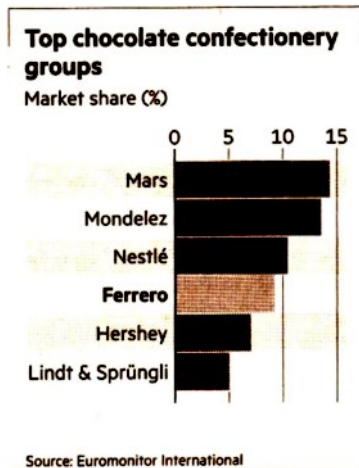


Talk of a listing as Ferrero aims to crack new generation of challenges



Series of tough tests ahead, including concern over health effects of chocolate spread

RACHEL SANDERSON — ALBA

In the Nutella factory in Alba, a tiny town in Italy's agricultural north-west, the air is filled with the smell of chocolate and the clinking sound of glass jars being pumped full of hazelnut spread.

Nutella also oozes its way through a production line at the adjacent Ferrero factory, where women in starched white coats examine small round wafers punched from hot dough that will become Ferrero Rocher pralines.

It is a candy paradise fit for Roald Dahl's Willy Wonka. His real-life equivalent, Michele Ferrero, the secretive genius who dreamt up Tic Tacs and Kinder eggs as well as the eponymous chocolates, died in 2015.

"Nutella is the heart of Ferrero," says Fernando Pensieri, 77, who worked for the privately held Ferrero for 37 years. He sits in Alba's pretty main square where, on a freezing morning in February 2015, thousands of employees crowded to mourn Mr Ferrero.

Two years after Mr Ferrero's death, both Nutella and the confectionery group he created are, however, facing new issues. These include changing consumer tastes — 'artisan' chocolates are in vogue — and concerns over the health effect of Nutella as well as the succession issues common to family-owned companies.

Nutella has made Mr Ferrero's family — including his widow Maria Franca and

son Giovanni — Italy's richest dynasty. Their wealth is estimated at \$26bn by Forbes.

The new generation is being forced to change. It has broken a ban on corporate acquisitions and appointed Lapo Civiletti, a long-time Ferrero manager, as its first non-family chief executive. There is even talk of a stock market listing.

But the core of the business remains the spreadable *gianduja* paste. Mr Pensieri remembers when Nutella's production staff spooned the gooey mix of cocoa, hazelnuts, sugar and vegetable oil into just 3,000 jars a year.

Now, it generates about €2bn in annual sales, a fifth of the Italian group's revenues, and is the world leader in chocolate spreads. Ferrero made €10.3bn of revenues in 2016, up 8.2 per cent on the year before, breaking the €10bn threshold for the first time.

Like many first-generation industrialists, Michele Ferrero swore off acquisitions — turning down the opportunity to buy Parmalat, a deal that would have doubled the size of the business. He also refused to consider a stock market listing.

Since his death, however, his heirs have sought to diversify the business, with small acquisitions including Thorntons in the UK, Belgian biscuit maker Delacre and, in March, Chicago candy chain Fannie May.

Guido Corbetta, professor of family capitalism at the Bocconi University, Milan, says Michele Ferrero was "obviously a great leader and designed the strategy and governance for Ferrero in a very personal way".

Giovanni Ferrero has developed a new strategy, as signalled by the acquisitions. "This was sort of taboo for the previous generation. It has demonstrated Giovanni has his own personality," Mr Corbetta says.

Analysts at Euromonitor say Ferrero continues to experience high growth in China and solid performance in many of its core markets, while gradually growing in countries such as the US and the UK.

The research group highlights "a failure to make huge inroads in the US despite the popularity of premium chocolate there". Plans by Mondoléz, maker of Cadbury, Toblerone and Milka, to expand its footprint in the US and China could also cramp Ferrero, the

analysts say.

However, Euromonitor says: "Its biggest threat is consumers becoming more conscious of indulging in sugary and fatty foods." In January, a tweet from Consumer Centre in Hamburg, Germany, supposedly showing the ingredients in a jar of Nutella — high in sugar and palm oil and low in cocoa and hazelnuts — went viral.

This followed a report in May by the European Food Safety Authority which said glycidol, found at its highest levels in palm oil and palm fats, was carcinogenic. EFSA said it could not recommend a safe level for the substance. Ferrero says it uses mild heat treatments when processing palm oil to keep contaminants to a minimum and that Nutella is an entirely safe product.

"You cannot pretend Nutella is healthy. It is not. It is like Nestlé, it is an indulgence," says Luigi Consiglio, a food industry specialist at management consultancy GEA in Milan.

Ferrero appears to be adapting to consumer trends — and also to the need for greater openness. Even opening its factory to the media is a sign of change. Michele Ferrero gave only one interview in his life — on condition that it was to be published after his death.

"I think only of Valeria," he said in the interview, given to Turin newspaper La Stampa. "Valeria is the mother who does the shopping, the grandmother, the aunt, the consumer who decides what to buy every day."

Mr Corbetta argues that the changes at Ferrero suggest "they are probably thinking of listing or going public". He says a listing is not needed for economic reasons but could help governance and ensure the future of the group.

That future will hinge on whether Ferrero, stock market listing or not, will be able to innovate sufficiently to persuade Valeria to keep coming back for more.

Si parla di quotare la società mentre la nuova generazione alla guida di Ferrero è costretta a cambiare

