profitably.

IBEC started operations in Venezuela and then Brazil in the fields of agriculture, fisheries, finance and industrial production. After ten years of operation IBEC decided to expand its activities into other countries and, following its company policy, looked to identify other economically underdeveloped regions or less-advanced fields within developed nations. After a detailed study of the state of trade in Europe, IBEC decided to establish a chain of five supermarkets in Italy with an initial investment of about US\$300,000. "Supermarkets Italiani" were opened in Milan on April 13, 1957; IBEC held 51% of the shares of the new company, while some well-known Italian industrialists (Crespi, Caprotti, and Brunelli) controlled the rest.

Richard W. Boogart was appointed Chief Executive Officer (CEO) of Supermarkets Italiani. He already owned a chain of self-service stores and was an expert in the field of modern supermarkets. His positive assessment of the economic and social climate convinced him to start the first Italian self-service store in Milan.

Changing the traditional pattern of Italian trade and creating a completely new model of food shopping was no easy task. The idea was to adapt the American experience to Italy in the same way that IBEC had already done to some extent in Latin America. But the initial difficulties exceeded expectations.

The main problem was obtaining a license from the city authorities. The company had to wait seven months in order to get permission to open the first supermarket and almost one year for the two following stores. In addition, many small shopkeepers working in the immediate neighborhood filed suit against the new self-service stores, forcing closure. Some politicians publicly declared their support for small shopkeepers.

It is possible to recreate the atmosphere and chain of events of the time through the interesting and accurate reports that Boogart sent almost daily to the New York

corporation. The disappointment provoked by the unexpected situation, as well as the strong determination to continue and to overcome all the obstacles, were all too apparent. The management was well aware that they faced a powerful organization of shopkeepers who were determined to fight the danger posed by supermarkets and mass distribution and who were willing to solicit the support of the ruling parties.

But Boogart employed a powerful sales strategy that met with immediate success. He started a well-publicized newspaper campaign to advertise his commodities and organized numerous consumer initiatives, such as special offers and a daily prize for customers. A central factor in ensuring the success of such an approach was the availability of manufactured food -- something that could be not assured by the existing food industry, which was mostly composed of small artisan producers. Supermarkets Italiani decided to set up its own production facilities in 1959 with a bakery, a pasta factory, and an ice-cream factory. The next year other facilities were added for roasting coffee and preparing meats and salami; these products proved to be better and cheaper than the traditional varieties. In addition, the Italian company started to buy eggs from an American company, Arbor Acres, which was affiliated with IBEC.

The original solution to the problem of supply was a vertical integration capable of controlling the entire working process, from initial production to final packaging. This reduced costs and guaranteed the quality and character of the products. An organization that combined the offer of canned produce with fresh food was particularly appreciated by Italian customers. It was also a genuinely innovative move that anticipated the future development of supermarkets and of the food industry. Boogart's policy not only centered on cheap prices, but recognized that quality also was an all-important factor. The outcome was a roaring success: in the first days that the stores were opened, the management was obliged to call in the police because of the huge response from the public, and sales quickly stabilized at a new all-time high for an Italian retailer.

The problem of obtaining licenses continued to cause difficulties. Two other supermarkets had to postpone their opening dates, and local shopkeepers did all they could to oppose them with negative repercussions for the company's future plans. In response, Supermarkets Italiani changed its tactics. In 1961 it started to purchase Italian companies in the retail trade field; the number of its stores in Milan soon increased and two new facilities were opened in Florence. The results of the new company strategy were extremely positive and company profits increased after the early 1960s.

Another major change took place during the same period. In 1960 Italian shareholders showed interest in buying the company. The negotiations were long and difficult, but in the end IBEC decided to sell off its operations in Italy and realized a healthy profit in the process. The deal was concluded for about US \$2,700,000, whereas IBEC's total investment was calculated to be around US\$ 425,000. The decision to sell was made partly because of the heavy losses accumulated by other companies in the IBEC group, and partly so as to obtain funds for the creation of a chain of supermarkets in Argentina, which Boogart was asked to direct. He accepted the position but also assured his

continued role as a technical advisor to the Italian company. Other Americans were appointed to run Supermarkets Italiani.

IBEC's sojourn in Italy was very short. Within a few years the company had abandoned the Italian market to explore new business opportunities. But the organization that IBEC created proved to be longer lasting. Supermarkets Italiani had become a solid and well-known company, built up a vast network, and gained practical skills and the know-how to realize future expansion. Under the new name of "Esselunga", the company continued to dominate the supermarket field for a long time and grew into one of the most important Italian corporations.

The experiment initiated by IBEC in Italy led to some serious thinking. It is clear that the success of the first supermarkets was due to the massive economic, social and urban transformations that took place in Italy during the economic boom of the 1950s. But an external stimulus was required to induce major changes in the existing system of trade. The presence and the example of a powerful economic group from a more developed country was essential. It brought not only capital (it is noteworthy that the Italian partners purchased the company after just a few years), but also know-how and qualified staff. This experience was important not only from an economic point of view, but also because it set an example, provided a business model, and effectively promoted the idea of the supermarket among consumers. Diffusion of these new techniques of production, selling and marketing soon followed, so that many local entrepreneurs created similar companies in later years.

The history of Supermarkets Italiani would seem to confirm the advantage of being the "first mover", able to choose the best locations, create a unique image, establish good relations with suppliers and customers, define new management models, select the best-qualified employees, etc. This "cumulative causation", as defined by Gunnar Myrdal in *Economic Theory and Under-Developed Regions* (Gerald Duckworth, 1957), allowed the company to lead the field for many years. Supermarkets Italiani succeeded in creating a unique image as the first and principal supermarket company: "differentiation" was its winning formula for success.

The emergence of new forms of mass distribution, self-service stores, and supermarkets was not only an economic phenomenon: it also had important social and cultural consequences and influenced the way of life by becoming an integral part of modern society. Many tasks once performed within the family unit, such as the procurement, preparation and preservation of food, were now carried out by the trade system. The advantages for the consumers were considerable: more available products, more freedom of choice, savings of money and time, and also a new sense of relaxation and amusement provided by the supermarket system.

Ignored by the official political propaganda, a new pattern of consumption spread rapidly among the Italian people. Some contemporary observers did not consider this to be an important development because it only affected people's day-to-day lives and not so-called "higher" values or principles. But a new vision of the world had been born, a

vision modeled on the American way of life. And, as Richard S. Tedlow noted in *New and Improved: The Story of Mass Marketing in America* (Basic Books, 1990), this new vision had a deeper implication: the idea that freedom of choice as consumers was somehow linked to political freedom as citizens.