

LES HENOKIENS CASE COLLECTION



* This case was prepared by Prof. Salvatore Tomaselli Ph.D. as the basis for class discussion, rather than to illustrate an effective or ineffective handling of an administrative situation.

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Introduction and Motivation: Objectives of the case study and key questions

As mr. Gerard Lipovitch suggested when he asked me to write the Amarelli case “*it is certainly not a coincidence if this family & company have managed to last and progress since almost 300 years with a so unique product, maintaining a high level of quality, adapting its products to a changing demand, while finding new clients and news markets.*”

*There are many interesting things to find on a academic point of view into the Amarelli’s story, especially the kind of topics students interested in Family Businesses can learn from it: **resources and the ability to make value out of it; link with the history and culture of the region; strategy and never ending innovation; values passed from generation to generation***

The main research questions, which we approach, are listed below:

- *How have the family and the firm evolved over time, and especially in the course of the 12th, 13th, and 14th generation (relating also to industry and market developments)?*
- *How has the family coped with the many changes and challenges characterizing the evolution of the local economy, and the industry?*
- *How have the family, ownership, and governance structures as well as mechanisms evolved from the 11th to the 14th generation?*
- *How have the succession processes in ownership and management been managed?*
- *What is the vision and strategy on how to successfully and sustainably manage family-related and business-related goals in order to survive for so long and across different generations?*
- *How does the family leverage on culture and local resources to build its overall strategy, and what is the role of the Liquierice Museum in the strategic map of the family and the business?*
- *How does the international outlook of the firm look like? What are the plans for the future?*
- *What has been the role played by in laws in the evolution of the family firm?*

1. Amarelli: the inextricable interweaving of a family, a territory, a product, a business

In an ancient Byzantine center in the province of Cosenza, Rossano, the history of licorice intertwines inextricably with the Amarelli family, founder of the bicentennial factory of the confectionery sector. A long history of passion, tradition, culture and business where the root of licorice has always grown.

Craftsmanship and technology are the leitmotif in every structure and department of the business, while the entire production is now highly automated, in perfect symbiosis with this link with the past, making Amarelli the testimonial of the history and economic development of Calabria.

1.1. The origins and historical perspective

The origins of the Amarelli family date back to the Normands, who arrived on the Ionian coast around the year 1000. They cultivated their lands with wheat and olive trees and engaged in the commercial development of the products obtained there. From the beginning, the family understood that culture and territory, considered in their widest sense, constituted a valid foundation for their activities.

The commitment of the Amarelli barons ranged from the military task of Alexander - Crusader, who died in Palestine in 1103 - and Francis - among the participants in the victorious battle of Otranto, who died in 1514 - to the cultural dedication of Giovan Leonardo - Conte Palatino and Prior of the University of Messina, to whose development he contributed greatly, he was also a patriot and Luigi Settembrini's tutor, - who died in 1667.

Licorice plant, that grew and still grows spontaneously on the Ionian Calabrian coast, was known by the farmers as a cure for the problems of blood pressure drops especially in periods of intense heat. It is around 1500 that the Calabrian feudal families, among these the Amarelli, begin to extract the juice and commercialize it mainly for pharmaceutical uses.

The birth of the real factory dates back to 1731, when the family developed a process that allowed the licorice juice to be extracted from the root and transformed into a soft and tasty paste, greatly increasing the possibilities for preservation and transport. To make the production on a sufficient scale, a proto-industrial plant called "“concio”", a term coined by the Duke of Corigliano, was created to indicate the first production factory, which allowed the transformation of the licorice plant from the root to the finished product.

The “concio” was built near the sea, next to the splendid cask of the Amarelli countryside, in the homonymous district, dominating the expanses of olive groves. Next to the Amarelli's oil production, the licorice took over a secondary income that did not require much expense and which over time proved to be very profitable.

During the eighteenth century, other companies arose in the Sibaritide, thanks to noble and wealthy families, and the region - rich and industrialized due to the presence of factories for the processing of brown sugar, pitch, silk and weapons - turns into an important center of licorice processing, with about eighty factories in activity.

During the nineteenth century, the production of Calabrian licorice had particular stimulus, growing and expanding far beyond the local borders. That was made possible thanks to the improvement of shipping and the tax concessions granted by the Bourbons to the industries of the sector - already

recognized as emblem of tradition and typicality –. Around the 40's of the nineteenth century under the guidance of Domenico the business expands its market to the capital, Naples.

With the advent of the unification of Italy (1861), however, the flourishing licorice sector was affected by the change in conditions and the imposition by the new Kingdom of export duties, too high for the financial resources of small businesses of the time. That triggered a crisis that led to the closure of a large number of companies in the sector. Within a few years only the segments belonging to the Compagna, Barracco, Martucci, Sanseverino families and a few others survived. Among the survivors there was the Amarelli family, led at the time by Nicola Amarelli, who had succeeded to Domenico upon his death. In spite of the adverse conditions, he was able to extend the business' market of influence, exporting to England and to the Austro-Hungarian Empire and obtained numerous manifestations of appreciation for the quality and genuineness of the product, as can be seen from some ancient medals conferred by the Kingdom of Italy, during an exhibition of 1898 in Turin.

Licorice was not the only occupation of the family that not only boasted illustrious ancestors but covered not indifferent political and socio-cultural commitments. In their palace, in the historical center, numerous meetings were held to talk about politics and social reforms. It was also here that, at the end of the nineteenth century, important English merchants were accommodated in the guest quarters, who did not use the pounds to pay for the goods but rather precious handmade leather saddles.

Nicola had the burden and the honor to ferry it in the 21st century. The factory began to progress under the pressure of technology innovation, in conjunction with the futuristic trend that at that time exploded in Europe starting the modern industrialization.

In 1907 Nicola Amarelli began a courageous restructuring plan that finds its fulcrum in the modernization of the processing with two steam boilers designed, respectively, to prepare the root paste and extract the juice. A motorized pump put in action the hydraulic presses to compress the paste again and obtain other liquid. The ancient “concio” started towards a more modern process, reducing production times and speeding up the extraction phases.

In the '30s, there were four types of Amarelli licorice, but the search for novelty has always been a strong commitment of Amarelli, despite the small size of the business.

In 1931, the Amarelli business started purchasing the extruders that spin the licorice paste from the F.lli Barbieri business in Busto Arsizio. The family members who traveled a lot, both in Italy and abroad, had understood that, to revive the licorice business, they had to adapt to modern times and above all abandon the ancient systems, inhuman and unprofitable.

At the end of the '30s Nicola died leaving his sister Giuseppina heir of the “concio” that, compared to all the other properties, seemed to be the least important. Giuseppina Amarelli was a very tenacious, stubborn, cultured woman - she had a degree in Law - very intelligent and childless. In the thirties, well advised by a good lawyer, she had drawn up an innovative testament with a very important stratagem for tax purposes that saved the family from inheritance taxes. She named as her universal heirs the sons of the sons of the deceased Giuseppe, namely Fortunato, Giuseppe and Pasquale, still children. In this way she attributed to them the usufruct of the company assets, while their children owned the bare ownership. The effects of this decision would last for over sixty years, until the death of Giuseppe Amarelli in 1990, which will be discussed later. Of his three nephews only Fortunato and Giuseppe got married and had sons. Fortunato has Nicola, Alfonsina and Alessandro. Giuseppe has Nadia, Giorgio and Francesco. It must be specified that the usufruct of Fortunato, Giuseppe and Pasquale is entitled to accretion, this means that at the death of one of the

three brothers, the share of the company he had has to be divided equally between the rest. For this reason, the share of Pasquale, who died young, was divided between Fortunato and Giuseppe. In this branch of succession, moreover, there was a further event when Nicola, the first-born of Fortunato, died at the age of five. Nicola's place in the succession line was then taken over by his mother, Margherita Mazziotti, and his siblings, Alfonsina and Alessandro, who inherited his share. For the second time in the history of Amarelli, women inherit the company's shares.

Aunt Giuseppina stimulated the rest of the family to see in the factory a means to reaffirm their identity on the territory of Rossano and outside the region.

Those were difficult years, the Second World War was about to start and the uncertainty of any future program was shaking everyone, including those who had a tradition to be protected. At that time the occupation in the "concio" became more than a simple industry to make money, it became a way to be there and to make history.

Fortunato took care of the administrative part, Giuseppe took care of the technique part and Pasquale took care of public relationships in Turin. This was the three brothers managed to keep the business afloat despite the difficulties.

Among the three brothers, Giuseppe was the one who devoted himself fully to the business. Over the years the business reached an increasingly high quality, despite the social and economic difficulties of Italy during the Second World War.

1.2. The 12th generation: surviving in difficult times, mastering innovation

Giuseppe Amarelli offered a significant contribution to the maintenance of the Calabrian licorice industry. In spite of Italy's socio-economic difficulties, the Rossano business managed to resist and progress through a technological innovation that was at the forefront for those times. Thanks to his intelligence, this man who managed to maintain a tradition with commitment and perseverance, exalting the progressive appearance achieved over the years. If it wasn't for him, the industry would have been disdained and relegated to being a historical relic that, for those times, was useless and of little interest on the national market.

In the second half of the 30s of the 20st century, licorice began to be used as a seasoning in tobacco tanning, and in the production of dark beer. It was also used as a sweetener in the confectionery industry and in the pharmaceutical industry, considering that the US law indicated it as the only permitted sweetener. The characteristics of glycyrrizia glabra, naturally 30-40 times sweeter than the ones that grows in other areas, makes it a precious raw material for the American industrial giants. The Mac Forber broke onto the market and, in a desperate attempt to grab as much raw material as possible, it offered farmers four times higher prices than the market at that time. Those prices were way too high for the small Calabrian companies, which were heading toward a crisis that, just before the second world war, led to the closure of almost all the characteristic "conci".

It was a difficult time for the Amarelli company.

Giuseppe, stubbornly resisted, engaging with the American colossus a battle that led him to offer farmers systematically higher prices. In order to achieve this and to keep the manure alive, he had to sell land, properties and even the old mill for milling olives. Surrendering would have meant the loss of their identity, the oblivion of the family, and the loss of their job for countless workers. At the outbreak of World War II, the Americans left, and the demand for licorice collapsed, leading to the suspension of the activity of the "concio". The period of the conflict was a rough time and the workers of the Amarelli business were employed in the factory as well as in the fields to farm.

At the end of the conflict licorice consumption skyrocketed. The Amarelli company remained the only licorice factory in Calabria and among the few in Italy, and could resume its activity with renewed commitment and attention to innovation.

In 1947 new steam boilers with a capacity of 120 cubic meters were purchased from the Gaito company in Milan.

At the end of the 60s the economic situation of Calabria was deeply depressed.

The Amarelli company too was going through a crisis, especially involving its identity. The business could not make the definitive transition to a contemporary entrepreneurial logic and Giuseppe, no longer very young, did not see great prospects for the future of the company.

At that time the Opera for the Valorisation of the Sila - public agency founded in 1949 with the task of promoting and directly carrying out the land and agricultural transformation of the Silan plateau - carried out a series of operations to acquire companies in the territory. The Amarelli company received an offer of three hundred million lire (a considerable sum for the time) for the sale of the "concio".

It was a lot of money but the family did not need it. Don Geppino, at the time the business' leader, was a tenacious man and, after a brief moment of despair, decided not to give up.

"I decided that I will not bind my name to the closure of an industry that has been operating for over two hundred years. So let's move on. To the bitter end. Let's start immediately to modernize, let's move back the activity in the old family home."

To resist and restart, the Amarelli had once again to sacrifice another part of the family patrimony, which was sold to find the financial resources necessary to support the investments.

It is in these circumstances that Giorgio, Giuseppe's second son, after an important managerial experience in Milan, began to take an interest in the family business and joined his father.

1.3. The 13th generation: history, culture and tradition at the roots of all-around innovation.

Giuseppe had two sons, Franco and Giorgio.

Franco cultivated his academic career and achieved the role of ordinary professor of Roman Law.

During university became friends with Pina Amarelli. After five years of dating and two years of engagement, they got married in October 8th 1969.

Pina was born in Naples in 1945. Her mother, Dina Corsi, was Tuscan and her father, Giuseppe Menga, was Neapolitan. Pina was the first of three daughters.

After the wedding, Pina went to Rossano Calabro for the first time and had the opportunity to visit the ancient licorice factory of the Amarelli family.

In the archives of the family business she found some beautiful ancient photos dating back to the 19th century that evoke the strong value of the family and factory in the Calabrian reality, symbol of the culture and entrepreneurship of the territory.

Franco and Pina had two children, Francesca Romana and Giuseppe.

In the 70s, Giorgio dated Pina's younger sister, Valeria and fell in love with her. They got married in 1973. Between the two families a particular association was established, nourished by the great harmony between Pina and Valeria. Another contribution to this fellowship was given by the fact that they lived in the same building, sharing constantly the same space. Giorgio and Valeria's children, Cristiano and Marco, grew up together with Francesca and Giuseppe.

In this family and business context, the idea of introducing new small packs to address new markets matures. Giorgio bought the first aluminum packages in England.

Pina had the intuition to use the images of the family archive to decorate the boxes, believing that the photos found in the family archives could be an effective communication tool, capable of evoking the value of this activity, of its great tradition and its link with the history of the territory. The images showed of a past that was gone, a cross-section of history, of material culture, through the representation of the landscape of Rossano and the illustration of moments of everyday life with children who cheerfully ate licorice.

At the beginning it was only a game, it used a Bolognese graphic to rework the images to be affixed to the packs. The breakthrough came from the meeting with the commendator Luigi Deserti, of the D&C of Bologna, distributor of giants such as Veuve Cliquot and Droste. The refined boxes of Pina triggered a spark in him, who became a distributor, putting them on a very high market.

The distribution of this new packaging on the market was accompanied by the decision not to market wholesale kilo packs anymore, since the cost had become unsustainable over time.

Meanwhile, the business continues to show a special attention to technological innovation. In 1975 Giuseppe, accompanied by his sons Giorgio and Franco, visited the major iron and steel industries of Europe. In 1977, thanks to a specialized technician, he introduced in the small business new stainless steel machineries that allowed to obtain a purer licorice, allowing the factory to make a significant leap in quality, bringing Amarelli to the forefront of technology in the sector.

In 1978, the company reappeared on the national fair markets, taking part in the Milan EXpò CT where it was awarded a gold medal.

In the '80s, the introduction of informatics technology made it possible to establish precisely the phases of boiling and extraction of the juice. Huge steel boilers supplanted the old “conci” and above all the use of a cutter replaced the work of 46 women. The Amarelli family business became even more competitive at national level and regains markets that seemed long lost.

In those years Giorgio had the idea of creating a Licorice Museum, to show to the public the copious material present in the business archives, giving testimony to the history of licorice, the family, the business and the territory that hosts it. The project took shape over time encountering, however, difficulties finding the financial resources. The project was criticized from various representatives who disagreed with the business's choice, considering it as an investment not useful from an economic standpoint. In fact, in those were years the idea that culture wasn't profitable was widespread.

Giuseppe's commitment extended beyond the business boundaries, addressing the social growth of the Rossano territory, to which he was very close. For this reason, not unlike his ancestors, in 1985 he was acclaimed Honorary President of the Cultural Association Roscianum, still active, which is concerned with safeguarding the cultural heritage of the city.

To crown his entrepreneurial career, in 1987, he received, from the Board of the Italian Chemical Society - Calabria Section, the Gold Medal for industry, to have anticipated market trends, to have invested in new technologies that would improve the quality of the product and to have renewed the extraction system of a natural derivative of alimentary and pharmaceutical use.

The prize came in a sad moment for the family: a year before Giorgio had died of cancer and the elderly don Geppino was grieved for the loss of his beloved son, who had been the major pillar in the continuation of the company.

Three years later, on January 17th 1990, the noble man Giuseppe Amarelli died in his beloved Rossano.

The bare ownership is joined to the usufruct, and all the sons of Giuseppe and Fortunato Amarelli become heirs of the company. A limited partnership is established in which Alessandro and Francesco each hold 25% while the remaining 50% is divided between Margherita and Alfonsina on one side and between Valeria, Cristiano and Marco on the other. Margherita (widow of Fortunato) as the oldest is appointed administrator.

With the death of don Geppino and Giorgio it is up to Franco and his wife Pina together with their cousin Alessandro to continue the family legacy, despite having chosen different careers. Franco put his legal competences at the company's service. Alessandro, a pediatrician, began to dedicate each day a few hours of his time to the company, taking them away from his medical office in order to coordinate and supervise the production and management of the staff.

It was a choral effort of the whole family, in which everyone put their time and talent on the table with the intent to honor and carry on Geppino and Giorgio's legacy. However their commitment wasn't enough to guarantee a future to the company, that needed a new leader. It was then that Pina, driven by the love and dedication that her father-in-law and her brother-in-law had transmitted to her, accepted the challenge and became the new soul of the business.

Pina focused on history and communication to further characterize the business. She dreamed of returning licorice to the status symbol it had in the XIX century England, imagining increasingly precious and special packaging, unique pieces with artistic pictures or with old corporate advertisements.

Her first participation in a television program arose the interest of the world of communication. The journalists asked her for interviews, she started collaborating with great journalistic cooking magazines, triggering a real media explosion around licorice, starring Pina Amarelli.

She started also a collaboration with the signatures of *haute cuisine*: Alfonso Iaccarino, Gualtiero Marchesi, Pinuccio Alia, Fulvio Pierangelini, Massimiliano Alajmo. That led to new interpretations of licorice, bringing it out of confectioneries and projecting it towards new horizons. New partnerships with companies that share Amarelli's values were born, which extended, strengthened and consolidated over time, allowing the company a worldwide visibility never experienced before.

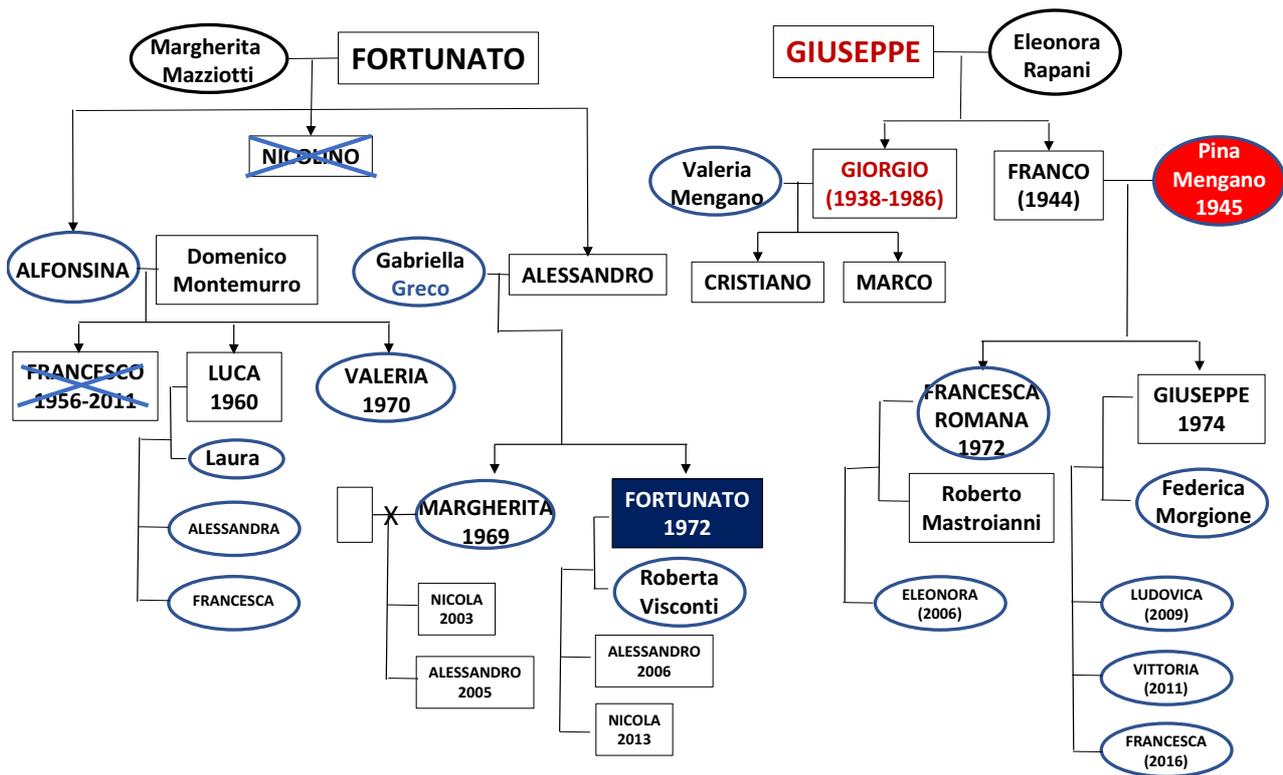
The years between 1990 and 2000 were a continuous sequence of successes for the business, which received many prestigious awards and prizes, never stopping to grow and improve, becoming known around the world.

The growth of the visibility also determines the growth of the revenue, which goes from 2,000 million lire of the 80s to 3,000 million lire in 2000, rising to 3 million euro in 2003. Small numbers, but they show a significant trend of growth for a traditional product with low added value.

Pina resumed the project of the museum, which had seen a setback with the death of Giorgio, and July 21st 2001 finally the museum, which was named after Giorgio Amarelli, was inaugurated.

On June 2nd 2003 Pina Amarelli was awarded - first and only woman in all of Calabria - by the President of the Italian Republic, Carlo Azeglio Ciampi, of the title of Official Knight of the Order of Merit of the Italian Republic, for having been able to combine business and culture.

1.4. The 14th generation: into the third millennium, preparing for the third century



In 1999, the administrator Margherita, elderly and tired, decided to leave office. With her resignation, the role of CEO is assigned to Fortunato, the twentyseven years old son of Alessandro, making him the youngest director in the family.

The choice to pick such a young director marked an unprecedented change in the history of Amarelli, breaking with the logic of seniority that had characterized all the previous generational transitions.

In this choice there is the desire to continue, to give a new face to the business, but above all there is the essence of the relationship between two generations who live and share business choices in perfect harmony. The search for personal affirmation is absent, the leadership is collegial, each member of the family thinks, discusses and evaluates every single decision together with the rest of the family.

The family sees in Fortunato important talents that are essential to exercise the role of the leader. Among these, the inclination to dialogue and comparison, respect for others, the passion, the ability to get involved, the identification in the entrepreneurial culture, the sweet and peaceful character.

Fortunato graduated in law: he attended courses at the SDA Bocconi and at the Loyola University of Chicago, where he was guided by John Ward. He took part in initiatives promoted by AIDAF (Italian Association of Family Businesses) which is the Italian chapter of FBN and the Henokiens. He felt ready to take up challenges, and put into practice everything he learned, but initially the absence of a specific role to be felt as his own weighed him down.

The opening of the "Giorgio Amarelli" licorice museum gave him the opportunity to get his own role and autonomy, the managing role of the museum. Assuming this responsibility was a test and he managed to prove himself in his own eyes and in the eyes of the family.

Fortunato Amarelli inherited an important legacy: to keep alive the values and history of his family business. At 36 was elected President of the Young Entrepreneurs Group of Confindustria of Cosenza, an important role of representative for the young Calabrian entrepreneurship. With his management, the history and the strengths of the past management are preserved, continuing along the path of innovation and in the active search for new challenges to face.

In the year 2000 his sister Margherita began to collaborate with the business. Graduated in Law at the University of Florence in 1995, with a Master in Marketing and Business Communication, she became the executive of the legal department and legal affairs as well as of the Italian and foreign contracts. Then, in 2002, she became the lead of the Marketing and Commercial area.

Along these years, the family business has achieved the growth targets it had set for itself. It strengthened the identity of its brand and increased significantly its market share and the new distribution positions.

From 2002 to 2013 it doubled the market share in Italy and its top item, the tin packs, exceeded the million pieces sold.

Margherita develops a marketing philosophy further leveraging on regional identity and the spectacularization of the business and its history, and transfuses it in the packaging and the new areas of web, social and blog communication.

From 2006 she assumed the responsibility of General Manager for foreign markets, starting a leap in quality and dimension in the process of internationalizing the Business. That creates an export division, supported by the figure of a professional who takes care of the openings in 21 new foreign markets, bringing the export quota to 25%.

Margherita becomes product manager for the development of new products in partnership with major Italian companies. In 2013, in synergy with Caffarel SPA, realizes a successful series of combinations of chocolate and licorice and, with the Fallani, of candies and licorice.

She was promoter of the project to make the business the spokesman of quality Italian licorice. She made Amarelli a partner of Eataly in 2006, telling and training consumers in the world and the new generations to the agri-food excellence, in the sites of New York, Chicago, Tokyo, Istanbul and Dubai.

Nowdays the Amarelli company is set up as a limited partnership, whose capital is shared among 11 members, with a staff of about 40 permanent employees, to which are added seasonal workers in the period of collection, reaching a number of approximately 200 employees.

With an annual revenue of about 6 million euros Amarelli is probably considered the most famous and important licorice factory in Italy with a notable international reputation, with the record among the oldest Italian confectionery companies.

1.5. Awards and affiliations

1.5.1. Awards and Prizes

Since last century, Amarelli has received multiple awards, prizes, and:

- 1987: gold medal of the Italian Chemical Society, for having been able to combine the most advanced technology and respect for the typical handicraft tradition.
- May 6, 2000: Pina Amarelli received the "Mela d'oro" (Golden Apple), a prestigious award named after Marisa Bellisario.
- February 1st, 2001: Pina Amarelli received the "Minerva Prize", awarded to women from the South of Italy who have distinguished in the areas of research, politics, professions, voluntary work and entrepreneurship.
- November 17, 2001:Guggenheim Prize - II Sole 24 Ore Special Prize - awarded to the best debutant company with the following motivation: "For the new commitment to enhance the corporate culture, in a particular area of Southern Italy, linking a long success story to the development prospects and involving local social actors in growth processes.
- June 2nd, 2003: Pina Amarelli was decorated by President of the Italian Republic, Mr. Carlo Azeglio Ciampi, with the title of Official Knight of the Order of Merit of the Italian Republic, for having been able to combine culture and entrepreneurship.
- April 2004 the Ministry of Posts dedicates a stamp to the Amarelli Museum of the thematic series "the Italian artistic and cultural heritage". Pina Amarelli receives the "Prophet in homeland" award at the Quirinale.
- June 2006: the President of the Italian Republic, Giorgio Napolitano, òhas signed the decrees with which, Pina Amarelli has been named Cavaliere del Lavoro for the food sector in Calabria, the first woman in this region to have had this honor
- 2006 In the Eurispes report "Nostra Eccellenza 2006", Amarelli has been awarded among the 100 Italian institutional and entrepreneurial experiences for process and product innovation and quality of organizational processes.
- 2007 Pina Amarelli is awarded with the Veuve Cliequot award.

1.5.2. Affiliations

Les Henokiens



MUSEIMPRESA



Comitato Leonardo



UISI



GEMELLATI UIST



AIDAF



AIDEPI



SOCI ONORARI CENTENARI

Associazione Aziende Storiche Familiari Campane.



2. The Licorice

2.1. Introduction

In the Euro-Asian area licorice has always been present within distinct traditions: like many other raw materials of animal, vegetable or mineral origin it has been used for medicare, dyeing, flavoring and preserving.

In the Mediterranean tradition, around the first century after Christ, Dioscorides was the first to write about licorice in his work "de materia medica" indicating it as a remedy for sore throat. In the Indian tradition, licorice gained more notoriety as raw material for the composition of a large number of medicines for the treatment of diseases of the respiratory system. It is in the Chinese tradition though that it acquired the greatest notoriety: in fact, the most ancient Chinese text of medicine in the world Hung-Di Nei-Jing, dating back about 5000 years ago, regarding its properties reads "preserves human life, maintaining the elastic body, helping to age over the years and not in the body".

Great characters such as, Hippocrates the father of medicine, have also spoken about it, saying that licorice is a good antidote against asthma, dry cough and other respiratory diseases. Theophrastus, universally recognized as the father of botany, praised it by associating it with the name Shiite, since the Shiites, an ancient nomadic people, consumed them in large quantities to be able to travel up to 12 days without water. It is also stated that Napoleon used it to relieve stomach pains before the battles and Jean Jacques Rousseau suggested to use it in his book "Emilio" as a way to educate children to a natural thing and not to spoil them with refined foods.

2.2. Uses of licorice

Finished and semi-finished products, obtained through the extraction of licorice root juice, are increasingly used in various industrial sectors, from food to herbal and pharmaceutical.

Nowdays, the food industry, namely the preparation of tablets, sweets, nougat, cocktails, liqueurs, grappa, licorice-flavored pasta, licorice ice cream, is the main area of consumption of these products, but there are also other relatively important outlets: the pharmaceutical field, for the

Tabella 1.1: settori d'uso dei prodotti di liquirizia

MATERIA PRIMA:	
Radici e stoloni	
PRODOTTI OTTENUTI:	
SETTORI D'USO:	
Dadini	Erboristeria
Radici naturali	Industria liquoristica
Radici decorticate	
Taglio tisane	
Macerato	
Polvere	Industria dolciaria Industria chimica Industria chimica farmaceutica
Estratto fluido	Industria farmaceutica
Estratto acquoso	Industria dolciaria
Estratto secco	Industria dei tabacchi Industria delle bevande

preparation of various products such as pills and syrups; the herbalist and phytotherapeutic, growing in recent years, thanks to the affirmation of a lifestyle that favors greater attention to preventive health and appearance, but also a healthy and balanced diet together with respect for the environment.

The licorice extract has many uses as well: in the industrial sector is used as a flavoring agent especially in the form of tobacco tanning for the manufacture of cigars, cigarettes or pipe tobacco; it's used as a coloring agent in the processing of dark beer; in the chemical field the pulp of the broken roots of licorice is treated with caustic soda to obtain a stabilizer of fire-fighting foamers

and the residue of this further operation is used in the preparation of substrates for the breeding of mushrooms and for the production of cartons from packaging.⁶

Currently, 40% of the Italian production of licorice roots, which is mainly Calabrian, is destined for the extraction of juice for the food industry; 35% of the production, however, is absorbed by herbal companies, 17% to the pharmaceutical market and the remaining 8% for second-tier industrial companies.¹

In the ancient herbalist texts, until the last century, licorice was one of the most mentioned remedies and one of the most widely used ingredients for medical use.

In addition to the traditional sectors of use (food, herbal, pharmaceutical), licorice has also found a place in phytocosmetics, a sector of cosmetics characterized by the use of plant derivatives such as essential oils, natural colors, dry extracts and fluids. In fact, thanks to the specific actions of glycyrrhetic acid, endowed with decongestant, anti-irritating, anti-inflammatory and sweetening properties, licorice is also widely used in dentifrices and mouthwashes for oral hygiene or for the treatment of gingivitis or stomatitis, in sticks for lips, in facial lotions, in intimate cleansers, in products after sun to prevent irritation and redness, and again as a component of soaps, shampoos and bubble baths.²

2.3. The production

The licorice production cycle begins with the cultivation of the plant and continues up to the realization of the finished product. To better understand its most important aspects, it is useful to distinguish the entire cycle in two phases.

Agricultural Phase:

Since licorice is a spontaneous plant, cultivation requires little care and limited investments.

In the few cases of cultivation, the agricultural phases can be summarized as follows:

- trenching: an opening of the ground is necessary, especially on clay soils, and it can be up to 70-80 cm of depth;
- manuring: it's necessary to enrich the soil with about 400 quintals of manure per hectare;
- plowing: at a low depth, about 30 cm;
- choice cuttings and transplantation: 18-20 quintals of cuttings per hectare arranged horizontally in the furrows at 15 cm depth and at a distance of one another of 40 cm;
- 3 years of cures: nitrogen fertilization with granular ammonium nitrate, cures against pests and possible irrigations in summer;
- on the 4th year there's the harvest: mowed the aerial part of the plants, the production moves to the grubbing and the collection of roots and stilons through plowing, first mechanical and then manual, in order to leave the roots less developed and deeper on the ground, in order to preserve the plantation for the productions of the following years.³

Harvesting begins in October, between the third and fourth year of life of plants, when the leaves, after the first rains, begin to dry in preparation of the period of vegetative rest, during which the rhizomes reach the maximum concentration of glycyrrhizin.

After harvesting, the roots are reduced into fragments of about 20-30 cm, dried up to 10% of moisture, assembled in bales and sent to the following processing stages.

The production of roots varies considerably in terms of quality and quantity in relation to numerous factors, some agro-climatic (nature of the soil, composition, humidity), others of a technical-cultural

¹ cfr. www.istat.it

⁶ cfr. Fardella G.G. - Privitera D., *Iprodotti della Calabria: il caso della liquirizia*, Lamffa Editore, Reggio Calabria, 1999.

³ cfr. Bosso B., *La liquirizia: conoscerla e coltivarla*. Edizione Agricole. Bologna. 1990.

nature (workings, alternatives, cultivation practices, collection). The hilly soils, being basically clayey, do not allow the development of the root, on the contrary the roots that grow in sandy and slightly alkaline soils allow the best production.

Overall, the average yield per acre ranges from 4 to 5 tons and each terraine produces a quality crop every 4 years.⁴

Industrial phase and processing cycle:

The industrial activity of the transformation of licorice, spanning from the processing of natural roots to the extraction of juice, dates back to the period between the end of the eighteenth century and the beginning of the nineteenth century. Back then this activity was allocated in the so-called "conci", the artisan and/or industrial companies located in the areas most suited to the cultivation of licorice.

Although in a different way and with more advanced technologies, the operation of industrial processing of liquorice roots is still divided into different phases according to the finished products and the sectors of use.

The first phase of the processing cycle is represented by the selection and cleaning of roots from soil and vegetation water, contained in the same roots for about 50% of their effective weight.

If the final product are the classic or decorticated natural "root sticks" for direct consumption, you must select the roots that are best suited for this purpose, both on the formal side, in terms of diameter, length and color, and substantial for qualitative content. The carefully selected roots are ready for drying, which takes place in the open air, depending on the season, for about 3-4 months.⁵

After this period of time, with special shears, the roots are manually cut into uniform sticks, left to mature in covered areas, in arcaded rooms, for about 2 weeks. After a further washing phase, they are decorticated and calibrated, according to the particular needs required by the sector of use, medium-large calibration for the herbal sector, thin for the liquor industry.⁶

The packaging generally takes place in one-kilogram bands, perfectly balanced, while the fragments of roots that are not perfectly regular generate the so-called "diced" and the "tisane cut".

If, on the other hand, the end product is the root extract for the production of semi-finished or finished products such as so-called "pastigliaggi", the processing steps following the cleaning and drying process take on very different connotations.

The first phase of processing consists in defatting and grinding of the roots through a "root shredder" in order to obtain small fragments, which are then defiled in the form of a uniform pulp.

The juice extraction takes place thanks to the water solubility of the substances contained in the roots. It occurs through more or less modern and automated systems which mix the paste with water, at high temperatures, that acts from solvent.

The extraction can take place with the discontinuous system, in which the extraction is carried out through a reactor, open or closed, provided inside stirrers. Those stirrers, moving, help the weakened paste to come into contact with the solvent liquid at a temperature of about 160 ° C. The

⁴ cfr. http://www.licorice.org/The Plant/the_plant.htm.

⁵ cfr. Fardella G. G.- Privitera D., *prodotti tipici della Calabria: il caso della liquirizia*. Laruffa Editore, Reggio Calabria, 1999.

⁶ cfr. Bosso B., *La liquirizia: conoscerla e coltivarla*. Edizione Agricole, Bologna. 1990.

extraction can otherwise take place with the continuous system, that employs the screw extractor or the carousel extractor. Once the juice has been extracted, the next processing steps are aimed at purifying and concentrating the extract itself, depending on whether the manufacturing company aims to produce semi-finished or finished products.

The purification takes place in large sedimentation tanks, in which the extract is left to rest in so that the slag is deposited by decanting on the bottom and can be subsequently removed. The concentration, however, occurs in large open containers with ladles that, at high temperatures, evaporate the water, bringing the juice to the optimum degree of consistency. At the end of this phase, the semi-finished product, black, dense and with an unmistakable fragrance, reached the right degree of cooling and is ready to be used for various forms of use.

In the confectionery industries, the process continues with the extrusion, that is with the spinning of the dough in special prototype machinery, allowing to give it the desired shapes and sizes according to the tablets they want to obtain, flavored with essences like mint or aniseed, or treated with molasses or arabic gum to give life to differentiated products.

In the production of sweets, the final processes of the entire production life cycle are: final drying, conducted in special rooms at a temperature of about 40 ° C, sterilization and polishing, which occurs exclusively with strong water vapor jets without addition of any chemical substance.

Nowadays the industrial processing of liquorice employs highly technological "know-how", mainly in the extraction phase, thanks to centuries-old knowledge and specific machinery that allow us to realize, even today, that perfect union between modern technology and ancient traditions.⁷

3. The Licorice Sector

3.1. International licorice trade

Licorice can be found mainly in southern Europe such as Spain, Italy and France and in Asian countries such as Mongolia, Iran and Afghanistan, Australia, Brazil. According to the authoritative Encyclopedia Britannica the best licorice, from the qualitative point of view, arises spontaneously in Italy, precisely along the Ionian Calabrese coast.

Germany is the leading importer of liquorice coming from developing countries, mainly followed by France and Norway.

The demand for licorice roots continues to grow in Europe, especially for the production of MAG sweeteners (monoammonium Glyzyrrhizinat).

China, traditionally exporter of roots and extracts, is becoming instead an importer. This is not only caused by an increase in demand, but also by lower supplies in China.

The French company EVD and the German companies Hepner & Eschenbrenner, Norevo and CE Roeper supply the majority of the European market for liquorice extract. However, most of the supplies come from mining facilities in non-European countries.

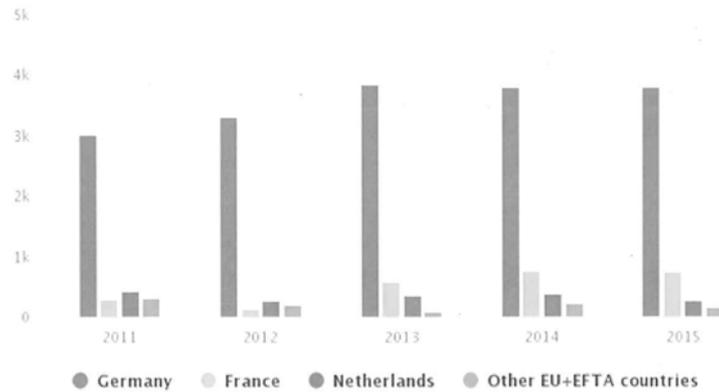
Spain and Italy produce a significant amount of roots, but the total production of licorice extract does not go beyond a few hundred tons.

Although licorice roots are grown in a large area that extends from Iran to China, mining is limited to China and Iran. The countries of north-eastern Europe account for most of the European licorice imports for use in food applications.⁸

⁷ Pulimeni W. - Calapai R., *liquirizia: impieghi e mercato*, Tesi di laurea discussa alla Facoltà di Economia e Commercio, Università di Messina, 2003.

⁸ cfr. dati Eurostat 2016.

Figura I.2: European Imports of liquorice from developing countries



Fonte: Eurostat 2016

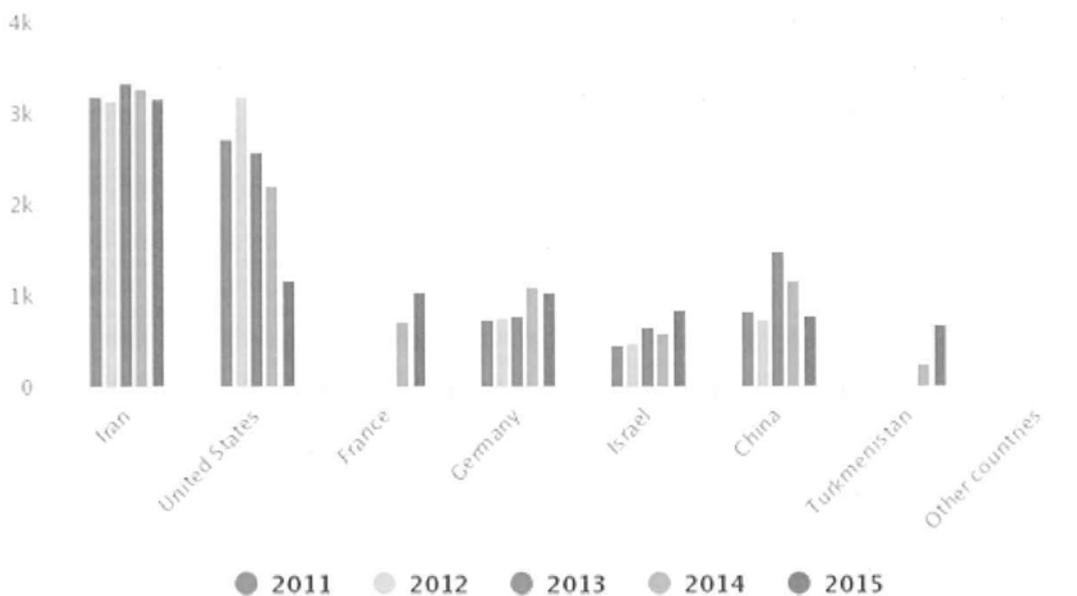
European liquorice root producers are not very competitive worldwide, as labor costs for collection are high.

Root collection takes place mainly in Central Asia (Iran, Turkmenistan, Afghanistan and China). Most of the mining facilities are located in Iran and China. However, Chinese licorice producers are increasingly turning their sales towards the domestic market. The analyzes carried out by the Eurostat institute show that Turkmenistan is an emerging supplier of licorice extracts.⁹

Licorice extract has a unique flavor profile and is difficult to replace, as a result, food producers continue to buy liquorice extract even when prices are high. Although the collection of licorice roots is very accessible, the extraction of liquorice requires significant investments. Furthermore, it is necessary to consider production instability linked to the climate and to the characteristics of the plant, which puts consumer materials at risk.¹⁰

The data previously exposed are shown in the figure 1.3.

Figure 1.3: Suppliers of liquorice to Europe



Fonte: Eurostat 2016

⁹ cfr. dati Eurostat 2016

¹⁰ cfr. CBI Competition 2016.

3.2. Internal licorice trade in Italy

The share of licorice cultivated in Italy, from a global perspective, assumes a marginal importance; in fact, as we can see in Figure 1.4, according to Ismea data collected through the economic observatory of official plants in June 2013, the commercial part of licorice, the root, has an annual use equal to 348,000 kg, for a total annual value equal to 814.329 Euro, so the average unit value of the licorice root is equal to 0.43 Euro / Kg, making it one of the first 40 official plants based on this parameter.¹¹

Figure 1.4: List of the main cultivated and cultivable species in Italy (2013)

n. progr.	nome comune	parte commerciale	utilizzo	n. progr.	nome comune	parte commerciale	valore
1	mirtillo nero	frutto	3.614.400	1	mirtillo nero	frutto	15.035.904
2	vite rossa	seme	2.439.600	2	zafferano	stigmi	9.828.000
3	ginkgo	foglia	2.160.000	3	vite rossa	seme	6.830.880
4	cardo mariano	frutto	1.920.000	4	ginkgo	foglia	6.458.400
5	finocchio	frutto	480.000	5	cardo mariano	frutto	3.494.400
6	passiflora incarnata	parte aerea	432.000	6	passiflora incarnata	parte aerea	2.950.560
7	camomilla	fiore	426.000	7	genziana	radice	2.106.000
8	cipolla	bulbo	360.000	8	camomilla	fiore	1.938.300
9	origano	foglia	360.000	9	valeriana	radice	1.716.000
10	rosmarino	foglia	351.600	10	cartamo	fiore	1.638.000
11	liquirizia	radice	348.000	11	rabarbaro	radice	1.321.320
12	asserzio romano	parte aerea con fiori	300.000	12	origano	foglie	1.170.000
13	aglio	bulbo	240.000	13	aloe	succo	1.146.600
14	coriandolo	seme	240.000	14	cipolla	bulbo	1.123.200
15	valeriana	radice	240.000	15	finocchio	frutto	936.000
16	anice	frutto	216.000	16	liquirizia	radice	814.320
17	melliloto	parte aerea con fiori	205.200	17	anice	frutto	786.240
18	carciofo	foglia	192.000	18	aglio	bulbo	748.800
19	rabarbaro	radice	184.800	19	echinacea angustifolia	radice	748.800
20	aloe	succo	180.000	20	asserzio romano	parte aerea con fiori	585.000
21	cartamo	fiore	180.000	21	coriandolo	seme	547.200
22	genziana	radice	180.000	22	rosa canina	frutto	546.000
23	ginepro	frutto	180.000	23	tarassaco	radici	514.800
24	fagiolo	baccello	123.600	24	angelica	radice	507.000
25	arancio amaro	pericarpo	120.000	25	malva	fiori	468.000
26	rosa canina	frutto	120.000	26	rosmarino	foglia	457.080
27	asserzio gentile	parte aerea con fiori	109.200	27	carciofo	foglia	449.280
28	biancospino	fiori e foglie	108.000	28	melliloto	parte aerea con fiori	400.140
29	melissa	foglia	72.000	29	escolzia	parte aerea	390.000
30	menta piperita	foglia	72.000	30	arancio amaro	pericarpo	382.800

Fonte: Assoerbe, FIPFO, SISTE

Regarding exports, according to the Ismea observatory, in 2011 the total of Italian exports of medical plants and their derivatives amounted to about 82 thousand tons with revenues of 413 million euros. Compared to total exports of agricultural and food products, the sector represents around 1.4%.

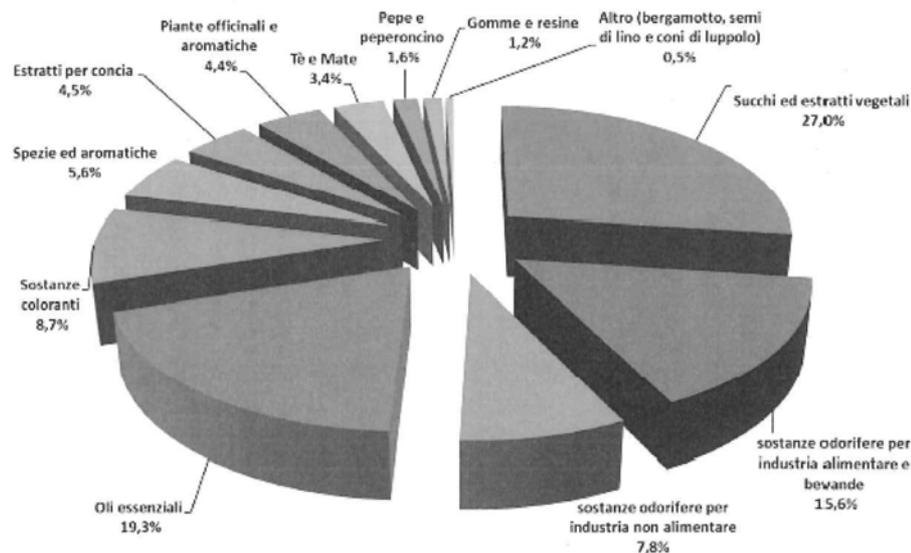
Among the most exported products, the main items are:

- vegetable juices and extracts, substantially including unspecified juices and extracts (CN code 13021980), licorice juices and extracts, excluding those with a sucrose content exceeding 10% (CN code 130212), carob beans and guar seeds;
- odoriferous substances for food use, which includes CN codes 330210 and 330290 (where it should again be reiterated that the products in this heading are not traceable to certain officinal species and their derivatives, nor to natural or chemical origin);
- essential oils, mainly essential oils not terpeneless of lemon and bergamot, but also that of orange;

¹¹ cfr. dati Ismea. secondo l'osservatorio economico delle piante officinali, del giugno 2013.

- spices and aromatic herbs and medicinal plants used mainly in perfumery, medicine or for insecticides and pesticides, that considered together account for about 10%.¹²

Figura 1.5: Prodotti agricoli e alimentari italiani più esportati



Fonte: elaborazioni ISMEA su dati Istat

The Italian region that mainly cultivates licorice is Calabria (about 80% of the total national production), especially along the Ionian coast. In this area the earth provides all that is needed in terms of climate and soil composition so that the plant, belonging to the family Papilionaceae, acquires the right content of glycyrrhizina, the active ingredient that characterizes its juice. The Calabrian licorice is exported to 25 countries around the world and according to the authoritative Encyclopedia Britannica in the 1922 edition "the best licorice is made in Calabria".¹³

Other regions that still grow Licorice in Italy are Abruzzo, and in smaller quantities Molise, Campania, Sicily and Sardinia.¹⁴

3.3. Competitors¹⁵

The Amarelli, establishing itself in a niche market, also owns a particular and carefully selected clientele that however deviates from the targets defined by the other companies operating in the market. Two hundred and more centuries of history have naturally subject the company to considerable and multiple changes in the sector, customers and companies.

According to a research carried out in 1997, more than a decade ago, the Italian licorice market was presented as follows:

¹² cfr. dati Ismea, secondo l'osservatorio economico delle piante officinali, del giugno 2013.

¹³ cfr. <https://www.britannica.com/>.

¹⁴ cfr. dati Ismea, secondo l'osservatorio economico delle piante officinali, del giugno 2013.

¹⁵ The information included in the present section has been taken from Vitetti A. (2011). *L'internazionalizzazione delle PMI: Il caso Amarelli S.A.S tra tradizione ed innovazione*. Tesi di Laurea. Università Luiss Guido Carli. Anno Accademico 2011-2012.

Principali imprese di lavorazione di radici di liquirizia nel 1996⁴⁸:

AZIENDE	LOCALIZZAZIONE NE STABILIMENTI	ATTIVITA' PRINCIPALI	FATTURATO (milioni di lire)	ESTERO	DIPENDENTI (N)
AMARELLI I.S.A.S	ROSSANO (CS)	PASTIGLIAGGI	3.000	35%	21
COSENTINO	CROTONE	ERBORISTERIA	600-700	-	4
MENOZZI DE ROSA S.P.A	ATRI (TR)	PASTIGLIAGGI	N.D.	N.D	52
PREZIA S.R.L	SIDERNO (RC)	ESTRATTI PASTIGLIAGGI	2000-2500	50%	7
SAILA S.P.A	MONTESILVANO (TE)	CONFETTERIA PASTIGLIAGGI	15000	-	264
RAO ERBE	SAN GREGORIO DI CATANIA	ERBORISTERIA	N.D.	-	3
ZAGARES E S.R.L	RENDE (CS)	ESTRATTI PASTIGLIAGGI	1050	10%	18
SILAGUM S.R.L	LAMEZIA TERME (CZ)	CONFETTERIA PASTIGLIAGGI	18000	50%	20

Fonte: elaborazione da Fardella, pg.37 grafico 4.6

As for the sales channels used by these companies, Amarelli and Cosentino relied mostly on dealers; Zagaresi to agents and to a concessionaire; Saila employed a direct distributive force with agents and representatives, while as regards the production of the Prezia company, it sold mostly semi-finished products to the confectionery industries, making a 50% of the turnover abroad. Naturally, since then, the situation of the companies competing in the Italian and foreign market in the licorice sector has changed consistently. Among the companies that have increased their market share, reaching a significant competitive position, we can mention:

Perfetti Van Molle.

This company was founded in 1913 in Lainate (MI): it was born as a small candy production business by Augusto Perfetti; his sons Ambrogio and Egidio sold the products of the shop in the district.

In 1946, the Perfetti brothers brought the family business to an industrial dimension by founding Dolcificio Lombardo, a company with 50 employees that after a few years became the Perfetti SpA. During the Italian economic boom, Perfetti was the first company to produce chewing gum, brought to Italy by American soldiers during the war and whose consumption was growing strongly; in 1969 the Brooklyn chewing gum was launched which, thanks to an effective advertising campaign, reached a 90% market share.

Towards the end of the '70s many new brands were created (Alpenliebe, Vigorsol, Happydent, Big Babol), made popular by advertising.

In the 80s the company began to grow and expand, acquiring Caremoli (under the GOLIA brand) in 1986. Gelco (Goleador) in 1987 and La Giulia in 1991.

The policy of foreign expansion started from Mediterranean Europe (Greece and Turkey), and then continued until the conclusion of commercial agreements with Van Melle, strong in Northern Europe and the East, whose subsequent developments were the entry into the ownership and finally the acquisition in 2001.

The Perfetti group, market leader in Italy and third worldwide in the field of caramel, confectionery and chewing gum, bought in 2006 the Spanish manufacturer of lollipop Chupa Chups for 440 million euro, realizing then in 2009 a turnover of 2,079 million euro with a workforce of 17 thousand employees. Among the brands belonging to PERFETTI S.P.A there are: Vigorsol, Alpenliebe, Big Babol, Brooklyn, Chupa Chups, Daygum, Frisk, Fruittella, Golia, Vivident, Morositas (...).

In particular, the brand that competes with the Amarelli company is represented by Morositas, which however is a licorice-flavored candy.

The group has its headquarters in Lainate (MI) and Breda (The Netherlands), while there are 35 subsidiaries in the 5 continents, of which 31 are also production units.

La Menozzi de Rosa.

In an ancient monastery, in Atri, already in 1836 the Dominican friars extracted the licorice juice thanks to the excellent quality of the roots that they collected in the surrounding area, while the Cavalier De Rosa organized the industrial processing of this legume and its derivatives.

In 1950 Aurelio Menozzi started a new business for the extraction of liquorice which later incorporated R. De Rosa into the current Aurelio Menozzi & R. De Rosa.

The processing of licorice is carried out with stainless steel equipment with the help of low temperature technology to fully maintain the purity and the organoleptic properties and not to burn the natural sugars and the thermolabile substances that make up the aroma¹⁶.

Even today, the core business of Menozzi de Rosa remains focused in the segment of the small basic confectionery industry, not forgetting what is the main product: licorice.

Saila.

The Saila Menta of Silvi Marina, in the province of Pescara, was founded in 1937 by the Barabaschi family. The name Saila which means "joint stock calabrian licorice company", was until 1994 managed by the three Barabaschi brothers.

The most privileged sector is the confectionery sector that produces mint dragees, licorice and fruit candies.

In 1994 the family decided to sell the company to the American multinational Warner Lambert.

The company from ABruzzo owned an extensive distribution network in the peninsula, a well-known brand thanks above all to robust advertising campaigns and a commercial organization based on advanced technologies, interesting elements for which the American multinational was in favor of the acquisition.

In Italy, Warner Lambert markets the Adams brands. among which the most famous product are the Malls cough candy, a \$ 400 million worldwide business. In addition, it sells sugar-free chewing gum under the *Trident* brand, the *Charms* and *Sanagola* candies. The purchase of Saila Menta is part of an extremely aggressive expansion strategy in Europe.

After this acquisition, the Saila was then bought in 2007 by the Leaf group, which also owns the brands Dietorelle, Sperlari and Dietor obtaining exclusive distribution for Italy.

In February 2012 the Leaf group then merged with the Swedish company Cloetta¹⁷.

Nature Med s.r.l.

The Nature Med s.r.l industry has its roots in the Zagarese industry, a company from Cosenza dating back to 1886. The processing of licorice in this family dates back to the seventeenth century even if the products obtained are distributed exclusively between relatives and friends. Only later the small family company Zagarese decided to expand by supplying its offer in the neighboring areas and slowly also to the other regions. With the new management it reached the necessary

¹⁶ <http://www.menozziderosa.com/italiano/>

¹⁷ http://en.wikipedia.org/wiki/Leaf_International

technological knowledge and decided to focus on quality and craftsmanship of their products. A product portfolio is therefore born, mostly related to the confectionery and pharmaceutical sector: the Zen line, particularly young, born for bars, tobaccos and GDO; the confectionery line, with the typical confectionery and caramel products deriving from liquorice; the pharmaceutical line, more organic; the herbalists line, reserved for natural products shops and liquors.

The new Zagarese, Nature Med, first worked for third parties, for prestigious brands already established on the market such as Saila, Pastiglie Leoni and others. Only later it opted for the direct marketing of its own brands, focusing on investments in research and development and on the search for new markets.¹⁸

Although this company, more than the others, by tradition and origin reflects very much that Amarelli, it differs mostly for the production that however does not provide high differentiation and remains linked to the primary business and also because it remains mostly anchored to the national territory.

Although licorice is a refined product, not appreciated by everyone and mostly connected to a niche positioning, its use in several sectors allows greater diffusion. The growth of competitors, the expansion of the reference market, the innovations and the differentiations that are associated with this leguminous, have allowed a rapid development of the market, binding the original producers that, in order to continue to maintain their position and being competitive, need to be constantly on the cutting edge and innovative.

4. Licorice Amarelli style

4.1. Licorice for tasting

4.1.1. Manufacturing: tradition and technology

Amarelli manufactures high quality licorice in a natural way, trying to perfectly link the craft tradition based on a centuries-old experience with the most modern industrial technologies.

Once upon a time there were boilers fired by wood to make the liquorice boil and the work done by men was enormous and tiring. The fire was fed with wood coming from the mountains of the pre-Sila or sansa coming from the milling of the olives of the same Amarelli family.

The root was crushed by hand with grindstones, which dates back to 1700 and is still functioning today, although it has been placed outside the production process.

The root so crushed was put to boil and turned continuously by hand.

Then it was made to solidify and placed on marble surfaces, where women worked it by hand with great skill and speed; sticks were made and cut into pieces of various shapes and dried in a stove.

Then it was packaged in boxes.

Nowadays the roots, chopped up by a special machine, pass through a series of very modern and computerized phases, while in the final phases of cooking we return to the artisan stage. At this point the production is still similar to what was described and illustrated by the great travelers of the eighteenth century, including the Abbot of Saint-Non. Of course there is no longer the direct fire under the big "bowl" in which the black paste boils, there aren't men who laboriously run the liquorice to solidify it, but there is still - next to the "basin" - a "licorice master" that controls the exact solidification point of the product.

Only through great experience, handed down from father to son for centuries, the licorice master can identify the exact moment in which the pasta has reached the optimal consistency. It is precisely for this reason that the company favors the employment of local people, creating a close bond of trust and mutual respect with its employees.

¹⁸ <http://www.naturemed.it/ita/storia.htm>

Dense, black, glossy and perfumed paste is brought to the desired shapes through a series of prototype machines which are the result of centuries-old company experience.

After having given the desired shape to the licorice, a further process is carried out: the polishing, which still occurs exclusively with the use of strong jets of water vapor, without addition, therefore, of any chemical substance.

At this point the licorice, bright and seductive, are ready to be packaged and distributed on the market in the famous metal cans.

4.1.2. Amarelli products

In an industry largely characterized by the presence of large companies, Amarelli has focused on a niche market, aiming at the highest level among licorice consumers.

Classic licorice

The "classic" portfolio of products offered by Amarelli includes everything that can be obtained from liquorice roots: the simple stick of raw wood, the pure liquorice with a natural scent or with an added aroma of anise or mint, the scented gummy liquorice all 'orange and purple and finally the series of confectionery liquorice products, from the classic "bianconero" to the highly sought-after "sassolino dello Ionio". It can be summarized as follows:

Spezzata	Liquirizia pura spezzata in pezzi regolari
Spezzatina	Tronchetti di liquirizia pura
Chicchi	Liquirizia pura in pezzetti tondeggianti piccoli e regolari
Favette	Liquirizia pura, aromatizzata con menta naturale, dalla forma appiattita
Rombetti	Liquirizia pura, tagliata in piccoli rombi con un aroma naturale di anice
Assabesi	Liquirizia con gomma arabica, aromatizzata con anice naturale
Morette	Piccola mora di liquirizia con gomma arabica e aroma naturale di anice o d'arancia
Senatori	Bottoncini di liquirizia con gomma arabica, profumati alla violetta
Bianconeri	Favette di liquirizia, pura alla menta, confettati con un sottile strato di zucchero
Amarellini	Favette di liquirizia, pura alla menta, confettati con un sottile strato di zucchero delicatamente colorate
Bastoncini	Radici di liquirizia accuratamente selezionate
Sassolini dello Ionio	Assabesi confettati con un sottile strato di zucchero delicatamente colorati

Fonte: elaborazione sui dati Amarelli tabella 4.4

New interpretations of licorice and collaborations

In the name of continuous research and constant updating and development of the product, Amarelli has aimed at expanding its horizons and entering different sectors from the core, with other products.

The factory offers today, in addition to the classic products already described, beer, liqueurs and grappa, jams but also refined tagliolini with liquorice aroma to amaze at the table with new flavors; as well as cookies, nougat, croissants, ice cream, dark chocolate and milk chocolate embellished with a heart of licorice.

The Amarelli brand is an univocal identification element of absolute strength, capable of evoking sensations of quality, trust, craftsmanship and territoriality. This is why the extension of the brand to market completely different products in addition to those just mentioned, such as shampoo shower or cologne water flavored with liquorice, is a winning product policy.

All these innovations, introduced progressively from the old Rossano house, are the result of a continuous search for new ways to attract the consumer, who becomes increasingly demanding but at the same time stimulated by the same company to try new sensations and satisfy new needs, previously non-existent, now hidden in new products.

The exploration of new sectors, however, requires specific skills capable of combining the Amarelli family tradition with the experimentation of new fields of activity.

This is why Amarelli has always been careful to cultivate and develop relationships of various kinds with companies in the same sector or other sectors. Case in point, the sodalices with shower shampoo or perfume companies as well as pasta or chocolate, to give birth to products that are totally new, but that have as a common feature: the unmistakable fragrance of the mythical Calabrian liquorice. This is how Amarelli collaborations are born:

Domori: company specialized in the production of flavored chocolate and cataloged product du cru. The collaboration with Amarelli has favored the production of liquorice flavored chocolate bars, available on the market in 45g packs through joint brand.

Fabbriche riunite torroni Benevento S.P.A.: Italian company specialized in the production of high quality nougat: from the collaboration the licorice nougat was born.

Pirro: Calabrian company producing special dried pasta and fresh pasta. From the collaboration with the Amarelli company has been created the pasta with the aroma of licorice, lemon or hot pepper.

Casa Guicciardini Strozzi: the company, which is sited in Siena, collaborates with the Amarelli company to create the "Grappa di vernaccia di San Gimignano".

Borsci: a liquor company that has produced in collaboration with Amarelli an exclusive liqueur with a delicate aroma and an intense licorice flavor, available in 500 ml format.

Officina Profumo Farmaceutica Santa Maria Novella: ancient and prestigious Florentine company producing perfumes, cologne and cosmetic products. Thanks to the combination of the knowledge of this company and the Amarelli's, new products were created with essence of licorice.

Azienda di sale Pugliesi Sarnelli: the product resulting from this partnership is liquorice salt.

Marvis: from the collaboration with Marvis the licorice toothpaste is produced, but it is marketed exclusively by the Marvis brand.

Amarelli's collaborations have given rise to co-branding cases that have proved successful thanks to the constant commitment, to the meticulousness shown in knowing how to combine craftsmanship and technology in order to put on the market a high quality product.

The business has also developed a relationship of scientific collaboration with the University of Calabria, where the departments of chemistry and biology are studying the new therapeutic

properties of licorice, in the wake of some studies carried out in China that have shown that the extract could be a carrier against cancer.

4.1.3. The Amarelli Market

Total production is about 500 tons / year and is absorbed by the Dolciario (40%), Herbal (40%), Pharmaceutical (15%) and the aromatic sector (5%).

In Italy sales are about 55% directly - in the FactoryStore in Rossano Calabro (about 25% of sales) and in the sales point in Naples - and about 45% through sales through agent, wholesale and points specialized external sales such as pharmacies, pastry shops, wine shops.

Abroad, Amarelli liquorice reaches 25 countries including France (where Amarelli products are on the shelves of Galeries Lafayette and Magasin du Nord), United Kingdom (Harrod's), Spain, Germany, Holland and the United States, and also in Japan and United Arab Emirates (export accounts for an average of 30% of turnover). Con la collaborazione con le firme dell'alta cucina la liquirizia Amarelli esce dalle confetterie per entrare nel settore dell'alta cucina firmata da grandi chef come Alfonso Iaccarino Gualtiero Marchesi, Pinuccio Alia, tanto per citarne alcuni.

In France, Alain Ducasse, the famous chef from Paris, inserts it in his creations. To enhance the products, Ducasse decided to exhibit the photo of the producers in a boutique boulangerie of sophistication.

This shows that licorice is appreciated not only for its goodness but for the centuries-old history it intends to transmit and which is a product of the land that found in the South and in particular in Rossano an achievement beyond the food market becoming, mainly, a spokesperson for a cultural message: enhancing the resources of its territory.

4.2. Licorice as a vehicle of the region's culture and history of

4.2.1. The Licorice Museum "Giorgio Amarelli"

The museum was wanted and imagined by Giorgio in the desire to show to the public a unique entrepreneurial experience, as well as the history of a unique product of the Calabrian territory. It occupies a good part of the ground floor of the Amarelli house in the homonymous district of Rossano and it was inaugurated in 2001, its construction was curated by the architect Giulio Pane.

The chosen guiding theme is the story of the family and of the company, through an exemplification of the moments and the most significant documentation. The visitor receives a variety of emotions from the biographies of the illustrious ancestors, from the ancient manuscripts with traces of the commercial operations of the seventeenth century (which highlights the remuneration of personnel directly proportional to the quantity produced, remuneration that still exists today) from the testimonies of the political vitality and the tools of domestic use, from the panoply of objects that evoke the costume of the countryside of the Rossano until a century ago. Some precious items of clothing, saddlery and period objects are a counterpoint in a symbolic environmental reconstruction.

The museum briefly shows the nature of the product, its evolution and the worldwide distribution and production of liquorice, with particular regard to Calabria. The narration then develops through the display of the processing systems illustrated by a production line, from the root bales to the

ancient manual tools and the first machinery, up to the modern steam extractors. It is also exposed an example of the complex accounting through which the management of a "concio" was held at the beginning of the nineteenth century.

The company's activity is then described through the most modern events, from the organization of marketing, to graphics, to the packaging of the product, to advertising.

A multimedia station allows the Internet connection to dedicated sites and the vision of corporate films that illustrate the production process and the company's history, also projected on the big screen.

The majority of the documentation presented comes from the company archives reorganized for the first time by Giorgio Amarelli (1938-1986) and reclassified by his brother Francesco. Other documents come from the family archive of Fortunato Amarelli (1902-1980), guarded by his son Alessandro, and a kind donation by Arturo Martucci di Scarfizzi.

Giuseppe Amarelli (1904-1990) was the one that preserved and cataloged the machinery: small ones have now been placed in the Museum spaces while for the others an adequate outdoor arrangement is imminent. Jacobella Martucci di Scarfizzi contributed with the donation of everyday objects as well as tools and relics of the homonymous "concio".

On November 17th 2001 the Museum was awarded the "Guggenheim Impresa & Cultura", the most important recognition in the museum area. The award was accompanied by the words: "For the new commitment to enhance the corporate culture, in a particular area of the South, linking a long history of success to development prospects and involving local social actors in growth processes".

In 2004 the Ministry of Posts and Telecommunications wanted to pay homage to the museum as part of a project to redevelop Italian cultural and artistic heritage, dedicating to it a postage stamp with a circulation of about three million representing a perspective of the fifteenth-century building.

In 2011, concurrently with the tenth anniversary, the museum was expanded with the opening of a new wing and a botanical garden connected to the licorice plant.

The number of visitors has grown systematically over time, from 3,000 in 2003 to 40,000 in 2009, reaching 60,000 in 2016, with a peak of about 1,000 visitors in a single day of August of the same year. The Touring Club mentions it as the second most visited business museum in Italy after Ferrari's one in Maranello.

At the end of the evocative free guided tour, visitors stop at the store adjacent to the museum to appreciate and buy the wide and varied range of Amarelli products.

The store had a revenue of over one million euros in 2016, contributing to the company's total revenue by a significant 25%.

Given the results, in 2017, the store's spaces have been expanded and reorganized with a project by architect Geo Lanza, transforming it into an immersive environment with videos, infographics and sensorial suggestions.

The new FactoryStore store, inaugurated on July 29th 2017, is another distinctive element of the company and it is only the beginning of an ambitious project which envisages the creation of a FactoryStore in every major city in the world.

4.2.2. Communicating licorice: a unique product closely linked to the region

The same heritage built of the region's history, culture, tradition and values that find representation in the museum, constitutes the pivot around which the entire communication strategy of Amarelli rotates.

The location in the region of each single ring of the value chain, from harvesting to the packaging, makes Amarelli licorice products a local specialty, as much as it happens for the lemons and Amalfi, the truffles and Alba, the parmigiano and Emilia. Pure licorice is a typical product characterized by the particular characteristics of the soil and the optimal microclimate that offers spontaneously the root of licorice recognized in the scientific texts as the best and sweetest over the world. Its processing and workmanship have been passed down from father to son over the centuries, forging specialized workforce with specific know-how and skills. This makes Amarelli a multigenerational firm not only in respect to the owning family, also in reference to its workers. Emblematic in this respect is what Raffaele Gallina, licorice master, over seventy years old, recalls in an interview: "Before me there was my father and before him still my grandfather. Many things have changed, but the fundamentals of manufacturing are always just the same, as it is for enthusiasm".

Amarelli communicates itself and its regions through a refined use of mass-media, be it the participation to a television or broadcast program, an interview released to the press, or a chapter in a book or an entire book. Also the participation to conferences, special events and fairs is intended as a vehicle of communication.

The firm takes part in different fairs in Italy and abroad, increasing the visibility and the notoriety of the brand through the exposure of its products, always accompanied by printouts – invitation letters, posters, brochures, videos – telling the story of its heritage, in tune with the style of the business' institutional brochure. Fairs bring the firm to the market, testing its ability to sale its products, but also its capacity to interact with the industry, the distribution, the restoration, the world of gastronomy.

The Internet plays a very important role in the communication strategy designed by Fortunato. The integrated system consisting of the corporate website and social media - Facebook, Twitter, and a Youtube channel - becomes a powerful channel to spread the knowledge of products, retailers, history, also offering details about the manufacturing process and constantly updated news. The business is currently engaged in cultivating relationships with the new opinion leaders of the food and wine market, such as food bloggers. By offering its products, the business gets visibility and reviews in return, together with new recipes suggesting alternative and innovative use of licorice.

This representation of culture also has an educational value towards future generations, as it helps to increase their awareness, sense of belonging, love for the business - and therefore, the desire to perpetuate it - and for the region.

5. The elements that characterize Amarelli's strategy

What made it possible for a small family business, disadvantaged by the isolation and lack of adequate infrastructure in Calabria, to resist wars and destruction, fights for the hoarding of raw

materials and competitive pressures, time and fashions, as to passing down the business for fourteen generations?

In the long business' history it is possible to distinguish periods characterized by different contexts and strategies, and yet united by three elements that have constituted the common thread: quality, link with the region, and innovation. In a vision and oriented to pursue the longevity of the business, preserving its identity and values.

For over a century, from the foundation of the *concio* (the plant) to the mid-nineteenth century, the business, relying on innovation consisting of the "invention" of the *concio*, enjoyed the natural superior characteristics of the raw material and the millennial culture of processing present in the region. It also took advantage of the improvement of maritime transport and tax concessions granted by the Bourbons to the businesses in the industry to grow and expand its market, reaching the capital, Naples.

The first crisis in the sector came with the unification of Italy; Amarelli leveraged the superiority of the raw material to establish itself on the international markets, first of all the English one, particularly demanding and therefore able to recognize and appreciate the superiority given to the product by the raw material of the best quality.

With the entry in the twentieth century, the rhythm of technological innovation changes, imposing the shortening of time intervals between one intervention and another. In the first three decades of the century, under the guidance of Nicola, the introduction of high capacity steam boilers, pumps and extruders improved the efficiency of processes, reducing costs and improving working conditions.

Giuseppe had to deal with difficult moments: the war on the price of raw material with the gigantic Mac Forber, the suspension of the activity of the *concio* during the Second World War, the deep industrial crisis of Calabria in the post-war period. During these years the sense of belonging to and strong link with the region is evident in its cultural traits, in continuity with the social and political commitment that had characterized the previous generations. The *concio* becomes much more than a simple production plant from which to make money, it represents a way of perpetuating the presence of the family in the region, of guaranteeing income and future for the families of the workers. To its survival, first, to its revival and modernization, subsequently, land, buildings, and other assets were sacrificed.

In this context, the business will be joined by Giorgio, the 13th generation. His era is characterized by a further acceleration of technological innovation, also experiencing the highest competitive pressure. A very challenging context, but also one in which the elements that characterize the business' strategy are combined in a more composite way, building the base of its resilience; ie its capacity over time to absorb and deal with challenges and changes in the financial markets, in the political and social environment, always reorganizing itself, and remaining sensitive to growth opportunities.

Surely it has been decisive an approach to business paying to economic and financial results, but tempered by a moral sense deriving from the very long relationship with the region, with the environment and with the people surrounding the business.

The fundamental strategies characterizing the business' strategy during the last decades - the one led by Pina and, subsequently, by Fortunato, can be summarized as follows:

- Attention to quality, and strategic positioning of the product that assumes the world elite as the target audience;
- Relationship with the region characterized by a double-wire relationship: Amarelli, over time, has exploited the microclimatic and soil resources, processing an infesting root and making it the core business of its economic activity; on the other hand, it has offered employment, development, recognition to the Calabrian area, what finds the highest expression in the museum exhibition and in the involvement in cultural events;
- All-round innovation, achieved through investments in machinery, advanced technologies and staff skills, in compliance with the artisan tradition; but also through innovation in management, product, packaging, communication, aiming to create a relationship with the customer through investments in person-to-person, one to one marketing.
If, until the 90s, Amarelli adopted a follower strategy - ie, liquorice was packaged in the Calabria sachet as the Saila marketed the Saila mint sachet - in those years Amarelli realizes to have distinctive skills and character and starts to leverage in them to build its competitive advantage.

The Amarelli brand has been synonymous with the most exquisite Italian liquorice in the world since 1731; an ambassador of taste and an ancient craft tradition, Amarelli still preserves the sense of an ancient processing, made of careful work and of wise experience, of entrepreneurial wisdom and love for its region.

The aim of Amarelli has always been to meet the new without breaking with tradition, the basic element of the success of the product. In the tradition we find Rossano's licorice culture, which for years has been an opportunity for work for the Rossano community and for all the inhabitants of the province of Cosenza, as well as being a source of pride for the economic history of Calabria.

All this has been accompanied by a wise management of succession processes. Lived in the past as a family fact, by virtue of which one became an heir and business leader as a mere consequence of being the son of the present owner, in the last generations education has received high and growing attention.

6. Challenges for the future

The author of the case interviewed Mr. Fortunato Amarelli, asking to describe the main challenges the business is facing for its future. Following, we report his views on this point.

We have to continuously adjust our business model to the changing business and market environment, where traditional distribution channels - as distributors and retailers - are more and more leaving the stage to a different type of intermediary. We have to leverage on the experience we are making through the museum and the concept store. We have to extend our direct sales channels, by making more and more robust our e-commerce business model. Clients are more and more using social media to socialise their experiences with our product, what is causing a significant growth in direct sales. Today 40% of revenues are generated through emails; only three years ago it did not exceed 10%.

E-commerce is evolving dramatically, not only in volumes, but also in the way customers approach buying online. They have specific channels through which they buy

products online, this not anymore the time of generic e-commerce models; people do not buy “on the internet”, they choose to buy on specific portals, the most renown of which is Amazon, that is building almost a monopoly.

To reinforce our online channels, we have to build a strong sense of community, with our clients around the world feeling part of this community, with a strong sense of belonging to such community, and valuing the possibility to feel in the proper place when visiting one of our stores or corners around the world.

We have to replicate the idea of the concept store in different attractive locations and cities around the world, and extend to those phisical environment the same perception of being part of a community that our family and the firm have built in the geographical area of Rossano over the centuries.

Also, we have to continue exploring new applications of liquirice, and ”contamination” of products, and the consequent partnerships, as we already did for many products, both food such as pasta, rice, beer, sperits, almond, and non food, as bathofoam, perfumes, essences, etc.

Another issue is for sure reorganizing, ownership structure and be prepared to transfer to the next generation a manageable and govewrnable business, more and better institutionalized, able to go ahead even in the case the family wants to take distance from daily management and keep ownership.

7. Aknowledgement

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