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The Social Research and Corporate Reputation Specialists

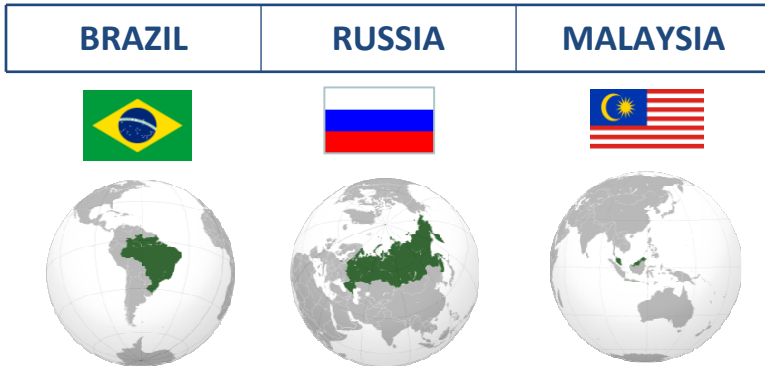
***NEW MARKETS
AND ITALIAN-MADE
PRODUCTS:
HOW OTHERS SEE US***

Rome, 12 July 2012



Methodology and sample

- **70 interviews were conducted** (in depth and semi-structured):



- **The sample consisted of opinion leaders with various backgrounds:**

- ⇒ Academics with expertise in exporting and economic matters
- ⇒ Specialised journalists
- ⇒ Representatives of business associations and business service companies
- ⇒ Entrepreneurs/managers

- **Subjects involved:**

- ⇒ (majority) non-Italian opinion leaders residing abroad (or in some cases, in Italy)
- ⇒ (minority) Italian opinion leaders residing both abroad and in Italy

- **Field: May-June 2012**

RELATIONSHIPS WITH ITALY AS A COUNTRY



Italy as a country: general goodwill

- Relationships with Italy are considered generally positive; local OLs are well-disposed towards Italy

- % Completely positive
- % Sometimes negative and sometimes positive
- % Completely negative
- % Generally positive
- % Generally negative
- % No answer



Basis: total interviewees

NOTE: values given are net of the "no replies"

The beauty and importance of Italy's history, art, culture, and landscape

The warmth, creativity and entrepreneurial spirit of the Italians

Italian products and brands that enhance the country's image and give it prestige (quality, style, uniqueness...)

Italy's ability to maintain a significant role in the world economy

Membership of the European Union, which guarantees quality standards and reassuring regulatory frameworks

The absence (or minor importance) of conflictual relationships with Italy

Italy as a country: there are some critical issues

However, some important critical issues are also highlighted, which affect the perception/reputation of Italian business:

- The combination of ***economic crisis + weakness and instability of the Italian political context*** (Italy is more at risk as compared to Germany)
 - ⇒ accentuates doubts about the reliability of Italy
 - ⇒ feeds the worry that the *quality* of Italian products could be affected
- The deterioration of Italy's image and public/institutional credibility, due to various **scandals** given prominence by the international media
- A complex and **highly bureaucratized** political and administrative system
- A ruling elite that has come to lack dynamism, and a **hierarchical system based on seniority** (more than on merit/effectiveness)
- Room for improvement in foreign policy with regard to attentiveness towards Brazil and Malaysia

“Italian foreign policy does not have a very significant presence in Brazil. Intergovernmental relations are certainly not up to the same standard as the socio-economic and trade relationships” (OL ITA Brazil)

HOW ARE ITALIANS SEEN IN BRAZIL, RUSSIA, AND MALAYSIA ?

	BRAZIL	RUSSIA	MALAYSIA
ITALY	<ul style="list-style-type: none"> • Good trading relationships. • Cultural affinity. • Lukewarm diplomatic relationships. 	<ul style="list-style-type: none"> • An excellent trading partner. • Good diplomatic relationships. • Perception of excessive bureaucracy • Concerns about the economic crisis. 	<ul style="list-style-type: none"> • Few connections → stereotypical knowledge. • Weak institutional relationships. • More significant levels of investment expected • Positive perception of luxury goods, design, fashion, lacking for other sectors.

GERMANY	A reliable partner, More rigid and less “friendly”
USA	A strong partner, Colonialist approach
JAPAN	Reliable and well-organised Too much formalism
CHINA	A good trading partner, Regulatory framework is not completely reliable and fair

COMMERCIAL RELATIONS WITH ITALY



Commercial relations: In general, relations with Italian firms are seen as **positive**

Positive aspects

- **Adaptability, problem-solving** → openness in overcoming barriers and in knowing how to better satisfy demand;
- **Good communication and interpersonal skills:** empathy, informality, warmth
- **Italian SMEs**
 - ⇒ offer advantages in terms of flexibility, both in terms of products and relationships
 - ⇒ can integrate synergistically with the local manufacturing system and are more adaptable to it

Commercial relations: *all the same, there are some limits*



- An approach to export that is still immature
 - ⇒ a **"grab it and run" attitude** → dissatisfaction in the after-sales area
 - ⇒ difficulties in delivering larger **quantities**
 - ⇒ **scarce attention for cultural/linguistic peculiarities** → few Italian companies speak the local language/have websites in the local language
- Reluctance of (family-run) firms to grow and exploit economies of scale (unwillingness to create a unique "system")
- General absence/inadequacy of Italian **mass retail channels**
- **Excessive informality** in relationships, sometimes seen as lack of respect
- Scarce attention in **recognising the importance of the interlocutor**



- In terms of a "system of relationships", **poor incisiveness of the state/state institutions in effectively sustaining exporters**
- **Excessive fragmentation-destructuring of institutional bodies** whose role is to sustain the export of Italian products → poor efficiency/effectiveness of the activities of these bodies

THE IMAGE OF “MADE IN ITALY”

Values associated with “Made in Italy”



and as a result

the interchange of values between brand and country becomes relative

these firms are not always associated with Italy and have no connotations of Italian-ness...

Only the **more traditional sectors** are transversally associated with the “Italian product” idea

- Strong equity and uniqueness
- But no offer for middle income groups

- Sector associated mainly with Germany
- No recognition for Italian reliability and innovativeness

- Strongly distinctive sector when referred to top brands
- Ambivalent perception of mid-range products

**Clothing
Foodstuffs,
Interiors
(design-luxury in
general)**

**Automation and
machine tools**

**Automotive and
tyres**

Less central and less distinctive

**Technological
innovation**

**Environmental
sustainability**

**Internet and
new media**

**Infrastructure and
large-scale construction**

▪ are at present poorly represented and offer limited financial and insurance support:

- ⇒ A lack of *adequate Italian financial infrastructure* that fosters relationships and provides a *credit line* that supports the (sometimes very steep) growth in demand
→ Firms are "forced" to expand by yielding shares to the highest bidder, thereby losing control.

Specifically:



▪ are weak or absent in Brazil and Malaysia
→ a difficult area for development

- ⇒ (Brazil) self-referentiality of the sector, not inclined to internationalise, not very dynamic or propulsive
- ⇒ (Malaysia) great importance of Islamic banking, the presence of financially strong competitors (notably China)



▪ are present in Russia but only partly, → greater openness

- ⇒ Italy has shown that it can play a role
 - *“Unicredit is in Russia so there’s already a precedent”*
- ⇒ Perception of the Italian crisis and of Italy as a poorly structured country. This has a negative weight (weakens the sector)

HOW ITALY IS SEEN BY THE MALAYSIANS



ITALY and MALAYSIA



Italy still has very little "presence" in Malaysia: **knowledge of Italy is poor and often stereotypical.**

Italy is seen as not very interested in internationalisation and as less open to it → Malaysia is hungry for growth but unfortunately the role played in this by Italy is unsatisfactory

- ⇒ **Scarce importance of Italian investments in Malaysia – negative trend** – at no. 32 in 2010 → **disappointing and devaluing role** with respect to other EU countries
- ⇒ **Only a few Italian companies are present** (e.g. Finmeccanica, EADS Italia)
- ⇒ **Italy is a country in difficulty (within a Europe that is itself in difficulty), with a stagnant economy**, even though it is an important one
- **As seen from Malaysia, trade relations are very poor (as compared to China, USA, Japan and Germany)**; Italy is in 18th place for exports to Malaysia (3rd in the EU after Germany and France), and 24th as an importer of Malaysian products (4th in the EU after Germany, the Netherlands, and France)
- **Institutional relationships between Italy and Malaysia are underdeveloped**

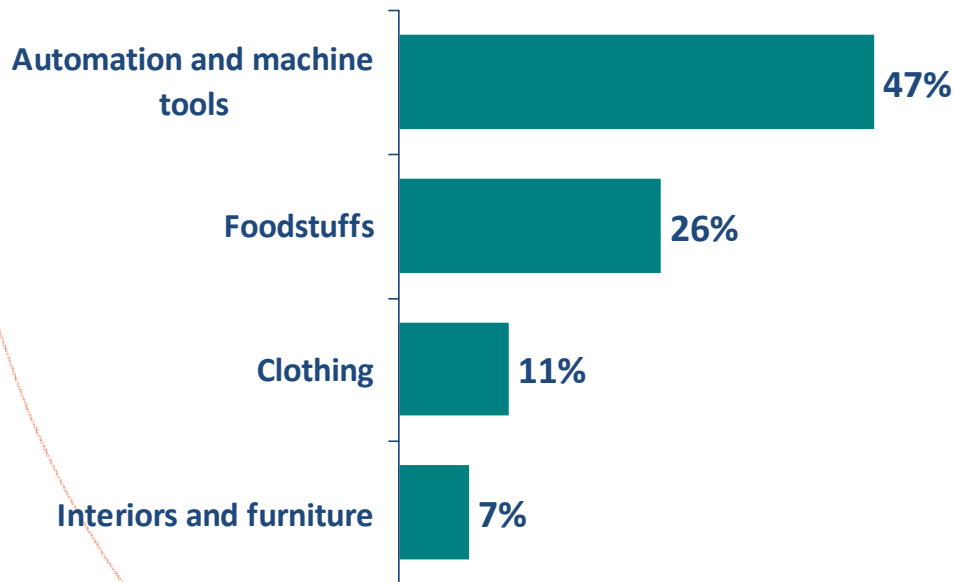
OPPORTUNITIES AND LIMITATIONS FOR ITALIAN PRODUCTS

The trend over the next 10 years: Italian products will be...

■ % stronger □ % same as now ■ % weaker ■ % don't know



Traditional sector with greater opportunities to expand exports



- ➔ There is a clearly visible and strong tendency to productive and competitive growth in countries that require know-how (notably Malaysia and Brazil)
- ➔ There is an equally strong need for partners/funders who can support development in financial terms but above all in terms of industrial know-how
- ➔ Ample high-end niches and large new mid-range targets are becoming consolidated, with a good tendency towards consumption of quality products

Basis: total interviewees

LOOKING AHEAD: THE ROLE OF THE INSTITUTIONS

In all cases the growth of Italian products remains subject to a number of factors:

- ⇒ **Strengthening political-diplomatic ties**, and lobbying, especially in countries where these ties have until now been critical and/or vulnerable (Brazil and Malaysia)
- ⇒ **Then creating an institutional "system": a solid, unequivocal commercial organisation that is locally well-rooted**
 - that provides tools for acquiring knowledge of the market (sector studies, analyses of demand, specific geographical factors, potential areas of interest, etc.)
- ⇒ accelerating **negotiations to reduce customs tariffs**
- ⇒ reciprocally simplifying and accelerating **regulatory** and bureaucratic **procedures**
- ⇒ Giving **visibility to Italy in areas of potential** that are currently less associated with Italy (technological innovation, infrastructure, etc.)
- ⇒ Having a **financial system** that has the capability to underwrite the expansion of Italian companies abroad - if possible with the support of the diplomatic and governmental institutions.

LOOKING AHEAD: A MORE MATURE APPROACH TO EXPORTING

1. We look forward to new developments in the business sector

⇒ **increase the number of industrial partnerships**



Integrate with local manufacturing and economic systems via *joint ventures*, either between individual firms or at the level of corporate conglomerates



Create systems of "*meta-entrepreneurship*" - groupings of SMEs (consortia/light industrial manufacturing clusters organised by territorial districts/sectors of activity)

2. A more mature, more advanced approach to exporting

- ⇒ **develop a more "advanced" offer:** it is not enough to "place" the product by itself; there is a need to sell complementary services (support, distribution, logistics, etc.), and to develop a stronger in-country presence over the long term.
- ⇒ **greater attentiveness to local culture:** use local language for packaging, manuals, and websites, and acquire more detailed knowledge about countries.
- ⇒ **greater attentiveness to product promotion:** enhance value by emphasising the "history" of products, their links with Italian-ness, their qualities, and the certifications they hold (PDO, IGP for foodstuffs..)
- ⇒ **Stronger presence of Italian mass retailers or other ad hoc distribution channels** → faced with such vast markets, SMEs encounter structural difficulties in promotion and market penetration.