

**PANE QUOTIDIANO:
TACKLING THE CRISIS BY INNOVATING PROCESSES**

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Pier Maria Ferrario, president of Pane Quotidiano (PQ), was contacted by a group of Bocconi researchers who offered their support to help him face the challenges and sudden changes that his association must face.

Therefore, he decided that the first thing to do was to show how Pane Quotidiano works and why managing its activities is so peculiar that the project outlined by Bocconi could aim in the right direction.

Key challenges include:

- Logistics: how to make the distribution process efficient and implement the product assortment?
- Volunteer organization: how to efficiently manage the volunteer both in terms of shifts and training programs?
- Managing communication of fundraising activities: how to better communicate PQ activities and keep media coverage high?
- Donor engagement: how to consolidate the donors base and open to new segments (e.g., large retailers)?

In addition, the president is concerned about the impact the recent pandemic has had on the association. Indeed, there are many open questions about the future of PQ, and in particular about how to address the constantly growing demand from those in need:

"We used to be poor for the poor people; we're not as poor today. We have more resources now and we are structured almost like a business, or at least we try to be... but that means managing more complexity and increasing expectations arising from the community. It would be nice to grow on the model of American NGOs, but instead we're much smaller."

Pier Maria Ferrario, President PQ.

The association has reacted very well during the first phase of the pandemic (March - June 2020), by reconfiguring its activities considering the restrictions. Now PQ is worried about the socio-economic consequences that may affect the local community when the economic consequences of the crisis will hit the community, with the risk that queues will increase further.

Ensure basic food supplies to those in need; every day, free of charge

PQ is a non-profit association that since 1898 supports those in need in the metropolitan area of Milan with two delivery branches, the first one opened in Viale Toscana and the second one activated few years later in Viale Monza. The core of PQ activities is the distribution of packaged, canned and fresh, food that suppliers (hereafter referred to as donors) provide to the association for free, typically as a form of charity or as a way to dispose of goods that are expiring, or unmarketable due to packaging defects. Throughout its history, PQ has adapted to the emerging needs of the community, changing its activities accordingly to the needs of its guests that are seeking and finding support in the work of the association and its volunteers. Today, due to Covid-19 restrictions, these goods are distributed in identical bags packaged in advance by volunteers.

PQ has currently 7 employees and more than 100 volunteers who manage the warehouse, packaging, and distribution of food for their guests on a daily basis. In 2020, the volumes of activity increased by about 15%, reaching one million guests served¹. Daily, are distributed 3000/3500 bags, each with an average unit value of 25 euros. The guests of PQ are fragile Italian and foreign people of all ages. Since PQ distributes packaged products (almost never ready to consume), the percentage of homeless people who turn to PQ is relatively low compared to other organizations. NGOs such as Caritas and Progetto Arca, for example, work specifically for this segment, therefore distributing cooked meals and services focused on different type of needs (hygiene kits, blankets, sleeping bags, etc.). Luigi Rossi, Vice President of PQ, notes that in recent months the number of users has increased, as a proof of the deterioration of the socio-economic conditions of the areas in which PQ is established:

"Over the past year, we have assisted to an increasing number of younger Italian people (ages 40-60) in the queue."

PQ provide assistance also to many disabled people who need support for the purchase of foodstuffs: recently a home delivery service has been introduced specifically for these people, consisting in a weekly package sent directly to the user's home.

Organization of Pane Quotidiano (PQ)

Goods management

Alberto Giusti, logistics manager of PQ, explains that warehouse management of PQ is unique and very interesting to explore: you cannot put pressure on the supply side, organize the distribution of products according to a FIFO logic; very often large loads arrive and they need to be distributed quickly because of their expiration date.

PQ thanks to the incredible work of its volunteers and employees manages to distribute more than 2,000,000 kg in products and more than 550,000 liters in beverages and milk per year.²

Every morning two drivers collect goods across Lombardy and beyond; to the pallets collected on the territory we must add also those delivered directly to the gates of the headquarters in Viale Toscana, often without too much notice or details about the type of goods.

¹ Distributed in the two locations of PQ: 55% distributed in Viale Monza and 45% in Viale Toscana

² 2020 data

Incoming merchandise is registered in the management software that automatically clusters products into 15 item families (item type, description, volume, and expiration date); based on their expiry date and variety required for the guests' bags and packages, products are assigned to a specific distribution timeframe:

"the management system implemented a couple of years ago allows us to minimize waste because we have visibility of all the products and their expiry dates!"

Alberto Giusti, Logistics Manager.

Ensuring well sorted bags, that is a good mix of different foods and nutrients, is becoming quite challenging since many donors have reduced the average volumes they confer, often creating an assortment crisis for PQ. The creation of a balanced and complete bag is the object of PQ personnel and, although desirable, this is not always achievable. As Alberto Giusti, Logistics Manager, testifies:

"Making a balanced mix for bags is becoming increasingly complicated, companies are running at 70-80% of their production capacity due to the commercial stress generated by covid. This figure concerns us. "

Moreover, from the volunteers' side, the need for coordination between the different functions emerges; as Alberto Giusti, Logistics Manager, confirms:

"Warehouse activities need to be in strong coordination with distribution and supply. But because these are structurally variable, it's often complicated!"

Distribution management

The distribution in both local branches takes place every morning from 8.00 to 11.00, Monday to Saturday. For the coordination of these activities there are three shifts of volunteers, with very different characteristics, both in terms of composition (number, average age, and experience), pace of delivery and thus productivity. The shifts are organized as follows:

- Mornings: the largest team is made up of permanent and mainly retired volunteers, usually more available in the morning hours of the week. These are coordinated by Claudio Falavigna.
- Afternoon: the group of volunteers coordinated by Sara Villa, is composed mainly of young volunteers. The main activity is to support the distribution of the next morning. Volunteers take care of the portioning, the composition of the packages for the disabled (delivered once a week directly to their homes), the storage and the filling of the bags for the following day. A volunteer takes care of the cleaning of the entire site.
- Saturday: team composed of workers who only manage to take part in the association's activities during the weekend.

The groups of volunteers are heterogeneous and include students, workers, retirees, resources from UEPE programs and volunteers from the queue, regular guests who in case of need are involved in the management of distribution activities in exchange of an extra portion of food.

"During the pandemic, Pane Quotidiano proved its resilience by reorganizing quickly; we didn't stop for a single day."

Alberto Giusti, Logistics Manager

In fact, while the restrictions imposed by Covid-19 led to the interruption of PQ's ordinary activities for a couple of months and its closure to the public, the warehouse never stopped collecting and receiving goods. During the months of closure, PQ continued the collection of foodstuffs that were then donated to several Lombardy municipalities thanks to the coordination with the Civil Protection. In the meantime, the distribution processes have been totally redesigned in order to return fast to serve the community at full capacity.

Table 1. The effects of the pandemic on the patterns of distribution

Pre covid	Post covid
Distribution occurred by following a route within the facility. Guests entered the two braches, in spaces dedicated to distribution, and followed a pre-defined route in stages where at several points volunteers filled their bags with goods belonging to different families of products.	Volunteers arrive well in advance of the opening and distribute between 6-8 locations to prepare bags with identical contents for all guests. Preparation begins the afternoon and morning before distribution. The bags are distributed to the guests at the entrance and this generates a long line along Viale Toscana, and similarly at Viale Monza.
PQ had a collection point at the Milan General Market to collect fruits and vegetables that were transported to the warehouse, processed and sorted for distribution. There was great range of product available however the process was inefficient; on average 70% of fruit and vegetables collected was thrown away.	PQ has stopped picking food at the general market. Today, fruits and vegetables are donated from specific non-governmental organizations such as Emilia Romagna. Only homogeneous pallets arrive (e.g. only oranges) but they are distributed completely (up to 99% of the supply).
Volunteers on the morning shift were primarily retirees.	Due to the spread of Covid, most retirees (the largest and most at-risk category of volunteers) have stopped volunteering. In their place, many more workers who lost their jobs because of Covid come as volunteers. Now the situation is slowly going back to normal.
Volunteers would arrive just before the guests in order to set up the activity and distribute the food items among the various distribution stations.	Volunteers arrive earlier than guests. Interactions with the rest of the team and guests is kept to a minimum for social distancing purposes.

Source: interviews data, April-June 2021

The main issues of the distribution management relate to the coordination of the different divisions. Being an association, PQ leverages on its volunteers and this makes it highly dependent on the time availability of these people, with the complexities that this entails. For example, all communication from and to the volunteers occurs through different channels. It is extremely complex to coordinate shift changes, confirmation, modification and cancellation of attendance:

"Every week I try to organize shifts, but at all times I get WhatsApp messages from volunteers asking for changes or notifying me of absences. "

Claudio Falavigna, Volunteer Coordinator - morning.

Furthermore, PQ doesn't have an updated database of volunteers with automated recording of their attendance, availability and also registration of additional skills that if known could be exploited to bring value to PQ. Today there is only an Excel spreadsheet with general information and contact details.

"If we could map the skills of each volunteer, we could make better use of their time."
Sara Villa, Volunteer Coordinator - afternoon.

The acquisition of new volunteers also requires more automation. Almost the entire recruitment and selection process is managed manually causing missing applications and unstructured follow-ups resulting in inadequate understanding of the type of commitment expected.

Sara (volunteer coordinator - afternoon) points out that *"it is complicated to follow up new requests especially in times when there are more applications than places available to become volunteers, it would be useful to digitalize this step better"*.

Moreover, there is no structured *onboarding* process for new volunteers, who because of this, do not have a basic knowledge of PQ's values and rules. This may lead to problems among volunteers - colleagues and users:

"Our user base is composed mainly of fragile people who live difficult lives; it would be useful to train each volunteer on soft skills so that they know how to interact with guests; these people deserve it".

Claudio Falavigna, Morning Volunteer Coordinator and
Sara Villa, Afternoon Volunteer Coordinator.

Management of relations with suppliers

PQ's operations depend heavily on the quality, frequency, and variety of food products supplied by food manufacturing companies at no cost. Suppliers can be divided into two main categories:

1) Organizations such as AEPA or Emilia Romagna: these entities issue tenders addressed to food companies asking supplies for distribution and, therefore, with specific conservation characteristics (long expiry date) and varieties (basic food products) in order to suit this purpose. Fresh fruit and vegetables arrive from these channels.

2) Manufacturing companies in the Food & Beverage segment make up the remainder. Food companies mainly deliver products close to expiration or unsold seasonal goods (in periods such as Easter and Christmas). These goods tend not to have high variety, or predictable expiration dates and volumes. Giulio Magistrelli, PQ consultant for many years, points out that:

"Often large quantities of sweets or snacks come in...and in an ideal world we would try to create a 'healthy' bag, but the reality is that we have to work with what we have and often are these 'seasonal products' that allow us to fill up the bags and increase the variety."

In its 100+ years of activity, PQ has developed a network of "friendly", loyal businesses that send expiring food or food donations every day. The group of supplier companies is vast and 50% of them are extremely volatile. As Pier Maria Ferrario, President of PQ, points out: *"Pane Quotidiano never says no to a donor. So, you take in and distribute whatever comes in."*

The relationship with supplier companies is crucial, especially now that according to Alberto, Logistics Manager, *"companies are reorganizing their production to reduce waste: this year*

we have seen an increase in guests on one hand and a partial reduction in volumes of regular supplies on the other hand."

However, the management of supply relationships occurs in a completely informal manner:

"We call to ask if they have anything to give us, but it's all about relationships with companies and indeed the trust we build. Right now, unfortunately, we don't have someone who is completely dedicated to cultivating the relationships with the donors."

Luigi Rossi, Vice President

Donor companies certainly give their goods to support PQ and other associations with a similar mission, as an act of charity, but in the meantime, they also benefit from the regulations of free food donations to non-profit organizations (see Box n.1). Pier Maria Ferrario, President of PQ, illustrates in detail the economic advantages deriving from donations and the lack of knowledge that sometimes prevent companies to donate:

"We try to increase the number of donor companies by explaining them the fiscal available they can access. It's well known and we're not shocked: the fact that charities bring economic benefits to companies (tax incentives, free warehouses, zero disposal costs) is good for us too!" -

Box n. 1: Tax regulations on the transfer of foodstuffs to NGOs

Tax regulations allow companies that produce or market food products to transfer free of charge to NGOs those products that for any reason cannot be sold on the market (foodstuffs that can no longer be marketed or are not suitable for marketing due to lack or errors in packaging, labelling, weight, or other similar reasons, as well as the proximity of the expiry date), taking advantage of a tax benefit. Such disposals are not considered as generating revenues and therefore do not contribute determining business income. There are no maximum limits for this tax relief, either in terms of the quantities donated or their value. For VAT purposes, moreover, such free transfers are exempt from tax, with the additional benefit of not having to pay tax on donated goods.

Source: panequotidiano.eu

Donors

PQ has grown as demand from the community has increased. This effort is rewarded by businesses and individuals who fund its activities, enabling its operations and the development of new services to better meet emerging needs of those in need.

Among members, there seems to be a strong sharing of the association's founding values:

"I am a member of PQ because nothing is wasted here, not a penny is spent on activities that do not serve the very reason for PQ's existence."

Roberto Gallarini, Auditor.

Donors include both businesses and individuals. The mix of donations in 2019 was composed of 45% from testamentary bequests (real estate and donations) and 45% from oblations (donations from companies and individuals); the remainder from donations from various entities, voluntary donations to NGOs based on income levels (e.g. 5xmille), events, memberships etc.

PQ does not have an organizational chart and lacks an organizational unit that is actively and stably dedicated to the promotion and the communication of PQ activities: *"We have existed for many years, when people write their wills, they remember PQ because we have been around forever in Milan; it would be useful to communicate the great work carried on every day in a more structured way. Today it is important not to lose the media coverage we reached during the pandemic: the reorganization of distribution forced PQ to move part of its activities (the queue) outside, thus allowing the surrounding community to "notice" how much the emergency was exploding and us... even if we will no longer have a queue, we must make sure we are recognized"*.

Roberto Gallarini, Auditor.

As Claudio Falavigna, Morning Volunteer Coordinator, also reports: *"Nowadays people only think about what they have seen on social networks; PQ should work more in this sense, it would also be a great tool to attract new volunteers"*.

Innovative activities and paths of change in progress

PQ staff is wondering how to improve in order to grow and ensure the resilience of the organizational model.

Among the most innovative ideas under discussion is the PQ mobile project, on wheels distribution units to increase the capillarity of interventions. The required authorizations are already in place for this activity, but some important choices regarding the new distribution model are still under discussion:

"We know there are many areas of Milan that would benefit from the presence of PQ, hence the idea of creating mobile distribution points to reach areas not currently covered by the service. Not all residents are in the physical condition to cross the entire city to access our services."

Roberto Gallarini, Auditor

The president, Pier Maria Ferrario, personally in charge of the project PQ mobile, is reflecting on which vehicles (size, number) would be best suited for this purpose, with which frequency and capillarity to organize the service.

The two current locations have undergone restructuring and reorganization in recent years. However, the Viale Monza location is now the subject of a renegotiation with the City of Milan for the use of the space. As told by the auditor, Roberto Gallarini: *"the contract governing the transfer of the right of using the space in Viale Monza granted by the municipality of Milan is due to expire in September 2021. The maintenance of the same is crucial to ensure the continuation of community support in that area of the city ... we cannot afford to close one of the two locations"* - urges the auditor.

Conclusions

To date PQ boasts a long history of solidarity and support to the local territory, fueled by the constant desire to be close to its guests. The sudden growth in demand experienced by PQ has undoubtedly generated an incremental organizational model to which some of the difficulties faced by volunteers and employees today can be traced.

The lack of a structured organization chart, of dedicated figures to deal with crucial functions such as the management of suppliers, the management of communication campaigns and fundraising are certainly the result of an ongoing process of growth with respect to which the organization has not yet evolved.

Another symptom of this can be found in the fact that the growth in monetary donations seen between the end of 2020 and the beginning of 2021 is attributable almost exclusively to the crisis caused by the pandemic and not the result of targeted communication activities.

This is compounded by high variability in food donations as well, which puts stress on PQ's ability to create varied mixes and cope with increasing demand from guests.

As the president dreams to see no more lines at the gates of PQ, he also wonders how to address the critical challenges discussed. He accepts the invitation of Bocconi researchers who will organize a workshop on PQ's innovation strategy. In particular, the workshop could be the place to discuss questions such as:

the focus of the distribution must remain Milan? Does it make sense to try to replicate the model in other Lombardy cities? Could this bring efficiencies?

How to foster a shared PQ culture? How to empower volunteers?...

As for the identification of new ideas to innovate the operating model of PQ, the association has also accepted the proposal to launch an Innovation contest to the community of Bocconi students. The contest will be structured in several thematic areas (call for ideas) collected, selected and developed thanks to the support of ICE SDA Bocconi. While the University's accelerator, Bocconi 4 innovation (B4i) will be involved in the acceleration phase of the most interesting ideas.

The call strands will therefore cover the following areas of innovation:

- Logistics: how to make the process efficient and how to implement bag assortment?
- Organizing volunteers: how to be competitive in attracting volunteers? How to better organize shifts and avoid vacancies? How to transfer PQ values to new members and ensure proper selection and training for volunteers?
- Communication of fundraising activities: how to better communicate PQ activities and keep high the level of attention received during the COVID-19 pandemic?
- Donor engagement: how to consolidate the supply base and open to new segments (e.g., large retailers)? How to better communicate PQ impact and activities in a scalable way?