How a small family company responded to developing a new product outlet in the Italian market.

**MFR SRL Rome: The Italian Family Business Affair**

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Background
In Italy the private sector economy is proportionately the smallest in the European Union and accounts for less than 40 per cent[1]. It is also remarkable for its large number of small and medium enterprises (SMEs) (90 per cent of firms employ fewer than 100 employees, the average number of employees in an Italian firm is 7.6). Throughout the European Union 99.9 per cent of companies are SMEs employing over 80 per cent of workers.

In Italy, the state still dominates business, although with recent plans this could dramatically change over the next five years – although the recent corruption trials and demise of the ruling Christian Democratic Party may speed up this process. Business is still dominated by the size of the state sector, the large number of family concerns that may have wider motives than just profit, and the small firms sector which provided much of the vibrancy and energy in the Italian economy in the 1980s and early 1990s.

This case tells the story of one small company – MFR SRL – and its entrepreneurial owner Massimo Frasca's response to developing a new product outlet for his energies and company.

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that Massimo Frasca had had the bulk of his experience. Entering this market would reduce potential problems to his business; he already owned the premises for the new activity, it would lower barriers to market entry, and give easy access to distribution channels linked to this field. Furthermore the prospects looked good since at least the costs would be covered for the new business during the early years of the product life cycle. However, in evaluating the maturity stage of the product in Italy and in other countries it was not possible to hope for any further growth within the market if all efforts were concentrated on this sole product area. It was therefore essential to develop new products to satisfy consumer needs and to meet the demands of a constantly expanding market.

The new product that Massimo Frasca was considering, and on which MFR had put in a considerable investment, was sun curtains for indoor and outdoor use. The opportunities matrix shows the product has both a high probability of success and high attractiveness. Therefore the choice of this product can be shown to have a “positive” positioning in the opportunities matrix (see Figure 2).

At the same time an analysis of the threats matrix shows a situation in which the level of competition was of such a nature that the product had a higher quality standard than the market segment average. At that time the high quality sun curtains were in the position shown in the threats matrix (Figure 3).
important feature offered with the product since the customer does not like to install the blinds himself.

The strength of Massimo Frasca was to offer a high quality product and service. This not only included the assembly of the sun curtains, which is often the case in the low level competition of this market sector, but also offering a warranty in terms of after-sales service. In the next section we can see how these marketing initiatives have placed MFR SRL within the market, and to what extent these targets have been reached.

MFR SRL – Birth and Growth
In 1986 Massimo Frasca and his family established MFR SRL, in which SRL is the equivalent of a limited company where the property of the company is separated from that of its members.

During the first five years of activity the MFR SRL was restricted to one activity area. The business required a series of further investments to become effective in reaching the critical mass in the marketplace. In Table I, assets, sales and income records of the company show the trend of MFR SRL from 1986 to 1992.

Since 1986 the business activities and sales of MFR have increased dramatically. Economic results have often suffered as a result of the wide and constant investment policies adopted by Massimo Frasca when managing his business. Two important stages can be cited; the first in 1988 when the agreement was signed for the production and distribution of sun curtains in the Rome area. This agreement was signed with the company market leader in Italy. The second was in 1991 when MFR SRL took over another outlet and started to sell sun curtains as well as wallpapers, satisfying a wide consumer range within the same outlet.

Due to the high costs of these investments in 1991, MFR SRL was affected by a consistent loss which was stemmed in 1992. The activities of the business have begun to generate profits and margins to cover fixed costs. The combination of wallpapers and sun curtains has also increased the overall sales of wallpaper. This is because the market leader for sun curtains who signed an agreement with MFR SRL has its own promotional campaign backing its marketing strategy.

This strategy consists in advertising the outlets associated with the brand, in such a way that the customer can select the nearest outlet. Using this advertising channel for sun curtains has indirectly stimulated demand and increased sales for wallpapers which are often bought in conjunction with sun curtains.

MFR SRL is currently developing a co-production agreement with a significant wallpaper producer, aiming to distribute a special range of papers on a national scale.

An Overview of the Italian Entrepreneur
It can be seen in this case that the history of MFR substantially reflects the life and stages of the development of its founder. The birth, the evolution and the present state of development of the company form...
part of the three main phases of the working life of the entrepreneur Massimo Frasca.

In examining his business life it is possible to highlight how the product was marketed by him. The wallpaper was developed in a form of generative continuity starting from when the firm was established under the supervision of his father to when it separated from the company managed by his brothers. The conflicts between the brothers created an impetus that led to a mutual understanding of how a business is run, and this gave rise to a new efficient and effective management style.

Conclusion

Family businesses do not always run smoothly and this can result in their eventual demise as siblings and family cease to agree a strategic direction. In MFR SRL’s case the company was born out of this conflict and the drive of the founding entrepreneur, Massimo Frasca. It shows the need to capitalize on market strength and the need to build effective distribution leverage in design-led consumer markets.

Reference


Further Reading


Phil Harris is a Senior Lecturer in the Department of Business Studies, and Uwe Jäkel is currently undertaking study in Business in Europe at the Manchester Metropolitan University. A. Frasca is a Graduate of La Sapienza University of Rome, Italy.

Application Questions

(1) How dependent on Massimo Frasca is MFR SRL for its future?
(2) How easy was it for MFR to move into the sunblind market? What advantages did they have?
(3) Is Massimo Frasca typical of the Italian entrepreneur behind SMEs?