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# Perception of Italian Cheese for the Chinese Customer: the Brazzale S.p.A case

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*Alla mia grande famiglia….*

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# 引言

随着中国经济高速发展，中国居民生活水平不断提高，消费也在发生着很大的变化。中国人越来越注重营养和高质量。近来，他们开始购买大量外国食品，其中包括意大利食品。中国消费者认为海外食品比中国的更健康和安全。这篇论文分析到中国人对意大利产品的看法以及他们所喜欢的意大利产品。并且对意大利奶酪销售量的情况进行研究：中国消费者是否喜欢奶酪，意大利奶酪企业的销售战略及诀窍以及提高客户对于其兴趣的应对措施。这篇论文分析中国市场给意大利奶酪企业带来的机会和困难。最后以一家意大利奶酪公司为例分析其在中国的情况：如何进入中国市场，面对什么困难以及未来发展目标。

为了更深入研究，本文分为三部分：

第一部分分析中国人对于国际流行趋势的兴趣。近来，中国中产阶级人口数量增加，同时消费者的需求也随之提高。他们的品味逐步改变和他们开始接受西方文化和流行趋势。中国消费者对进口产品的追求有两个特点：款式和品质。中国客户开始越来越多购买国外产品，因为他们认为购买国外产品是高社会地位与富裕的象征。中国的中产阶级不再买低质产品，反而他们更注重购买产品及其背后得服务。

中国有十四亿多人口，是世界人口大国，由于文化、语言、以及地区发展差异，我们还不能从整体上说中国是一个大市场，而应该把它看作是众多小市场的集合体。中国内地消费者非常看重产品的价格，沿海地区消费者更注重产品的质量。我们可以将中国分七个大地区。每地区的客户都有不同的需求和品味。中国最发达地区是东南部沿海地区而最落后地区是西北内陆地区。如果意大利企业想提高它们中国的产品销售量应该在不同的地区错取不同的营销战略为了。

很多中国人喜欢传统饮食。出生在中国改革开放之前的人天天都进食中餐，现在的年轻人和白领消费者的新鲜身物更多，他们更愿意品尝新食品和购买国外食品。目前，在每家中国超市都可以找到来自不同国家的食品。在大城市里，西餐厅随处可见，并且吸引越来越多中国人去用餐。意大利食品非常满足中国消费者的需求，既色查味俱全又健康卫生。意大利食品的高质量不但在内，也在外`，例如它们的包装。

意大利与中国拥有悠久的关系。现在在食品领域，意大利是中国第十五个进口国。最近，在中国有人提出“意大利式生活梦”概念。这个概念意味着追求意大利人的好生活、好营养和好时尚。近来，由于中国居民的购买力和健康追求提高了，他们开始购买更多意大利食品。意大利向中国出口量最大的产品是葡萄酒，尤其是红酒，其次还有橄榄油、焙烤食品、咖啡、巧克力和乳制品。不过，中国和意大利的传统烹饪法与食品习

惯完全不一样。意大利食品很难改变中国传统习惯，因此意大利食品在中国市场上的销售量仍然很低。

第二部分分析奶酪在中国的销量。中国人吃非常少乳制品。过去牛奶被中国人认为是一种传统医药，因为牛奶含有丰富的钙质和矿物质，而奶酪也被认为是罕见和昂贵食品。很多专家研究为什么在中国人的饮食里没有奶酪，有一些专家认为大多数的中国人有乳糖不耐症，也有一些专家认为畜牧业是少数民族的习惯。中国改革开放以后，乳制品工业开始快速发展。当今，光明乳业在中国乳制品业独占鳌头。然而，中国奶酪工业仍然落后。

最近，在大的城市里国际餐厅、面包房、咖啡厅随处可见，因此奶酪销售量逐渐提高。若中国人决定买奶酪一定，是因为他想做一种西餐，例如比萨饼或面包。工业手生产的奶酪是最受中国人的欢迎，因为它迎合大众的口味和特殊口感。意大利向中国出口量总额排世界第六。第一名和第二名是澳大利亚和新西兰。倘若一家意大利企业想在中国提高奶酪的销售量，应该让中国人了解奶酪是什么和让他们了解怎么吃这种食品。为了达到这个目的意大利奶酪公司可以开展很多不同商品推销活动，例如说烹饪课、乳酪展览、电视节目、晚宴等等。

通过研究我们可以看到了意大利奶酪企业在中国市场有很多机会，例如说中国客户的购买力提高了，他们更看重自己和子女的健康，他们越来越喜欢购买进口产品，他们逐渐习惯

西方口味，而且吃意大利菜的趋势日益增长。这些都是意大利奶酪企业可以抓住的机会。不过，意大利奶酪企业在中国市场上会遇到一些风险，有时候意大利企业很难进入中国市场，例如在中国乳制品消耗量很低，很难找到当地可靠的合作伙伴，内地分销网络低效，有很大的语言与文化差距，并且意大利企业会失去知识产权等等。这些因素都会导致意大利奶酪企业在中国市场失败。

为了更深入了解中国人对于意大利产品和奶酪的想法，我们进行了实地调查，并在对调查数据进行比较分析，最后解释比较分析的结果。调查的对象为 110 住中国人。调查数据显示大多数中国人喜爱意大利产品，他们把我们的产品到高质量、可行性、创造性与豪联系在一起华。不过，有一些中国人更愿意支持国内产业，因此他们不买进口产品。大部分中国人买过意大利产品，但购买意大利奶酪的人为少数。大多数人偶尔吃意大利奶酪。在中国最有名的意大利奶酪是帕尔玛、马苏里拉和古贡佐拉，不过大多数中国人对意大利奶酪的种类不太熟悉。调查数据显示，由于简单的口感，新鲜奶酪是最迎合中国人的口味，同时，由于蓝奶酪口味很重感，很难受到中国人的喜爱。

第三部分分析一家意大利奶酪公司在中国的情况。Brazzale 公司创始 1837 年在意大利北部。它把自己生产的产品出口到世界 50 个多国家，其中包括中国。在中国开了一个

贸易公司，因此开始出口到中国多种意式奶酪产品，例如Moravia 奶酪、黄油、奶油、马斯卡布尼等等。2013 年 Brazzale 公司决定收购一家乳牛场位于北京市。收购以后，根据严格国际标准与在意大利工厂的经验，对乳牛场进行了全面的改造，然后开始生产意大利式新鲜奶酪。这种类奶酪产品难以从意大利出口到中国因为它们用有短期保藏。同时，Brazzale 公司决定在上海市开 La Formaggeria 商店。这种商店不但出卖和推销 Brazzale 公司奶酪也出卖和推销多种意大利食品。中国消费者的数量还是很低因此为了让中国人知道和品尝美味意大利佳肴，这家意大利公司经常参加各种各样的会议和展览。

Brazzale 公司基本的理念是公道、诚意、正确性和衷心。公司与消费者应该有直接的关系，因此可以了解消费者的需求和口味。 公司应该提供给消费者新鲜、价廉物美食品，来自北京乳牛场。公司应该录取中国专业人员能帮中国消费者选择最适合的食品来做饭。

这家意大利公司的大数量食品的去处是国际、意大利式酒店餐饮业，而不是直接到中国消费者。马苏里拉是在中国最销售的奶酪。不过这种类产品的市场被澳大利亚、新西兰独占。中国人更愿意吃这些国家工业手生产的奶酪比意大利天然奶酪因为价格更便宜、保藏更长而且更更符合中国消费者的口味。

除了比萨饼奶酪之外，别的奶酪的销售量非常低。因此，Brazzale 公司开始在北京的乳牛场生产欧芝垃。这家意大利公司是在中国第一家公司生产这种类新鲜奶酪。Brazzale 公司未来的目的是生产一种欧芝垃甜食。这种甜食的去处不是酒店餐饮业而是中国消费者。如今，在欧洲和中国市场还不存在这种类食品。通过意大利公司深刻的研究，这种欧芝垃甜食应该非常符合中国孩子的口味，同时满足父母营养价值的要求。

根据对意大利产品在中国市场的情况深入分析，我们得出了以下结论:

首先，意大利公司应该把中国市场看作是众多小市场的集合体，并且应该为了不同的地区错取不同的商务战略。其次，在中国奶酪销售量慢慢地提高，因为中国消费者的购买力增加，因为他们开始更看重自己和子女的健康和因为他们逐渐习惯西方口味。最后，意大利奶酪公司应该从 Brazzale 公司学会怎么提高产品销售利润。他们应该了解中国人的需求，然后生产一种产品会吸引中国消费者的购买欲。

## INTRODUCTION

Before analyzing and understanding how Italian products, especially cheese, have entered the Chinese market, how they were welcomed by local customers and how one of the most ancient Italian dairy firms has been able to achieve such great results in this large heterogeneous market, it is good to explain and introduce how culture influences the choices of customers and the food habits of people.

## CULTURE AND CONSUMPTION

Since ancient times, consumption has always characterized the lives of people. Goods are crucial to our lives and they have always underlined the existent difference between individuals and between the different groups of society. Customers make purchasing choices according to the meaning that goods represent to the individuals within the same group. It is thanks to goods that they use that it is possible to outline the differences between many social groups and in this way goods become representative of their cultural profile[1]. The sociologist McCracken in his work[2] affirmed that the consumption is the way in which cultures are daily displayed and expressed. Usually customers are seen as a group of individuals very different from each other. Actually, behind their purchasing choices, there are hidden many different social dynamics, which come from a series of rules, codes and lifestyles. Customers are really influenced by the cultural and social context, so the purchased goods take on a different meaning that varies

[1] "Consumo e identità nella società contemporanea" Paola Parmiggiani, FrancoAngeli, 1997

according to the ideals of the social group of belonging[3]. It is possible to say that the consumption is the element of identification of different social groups. The choices are not only driven by personal tastes, but also by external factors, such as family or work groups. Culture and consumption are closely connected. The first represents the ideals, rules and behaviors that enable an individual to make choices during his lifetime and, for this reason, the environment in which the individual grows indirectly affects his purchasing choices. If we want to understand the choices of a customer, we have to understand the social and cultural context beforehand in which he lives. Family, ethnicity, generation, profession, everything in the life of an individual has its own role and influence. According to the Italian sociologist Vanni Codeluppi[4], the elements that most influence the choices of customers can be divided into five groups: mentality, which includes values, aspirations and personality; style of life; cultural productions; informal social structures, such as family and lastly, religious beliefs. The purchasing choices can be influenced by many factors, such as cultural, social, personal, and psychological elements. However, the most influencial factor is surely the cultural factor. So, if we want to understand the choice of an individual, we must first analyze and study the society which has created his values, perceptions and behaviors.

However, the world in which we presently live is characterized by factors, such as mutability, the continuous emergence of new desires and contradictions. Differently from the past, present-day society and,

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[2] "Culture and consumption" Grant McCracken, Indiana University Press, 1990

[3] [4]"La sociologia dei consumi: teorie classiche e prospettive contemporanee" Vanni Codeluppi, Carrocci Editore, 2002

consequently, the choices of customers are influenced by new factors that did not exist in the past: the widespread of market economies and of globalization and the development of media and technologies. Presently, the choices of many individuals are influenced by the media world, which suggests the same models and styles of life in the entire world. Technology is becoming part of the life of customers and it has led to a social and cultural transformation linked to the phenomena of globalization and generalized consumption. All these elements have caused deep changes in the purchasing choices of customers[5]. Usually individuals are not aware of this influence in their choices, they believe they are freely buying goods in accordance with their tastes; however, they are indirectly influenced by the models proposed by media channels.

The standardization of tastes is an effect of globalization. However, globalization should not be seen in a completely negative way: it is not only a total homogenization of tastes and styles of life, it takes, indirectly, to a growing differentiation of the many cultures and societies of the world. It can happen occasionally that ethical distinctions, when presented in front of a global and standardized society, become stronger towards consumption. This can happen especially when individuals belonging to this ethnicity find themselves in contexts very different from their traditional ones[6]. A very interesting example concerns ethnic cuisine. The mass-processing food industry present in the entire world, has not been able to reduce or delete the popular gastronomical traditions. On the contrary, in recent years, there has been an expansion of myriad ethnic cuisines coming

[5] "Com Sumo, prospettive di analisi del consumo nella società globale" Egeria Di Nallo and Roberta Paltrinieri, FrancoAngeli, 2006

[6] "Consumo, cultura e società" Roberta Sassatelli, Il Mulino, 2004

from all over the world. Widespread fast food restaurant chains, which present foods of dubious origin, have unintentionally promoted the growth of the demand for healthy products and the interest of many customers has moved to natural, local and traditional food.

Understanding and studying the behaviors and the choices of customers is very difficult. Although there is a standardization of styles of life, usually customers of different nationalities have the same tastes. Their habits, values, religions and behaviors, however, will never be the same. So, in order to understand which products are more suitable for a certain place or culture, we need beforehand understand these differences and then adapt products and marketing strategies to their needs.

## CULTURE AND FOOD

The tastes and the habits of each individual are not only the results of a social and cultural process, such as emotions, aesthetics, ethnicity, religion and economics, but are also the results of the experiences and of the changes that happen throughout our lives[7]. Usually, it is said that food represents the culture from which it comes from. In the world, every day, billions of people consume dishes which vary not only from place to place but also within their culture. Usually food is the same, but the way in which it is cooked makes it distinctive. The process of preparing food before serving it is influenced by many factors, which can be the culture, the climate and the geography and so ingredients, methods of preparation and dishes vary from one culture to another. In some individuals, the choice to

[7] "Il senso del consumo" Maura Franchi, Mondadori, 2007

eat or not a kind of food is influenced by the traditions passed on from their ancestors. In other individuals, the choices can be influenced by their religious beliefs, such as the choice of Muslim people to not eat pork. Food choice can also be influenced by other circumstances, which can vary depending on travel or guests in our home. When an individual grown in a specific cultural and social environment, food habits are easily influenced. Usually food believed to be delicious in a country, can be considered inedible in another country. An example of this is dog meat. In Asian countries, it is very appreciated, while in western countries, it is totally refused. This kind of meat has been chosen by a society because of its nutritional properties, while in another type if society, because of ethical and moral values, it has been completely refused by individuals. People do not eat anymore for survival, but for pleasure and usually food is associated with hospitality and it is seen as an expression of friendship.

Food is strictly connected to the culture of people and it indirectly influences the food choices of customers. Understanding which are the food products most suitable to a certain social and cultural group is the key to success in the food industry. Introducing new products in a country culturally different from ours is difficult and so it requires careful study and considerable resources and energies, such as in the case of the introduction of cheese in China.


## FIRST CHAPTER[8]

### *1.1 THE VASTNESS OF THE CHINESE MARKET*

China represents, as a foreign investment, one of the most attractive countries in the world. Even if recently its economic growth is getting slower, it shows many possibilities for foreign companies because it is not only an emerging country, but also a country with huge dimensions, that counts more than 1 billion inhabitants. Chinese customers search for foreign products with two principal elements: quality and style. They are not interested in the value and in the ideals that belong to the foreign brand, but to the elevated standards of life that characterize the world where the brand comes from: the occidental world. With the growing of the Chinese middle class, the demand of customers is also increasing. The lifestyle of the middle class is changing and they are more inclined to follow the occidental culture and trends. Foreign products represent a model to follow, which shows the social status of customers, giving an image of richness. This image is possible only in terms of purchasing of high fashion items, selected wines and other luxury goods. The middle class

[8] The title of the chapter is the brand-name used by the Ministry of Agricultural, Food and Forestry Policies to protect and promote agricultural Italian products abroad

Chinese person does not buy poor-quality products anymore, but focused attention on the quality of products and on buying durable goods that provide different types of services and additionally help-assistance after the sale.

Because of cultural, linguistic, infrastructural and different rates of development, China cannot be seen like a single big market, but as an conglomerate of local and regional economics combined together. In the internal areas of China, the purchase of products remains principally influenced by their cost. In the coastal area, the most developed of China, the quality of products are an essential element for an increasing number of people. Therefore, marketing politics needs to be understood and realized differently depending on the region. In 1981, China was one of the poorest countries in the world, with a rate of poverty of 88%[9]. After 31 years, in 2012, thanks to effective five-year term plans and other actions of the Chinese government, big results have been achieved and the rate of poverty went down to 6,5%. In 2013, Chinese living under the international poverty line were only 1,9% of population[10]. Even if there has been an increase of income per capita, there has been also an increase of the regional disparity. In fact, many policies of those years were directed to the oriental part of China, that being the coastal part, facilitating a major opening and communication with the rest of the world. These cultural and regional differences still remained at the time and made the Chinese market an agglomeration of varying markets.

[9] Data from the International Financial Institution World Bank

Based on the economic development of the Chinese areas and on the purchase power of customers, it is possible to divide China in seven macro-areas[11]:

- South China, which includes Guangdong, Fujian, Hainan and Hong Kong represents, with East China, the most developed market of the country. In this area, there are the Free Trade Zones that facilitated the development of exchanges with other countries. In this area, there is only 7% of the Chinese population. Customers have a big purchasing power and it is at their disposal to use their income to buy foreign and luxury products;

- East China, which includes Shanghai, Zhejiang and Jiangsu, represents the most industrial and urban area of China. It can be said to be the richest and most developed area of the country. Moreover, Shanghai, also called the Chinese New York, is the main financial and economic center of the country. The customers of this area are the most open minded to the occidental world and the most willing to purchase foreign products;

- North China, which includes Beijing, Tianjin, Shandong and Hebei, is located in the northern coastal area. Even if this area has also permitted a major opening to the external world, the population is more conservative and attracts less foreign investment than the southern area. The customers of this area, despite having the

[10] Data from Poverty & Equity Databank of Worldbank.org
[11] "Regional market segments of China" Cheng Cui, Qiming Liu, 2014

capacity to purchase imported goods, are still characterized by a traditional and cultural influence;

- Central China, which includes Henan, Anhui, Hubei, Hunan and Jiangsu, has a greater potential for developing, however, nowadays it can still be considered a mainly rural area characterized by periods of floods and drought. Although the purchasing power is lower than the coastal areas, Chinese customers are interested in buying foreign products as long as they do not present excessive costs;

- Southwest China, which includes Sichuan, Guanxi, Guizhou and Yunnan, because of its lack of developing connections, infrastructures and networks, presently is still a market not completely open to the outside. In this area, customers are attached to local traditions and are not inclined to purchase goods when they do not know the place of origin;

- Northeast China, which includes Heilongjiang, Jilin and Liaoning, with the Northwest area, is the most underdeveloped area of China. There, except for some mineral and mechanical industries, other types of industrialization do not exist. Because of this, it is believed to be an undeveloped area where the customers do not have a need to buy high quality products and they are very careful regarding the price;

- Northwest China, which includes Inner Mongolia, Shanxi, Shaanxi, Gansu, Ningxia, Qinghai and Tibet, can be considered the most

extended but underdeveloped area of the country. The Chinese government is trying to promote the economic development of it, but this area is characterized by different ethnic groups, that want to strengthen their isolation from China and the entire world.


Exhibit 1.1 Division of China in macro-areas
Source: "Quali strategie di internazionalizzazione nel mercato cinese: I risultati di un'indagine empirica" of Anna Laura Rocchino

In China, cities are usually divided in tiers[12] depending on their vastness and density of inhabitants. There are only four cities in the first tier: Beijing, Shanghai, Guangzhou and Shenzhen. The second tier cities are slightly smaller and among which there are cities such as Nanjing, Qingdao and Changsha. The cities in the third tier are numerous, there are almost

10 million inhabitants in several of these cities, which are less than the number of inhabitants of other cities. Thanks to the economic investments of the Chinese government, they are continuously growing. In 2015, the cities of the second and the third tiers presented a faster growth than the first tier ones: while the Chinese GDP increased by 6,9%, cities like Nanjing, Chongqing and Qingdao showed an average rate growth of 9%[13]. To take the opportunities provided by the Chinese market, Italian firms need to focus not only on the first tier cities but also on the second and third tier cities that should not be overlooked. In these cities, there is not a high consumption of quality goods, however the middle class is expanding and they should be considered as a potentially big market with great possibilities. Italian firms need to be on site, to analyze and study carefully the characteristics of the Chinese market. This presence is needed in order to reduce the distance between manufacturers and customers, to constantly control and monitor the evolution of the demand and to follow the administrative politics of the country, which due to the fast growth of Chinese economy are subject to constant variations. Italian firms that do not have the capabilities to open branches in China need to rely on import companies that have experience in this sector, know how to analyze the Chinese market and are able to understand the tastes and demands of customers. Furthermore, they must possess the ability to demonstrate the characteristics of quality products, which Italian firms want to export.

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[12] "Tier Tale: how marketers classify cities in China" Madden, 2007

[13] Data from China Internet Watch

## *1.2 THE ITALIAN DREAM*

Italy has a long and ancient relationship with China. Thanks to people like Marco Polo and Matteo Ricci, these two ancient cultures have been engaged with each other for centuries. From 1970, after Italy decided to refuse the recognition of Taiwan as the Republic of China, the first bilateral agreement between Italy and the Popular Republic of China was finally drafted. The exchanges between these countries started to increase and in 2016 they arrived at a value of 38,6 billion euro[14]. Currently, Italy is the fifteenth commercial exchange partner with China and the fourth at the European level. Presently, in China there are about 2000 Italian firms that provide more than 60.000 job roles and a turnover of more than 5 billion euro[15].

Recently, in Asia the concept of the "Italian Dream" has started to spread out that is identified by Chinese people with a good quality of life, a good alimentation and with the Italian lifestyle. Therefore, the sale of Italian products has started to show a growth rate, especially in regards to the purchase of textile products, jewelry, transportation and food products.

It is important to report what the former president of the European Chamber of Commerce Abroad in China, Davide Cucino, said in regards to the division of Chinese customers[16].

"Chinese customers can be divided into six groups:

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[14] Data from Eurostat, 2016
[15] Data from InfoMercatiEsteri
[16] Interview made by the journalistic web portal Lombardianelmondo.org

- Fifty-year-old people that are used to a traditional consumption and are attached to local brands and to products with a good value of money;

- People who grew up during the period of Deng Xiaoping that are more open to international brands than the previous generation. They are looking for products with a value for their money and sometimes they have the possibility to purchase luxury goods;

- Women of "the economic miracle" that are cosmopolitan and educated. They prefer spending time in sophisticated shopping centers rather than in normal meeting points or coffee shops. These kind of women are really inclined to purchase luxury products and beauty treatments;

- "Little emperors" who are young people born after the introduction of the one-child policy in 1979. They usually purchase high quality products and services in specialized boutiques;

- Young people who are particularly attracted by the occidental world and prefer to buy brand products in big shopping centers;

- Wealthy and super wealthy people who choose to purchase goods of high quality that enable them to show their power and wealth."

Italian firms are located in the upper-middle class of the Chinese market and their products are particularly suitable for the "wealthy and super wealthy people" group that is looking for brands which display their social status such as Italian cars or selected wines. To the "women of the

economic miracle" group who know and appreciate the complexity of Italian luxury goods, in particular of clothing and cosmetic sectors and to the "little emperors" group which is not satisfied only by the purchase of a good but by all the services that are included in the price. These three groups of customers have a propensity to pay a higher prize for a well-known brand and in particular for the "Made in Italy" typical products. If an Italian firm wants to profit from this market it is important to focus its attention on the quality of products and strengthen the awareness of its brand. In recent years, in order for Italian firms to get into this complex market there have been numerous kinds of projects: for example, in 2014 the Business Forum Italy-China was established and every year it is possible for Italian and Chinese firms to exchange information, knowledge, industrial proposals and mutual investments.

## *1.3 THE INFLUENCE OF ITALIAN CUISINE*

Before dealing with how much western food has entered in the daily Chinese life, it is worth pointing out that China has always had problems related to food production. Even if all the agricultural areas were grown, it would not be possible to feed all its inhabitants. Furthermore, because of the rapid economic development of the recent years, China is suffering of substantial problem related to environmental pollution and many of its areas cannot be grown. China needs to import from other countries a significant part of agricultural products. In addition to this kind of problems, there is the growing awareness of health and the continuous research of a new style of life by Chinese customers. They are slowly changing their tastes and enlarging their choices with food coming from all over the world.

Recently, Chinese people, thanks to their growing purchasing power and to the attention for healthy food, have started to purchase more foreign products, because they are considered healthier and safer than Chinese ones. However, this transformation is not related to the entire Chinese population: Chinese gastronomical traditions are very strong and many Chinese are attached to them. People raised before the opening of China to the world are not familiar with western costumes and they eat exclusively Chinese food, while, young people and the so-called "white-collar" have an open mentality, travel abroad, work in big companies and frequently interact with foreigners. For these reasons, they present a more open attitude toward the experimentation of new tastes and they are more inclined to buy foreign and niche products than the previous generation.

Thanks to the introduction of new distribution channels, such as hypermarkets, supermarkets and convenience stores, it has been possible to present to Chinese customers foreign products which present a good value of money and which have been subjected to strict sanitary controls. In order to understand how much foreign products have entered into the common Chinese life, it is enough to go to any supermarket to see the huge variety of food coming from all over the world. Chinese people are attracted by the myriad of ethnic and international restaurants located in the big cities, so they have started to eat more frequently outside of their homes. Consequently, the consumption of products like white meat, eggs, dairy products, fish and vegetable oils are increasing and are going to replace more traditional foods like rice, vegetables and pig meat. All these elements lead to an increase of agricultural exportation to China and this country is seen by Italian firms like a big market with numerous possibilities.

Chinese people are getting increasingly interested in the intangible assets of products, such as the cultural and traditional characteristics of the country of origin, which are seen as a symbol of high quality. For this reason, Italian agricultural products are suitable for the needs of Chinese customers: they include in themselves not only the gastronomical traditions but also food safety certifications and the names of famous brands, which are known in the entire world. Italian food quality is not only in the ingredients, but also in their images, such as the packaging in which the product is presented. “Made In Italy” food is characterized by numerous and different products, each of which has its own preparation and

traditions[17]. In accordance with the report "China consumer 2016" of McKinney & Company, with the increase of the middle class, presently in China, there are about 30 million customers interested in eating healthy food and living in a better way.

However, it is also important to consider the big difference between the gastronomical traditions of Italy and China. In China, rice and pasta are seen as an accompaniment for vegetables and meat, while in Italy they are seen as main dishes. The main non-alcoholic beverages are tea and hot water, while in our country bottled water and coffee are preferred. The main Chinese alcoholic beverages are cereal distillates with a high alcohol gradation, while in Italy we prefer to drink wine or beer. In China, after a meal, fruits is consumed instead of desserts and they are not used to drinking coffee or liquor. For this reason, Italian products, even if Chinese people are continuously researching quality and healthy food, are still considered niche products, because they have not still been able to overcome the local habits.

In the last years, the demand for Italian agricultural products has increased in the entire world. In China, thanks to the reduction of custom tariffs, to the market liberalization, to the foreign investments of Italian firms and to the development, although still insufficient, of distribution channels, Italian exportation to China is continously increasing. In 2010, Italy was the 29° exporter country of China, with a value of 196 million euro[18]. Presently, after 7 years, Italy represents the 27° supplier of agricultural products of

[17] Federalimentare, 2016
[18] "China's Customs Statistics" by World Trade Atlas

China with an exportation value of 367 million euro in 2012[19]. However, even if from 2008 to 2014 Italian exportation to China increased by 300%[20], because of the huge dimension of the country, the quantity of exported products are only enough to cover a small part of the entire market.

| | Country | Jan - Dec | | |
|---|---|---|---|---|
| | | 2010 | 2011 | 2012 |
| | World | 55,875.50 | 71,536.93 | 86,264.52 |
| 1 | United States | 14,370.46 | 17,884.28 | 22,101.54 |
| 2 | Brazil | 10,186 | 14,530 | 17,318 |
| 3 | Canada | 2,593 | 2,686 | 4,942 |
| 4 | Argentina | 5,576 | 5,183 | 4,930 |
| 5 | Indonesia | 2,828 | 3,980 | 4,504 |
| 6 | Malaysia | 3,355 | 4,967 | 4,194 |
| 7 | Thailand | 2,217 | 2,717 | 3,669 |
| 8 | New Zealand | 1,816 | 2,366 | 3,071 |
| 9 | Australia | 1,405 | 1,917 | 2,688 |
| 10 | France | 1,328 | 2,083 | 2,410 |
| 27 | Italy | 205 | 300 | 323 |

Exhibit 1.2 Exportation value of agricultural products to China in million dollar USA
Source: "Cina: Scheda paese" ICE, March 2013

[19] "Cina Scheda Paese" ICE, March 2013
[20] "Expo: Coldiretti, + 300% export cibo Made in Italy in Cina da inizio crisi" Coldiretti, June 2015

## *1.4 MAIN ITALIAN FOOD AND BEVERAGE PRODUCTS EXPORTED TO CHINA*

The most researched Italian food and beverage products that are seen like symbols of quality and excellence and are synonymous with a healthy and balanced diet are wine, which is the most popular product sold in China, pasta, bakery products, olive oil, especially extra virgin olive oil, coffee and dairy products. Another product of which Chinese importations are rapidly increasing and that represents a great opportunity for Italian firms, is chocolate.

### 1.4.1 WINE

The consumption of alcohol is an integral part of the Chinese culture. In China, grape wine has existed since Tang dynasty. However, its consumption has never been so widespread. Chinese people have always preferred to drink wine produced from cereals or sorghum, which were considered an energetic beverage. Presently, in China are principally consumed grain distillates with high alcohol content. These practices are based on the ancient Chinese traditions. The culture of wine is only at the nascent stage and its consumption quantity cannot remotely be compared to the consumption of Chinese traditional alcohol, the most important of which is represented by the distilled liquor *baijiu* 白酒. The consumption of wine, especially from the new generation, is seen like a trend and it is usually consumed in places like bars, discos and restaurants, where, overall the imported ones, are associated with a high social status and a big economic availability. The most appreciated wine is the sweet and red one,

not only because of its taste but also for its color, as symbol of good fortune in China. In fact, it is consumed principally during holidays. Usually in China, differently from Europe, wine is not consumed for its taste but only for personal prestige and a lot of importance is given to the brand and to the country of origin. Chinese customers prefer to choose wine that presents on the labeling well-known brands. The target of customers that purchase this product are the "younger", which have an age between 18 and 29 years old. They, in 2015, represented the 45% of the entire wine consumption of China. Another kind of customer that really likes this product are women, whom in 2015 represented the 47% of the total consumption[21]. The most of imported wine are destined to the Ho.Re.Ca. channel, while the part destined to the big distribution of supermarkets is still limited.

The pro-capita consumption of wine in China is still low if compared with the consumption of other countries. However, thanks to the increase of tasting classes, specialized shops, oenologist and wine-lovers, in China the consumption of red wine has almost tripled and in 2013, China was the first consumer in the world with a consumption of 155 million cases of wine. China surpassed France (150 million cases), Italy (141 million cases), the United State (134 million cases) and Germany (112 million cases). Despite this high consumption of wine in China, it is important to remember that China has dimensions much bigger than these European countries, so if the consumption of wine is compared to the dimension of the country, it is possible to say that it is still limited.

[21] Research by International Wine and Spirit Institution, 2016

Actually, Italy is the 5° country to supply bottled wine to China, surpassed only by France, Australia, Chile and Spain, with an exportation value of 94,52 thousand euro in 2015[22]. Italian wine is considered by Chinese customers to be the best for its price of value and the most appreciated ones are the Tuscan Chianti and Sangiovese, the Piedmont Nebbiolo and Barbaresco and the Abruzzo Montepulciano[23]. The areas of destination of Italian wine are mostly Shanghai, Guangdong, Shandong, Beijing and Zhejiang and the average selling price of Italian wine in 2013 was 4,13 Euro per liter[24].

| Exporters | Trade Indicators | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Value imported in 2015 (USD thousand) | Share in China's imports (%) | Quantity imported in 2015 | Quantity unit | Unit value (USD/unit) | Ranking of partner countries in world exports | Share of partner countries in world exports (%) | Average tariff (estimated) applied by China (%) |
| World | 2,039,821 | 100 | 552,088 | Tons | 3,695 | | 100 | |
| France | 903,352 | 44.3 | 170,765 | Tons | 5,290 | 1 | 28.8 | 14.7 |
| Australia | 453,760 | 22.2 | 68,230 | Tons | 6,650 | 5 | 5.2 | 8.8 |
| Chile | 233,511 | 11.4 | 153,400 | Tons | 1,522 | 4 | 5.8 | 0 |
| Spain | 129,741 | 6.4 | 77,089 | Tons | 1,683 | 3 | 9.3 | 14.7 |
| Italy | 100,618 | 4.9 | 28,764 | Tons | 3,498 | 2 | 18.8 | 14.7 |
| United States of America | 57,369 | 2.8 | 12,716 | Tons | 4,512 | 6 | 4.9 | 14.7 |
| South Africa | 40,601 | 2 | 11,674 | Tons | 3,478 | 12 | 2.1 | 14.7 |
| Argentina | 20,548 | 1 | 5,108 | Tons | 4,023 | 10 | 2.6 | 14.7 |
| Germany | 18,975 | 0.9 | 4,406 | Tons | 4,307 | 7 | 3.4 | 14.7 |
| New Zealand | 18,829 | 0.9 | 1,850 | Tons | 10,178 | 8 | 3.4 | 0 |

Exhibit 1.3 List of supplying markets for wine of fresh grapes imported by China in 2015
Source: ITC calculations based on General Customs Administration of China statistics

[22] "Cina: import vino, i dati 2016" ISMEA, February 2017
[23] Chinese customers chart from www.baidu.com
[24] Euroconsult Sicilia study, March 2015

### 1.4.2 OLIVE OIL

The consumption of olive oil in China is growing rapidly. The upper-middle class of customers started to recognize the nutritional properties of this product and started to change their food behaviors, replacing Chinese traditional ways of cooking, such as frying with seed oil, with simpler ways of cooking and with less fat food. Chinese are becoming aware of olive oil benefits, which are better than other edible oils. For Chinese people to have a healthy and well balanced diet is becoming increasingly important and olive oil, especially the extra virgin one, which does not require reefing, is the ambassador of this way of thinking. The consumption of imported olive oil increased significantly after the Chinese food scandal *Gouyou* in 2012, when it was discovered that cooking oils made by recycling oils in restaurants was being sold. Furthermore, the price of peanut oil is continuously growing and the difference of price from olive oil is slowly decreasing. Chinese people want to spend more money, but they want to be sure to buy products good for their health. Olive oil is believed to prevent cardiovascular and cancer problems and, for this reason, it is also considered a great present, in fact, it is during national holidays that this product shows a higher sale.

To introduce olive oil in the Chinese culinary culture, customers have to become used to its taste and this is possible by letting them know its place of origin, teaching them how to recognize the product of quality and how to use it in the preparation of both western and Chinese dishes. The consumption of olive oil is still limited if compared with the 20 million

tons[25] of other vegetable oils, such as soy, sunflower and palm oil, that every year are consumed in China. It is important to increase the knowledge of Chinese customers and teach them in which kind of traditional dishes it is possible to replace seed oil with olive oil. Chinese customers want to purchase this product, but they still do not know how this product should be used. According to a study of International Olive Oil Council in 2016, 77,71% of Chinese believed that olive oil is used for salad dressing, 56,83% believed that it is used for frying and only 0,91% of them do not know how to use it.

Local production is almost inexistent, Chinese weather is not suitable for planting olive groves, and for this reason, much importance is given to the country of origin and to well-known brands of olive oil. Chinese customers, rely especially on Italian and Spanish olive oil. However, their production and quality are very different. Spanish production is more industrial and, consequently, less expensive than Italian production, but Chinese people are not still able to see this difference between these two kind of products. In 2015, Italy was the 2° country supplier of olive oil of China, only after Spain, with an exportation value of 18,353 thousand euro[26]. The main distribution channels of this product are restaurants, hotels and big supermarkets, the latter sells more than 90% of the total exportation. However, Italian restaurants play an important part in promotion and familiarization. The main Italian olive oil brands known by Chinese people

[25] Chen Xin Yu, Fish Oil & Olive Oil manager of Shanghai Yihai Commercial Co. 2013
[26] Data from International Monetary Fund

are Bertolli, Carapelli, Berio and Sagra[27]. These last two have been recently acquired by the Chinese firm Bright Dairy&Food.

| Exporters | Trade Indicators | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Value imported in 2015 (USD thousand) | Share in China's imports (%) | Quantity imported in 2015 | Quantity unit | Unit value (USD/unit) | Ranking of partner countries in world exports | Share of partner countries in world exports (%) | Average tariff (estimated) applied by China (%) |
| World | 157,718 | 100 | 33,333 | Tons | 4,732 | | 100 | |
| Spain | 118,557 | 75.2 | 25,442 | Tons | 4,660 | 1 | 40 | 10 |
| Italy | 19,538 | 12.4 | 4,045 | Tons | 4,830 | 2 | 21.9 | 10 |
| Greece | 5,455 | 3.5 | 995 | Tons | 5,482 | 4 | 9.6 | 10 |
| Australia | 3,676 | 2.3 | 646 | Tons | 5,690 | 13 | 0.4 | 10 |
| Morocco | 3,469 | 2.2 | 749 | Tons | 4,632 | 7 | 1 | 10 |
| Turkey | 2,912 | 1.8 | 616 | Tons | 4,727 | 9 | 0.8 | 10 |
| Tunisia | 1,666 | 1.1 | 391 | Tons | 4,261 | 3 | 13 | 10 |
| Portugal | 599 | 0.4 | 103 | Tons | 5,816 | 5 | 6.6 | 10 |
| Cyprus | 533 | 0.3 | 110 | Tons | 4,845 | 44 | 0.01 | 10 |
| France | 388 | 0.2 | 76 | Tons | 5,105 | 10 | 0.8 | 10 |

Exhibit 1.4 List of supplying markets for olive oil imported by China in 2015
Source: ITC calculations based on General Customs Administration of China statistics

## 1.4.3 PASTA AND BAKERY PRODUCTS

Pasta has always been present in the Chinese gastronomical tradition, even if the way of processing it is completely different from our own: the Italian preference is hard-boxed pasta, while the Chinese preference is fresh pasta. In China, nowadays, it is not present a local production of hard wheat pasta. In 2015, Italy was the first country to export durum wheat

[27] Chinese customers chart from www.baidu.com

pasta to China with a value of 37 million euro[28]. The most famous Italian brands in China are also the most sold in Italy, such as Barilla, De Cecco, Del Castello and PastaZara[29].

Bakery products represent one of the most exported food product categories to China in the recent times. Biscuits, both dry and pastry ones, sweet snacks and wafers are completely absent in the Chinese culinary tradition. In the last years, these kinds of products had great success and, consequently, started to attract more foreign exportation and to push the emergence of a flourishing local industry. The most suitable products for Chinese customers are the individually wrapped ones, which are handy and useful for a "moving consumption". Exporting firms need to adapt their products to the characteristics of the market and need to produce bakery products that differ from the occidental ones. Usually Chinese customers prefer to consume local snacks and biscuits because they are less sweet tasting than occidental products that are traditionally too sweet for their liking. Bread and bakery products are becoming essential for a growing number of people, especially for young people. As in the case of olive oil, also in this case the sale of this product is influenced by national holidays. In recent times, Chinese customers started to like low calorie content products, which are healthier and for this reason, foreign firms started to offer, in addition to average products, also bakery food with lower calorie content.

In China, baking is not a popular way of cooking and the consumption is still very limited, however, it is continuously growing. In 2007, the

[28] Data from Coldiretti analysis

pro-capita consumption was about 0,7 kg[30] and in 2013, it has increased up to 1,5 kg[31]. Italy is the 9° exporter country of this product to China with an exportation value of 17,389 thousand euro[32]. The Italian bakery product brands that can be found in every big Chinese supermarket are Loacker, Mulino Bianco and Balocco[33].

| Exporters | Trade Indicators | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Value imported in 2015 (USD thousand) | Share in China's imports (%) | Quantity imported in 2015 | Quantity unit | Unit value (USD/unit) | Ranking of partner countries in world exports | Share of partner countries in world exports (%) | Average tariff (estimated) applied by China (%) |
| World | 679,467 | 100 | 132,507 | Tons | 5,128 | | 100 | |
| Indonesia | 152,182 | 22.4 | 33,767 | Tons | 4,507 | 16 | 1.4 | 0 |
| Hong Kong, China | 95,655 | 14.1 | 5,819 | Tons | 16,438 | 28 | 0.7 | 1 |
| Malaysia | 66,169 | 9.7 | 15,635 | Tons | 4,232 | 14 | 1.9 | 0 |
| Taipei, Chinese | 62,494 | 9.2 | 14,176 | Tons | 4,408 | 31 | 0.6 | 18.3 |
| Denmark | 53,100 | 7.8 | 6,723 | Tons | 7,898 | 18 | 1.2 | 18.3 |
| Korea, Republic of | 41,267 | 6.1 | 7,538 | Tons | 5,475 | 25 | 1 | 15.5 |
| United States of America | 25,543 | 3.8 | 2,331 | Tons | 10,958 | 3 | 6.7 | 18.3 |
| Japan | 24,091 | 3.5 | 2,287 | Tons | 10,534 | 26 | 0.9 | 18.3 |
| Italy | 17,389 | 2.6 | 4,485 | Tons | 3,877 | 5 | 6.4 | 18.3 |
| Viet Nam | 15,552 | 2.3 | 4,094 | Tons | 3,799 | 32 | 0.5 | 0 |

Exhibit 1.5 List of supplying markets for bakery products imported by China in 2015
Source: ITC calculations based on General Customs Administration of China statistics.

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[29] Chinese customers chart from www.baidu.com
[30] "The baking industry in China 2016" Daxue Consulting, 2016
[31] "The opportunities of Made in Italy food in Chinese market" Antonio De Pin, 2013
[32] ITC calculations based on General Customs Administration of China statistics
[33] Chinese customers chart from www.baidu.com

### 1.4.4 COFFEE

The first apparition of this beverage in China was in 1800, thanks to a French missionary that exported it from Europe. However, coffee was completely forgotten and only in the last 20 years, it started to re-emerge. In China, the consumption of coffee in not widespread, Chinese people prefer drinking tea, a beverage rooted in the ancient popular tradition. In recent years, China received the opportunity to be more open to other countries and in big cities a multitude of coffee shops started to emerge, belonging principally to big multinational chains like Starbucks, Costa Caffè and Caffè Bene. In these places, the Chinese middle class, after work or on weekends, love relaxing and tasting a cup of coffee or cappuccino. Occidental customers are really attentive to the quality of coffee, while the focus of Chinese customers is on the atmosphere that is created by the coffee shop. These places, presently, are the symbol of urban style life and the main customers are still foreigners and "white-collars", but the consumption is expanding to all the ages. In China, the use of the coffee machine is almost inexistent, for this reason, the soluble coffee and the already-done-drinks are particularly spread out. For Chinese people, Italian coffee means cappuccino, latte and mocha, while the consumption of espresso is very limited. In 2015, the annual consumption of coffee in China was about 10 cups per person[34], a very low percentage if compared to the Italian consumption, where every week about 11 cups per person are consumed[35].

[34] Li Tao, president of International Institution of Coffee Tasters in China, 2016
[35] Data from Coldiretti analysis, 2012

The national production is localized only in Yunnan and Hainan areas, but it is not so developed. The consumption is still limited because of the traditional habits and the high average cost, which is about 4,5 euro per cup. It is important to think that a dish in a Chinese restaurant is about 3 euro. Italy is the 4° exporter of coffee to China, with an exportation value of 17,849 thousand euro preceded only by Vietnam, Malaysia and Indonesia[36]. The Italian coffee brands most appreciated by Chinese people are the same that are appreciated by Italians: Illy, Mokambo, Lavazza and Kimbo coffees[37].

| Exporters | Trade Indicators | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Value imported in 2015 (USD thousand) | Share in China's imports (%) | Quantity imported in 2015 | Quantity unit | Unit value (USD/unit) | Ranking of partner countries in world exports | Share of partner countries in world exports (%) | Average tariff (estimated) applied by China (%) |
| World | 228,914 | 100 | 59,202 | Tons | 3,867 | | 100 | |
| Viet Nam | 79,690 | 34.8 | 27,266 | Tons | 2,923 | 3 | 7.9 | 9.4 |
| Malaysia | 28,553 | 12.5 | 3,105 | Tons | 9,196 | 67 | 0.03 | 9.4 |
| Indonesia | 28,222 | 12.3 | 12,637 | Tons | 2,233 | 7 | 3.9 | 9.4 |
| Italy | 19,001 | 8.3 | 1,718 | Tons | 11,060 | 6 | 4.6 | 9.8 |
| Brazil | 12,258 | 5.4 | 4,098 | Tons | 2,991 | 1 | 18.1 | 9.8 |
| United States of America | 10,823 | 4.7 | 894 | Tons | 12,106 | 10 | 3.1 | 9.8 |
| Colombia | 8,971 | 3.9 | 2,461 | Tons | 3,645 | 2 | 8.4 | 9.8 |
| Ethiopia | 6,344 | 2.8 | 1,167 | Tons | 5,436 | 9 | 3.3 | 0 |
| United Kingdom | 6,310 | 2.8 | 393 | Tons | 16,056 | 23 | 1.1 | 9.8 |
| Guatemala | 3,522 | 1.5 | 782 | Tons | 4,504 | 13 | 2.2 | 9.8 |

Exhibit 1.6 List of supplying markets for coffee imported by China in 2015
Source: ITC calculations based on General Customs Administration of China statistics.

[36] ITC calculations based on General Customs Administration of China statistics
[37] Chinese customers chart from www.baidu.com

### 1.4.5 CHOCOLATE

30 years ago, almost all of Chinese people had never tasted chocolate. The gastronomical Chinese culture is focalized more on salty rather than on sweet food and usually in China they are used to eating red beans instead of chocolate. For this reason, only recently chocolate arrived in Chinese houses. In the last years, chocolate started to be available in the Chinese market and to catch the attention of younger customers. Usually the sweetness of the chocolate sell in China is lower than the one sell in western countries, because it must be adapted to Chinese liking. This product is mainly consumed in mono-dose packages and it is purchased with the purpose of giving gifts and sharing with parents and friends. As for other Italian imported products, during holidays the sale of chocolate in gift packaging increases substantially[38]. Recently, Chinese customers started to prefer more healthy and natural snacks, so they usually leave chocolate for special occasions and holidays, also because it is still seen like a luxury product. Usually with the same price of a chocolate bar, it is possible to order a main dish in a Chinese restaurant. Chinese customers prefer buy foreign chocolate brands because their quality is believed better than the quality provided by Chinese firms. In fact, the chocolate market is dominated by foreign firms and according to a pool by Pew Research Center, in September 2015, it has been pointed out that for 71% of Chinese customers the food domestic safety is seen as a big problem. Chocolate consumption is still not so widespread because in some internal areas of China markets do not present air conditioning and it is difficult to store this

[38] Euromonitor study, 2012

product. For this reason, Chinese customers are not able to find chocolate in the neighborhood, even if they would like to purchase it.

Dove, Ferrero, Cadbury and Leconte are the biggest seller firms of chocolate in China, in which occupy the 70% of market share. Between them only Leconte is a local brand. Italy is the first export country of chocolate in China and it handles 34,1% of all the Chinese market[39]. This record was possible thanks to the Ferrero firm that has been present in the Chinese market for 35 years. Other famous Italian chocolate firms that export to China are Amedei, Pernigotti, Venchi and Domori[40].

| Exporters | Trade Indicators | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Value imported in 2015 (USD thousand) | Share in China's imports (%) | Quantity imported in 2015 | Quantity unit | Unit value (USD/unit) | Ranking of partner countries in world exports | Share of partner countries in world exports (%) | Average tariff (estimated) applied by China (%) |
| World | 515,910 | 100 | 65,570 | Tons | 7,868 | | 100 | |
| Italy | 175,862 | 34.1 | 19,669 | Tons | 8,941 | 5 | 6.2 | 8.8 |
| Germany | 51,808 | 10 | 7,849 | Tons | 6,601 | 1 | 17.1 | 8.8 |
| Poland | 45,411 | 8.8 | 2,533 | Tons | 17,928 | 6 | 5.7 | 8.8 |
| Belgium | 44,367 | 8.6 | 5,841 | Tons | 7,596 | 2 | 10.5 | 8.8 |
| Switzerland | 29,445 | 5.7 | 2,515 | Tons | 11,708 | 10 | 3.2 | 3.2 |
| United States of America | 28,449 | 5.5 | 5,468 | Tons | 5,203 | 4 | 6.3 | 8.8 |
| India | 22,480 | 4.4 | 1,398 | Tons | 16,080 | 30 | 0.5 | 7 |
| France | 14,957 | 2.9 | 2,024 | Tons | 7,390 | 7 | 5.4 | 8.8 |
| Australia | 10,707 | 2.1 | 812 | Tons | 13,186 | 23 | 0.7 | 5.3 |
| Austria | 10,453 | 2 | 1,628 | Tons | 6,421 | 15 | 1.7 | 8.8 |

Exhibit 1.7 List of supplying markets for chocolate imported by China in 2015
Source: ITC calculations based on General Customs Administration of China statistics.

[39] Data from ICE of Shanghai, 2013
[40] Chinese customers chart from www.baidu.com

### 1.4.6 CHEESE

In the Chinese diet, a high consumption of dairy products and cheese is not present. Western fast food and desserts are becoming more widespread and food, such as pasta, pizza, hamburger, tiramisu and cheesecake are getting more appreciated, consequently, cheese is often consumed indirectly through these kinds of food. Thanks to the recent attention of Chinese people to healthy and quality food products, cheese has started to be considered important for its high calcium and protein properties. Recently, the consumption of milk and yoghurt has increased a lot in the Chinese diet, especially in the baby food market, while cheese is still seen like a marginal food. Chinese customers are becoming more open-mind and interested in occidental alimentary behaviors. The most appreciated cheese are the industrial one because they are sold in fast foods and because of their neutral taste and smell. According to a study of Euromonitor of 2014, the Chinese market of cheese was about 19.000 metric tons, in which natural cheese occupied only the 4%. From this it is possible to deduce that in China natural cheese is still considered a niche market. The Italian cheeses principally known in China, are the ones with a simple tastes that are more similar to Chinese liking such as mozzarella, ricotta and mascarpone. Other cheese with more particular tastes that are known in China are Parmigiano, Taleggio, and Asiago.

The main export countries of cheese in China are New Zealand and Australia. Italy is the 5° exporter country of China with a exportation value

of 12,034 thousand euro[41]. It still exports a very small quantity of products but its exportations are continuously growing, especially in the fresh cheese sector. The big export Italian firms of dairy products are Pittalis, Galbani, Zanetti and Brazzale[42].

| Exporters | Trade Indicators | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Value imported in 2015 (USD thousand) | Share in China's imports (%) | Quantity imported in 2015 | Quantity unit | Unit value (USD/unit) | Ranking of partner countries in world exports | Share of partner countries in world exports (%) | Average tariff (estimated) applied by China (%) |
| World | 347,963 | 100 | 75,581 | Tons | 4,604 | | 100 | |
| New Zealand | 161,715 | 46.5 | 36,779 | Tons | 4,397 | 7 | 4.3 | 1.1 |
| Australia | 64,773 | 18.6 | 15,277 | Tons | 4,240 | 11 | 2.5 | 9.6 |
| United States of America | 53,413 | 15.4 | 11,658 | Tons | 4,582 | 5 | 5.2 | 12.1 |
| France | 13,927 | 4 | 1,889 | Tons | 7,373 | 3 | 12.5 | 12.1 |
| Italy | 12,820 | 3.7 | 1,899 | Tons | 6,751 | 4 | 9.3 | 12.1 |
| Denmark | 12,649 | 3.6 | 2,427 | Tons | 5,212 | 6 | 5.1 | 12.1 |
| Germany | 6,456 | 1.9 | 1,486 | Tons | 4,345 | 1 | 14 | 12.1 |
| Netherlands | 4,687 | 1.3 | 881 | Tons | 5,320 | 2 | 12.8 | 12.1 |
| Uruguay | 4,125 | 1.2 | 925 | Tons | 4,459 | 25 | 0.5 | 12.1 |
| Argentina | 2,971 | 0.9 | 724 | Tons | 4,104 | 23 | 0.7 | 12.1 |

Exhibit 1.8 List of supplying markets for cheese imported by China in 2015
Source: ITC calculations based on General Customs Administration of China statistics

[41] ITC calculations based on General Customs Administration of China statistics
[42] Chinese customs chart from www.baidu.com

## *1.5 COUNTERFEITING AND FAKE PRODUCTS*

Italians just assume that outside of Italy, everybody knows the excellence of their products and recognize the Mediterranean diet as the best in the world. However, the world is big, countries near us can share our ideas and principles regarding cuisine. Others, further away, like China know the quality of Italian products only by hearsay. They buy supermarket products that make them think of Italy, without really knowing the true country of origin, which probably is not Italy. We can say that many customers, believing that they are buying original products, are continuously cheated and have not had the opportunity to taste true original products. Italy is one of the most affected by counterfeiting of products in China. In supermarkets, usually it is possible to find cheese that is labelled "Parmesan". Even if in Europe it is a registered trademark, outside it is considered a generic trademark that can be used by every cheese firm. In the market, there are imitations that show the same name or image of original products and sometimes there is the wrong animal represented on the packing, as for example, it is possible to find a cow instead of a sheep on cheese labeling.

This kind of counterfeiting presents a big threat for the "Made in Italy" brand. Italian institutions and consortiums have to intervene to prevent this from happening. It is important to stop whoever uses Italian brands in the wrong way, in order to protect the quality that represents our country, all the firms that suffer the negative impacts of this counterfeiting, and consequently, the emerge of negative judgements that customers can draw from eating cheese of poor quality. There is the need to ensure that products really have Italian origins and this is possible only by teaching the

customers to distinguish between the true and the false and spreading out the knowledge of DOP and IGP denominations.

An example of counterfeiting is the one that happened during the *Food Hospitality China* fair. Three American firms were discovered showing products, which violated the Italian brand Asiago DOP, a registered and protected trademark in China. Only after the complaint of Asiago DOP cheese consortium those products were withdrawn from the exposition. While the implementation of major laws on the protection of brands is pending, consortiums and institutions are trying to achieve significant results. Stopping completely this kind of counterfeiting is difficult: only consider that usually Chinese firms move to Italy just with the aim of producing goods that can show on the labels the name "Made in Italy" to take back them to China and exchange them as original products.

In 2016, in order to protect our products from counterfeiting, the Italian government and Alibaba, an online platform that consists of more than 430 million users, signed an agreement. With this agreement, the Chinese website commits itself to educate sellers and customers on the geographical origin of Italian food products. To prevent the sale of fake products an Italian fraud prevention inspectorate has been established that cooperates daily with the platform to discover fake products and report them to headquarters. After that, products are removed from the platform and the sellers are warned about violating the property rights of other firms. After one year from the agreement it is already possible to see some results[43]: the sale of 99 million tons of fake cheese has been

[43] Maurizio Martina, Ministry of Agriculture, 2016

prevented, a number 10 times higher than the true production and the sale of 13 million bottles of Prosecco that did not come from Italy. However, the value of this counterfeiting, due to the major use of e-commerce, is destined to grow in the future. The main counterfeit Italian food products in China are cheese, such as Parmigiano Reggiano and Asiago, pasta, sauces and cold cuts.

### 1.5.1 ITALIAN SOUNDING

In foreign supermarkets, usually there are products that can be switched for Italian ones because they present very similar names: sometimes we can find cheese named *Parmesan* or *Reggianito* and cold cuts named *Parma Ham* or *Daniele Prosciutto*. This phenomenon is usually called "Italian Sounding": the association of names, terms and images to products that make them sound Italian, like the use of the words "typical" and "traditional", the representation of the tricolor flag, of some famous monuments and of the Italian peninsula. Nowadays, the imitations of agricultural Italian products produce a revenue of 60 billion euro per year[44], a value 1,5 times higher than the original Italian export value. The counterfeiting in foreign markets is usually realized by firms with properly registered trademarks, but this happens because sometimes Italian trademarks are not registered in other countries or because efficient laws on the protection of intellectual properties are not present.

[44] Data from Coldiretti analysis

### 1.5.2 THE IMPORTANCE OF THE CHINESE TRADEMARK

The trademark is the most important element for a firm because it represents a way of differentiating products from the others on the market. If a firm wants to take full advantage from the promotion of its products and wants to protect its trademark on the Chinese territory, it is appropriate to translate its name into the Chinese language. When a foreign firm has to choose a brand, it has to be careful about the characteristics of the Chinese language: it has to give attention not only to the meaning of the characters but also on their pronunciation. Even if in the Chinese market traditional names are accurately present, with the introduction of foreign products, false names have been created, which are composed only by characters associated with the transliteration of the original name without any attention whatsoever to their Chinese meaning.

Chinese language does not have an alphabet, but only characters that are associated with a particular meaning. Chinese brands cannot be represented by invented names: every character has its own meaning and, for this reason, the trademark is inevitably brought back to an image. It is important to be careful about the meaning of characters and to their pronunciation that usually can be associated to the pronunciation of other characters: such as the number four *si* 四 that is usually associated with the word "death" *si* 死 because they are pronounced in the same way.

It is important to register in China not only the original name but also the Chinese one, which can be a literal translation or a completely new name. The "Parmigiano Reggiano" trademark, in 2014, was registered in China with is original name and with the translation of *Laoyi* 酪意 "the cheese

idea", where the word "idea" can also be associated with Italy because it has the same pronunciation. This was a very important decision made to protect the "Parmigiano Reggiano" trademark from other names of cheese that present on the labeling the name *Bamusen* 爸木森, which does not have any meaning and it is only the juxtaposition of the words "father", "wood" and "forest".

There are three main ways to translate foreign brands into the Chinese language[45]:

1. <u>There is the translation, which is based on the sound of the original brand.</u> Relevant examples are Parmalat and Motorola firms. The first was translated into *Pamalate* 帕马拉特, where there was a juxtaposition of the meaning of characters completely different: two names "a tissue", "a horse"; a verb "push" and an adjective "particular". The Motorola brand was translated with *Motuoluola* 摩托罗拉, where the translation is composed of the verbs "touch", "support", "collect" and "pull". Choosing this kind of translation is not recommended: even if it were possible to maintain almost completely the sound of the brand, they are without meaning and cannot communicate any kind of message to Chinese customers;

2. <u>There is the translation, which is based on the meaning of the original brand.</u> The Apple company decided to translate its brand with the name *Pingguo* 苹果 "apple" and the Volkswagen firm that translated its brand with Dazhongqiche 大众汽车 "the

[45] "Mondo Cinese N.106" Eleonora Canigiani, January 2001

people's car". This kind of translation is the most understandable for Chinese customers but usually the association with the original name is completely forgotten. Therefore, Chinese customers are probably not able to link the product with the original name;

3. There is the translation, which is based on a compromise between the sound and the meaning of the original brand. This kind of translation is the most appropriate to the Chinese market: the name not only can be associated to the sound of the original brand, but can also communicate a message to customers. Many firms, when they entered into the Chinese market, chose the first kind of translation, but after understood the peculiarities of the market and the influence of the trademark on the choices of customers, they decided to translate another time their brand name. For example, the Danone firm that from the name *Danuonei* 达诺内, which only presents the juxtaposition of words without no logical sense "reach", "vow" and "inside", changed its name in *Daneng* 达能 that means "reach the possible". In this way, it was possible to recall the pronunciation of the original brand and at the same time communicate a message to customers.

## *1.6 THE CHINESE GREAT WALL*

Even if they are decreasing, there still exist different elements that limit the success of Italian products in China, especially in the food sector.

The main barriers are caused by:

- The strong relationship between the population and the gastronomic traditions. Chinese cuisine has ancient roots that are strong and famous all over the world. Even if there is a strong interest in Italian cuisine, it is not possible to replace or change the ancient Chinese traditions. It is useful to think about the Italian restaurants image: the different way of eating, costumes and rituals are usually seen by Chinese people as an exotic experience, which is associated with special occasions like a business or romantic dinner;

- The presence of strong health restrictions and complete bans on some imported products and the difficulty of administrative procedures makes it too expensive and difficult to enter into the Chinese market for many Italian products. In the last few years, customs duties were significantly reduced; however, combined with the consumption tax, it still heavily affects the price of some goods. Products like pasta or bottled wine present an additional tax that can vary from 34 to 48%[46]. For this reason, the price of agricultural exported products can increase 5 or 6 times more that their original value;

[46] Data from Chinese customs, 2014

| Codice doganale | Prodotto | Dazio MFN (%) | Imposta sul consumo (%) | VAT (%) | Totale (%) |
|---|---|---|---|---|---|
| 1902 | Pasta | 15 | - | 17 | 34.6 |
| 0406 | Formaggi | 12 | - | 17 | 31.0 |
| 1509.10 | Olio extravergine di oliva | 10 | - | 13 | 24.3 |
| 1509.90 | Altri olii | 10 | - | 17 | 28.7 |
| 1905 | Prodotti da forno | 20 | - | 17 | 40.4 |
| 1905.31 | Biscotti | 15 | - | 17 | 34.6 |
| 1806 | Cioccolata | 10 | - | 17 | 28.7 |
| 0901.21 | Caffè tostato | 15 | - | 17 | 34.6 |
| 2204.10-21 | Vino imbottigliato | 14 | 10 | 17 | 48.2 |
| 2204. 29 | Vino sfuso | 20 | 10 | 17 | 56.0 |
| 2209 | Aceto | 20 | - | 17 | 40.4 |
| 2201.10 | Acqua minerale | 20 | - | 17 | 40.4 |
| 0203.12-19 | Prosciutto | 20 | - | 13 | 35.6 |

Exhibit 1.9 Custom duties of Italian agricultural products exported to China, Year 2014
Source: Chinese customs

- Italian firms, especially the medium and smaller dimensional ones, due to the lack and to the inefficiency of local distribution channels, meet difficulties finding importers willing to distribute their products. The importance of choosing a good distribution partner is decisive to ensure complete coverage of Chinese territories. The distribution network of China is not developed at all, and the more significant the distance from the coastal area is, the slower and less efficient the network is. It is important to find a partner who has good logistical and storage infrastructures, respects delivery times and has great relationship capabilities with customers and other people involved in the Chinese market;

- The strong relationship with traditions and the linguistic and cultural differences are the main non-administrative barriers that face the Chinese market. In order to better satisfy the needs and

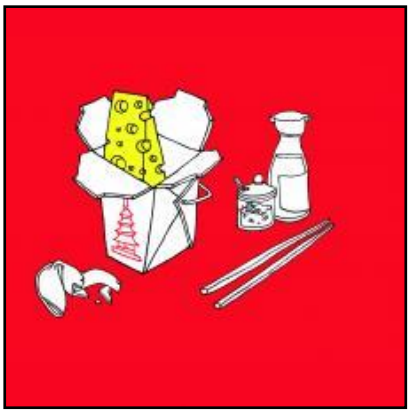
the demands of Chinese customers, Italian and other foreign firms need to modify their exported products changing partially the appearance and the taste, adapting them to the behaviors and ideas of customers. These are completely different from the occidental ones. One of the best tactics is the presentation of the packaging: Chinese people are heavily influenced by the presentation of the product. They prefer to spend more money on an elegant and refined package that shows clearly the brand "Made in Italy";

- The increase of local competition, which is composed of companies able to produce goods of high quality with low labor and production costs. In the past, the attention of Chinese firms was especially concentrated on the quantity rather than on the quality. After the economic boom, the population health level increased and Chinese customers started to be interested not only on the price but also on the appearance of the products. Chinese firms changed their way of production and, thanks to the cost reduction and to the economic scale, they are now able to present products of higher quality than in the past, with a price more convenient than the one presented by foreign firms;

- Italian firms have difficulties understanding the Chinese market and the demand of customers. Usually there is the need for a greater operational commitment and some years before achieving the first economic results. To achieve business goals, human resources are the key to success. It is necessary that firms send business delegates to China that have the task of controlling the distribution

process. Firms need also to rely on local partners that have great managerial capabilities, knowledge on exported products, on the demands and desires of customers and do their best to increase the fame of "Made in Italy" brands;

- The strong policy of protectionism implemented by the Chinese government aimed to protect the local production has proven a disadvantage for foreign firms. In the last years, the restrictions and the controls on foreign activities in China increased: the investments directed to foreign firms were reduced, aid policies to foreign multinational companies were over and there have been an increase in the rigidity of administrative and economic barriers. This was made with the aim of ensuring the entrance of checked and safe products in the Chinese market and to protect the production of local firms.



# SECOND CHAPTER

# THE RISE OF CHEESE IN CHINA[47]

## *2.1 REGARDING THE DISCOVERY OF CHINESE CHEESE*

There is not present a high consumption of milk and its derivatives in the Chinese diet. The simplest answer is because cheese does not exist in China or because Chinese people are intolerant to lactose. These assertions are incorrect. Cheese, even if it has never been at the heart of the Chinese gastronomical culture, has always been produced in China. Milk was a dietetic and healing product belonging to Chinese traditional medicine. It was given to children and elders who needed calcium and iron. Cheese was considered a rare and a niche product, it was principally consumed in the imperial courts and it was not economically achievable for most of the population.

The cheeses belonging to the Chinese culture are principally two:

[47] Title of the chapter from the startup All China Tech

- Yak cheese that is an Asian product made by Yak milk and comes principally from the Himalaya plateau. This kind of cheese is consumed by local ethnic minorities and it is characterized by a strong taste and a herbaceous aroma, which can be associated with the taste of the Italian pecorino cheese. Yoghurt and butter are also produced by the Yak milk. According to local customs, a bit of salt and the butter are used to flavor tea. This kind of beverage is famous all over China and it is called “the Tibetan tea”;

- Tofu is a product present in the diet of all the Far East. Its name is Japanese, but its origin is Chinese. It is made by the curdling of soya juice that, subsequently, is compressed into blocks. Its production is similar to the production of cheese of animal origin and, for this reason, it is usually called “vegetable cheese”. This kind of product has plenty of proteins, iron and vitamins. It is used in low calorie content and vegetarian diets. In China, it is daily cooked in many different ways.

Many researchers tried to explain why Chinese people tend to exclude dairy products from their diet. Some of them believe that it is a cultural problem: in ancient times breeding and, consequently, the production of milk and derivatives were seen like a barbarian practice, attributed to nomadic tribes of ethnic minorities located in Northern and Western China. Other researchers believe that most of the population present a lactase enzyme deficiency and for this reason are lactose intolerant. However, the

French sinologist Sabban[48] pointed out that lactose intolerance does not influence the consumption of matured cheese. These kind of cheeses, after have been transformed, lose their lactose enzyme and become perfectly digestible.

From the twentieth century, thanks to the economic reforms of the Chinese government, China started to develop its dairy industry. Milk production from 1980 to 2015 increased from 1,4 million to 33 million tons and brings China to be the 4° exporting country of milk in the world. With the increase of milk production, the pro-capita consumption also grew and moved from 1 to 11,16 liters. This is an outstanding increase for a country where milk and its derivatives have always been seen as rare and niches products, but still quite low if compared to the Europe consumption. Just think about the difference with Italy, where the pro-capita consumption is about 50 liters per year[49].

Presently, milk production of China has been developed enough. The Chinese firm Bright Dairy&Food is the first producer and exporter of dairy products of China, which covers the 46% of all the market[50]. On the contrary, the local cheese production is still at a primitive stage and the Chinese market is principally dominated by foreign firms. Cheese, with exception to tofu and Yak cheese, can be purchased in the imported product departments of big Chinese supermarkets.

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[48] "Techniques et saviors ordinaires dans le monde chinois" Francoise Sabban, Annual report 2010-2011

[49] All data of this section coming from CLAL

[50] "Le nuove vie del gusto: la Cina alla scoperta dei sapori Italiani" Agichina

| Paese | 2010 Kg | 2011 Kg | 2012 Kg | 2013 Kg | 2014 Kg | 2015 Kg | ± su 2014 |
|---|---|---|---|---|---|---|---|
| Ukraine | 117,03 | 119,66 | 123,30 | 117,70 | 123,06 | 120,14 | ▼ -2,38% |
| Australia | 103,05 | 107,44 | 109,60 | 107,18 | 110,07 | 112,65 | ▲ +2,34% |
| Belarus | 112,31 | 113,62 | 114,74 | 105,40 | 110,53 | 110,57 | ▲ +0,04% |
| New Zealand | 68,67 | 68,12 | 95,81 | 101,01 | 110,12 | 109,74 | ▼ -0,35% |
| United States | 91,49 | 89,12 | 88,12 | 86,19 | 84,71 | 83,25 | ▼ -1,72% |
| Canada | 93,30 | 91,71 | 87,19 | 84,64 | 82,78 | 81,33 | ▼ -1,75% |
| Russia | 82,25 | 81,35 | 76,77 | 70,80 | 68,74 | 66,22 | ▼ -3,66% |
| EU-27 | 61,55 | 61,52 | 61,40 | 61,32 | 60,80 | 58,68 | ▼ -3,48% |
| Brazil | 40,47 | 41,67 | 42,30 | 44,24 | 46,88 | 52,56 | ▲ +12,13% |
| Argentina | 51,67 | 50,24 | 50,67 | 48,54 | 47,56 | 48,37 | ▲ +1,71% |
| India | 39,92 | 41,41 | 41,15 | 42,52 | 44,01 | 45,57 | ▲ +3,56% |
| Mexico | 43,56 | 34,06 | 34,14 | 33,62 | 33,34 | 32,95 | ▼ -1,17% |
| Japan | 32,60 | 31,89 | 31,82 | 31,30 | 30,85 | 31,09 | ▲ +0,79% |
| Korea, South | 31,39 | 32,88 | 31,81 | 31,84 | 30,75 | 30,40 | ▼ -1,15% |
| Taiwan | 15,39 | 15,22 | 14,59 | 15,25 | 15,79 | 16,42 | ▲ +3,98% |
| China | 8,99 | 9,35 | 9,97 | 10,53 | 11,06 | 11,16 | ▲ +0,90% |

Exhibit 2.1 Pro-capita consumption of milk in China Year 2015
Source: www.clal.it

## *2.2 FOREIGN CHEESE IN CHINA*

The pro-capita consumption of cheese in China is still very low but, thanks to the increasing number of middle class customers and of foreigners in the big cities, the demand is increasing continually. In China, in addition to milk and yoghurt, which are especially used for diet of children because of their high content of calcium and proteins, fresh cheeses, such as ricotta and mozzarella, are also appreciated. These cheeses have simple tastes similar to the eastern ones. Chinese customer habits are slowly changing and, presently, cheese is principally consumed through food like pizza, panini and sandwiches. It will take some time before Chinese customers get their tastes used to more particular cheese, such as gorgonzola and pecorino. Nothing is impossible since products like wine and chocolate, which in the past were completely absent in the Chinese diet, have already reached their tables.

With the emergence of places like big restaurants, bakeries and coffee chains, which use a lot of cheese in their products, the demand of cheese has increased substantially. Presently, cheese is almost exclusively consumed in western dishes and not in local dishes: even if a Chinese customer decides to buy some cheese, it is probably because he wants to reproduce a little bit of western life in his house cooking non-traditional dishes, such as pizza. The most sold cheese in China are the industrial ones, which are produced by the union of different cheese, usually scraps, to which are added additives and oils. This kind of cheese is really appreciated in China and usually is preferred to natural cheese because of its simple taste and its pleasant smell. However, thanks to the growing interest in a more western style of life, Chinese customers are starting to be more

attracted and more inclined to taste new products. For these reasons, natural cheese, such as Grana Padano, Asiago and Pecorino have great potential for success in China.

Cheese coming from New Zealand and Australia are principally destined for fast food consumption, while cheese coming from Europe is usually not destined for the big distribution but to the Ho.Re.Ca[51] sector. The cheese market is still tiny if compared to the European one and most of the quantity is consumed in foreign hotels and restaurants. The main distribution channels of dairy products directed to customers are big supermarkets, such as Carrefour, that handle the 94% of the sells; small markets that handle the 4,8% and other food vendors that handle the 1,9%[52]. Usually in China small markets do not have refrigeration units, so it is difficult to sell cheese because of its need for preservation at low temperature. Another cheese distribution channel is represented by the e-commerce. However, it is not the best route to take if firms want to enter for the first time cheese in the Chinese market. If a customer does not know a product well, he will not buy it on Internet, where it is only presented by an image and a description. The best move to make is to let Chinese people taste cheese and teach them how and why they should eat it. Only when customers are knowledgeable will it be possible to focus all Italian energies on the e-commerce, which is well developed in China.

[51] It is the acronym of "Hotel, Restaurant and Café" usually used in Europe, which refers to the food service industry.
[52] "Analisi delle opportunità del mercato Cinese" Alessandra Maffei, Federico Facchin, Marco Marramaldo

The main export countries to China are New Zealand that represents 49% of the market share, Australia 19%, The United States 16%, France 4,5%, Denmark 4% and Italy represents 3%[53]. Even if Italy has only a small share of the market, Italian exportations are continuously growing. From 2014 to 2015, principally thanks to fresh cheese, the market share of Italy has increased by 17%[54] and in the future, due to the knowledge of Italian firms and to the quality of their dairy products, it is destined to grow.

| IMPORT CINA: Principali 10 fornitori di Formaggio nel 2016 (Tons) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Paese | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | ± % su 2015 * | ± % su 2014 * |
| New Zealand | 13.143 | 17.010 | 20.015 | 28.825 | 36.779 | 51.116 | +38,98% | +77,34% |
| Australia | 5.990 | 8.059 | 11.167 | 17.336 | 15.277 | 19.968 | +30,71% | +15,18% |
| United States | 6.270 | 8.954 | 10.010 | 11.635 | 11.658 | 8.956 | -23,17% | -23,02% |
| France | 565 | 877 | 1.354 | 1.915 | 1.889 | 3.493 | +84,89% | +82,37% |
| Denmark | 341 | 497 | 678 | 1.084 | 2.427 | 3.103 | +27,86% | +186% |
| Italy | 535 | 723 | 1.122 | 1.458 | 1.899 | 2.585 | +36,14% | +77,31% |
| Germany | 259 | 562 | 586 | 855 | 1.486 | 2.460 | +65,50% | +188% |
| Uruguay | 324 | 340 | 906 | 491 | 925 | 1.600 | +72,97% | +226% |
| Argentina | 233 | 594 | 368 | 717 | 724 | 763 | +5,45% | +6,47% |
| Netherlands | 405 | 603 | 412 | 491 | 881 | 611 | -30,63% | +24,49% |

Exhibit 2.2 Main exporting countries of cheese to China Year 2016
Source: www.Clal.it

[53] Data from CLAL
[54] "Formaggi, export a 2,5 miliardi ma crollano le importazioni" Roberto Iotti, 2016

## 2.2.1 BAIDU TRENDS ON CHEESE

Baidu Trends is a tool of the search engine Baidu, the equivalent of Google in Europe and America. With this tool it is possible to study the market by analyzing the research made by online users. It is possible to find out the most researched topics, how often and where they are researched. Doing a research on the word “cheese” it is possible to find not only the areas where this product raises more interest but also in how the questions regarding cheese are phrased.


Exhibit 2.3 Main areas where the word “cheese” is researched on the search engine Baidu Year 2016
Source: Baidu Trends

Even if cheese is not a particularly well researched topic in China, it is possible to find out that in the coastal areas, the ones most open to the westernization lifestyle, the word “cheese” is more researched than the internal areas, where the research is totally inexistent. The areas where the interest for this topic is higher are Guangdong, Peking, Zhejiang, Shanghai and Jiangsu. The areas were the researches are equal to zero are Xingjian, Qinghai, Ningxia and Gansu.

百度知道 奶酪 2016-02-01 至 2017-02-16 全国

1. 芝士和奶酪什么区别
2. 奶酪怎么吃
3. 黄油、奶油、芝士和奶酪都有什么区别？分别都可以怎么吃？
4. 块状奶酪的吃法
5. 做披萨用什么奶酪好
6. 芝士、奶酪、乳酪、干酪有什么区别吗？芝士为什么是咸的，奶酪是甜的？
7. 谁动了我的奶酪读书心得
8. 奶酪怎么做
9. dnf 怎么获得白萝卜 蜘蛛蘑菇 野山参 辣椒 营养蘑菇 蜂蜜 天然奶酪 粗蒜
10. 奶酪的营养价值有哪些？

(The English translation is present in the next page)

Exhibit 2.4 Sentences including the word “cheese” more researched on the search engine Baidu Year 2016
Source: Baidu Trends

After the analysis on the areas that are most interested in cheese was completed, it is possible to continue with a research based on the appearance of the word “cheese” in sentences searched for on Baidu. It is possible to find out that many Chinese users are interested to search sentences like “what is the difference between two synonyms of the word cheese?”, “how to eat cheese?” “what is the difference between butter, cream and cheese?”, “what kind of cheese is used to make pizza?” and “how is cheese made?”.

Thanks to this kind of research on the subject, it has been possible to find out that most of Chinese users search the word “cheese” because they are not sure what cheese really is and do not know the difference between milk derivatives. Furthermore, it is possible to find out that Chinese users are interested in how this product should be cooked and eaten.

## *2.3 BIG FOOD SCANDALS*

The increase of milk and consumption of its derivatives in the Chinese diet has been also hampered by the many food scandals, which have happened in the meantime. For example, the one which happened in 2008 that involved some Chinese firms, such as *Mengniu* 蒙牛, *Yili* 伊利 and *Guangming* 光明. Melamine, a highly noxious substance, was added to milk powder for children, which caused the poisoning of about 300.000 infants. Many perpetrators of Chinese dairy firms were condemned and the products removed from the market. Some foreign export firms also have been at the center of food scandals. We can remember the *Fonterra* firm, the biggest producer and exporter from New Zealand. In 2015, some harmful bacteria were find in the milk protein of whey, which was produced and exported to many countries by this firm. In China, this product was not directly sold by the New Zealand firm, but from some Chinese firms, such as the famous *Dumex Baby Food, Coca Cola China* and *Wahaha* firms.

These scandals, with many others, negatively influenced the habits of Chinese people and led to less confidence in local firms. Customers, worried about food safety for themselves and their children, started to prefer the purchase of foreign products, which provide more guarantee of the quality and on the production. Due to these accidents, the consumption of dairy products in China decreased more than 80% and customers moved their choice to products imported from the European Union. These products present a higher cost but are believed healthier and safer than the Chinese ones. The Chinese government, in order to avoid that food scandals will happen in the future, have enacted new laws on

food safety. Nowadays, in China more inspection on the purchase, origin and storage of food products is present and there are also present heavy administrative penalties when firms do not observe the security standards. In addition to the increase of inspections, new laws have been introduced about the withdrawal of products, about the protection of consumer rights and about advertisements, which have the obligation to provide only true information[55].

In Italy, the safety and quality of products are in the forefront. Every year, great investments and resources, committed to the field of food safety, are utilized in the prevention, research and control, both at national and regional level. In China, the attention for food quality is becoming increasingly important and it is an opportunity for Italy to strengthen the bilateral relationship. Italy can introduce to Chinese institutions its own food control systems. In 2012, the *Food Safety Forum in China* was established and every year the Foreign Ministry, the Ministry of Economic Development, the Ministry of Agriculture and some Italian regions take part in it. During this project, a series of seminars and meetings directed to Chinese authorities take place. Many are the debated subjects, but a lot of importance is given to innovative food system security and to the control of the quality in agricultural exchanges.

[55] "Cina: la nuova legge sulla sicurezza alimentare è tra le più severe di sempre" Italian

## *2.4 EDUCATING CUSTOMERS ON CHEESE CULTURE*

In recent years, due to a bigger opening to the outside world, in China big restaurant chains, such as McDonald, Pizza Hut and Subway, started to emerge and cheese started to enter the Chinese diet. However, this is not enough to get this product into their gastronomical culture. Chinese customers are slowly getting used to the tastes of simpler cheese and are changing their habits. The aim of Italian dairy firms is to drive Chinese people to discover the Cheese culture.

### 2.4.1 THE TOFU EXAMPLE

It is difficult to make somebody buy a product if he does not know how to use or cook it. In order to better explain this concept it is possible to make an example with Italians:

In Italy, tofu is present in every imported product departments, however, only a small part of Italian customers habitually purchase it. If you try to ask a middle class Italian customer if he knows how to cook tofu, the answer will be probably negative. There are some customers that, curious about this new product, decided to buy it and, believing it like an Italian cheese, tried to eat tofu with bread or cooking it in the pan with a bit of oil and salt, with disastrous results. Tofu had an unpleasant taste, almost inedible. If you try to taste tofu in China, its country of origin, you will find out that its taste is not so terrible, it can be cooked in a thousand different ways and it will always have a pleasant taste.

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Desk, 2015

Tofu is not present in our gastronomical culture, Italians do not know how to cook or how to eat this product and, for this reason, they cannot appreciate its taste. The same thing happens with the Italian cheese in China: some Chinese customers, looking at this new product in the supermarket, decided to buy and taste it. However, because they do not know how to use this product, they started to cook it in the same way of cooking tofu, frying or grilling it.

Chinese customers choose between the most disgusting western products the blue cheese, such as gorgonzola or blue d'Aosta, which do not have a very good smell. Let us imagine an Italian tourist in China in front of a *choudoufu* 臭豆腐 that because of it disgusting smell is called "stinky tofu" and a Chinese tourist in front of a piece of gorgonzola. Probably for either of them will there not be a positive outcome.

### 2.4.2 HOW TO EDUCATE CHINESE CUSTOMERS

According to the export manager of the dairy firm *Trentin*[56], if Italian firms have the support of government institutions, it will surely be easier get into the Chinese market. Chinese people barely know what cheese is, they know its name but do not know how to eat or how to store it. We need to increase the public awareness, the thought of journalists and restaurateurs to make cheese more appreciated and known in all China. It is not possible to say that Chinese people do not like cheese if they have never had the possibility to sample this product. The Chinese market is not simple and it

[56] "Export Veneto. Cina scopre i formaggi di Agriform e Trentin" L'Arena, 2012

needs a lot of time, efforts and investments. The aim of Italian firms, with governmental support, is to teach Chinese customers to appreciate cheese, to explain how it has to be used in the kitchen and how it has to be stored. Only by doing this, it will be possible to see an increase of Italian cheese exportation to China. Furthermore, thanks to the growth of wine consumption in the Chinese market, it will also be possible to increase the consumption of cheese. These two products are usually consumed together and the opportunity to promote one of them is also an opportunity to promote the other one.

There are different ways to push Chinese customers to buy Italian dairy products:

- Cooking classes, which are usually held by Italian organizations present in China, such as consortiums or the Foreign Chamber of Commerce. They take place throughout the year and include the participation of famous Chefs, which lead Chinese customers to the discovery of the characteristics of Italian cheese;

- Gastronomical events, such as the *Taste of Europe* project that includes a series of events aimed to the promoting of DOP and IGP products. The *Crossroad* project aimed to the promotion of products of Lombardy region. During this project a cookbook of Chinese dishes has been published and revised with Italian products, such us spring roll with gorgonzola cream and chicken curry with Grana Padano rice. *The week of Italian cuisine in China,* where thanks to the support of Italian Chamber of Commerce Abroad, the Institute of Italian Culture, the Italian Trade Agency and the participation of

the famous Italian chef Carlo Cracco, has been able to allow Chinese people to know about the Italian cuisine traditions. During this week there were also important discussed topics, such as quality of products, food waste and a greater respect for food;

- Agricultural food fairs, such as the *Food Hospitality China* is one of the most important agricultural fairs that take place every year in China. In 2015, the Italian pavilion was about 350 m². The *SIAL China*, an exposition in Shanghai where the Parmigiano Reggiano consortium took part in it and where it was explained to Chinese visitors the characteristics of this cheese, its process of production, its nutritional qualities and how to distinguish the true Parmigiano Reggiano from the many imitations present on the market;

- Promotional dinners. In some famous restaurants there are regularly organized campaigns for the sponsorship of Italian agricultural products. At the *Prego* restaurant of the Westin Hotel of Shanghai, the chef Mauro Bellodi promoted a sponsorship and an educational campaign for the Grana Padano cheese. The Italian restaurant *Dolce Vita* hosted tasting dinners designed for Chinese distributors of Italian products, journalists and other business operators;

- Television programmers, such as *The Greatest Chef,* a program that consists of 10 episodes went on air on CCTV2 channel with more than 30 million viewers. For this program, one of the main sponsors was the Grana Padano. Television is a powerful instrument for

propaganda that speaks directly to customers all over China and it can easily raise their interest in the Italian cheese culture, affecting their purchase choices and, consequently, increasing the sale of sponsored products. During the airing of this program, that occurred during the Chinese national week holiday, thanks to the support of many illustrious Italian and Chinese chefs, such as Fu Yang 付洋, Grana Padano has been introduced to the Chinese public and many Chinese recipes adapted using Italian cheese were presented. The *Huijia Chifan* 回家吃饭 television program with more than 40 million viewers that during the Italian cuisine week in November 2016 had as guest the chef Carlo Cracco who took part in a two-day event designed to discover not only the traditions but also the innovations of Italian cuisine. During this program, with the support of Chef Sun Lin Xin 孙立新 the Amatriciana pasta with pecorino and jowl, a variation of the Peking duck and a fried egg with Parmigiano Reggiano fondue were made;

- Italian and Chinese business partnership, such as the *Trading Agro Crai* project that has an objective towards strengthening the name of Italian brands in China with the goal of improving the production, distribution and restoration systems. The purpose was to open in China shops completely dedicated to products belonging to the Italian culinary tradition. *Piazza Italia* was the first and last of these shops of 3600 m² which were opened in Peking in 2008 and where more than 2000 Italian brands were present. This project failed and the shop was closed. Chinese customers are keen on spending more money for quality products, but this does not mean that they want

to pay a higher price for a product in a luxury boutique when the identical product is sold at a lower price in supermarkets. This project has been defined as a big wasted opportunity for Italy;

- Specialized shops, such as the *Formaggeria Gran Moravia* of Shanghai opened in 2013. A shop principally dedicated to traditional dairy Italian products, where it is also possible to purchase other Italian and foreign food products. In this shop, there are Italian and Chinese shop assistants specialized to better direct the choices of customers. One of their main purposes is to push customers to buy suitable products to use when preparing Italian and Chinese dishes. Another purpose is to offer customers fresh dairy products, which are made in the dairy farm JiKang 吉康 of Peking, at low prices affordable to every type of customers. On the VivaShanghai website it is possible to find a section dedicated solely to the products of this particular shop and where it is also possible to receive the purchases at home;

- The promotion of e-commerce. The platform *Alibaba,* represents the first online Chinese market with more than 400 million users and with bigger dimensions than other platforms, such as *Ebay* and *Amazon*. On September 2016, an agreement between *Alibaba* and The Ministry of Economic Development was signed, which had the aim of promoting Italian products on this Chinese online market. In accordance with this agreement, in order to increase the sale of Italian products, promotions are organized regularly. As Jack Ma, the founder of this platform, said during the *Vinitaly* event in Chengdu,

he wants to been seen as the ambassador of Italian products in China and his online platform as the entrance to the Chinese market.

### 2.4.3 THE FRENCH COMPETITION

In order to introduce an unknown product in a new market, it is important to promote it in all possible ways, making it culturally desirable to customers. French firms often have been better than Italian firms: they know perfectly well how to face a new market for the first time and we should learn from them. French firms, with the government support, are able to find the most suitable target of customers for their products and are able to find out the most efficient distribution channels. For this reason, they got into the market before other countries. This also happened with the promotion of cheese in China. French firms overtake us and are able to present the product better than Italians. Cheese is not only suggested like a product to accompany dinner, but like a complete meal. Introducing Cheese in Chinese food habits is difficult, but French firms have found the key to success and they are succeeding at it.

In order to better understand how French firms succeeded, it is possible to make some examples. When the Bel Group firm decided to get in the Chinese market with the *La vache qui rit* brand, it was hampered by the high price of its products, the fake copies present in the market and the customers' lack of knowledge about cheese. For these reasons, Bel Group firm understood that it needs to strengthen the brand promotion, underlining its nutritional qualities by making it the representative of a balanced and healthy diet. The firm started to study the local habits of

Chinese customers and it started to change not only the packing but also the taste of its products. It produced mono-dose cheese snack that showed on the labeling the word “nutritional breakfast”, “healthy snack” and “calcium”. This strategy was efficient because it was able to recall the attention of customers, whom are very careful to their diet. The firm, in order to better meet the needs of Chinese people, decided to complement the traditional products of the firm with new products characterized by tastes designed just for the Chinese market called “new flavor”. Another example is the Nestlé firm, which, after entering the Chinese market, decided to enrich its products with food containing soya milk, a product that is daily consumed in the entire China. This French firm, in order to better promote its brand, decided to use a slogan. In China, everybody, not only for private promotions but also for governmental propaganda, commonly uses slogans. Nestlé firm linked to its brand the “good food, good life” slogan, which not only was characterized by the traditional efficient way of promoting products in China, but it was also able to stand out the healthy and quality of its products[57].

Other efficient strategies, for letting Chinese customers become familiar with French cheese, are the promotional activities organized by French institutions. At *The Cheese Festival* held in Hong Kong in 2013, more than 200 French cheese were presented, all paired with their own type of wine. Thanks to the support of many experts, the guests were able to be directed towards discovering tastes more suitable to their liking. During this festival, the *Exceptional Cheese Tray*, a three-day tasting course was presented, in

[57] “The impact of customer orientation on the business strategies: the customization cafe of Nestlé on French and Chinese dairy market” Ingrid Mignon, Hui He, 2005

which there was *The Spiral:* a tasting of 24 different kinds of cheese that walk the visitors through the French cheese history. There were also organized some workshops to lead guests to the discovery of the history and of the origins of French dairy products. During that period, it has been explained and promoted the MOF[58] denomination: the most desired recognition from French dairy firms. Thanks to this promotion, the denomination MOF will soon be recognized in all of China and it will be associated with the best French products present on the market. The promotion campaign *Les Fromages, C'est La Force* of the Sopexa firm, during which were organized more than 200 days of activities in the big cities of Beijing, Shanghai and Guangzhou. This campaign, with the support of famous Chinese and French chefs, was finalized to enhance the knowledge of French cheese among Chinese customers. During this period, it has also been created a Chinese application 芝士就是力量 "Cheese is strength", in which it is possible to find information about cheese and many traditional recipes revised with French cheese. The *Hullet house's cheese festival* in 2011 during which, in order to better let Chinese customers get used to new tastes, it has been presented a new French cheese adapted to Asian tastes: *The Wasabique*, a fresh wasabi-flavored cheese goat.

In conclusion, we can say that Italian firms should take example from French firms on their ways of product promotions and marketing. Firms not only have to introduce to the Chinese market new products and then wait for them to be purchased, but they have continuously find new ways to gain the attention of customers, teaching them to appreciate Italian products and trying to link their own brand with the best products present

[58] Abbreviation of "Meilleur Ouvrier de France"

on the market. The key of success is to develop a business strategy, in which products are adapted to the Chinese market and in which it is underlined the quality of country of origin. As for example, by showing on the labeling sentences in original language, which are seen by Chinese people as symbol of authenticity and safety or by using packages suitable to the habits of Chinese customers, such as the mono-dose ones. China is not a difficult market, but it is very heterogeneous, tastes change from an area to another and, for this reason, if an Italian firm wants to get in the entire Chinese market, it needs to consider each area in a different way.

## *2.5 ANALYSIS OF THE OPPORTUNITIES AND OF THE THREATS PROVIDED BY THE CHINESE DAIRY MARKET*

It is possible to make an analysis of the opportunities and of the potential threats that the Chinese market presents to Italian diary firms.

Firstly, it is important to say that China is getting into the *New Normal Era.* The government is supporting a slower but more sustainable economic growth, which, differently from the past, is focused on the increase of quality rather than of the quantity. This awareness, in addition to the increase of income and of the pro-capita consumption, provided the growth of the Chinese middle class and to the increase of the demand of goods and services of higher quality. Chinese people are starting to give more attention to themselves and their children's health and, due to food scandals happened over the last few years, they started to consider western products better and safer than Chinese ones. Close to the awareness that quality is better than quantity, recently, in China, there has been the emergence of the *Show-Off Consumption*. In the Chinese culture, it has always been important to show one's social status position, in order to obtain more respect. This, with the increase of the purchasing power, lead to a consumption of foreign and luxury goods aimed at showing people's health and richness. From 1978, China started its opening to the outside and, consequently, there has been a slow westernization of Chinese habits, especially in big cities. Customers started to adapt their tastes to western food and many new products, previously unknown by Chinese people, started to get into the market. In China, recently spread out the belief that "Made in Italy" brand is synonymous with quality and luxury.

This opinion has been also pushed by the *Success of Return* phenomena. Chinese tourists attracted by Italy as a tourist destination, discovered its culture and started to look for Italian food in their country. Consequently, in China the recognition of its heath properties and the trend of eating Italian food increased significantly.

All these elements are big opportunities given by the Chinese market to Italian diary firms. Chinese customers habits are changing and they are more opened to taste new products. The consumption of dairy products is increasing, especially in the baby food dairy market, and Chinese people are slowly getting used to the tastes of some cheese. It needs only some time and with good promotion strategies, it will be possible to increase the awareness of customers and the exporting quantity of dairy products to China.

However, the Chinese market presents also some threats, which could be make the entrance and the success of Italian dairy firms in China difficult. Firstly, the consumption of milk and derivatives in China is still very limited and the pro-capita consumption is about 11 liters per year[59]. Chinese people are not used to daily eat these products and, for this reason, the dairy market, especially the cheese one, is not so developed. Other main threats are the geographical distance and the high transport and logistic costs that hamper Italian diary firms from providing fresh products to Chinese customers. In addition to this, there is the difficulty to find local partners, whom are more familiar and nearer to the evolution of the

[59] Data from Clal.it

market demand, and the inefficiency of distribution channels. China internal areas still present a lack of big distribution centers and, for this reason, it is difficult to get dairy products to smaller cities and to rural areas. Italian firms are also hampered by the increase of trade and tariff barriers made by the government in order to protect the local production. When an Italian diary firm decides to export its products to China, it has to face complicated bureaucratic procedures, numerous documentations, sanitary certifications and long waiting times. All these inspections are aimed at protecting customers from substandard products and at supporting the local production, which is not subjected to all these inspections. It is probable that Italian firms might face the loss of intellectual properties, because of the large amount of counterfeiting products, which present the same brands and styles of the original products, such as the presence of "Italian" cheese that does not come from Italy. These fake products could obviously damage the Italian brand in China.

All these elements are potential threats of failure, which Italian diary firms need to face if they want to get into the Chinese market. After a careful analysis, it is possible to say that the Chinese market presents many factors that discourage the entrance of Italian diary firms, such as the inefficiency of distribution channels, the protectionism policy and the cultural and linguistic gap. However, growth and success prospects are great, especially thanks to the growth of the Chinese middle class and their purchasing power, to the westernization of Chinese habits and to the increase of awareness about the nutritional properties of Italian products. Italian dairy firms need to do their best in order to take advantages of what this heterogeneous big market presents.

## *2.6 ANALYSIS OF THE STRENGTHS AND OF THE WEAKNESSES BELOGING TO ITALIAN DAIRY FIRMS*

It is possible to make an analysis of the strengths and weakness of Italian dairy firms that are present on the Chinese market.

Italian dairy firms can provide a wide variety of products that are suitable for each kind of needs and tastes. They provide milk and yoghurt that are especially used in diet of children, because of their high content of calcium and proteins. They provide fresh cheese, which are more similar to Chinese liking and are used in many western dishes and other traditional cheese, which are more suitable for customers who wants to try new tastes. In addition to this, Italian dairy firms provide products, which are constantly subjected to strict sanitary controls and, for this reason, they are able to present to Chinese customers safe and heathy products, exactly the kind of products that Chinese people are looking for. Italian dairy firms present higher quality products than countries like New Zealand and Australia. Italian cheeses are full of saturated fat, which help the curb appetite, plenty of protein and calcium, which help the body build stronger muscle and bones and plenty of vitamin A, which is an important antioxidant and present an immune function. Other kind of strengths are the efficient marketing strategies made through dinners, tasting classes and television programs. Thanks to these things, it is possible to teach Chinese customers how to appreciate Italian products and dairy firms have the possibility to link their own brand with the best products present on the market. Italian dairy firms also have a great advantage that other foreign dairy firms do not have: the “Made in Italy” brand. Italian firms need to use and support it in

every possible way: investing in the human resource sector and in the marketing, in the visual communication, in the e-commerce and doing promotional activities designed for the different kinds of Chinese customers.

However, with the increase of fast food and western restaurants, Chinese people started to get used their tastes to industrial cheese, which are made by the union of different cheese. This kind of product is really appreciated in China and usually is preferred to natural cheese because of its simple taste and its pleasant smell. This is a weakness for Italian dairy firms, because they produce almost only natural cheese. In addition to this, there is the problem that almost the totality of Chinese people is lactose intolerant. They present the difficulty to digest non-transformed cheese, such as mozzarella and ricotta. Even if there are many promotional activities, many Chinese customers still do not know what exactly cheese is and how it should be eaten. Cheese is almost totally consumed in western dishes and not in local Chinese dishes. If Chinese customers do not understand what is this product, they will never buy this cheese and it will be impossible to increase the purchase of Italian cheese in China. Other weakness of Italian diary firms are the inability to understand the heterogeneity of the Chinese market. Even if the Chinese market offers many possibilities, it is not a simple market and it should be seen like an agglomeration of different markets. Many Italian firms, because of the undervaluation of the Chinese market, believe it to be similar to the western one, were not able to break down the socio-cultural barriers and did not penetrate the market. On the contrary, French firms are able to penetrate this heterogeneous market and to promote dairy products better

than Italian firms. Their possibilities of success are higher that the Italian ones and they are able to occupy a bigger market share.

| CHINESE DAIRY MARKET | |
|---|---|
| **OPPORTUNITIES** | **THREATS** |
| 1. The *New Normal Era*<br>2. More attention for one's health<br>3. The growth of income and pro-capita consumption<br>4. The awareness about the quality of western products<br>5. *The Show-Off Consumption*<br>6. Westernization of Chinese habits<br>7. *The Success of Return* phenomena<br>8. Trend of eating Italian food | 1. Low consumption of milk and its derivatives<br>2. The geographical distance<br>3. Find ideal partners<br>4. The inefficiency of distribution channels<br>5. The violation of intellectual properties<br>6. Complexity of administrative procedures<br>7. Linguistic and cultural gap<br>8. Severe restrictions and absolute bans |

| ITALIAN DIARY FIRMS | |
|---|---|
| **STREGTHS** | **WEAKNESS** |
| 1. Wide variety of products<br>2. Safe and healthy products<br>3. High quality products<br>4. Marketing strategies<br>5. "Made in Italy" brand | 1. Undervaluation of Chinese market<br>2. Preference for industrial cheese<br>3. Dairy products used only in western dishes<br>4. Linguistic and cultural gap<br>5. Cheese presents lactose enzyme |

Exhibit 2.5 Analysis of Chinese dairy market and of Italian dairy firms
Source: personal elaboration of information

## *2.7 ANALYSIS OF CHINESE CUSTOMERS OPINIONS*

In order to better understand what the true opinion of Chinese people is and to have a more accurate view on the topics discussed in the previous chapters, a market survey directed to a group of Chinese customers has been compiled. Through a simple survey, using 22 questions were asked to some Chinese people what they think about Italy and about the target product "Made in Italy" and how much cheese is present in their diet. During this analysis, close attention was paid to the choices of interviewees, who comprise a varied population, not only based on where they come from, but also on the difference of age, income and grade of education.

The questionnaire was created by the Chinese website www.sojump.com and thanks to the online platform Wechat, it has been possible to distribute it to a sample of 110 Chinese customers. To facilitate and lead interviewees to answer this survey, there have been principally used closed-ended questions with one or more choices and to better understand them, there have been images of Italian products added.

The survey can be divided into 6 sections:

1. <u>The first section</u> deals with the grade of consciousness about Italy and the overall perception of it as a country. A sample of interviewees were asked if they know the exact geographic position of Italy and if they have a negative or positive opinion of it.

Customers have also been invited to think about Italy and to write the first images that come to their minds. This section is useful to understand how well interviewees know Italy and how they consider our country. These factors, because of the geographical and cultural distance, are really influential on the purchase of Italian products;

2. The second section deals with Italian products and with their specific characteristics. Interviewees were asked if they have ever purchased Italian products, their grade of satisfaction and why they decided to purchase them. Furthermore, the sample of customers were asked if given the choice between Italian and Chinese products which they prefer more for quality. This section is really important in order to understand what elements attract and deter customers purchasing Italian products and what are the characteristics most researched by them;

3. The third section deals with cheese and how much it is present in the Chinese diet. Interviewees were asked how and how often they eat cheese, how much has changed the consumption of cheese over the years and if they have ever made an online research on the word "cheese". This section is important because it enables us to understand how much cheese has infiltrated the Chinese market and in which kind of places it is mostly consumed in China;

4. The fourth section deals with the grade of consciousness of interviewees about Italian cheese. They were asked if they have ever tasted it and if they are able to distinguish the different kinds

of cheese present on the market. Thanks to this section, it has been possible to understand how much and what kind of Italian cheese are actually known in China;

5. The fifth section deals with an open question on the ideas or suggestions of interviewees about the survey topics. This is the only non-binding section of the questionnaire where interviewees can freely express their opinion or advices contributing to the enrichment of the analysis;

6. The sixth section deals with the socio-economic profile of interviewees. We asked them their gender, their age, their home province, their level of education and their monthly income. This section is useful not only to understand how customers are distinguished between themselves but also to be sure we have a sample of interviewees as different as possible.

### 2.7.1 THE RESULTS OF THE FIRST SECTION

The first section of the survey deals with the interviewees' general knowledge of Italy and their perception of its reputation. Almost all the interviewees, exactly 85,45%, were able to identify the correct geographical position of Italy in Europe, but only a small part of them, 6,36%, were able to give a more specific answer by saying that it is near France. Only 8% of the interviewees were unable to identify the correct position: 5,45% believed that Italy is in Asia, while 2,73% that it is near

Russia. All the interviewees were sure that Italy is not in America and in fact, none of them confirmed this mistaken belief.

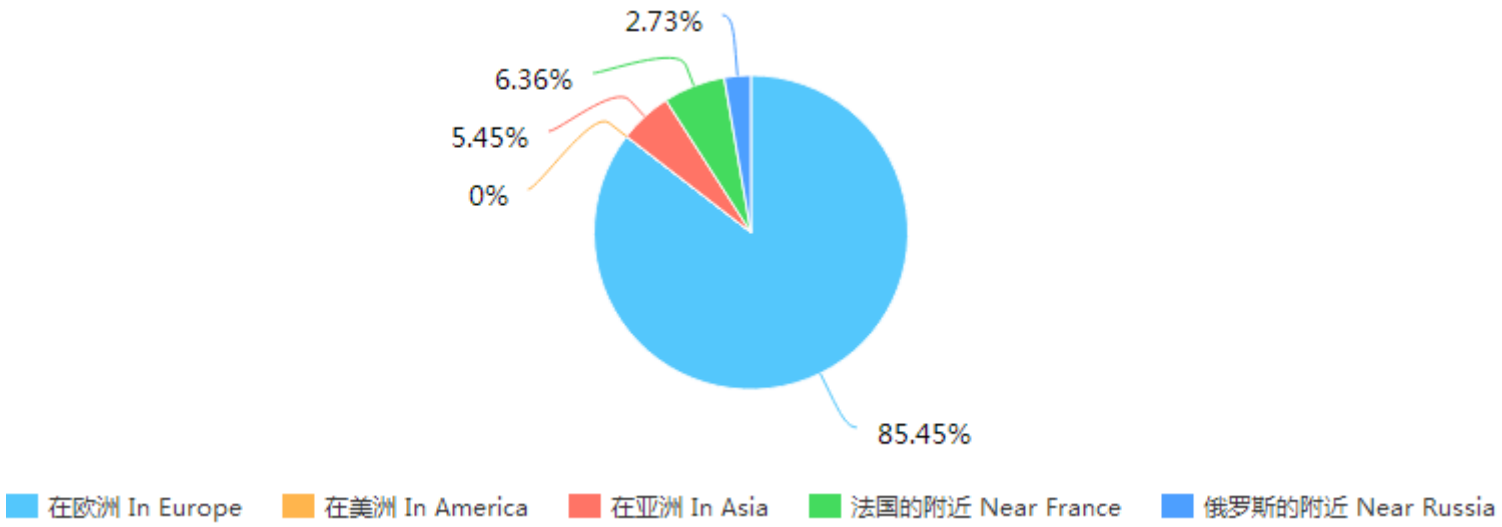


Exhibit 2.5 Geographical knowledge of Italy
Source: Personal elaboration

With regards to Italy, almost half of interviewees have a positive perception of it: 21,82% confirmed that they have a very positive perception, while 31,82% have a quite positive perception. Only 1,82% said they have a negative impression, but none of them have a very negative one. The remaining 44,54% of interviewees is not sure about what kind of impression they have about Italy or they are not interested in this topic.

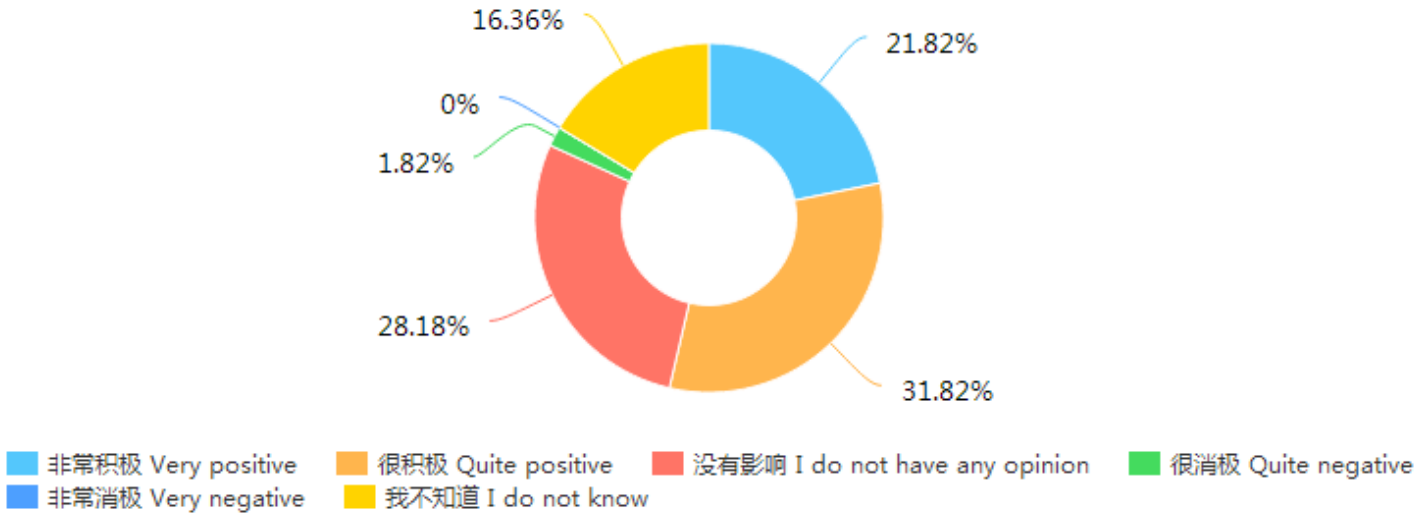


Exhibit 2.6 General perception of Italy
Source: personal elaboration

Going on with the analysis of the first section, interviewees were asked which are the images that more frequently can be associated with the word "Italy". From the survey, it is evident that the images, which they associate with Italy, are the most famous and known around the world: spaghetti, pizza, wine and soccer. Other images associated with Italy are the historical period of Renaissance, important brand-name clothes and the famous tower of Pisa. They are aware that there is a link between Italy and big historical figures, such as Cesare, Leonardo da Vinci, Michelangelo, Raffaello and Dante and some famous Italian cities such as Roma, Venezia, Firenze and Milano. Italy is also associated with some big Italian brands, such as Nutella, Armani, Ferrari and some Italian films, such as il Padrino and Vacanze Romane. The negative images associated with Italy are very few, but interviewees are aware of Mafia and crime.

There are also some images present that are far removed and that can hardly be related to Italy, such as the Dollar and the Eiffel tower. Thanks to this specific question of the survey, it has been possible to understand which are the images that more enable interviewees to recall our country. These images can be divided into different classifications of which the main topics can be food, art, culture and fashion.

| | | | |
|---|---|---|---|
| Pizza | 26 | First world war | 1 |
| Wine (red) | 12 | Europe | 1 |
| Soccer | 11 | Armani | 1 |
| Renaissance | 8 | Historical sites | 1 |
| Dresses (of famous brands) | 8 | Michelangelo | 1 |
| Pisa tower | 7 | Raffaello | 1 |
| Roma (ancient) | 6 | Firenze | 1 |
| Venezia | 6 | Handmade bags | 1 |
| Art | 5 | Mafia | 1 |
| Fashion | 5 | Nutella | 1 |
| Pasta | 4 | History | 1 |
| Food (delicious) | 4 | Romeo and Juliet | 1 |
| Cars (race) | 4 | Shape of the boot | 1 |
| Euro | 4 | Thieves | 1 |
| Opera | 3 | Architecture | 1 |
| Vacanze Romane (film) | 3 | Holiday | 1 |
| Beautiful girls | 3 | Make-up | 1 |
| Cheese | 3 | Cesare | 1 |
| Ferrari | 3 | Sicilia | 1 |
| Handsome boys | 3 | Il Padrino(film) | 1 |
| Romanticism | 2 | Ice-cream | 1 |
| Luxury products | 2 | Cathedral of Firenze | 1 |
| Leonardo da Vinci | 2 | Juventus | 1 |
| Dante | 2 | Olive oil | 1 |
| Milano (Fashion Week) | 2 | Chocolate | 1 |
| Latin Lover | 2 | Leather items | 1 |
| Shoes (leather) | 2 | Design | 1 |
| Dollars | 2 | Eiffel tower | 1 |

- Art, Culture, History
- Food
- Fashion and luxury products
- Famous cities and other places
- Cars and soccer
- Other

Exhibit 2.7 Images associated with Italy
Source: personal elaboration

The first section of the survey enables us to notice that almost the totality of Chinese people know the geographical position of Italy and so, they have a basic knowledge about our country. From this section, we have noticed that most of interviewees have quite a good opinion about Italy and they usually associate our country with positive images, which are similar to the opinion of people from other countries. These images are principally related to food, art, culture and fashion.

## 2.7.2 THE RESULTS OF THE SECOND SECTION

The second section of the survey deals with the characteristics and the grade of satisfaction of Italian products. Interviewees were asked if they have ever bought Italian products. The answers were numerous and different among them.

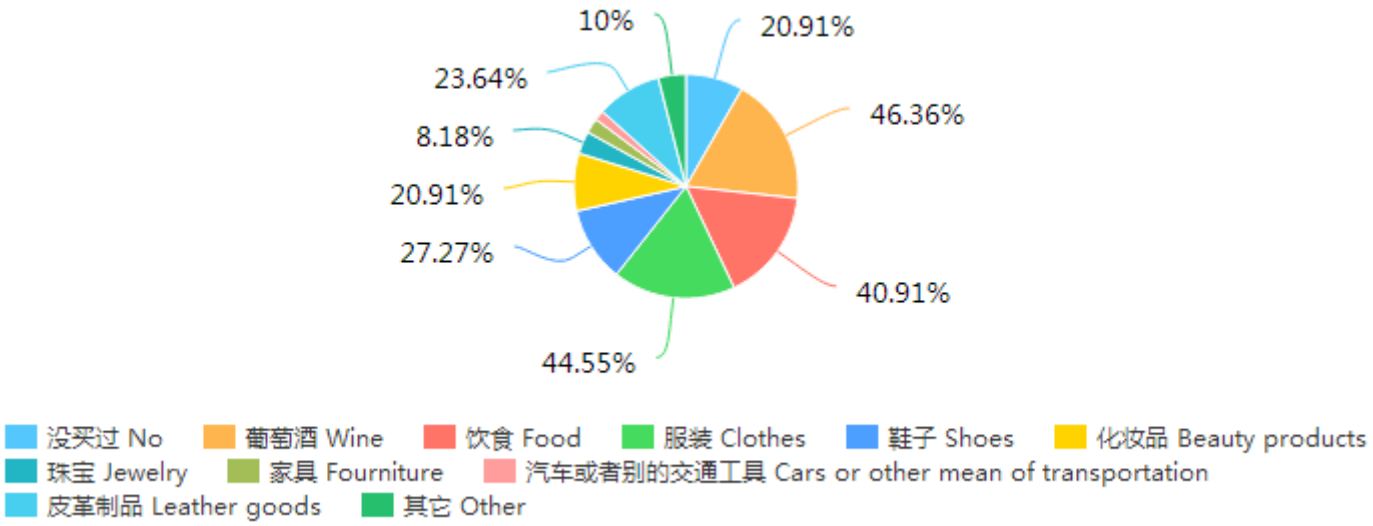


Exhibit 2.8 Main Italian products purchased
Source: personal elaboration

79% of interviewees confirmed that they have purchased Italian products, such as wine (46,36%), food (40,91%) and clothes (44,55%). Other Italian products less purchased by interviewees are jewels (8,18%), furniture (5,45%) and cars and other means of transportation (3,64%). 20,91% of interviewees said that they have never bought Italian products.

After that, Chinese interviewees were asked which are the characteristics that are most associated with Italian products. Also in this case, the answers were very heterogeneous among them. The two characteristics which emerged amongst the interviewees were their opinions regarding high quality and beauty, both with 53,65% of votes. Following that, there is luxury with 30,91%, high price with 26,36% and innovation with 24,55%. Only a small percentage, the 0,91%, complained about low quality.

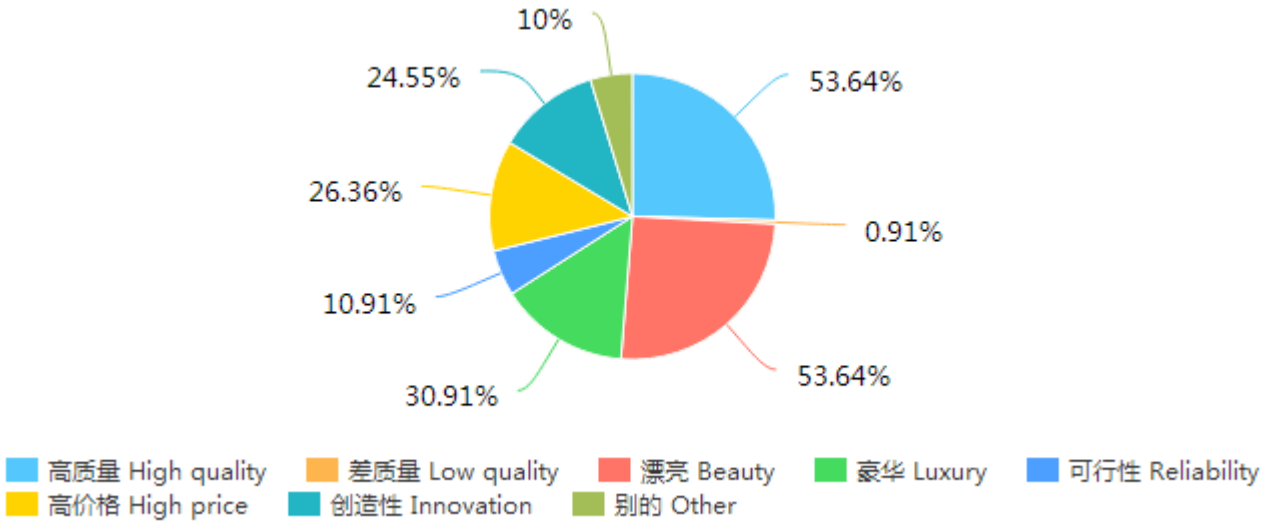


Exhibit 2.9 Characteristics associated with Italian products
Source: personal elaboration

Continuing with the second part of the survey, interviewees were asked how much they are satisfied by the purchased products and what they think about their quality. The analysis shows that almost all interviewees are generally satisfied by Italian products. 20% of interviewees were more or less satisfied, 34,55% enough satisfied, 17,27% quite satisfied and the 23,64% very satisfied. Only a small percentage of customers, 4,55%, affirmed that they are not satisfied by Italian products which they purchased, this percentage includes 1,82% of interviewees that are totally not satisfied.

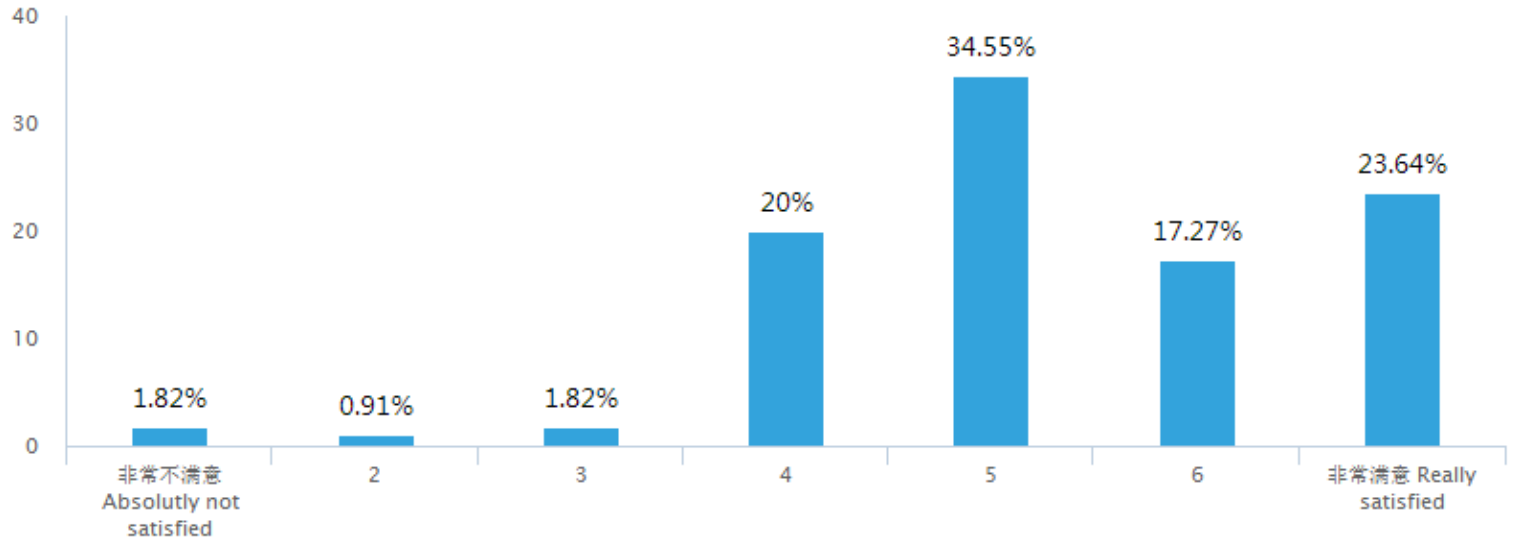


Exhibit 2.10 Grade of satisfaction of Italian products purchased
Source: personal elaboration

After asking interviewees what they think about the general satisfaction of Italian products, they were asked what they think about their quality. Most

of them answered in a positive way: 22,73% affirmed to be more or less satisfied by the quality, 45,45% to be quite satisfied and 27,27% to be really satisfied. Only a small percentage of the interviewees answered that they were not satisfied by the quality of Italian products: 3,64% said they were not satisfied and 0,91% were absolutely not satisfied.

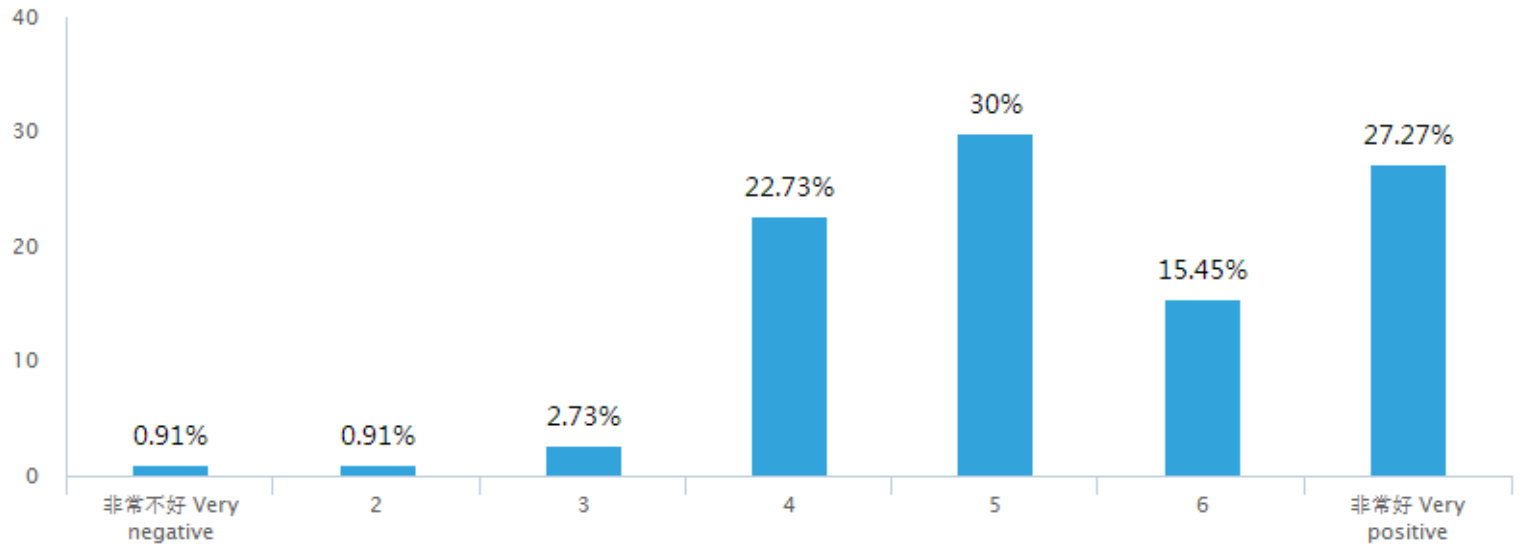


Exhibit 2.11 Satisfaction of the quality of Italian products
Source: personal elaboration

Thanks to these questions of the survey, it has been possible to understand what is the true opinion of Chinese customers about our products. After making this analysis, we can say that most of the interviewees are satisfied by Italian products. They recognize their high quality and beauty and in the future, they will be keen on repurchasing them.

In order to better understand if Chinese customers prefer local or foreign products, in this case Italian products, in the last question of the second section of the survey, interviewees were asked if they consider the quality of Italian products to be better than the quality of Chinese ones. The answers have been quite neutral. Even if 39,09% of them answered that they prefer the quality of Italian products, 35,45% were not able to answer this question. 14,55% of interviewees answered that they did not see a difference between the two kind of products and only 10,91% preferred the quality of Chinese products to Italian ones. Through this question, it has been possible to understand that in China presently there is a tendency to purchase foreign products, however, among customers there still exists the idea of protecting and sustaining local production.

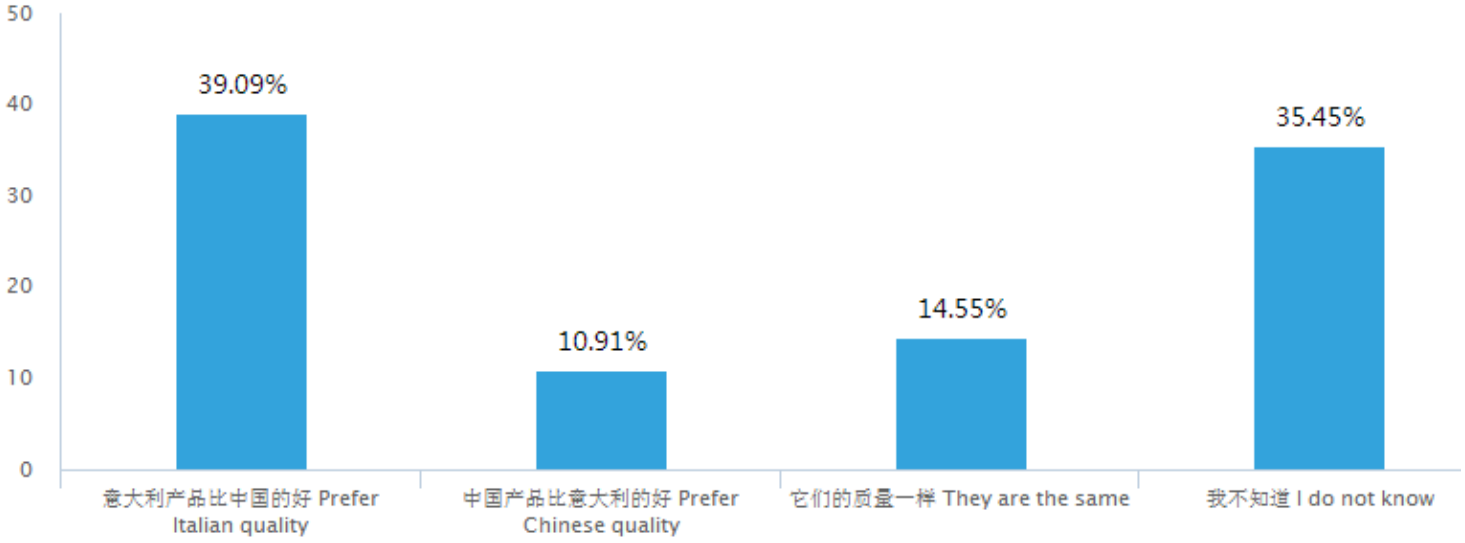


Exhibit 2.12 Preference between the quality of Italian and Chinese products Source: personal elaboration

The second section of the survey enables us to realize that almost the majority of interviewees has at least once bought Italian products. Their choices have principally been driven by the characteristics of these products, which Chinese people associate with high quality, innovation and luxury. Most of the interviewees, more than 95%, are satisfied by the Italian products they purchase. Even if there is a section of customers that is very inclined to buy Italian products, there is also a smaller part of them, which prefer to support local production and they decide not to buy foreign products. However, it is possible to say that, presently, in China there is a big tendency to buy Italian and foreign products.

### 2.7.3 THE RESULTS OF THE THIRD SECTION

The third section of the survey deals with understanding how much cheese is consumed in China. Interviewees were asked how often they eat this product. More than half of them, exactly 58,18%, answered that they eat it rarely, while 16,36% answered that they do not eat cheese. Only a small part of interviewees said that they eat cheese frequently: 2,73% eat it at least once a day and 5,45% eat it at least once a week.

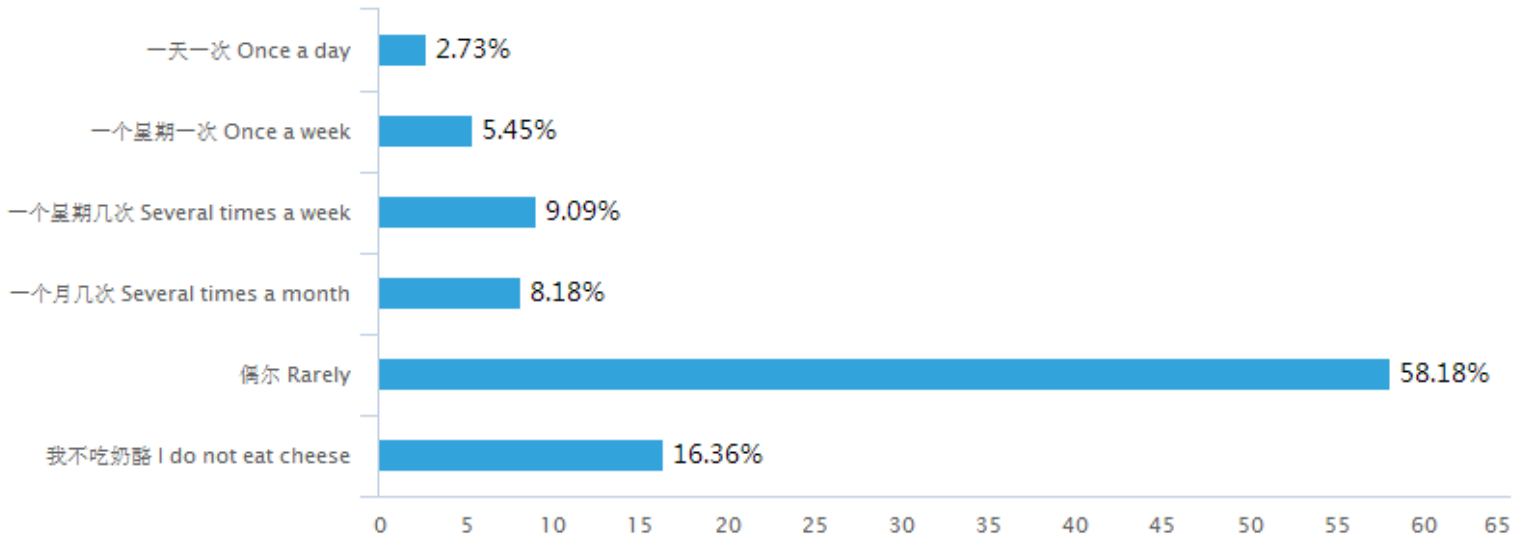


Exhibit 2.13 Frequency of cheese consumption
Source: personal elaboration

After asking interviewees how often they eat cheese, they were asked how they eat this product. Except for 16,36% who said they do not eat cheese, 51,82% of them affirmed that they eat cheese on pizza and 76,36% eat it in panini and sandwiches. Only 24,55% affirmed that they eat it in desserts. Interesting information revealed by this question showed that 44,55% of the Chinese interviewees eat cheese with bread. This fact shows that not all Chinese eat cheese through the consumption of other products, making cheese a secondary food, but there is also a section of customers that see cheese as a main food, to which bread is an accompaniment.

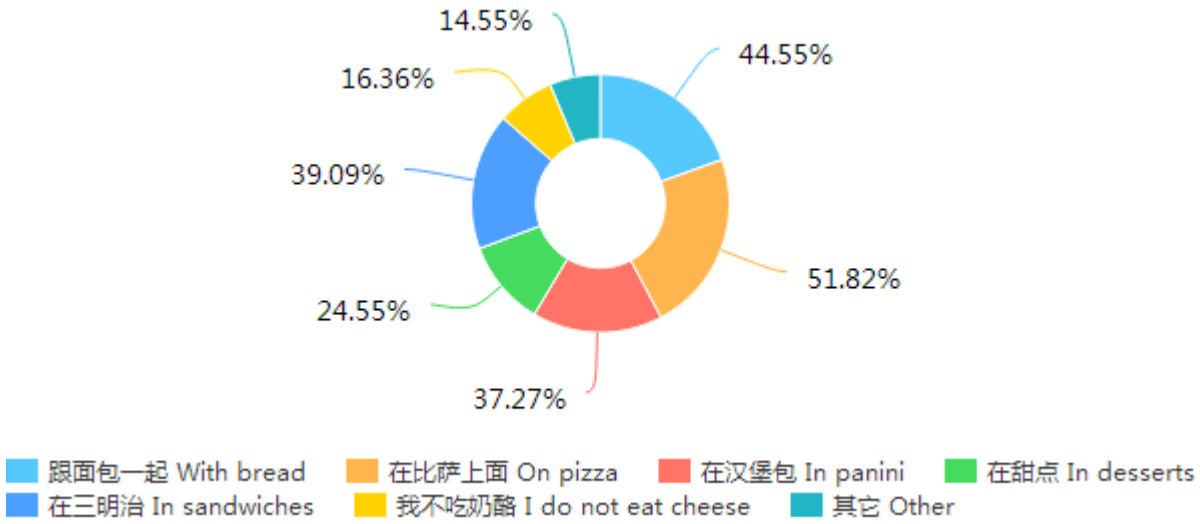


Exhibit 2.14 Ways of eat cheese in China
Source: personal elaboration

In the third section, interviewees were asked if they have ever made an online research about topics dealing with cheese. 70% of them answered that they have never researched this topic, 14,55% researched it to understand which are the nutritional properties of cheese, 12,73% of interviewees researched it to know how they should eat this product and 6,36% researched it to know where they could purchase it. 10,91% of interviewees said that they have made an online research on topics dealing with cheese, but different from the topics proposed by the survey. Thanks to this question, it has been possible to notice that there is a section of Chinese customers who are interested in this product and in fact do online research on it.

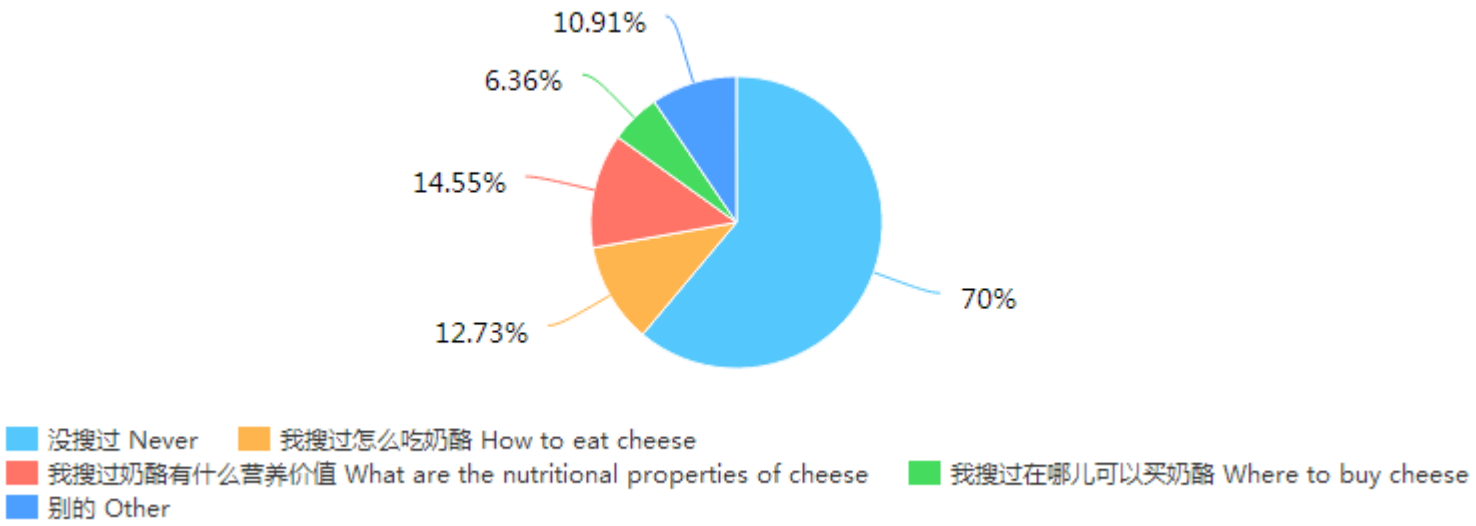


Exhibit 2.15 Online research on topics dealing with cheese
Source: personal elaboration

In the last question of the third section, interviewees were asked how much is cheese present in the Chinese diet nowadays, taking into account that in the past this kind of food was completely absent. 30,91% of interviewees answered that this product is more or less present, 18,18% of them said that it is enough present, while 17,27% affirmed that this product is not so present. 22,72% of interviewees revealed that cheese is rarely present in their diet. Only 10,91% of interviewees said that this product is quite and very present. Thanks to this question, it has been possible to understand that cheese is present in the Chinese diet, however its consumption is not that common.

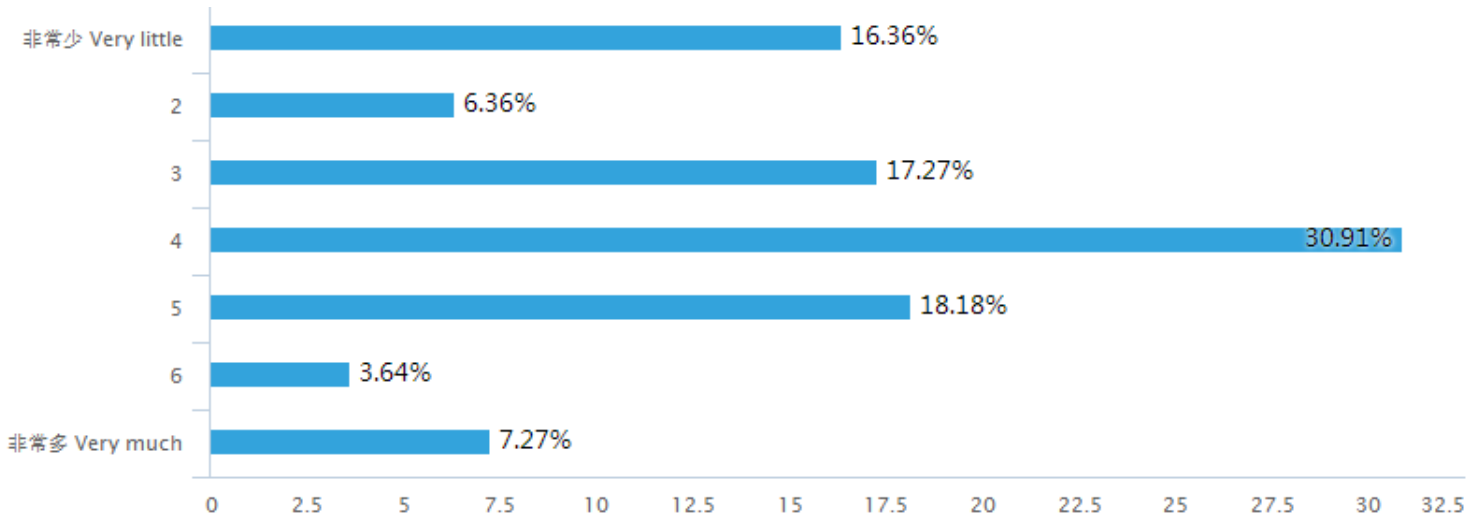


Exhibit 2.16 Consumption of cheese in the Chinese diet
Source: personal elaboration

The third section of the survey enables us to notice that cheese is not generally consumed and appreciated in China. This product is rarely consumed and it is principally eaten through other western kinds of food, like pizza, desserts and sandwiches. However, there is a tiny section of customers that is interested in trying to taste and sample new products, which are different from the Chinese tradition. These people are also interested in the discovery of cheese and sometimes they have made online researches in order to better understand how this product should be prepared. In addition, most of the interviewees, even if they do not eat cheese frequently, are aware that different from the past, the presence of cheese in China has increased significantly.

## 2.7.4 THE RESULTS OF THE FOURTH SECTION

The fourth section of the survey deals with understanding how much interviewees know about and consume Italian cheese. In the first question, they were asked if they have ever eaten or purchased cheese coming from Italy. 44,55% of interviewees answered that they have never tasted Italian cheese, while 7,27% said they have only tasted it once. 18,18% of interviewees affirmed that they eat it occasionally, but to have never purchased it and 25,45% said that they purchased it sometimes. Only 4,55% of Chinese interviewees affirmed that they frequently purchase this Italian product. Thanks to this question, it has been possible to understand that Italian cheese is not widely spread in China and most of the customers have not still had the possibility to taste it.

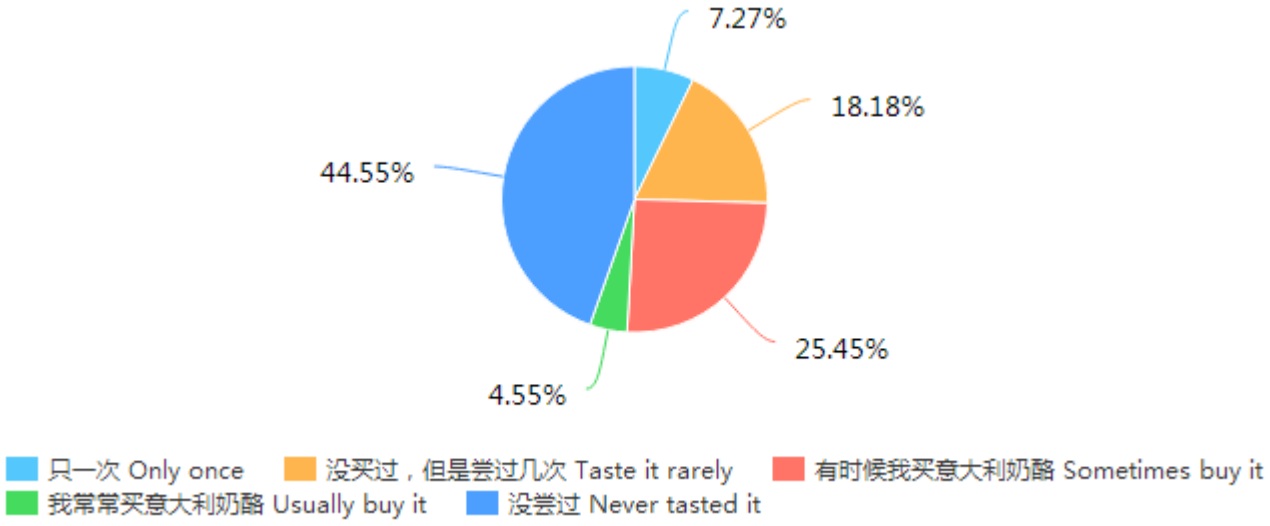


Exhibit 2.17 Frequency of purchase and consumption of Italian cheese
Source: personal elaboration

After that, interviewees were asked which, between the suggested kinds of cheese, they were able to recognize. In order to make it easier to understand this part of the survey, the names of Italian cheese have been assisted by the Chinese translation and by images of each product. The result of this analysis, with the exception of 30% of interviewees that confirmed that they know none of the Italian cheese presented in the survey, the most recognized cheese known by interviewees is Parmigiano with 45,45% of votes, subsequently, Mozzarella with 43,64% and Gorgonzola with 24,55%. Other less known cheeses are Ricotta with 17,27% of votes, Asiago with 16,36%, Mascarpone with 14,55% and Caciocavallo with only 4,55% of votes. Thanks to this question, it has been possible to see that the most known cheese in China by customers are also the most promoted by Italian institutions in China.

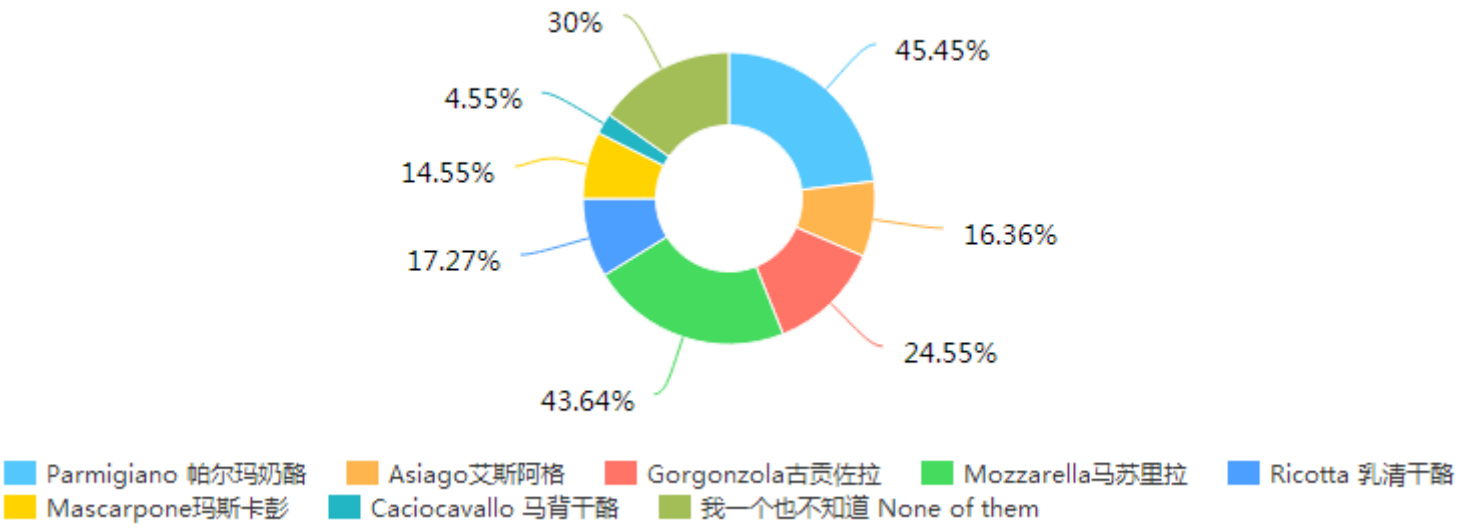


Exhibit 2.18 Italian cheese known in China
Source: personal elaboration

In the last question of the fourth section, interviewees were asked which kind of Italian cheese they most prefer. Almost half of interviewees, exactly 46,36%, affirmed that they absolutely do not know the difference between the different kinds of cheese. 41,82% affirmed to preferring fresh cheese, such as Mozzarella and Ricotta. 15,45% said that they prefer hard cheese, such as Parmigiano and 12,73% that they prefer semi-hard cheese, such as Pecorino and Asiago. Only 7,27% of Chinese interviewees affirmed that they prefer blue cheese, such as Gorgonzola and 4,55% to prefer other kinds of cheese that are not specified in the survey. Thanks to this question, it has been possible to realize that the most appreciated cheese are the ones with simple tastes, which are more similar to the Chinese liking.

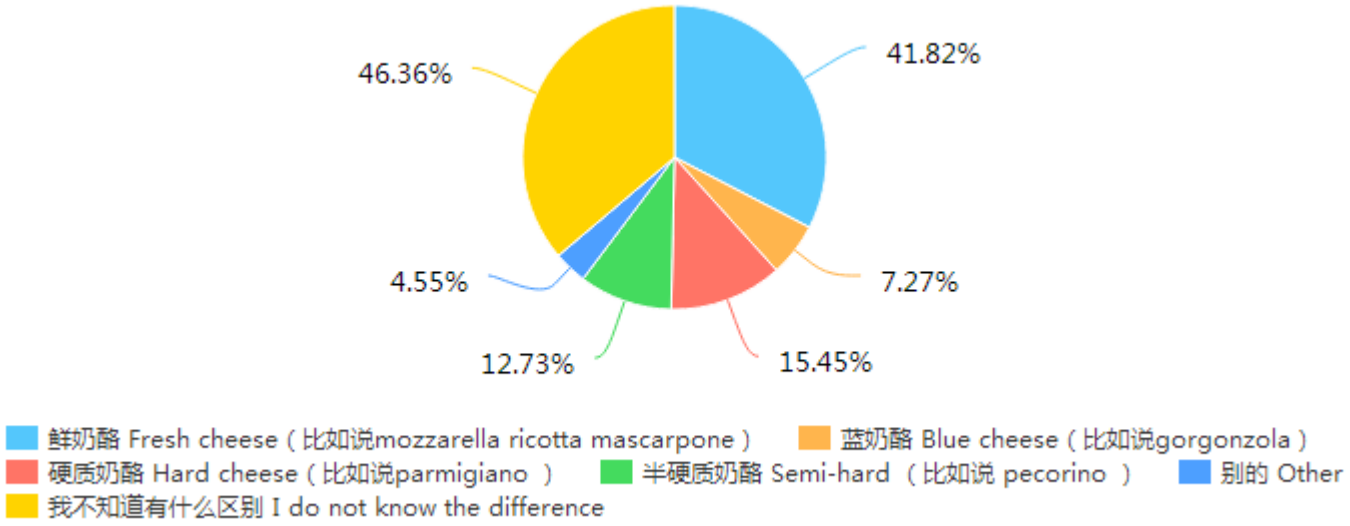


Exhibit 2.19 Kind of Italian cheese preferred by Chinese
Source: personal elaboration

The forth section of the survey enables us to notice that almost the majority of customers have rarely or never bought Italian cheese. Chinese people are able to recognize the most common Italian cheese, which are also the most promoted by Italian associations in China, such as mozzarella and parmigiano. However, a big number of interviewees even if they prefer fresh cheese, are not able to distinguish the different kind of cheese that are being presented on the market.

### 2.7.5 THE RESULTS OF THE FIFTH SECTION

The fifth section of the survey is a free part in which interviewees, if they want, can freely express their opinion about the topics of the survey. Some of the most interesting observations are the 2° in which the interviewee said that the taste of Italian cheese is not something similar to the Chinese likings and the 3° in which the interviewee said that there should be more promotional activities of Italian cheese near Chinese schools and offices. The 5° and the 12° interviewees would like to taste and understand more true Italian products and cheese. The 9° said that he had tasted blue cheese, but he did not enjoy its strong smell and the 11° interviewee affirmed that he prefers to support national production and ,for this reason, he does not buy foreign products.

| 答案文本 |
| --- |
| 1 意大利在政治上和中国交好，将对其经济有很大的提高 |
| 2 意大利奶酪与中国人的口感喜好还是不太一样的 |
| 3 可以在著名高校和高端写字楼附近做一些活动推广意大利奶酪 |
| 4 物美价廉的奶酪 |
| 5 希望可以更多的吃到真正意大利的好食品 |
| 6 价格便宜点 |
| 7 意大利价格大众点价格吧 |
| 8 意大利奶酪好吃 种类又多 就是不能保鲜 要不然买一打回中国啦 |
| 9 意大利的手工产品很精致，但是食品在中国也只能机械化生产，我尝试过蓝奶酪发酵的味道不是很能接受 |
| 10 我觉得人们还是应该多去看看外面的世界，好好感受一下各个国家的风俗习惯。还能学到很多东西 |
| 11 支持国产。谢谢。 |
| 12 还挺想尝尝，了解一下意大利奶酪的 |

| Answers |
| --- |
| 1 Thee should be more economic agreements between China and Italy |
| 2 The taste of Italian cheese is not similar to Chinese tastes |
| 3 Need more promotional activities of Italian cheese near famous Chinese schools and officies |
| 4 There should be good quality cheese at cheap price |
| 5 Would like to taste more original Italian products |
| 6 The price of products should be less expensive |
| 7 Italian products are too expensive |
| 8 There are many different kind of tasty Italian cheese, but it difficult to store them |
| 9 Tasted blue cheese, but did not enjoy the strong smell |
| 10 Everybody should appreciate the culture and traditions of other countries |
| 11 Support national production |
| 12 Want know more about Italian cheese |

Exhibit 2.20 Observation of interviewees about the survey topics in Chinese and English
Source: personal elaboration

## 2.7.6 THE RESULTS OF THE SIXTH SECTION

The last section of the survey deals with the social-demographic profile of the interviewees. 53,64% of them are female, while 46,36% are male. 70% of interviewees have an age between 20 and 29 years old, 13,63% are under 20 years old, 12,73% are aged between 30 and 39 years, 6,36% vary between 40 and 49 years old and 3,63% are over 50. The level of education of interviewees is quite high: 53,64% are undergraduates, while 21,82% received their master's degree. Only 23,64% of interviewees stopped after attending high school and only a very small part of them, 0,91%, after primary school. Almost half of interviewees do no work because they are still students or because have not yet found a job. 11,82% affirmed monthly earning from 0 to 5.000 yuan, 20,91% earning between 5.000 and 10.000 yuan, 10% earning between 10.000 and 20.000 yuan and 10,91% said they earned more than 20.000 yuan in a month. Interviewees come principally from big cities, such as Peking, Shanghai, Tianjin and Hong Kong, however, there is no lack of people coming from the smaller cities of Changchun, Xinjiang, Shanxi, Guizhou, Inner Mongolia, Fujian, Jiangsu, Henan, Sichuan, Guangdong, Heilongjiang and Jiangxi.

THIRD CHAPTER

# BRAZZALE, AN OUTSTANDING DAIRY FIRM IN THE CHINESE MARKET

## *3.1 THE HISTORY OF BRAZZALE FIRM*

Brazzale firm is one of the most ancient firm in the dairy sector in Italy and it has been continually active for eight generations. Brazzale family started to produce butter in 1700, which was sold in the Po plain. In 1898, the production was moved to Zanè (Vicenza), where is still located the firm. At the beginning of 1900's, the industrial of *Burro delle Alpi* was established and in 1940, the Brazzale family took part in the establishment of the *Assolatte* association and started producing Grana Padano DOP. In 1970 the *Alpilatte* brand was set up and UTH milk, cream and fruit juices started to be produced. In 2000, the production was moved to a sustainable farm in Moravia, an area of the Czech Republic. There, Gran Moravia cheese started to be produced. In 2002, there was the merger between the Brazzale firm and the Zogi firm of the family Zaupa. This merger created a better utilization of human and financial resources. Consequently, there has been a growth of production facilities, a development of commercial network, an increase of the quality of products and a cost reduction. New cheeses, such as Asiago, Provolone Valpadana and Verena were added to

the existing products. Presently, the Brazzale firm has more than 500 employees in its establishments in Italy, the Czech Republic, Brazil and China and it export its products to 54 countries around the world with a value higher than 50% of its annual turnover. In 2010, the store chain " La Formaggeria Gran Moravia" was opened and, currently, there are 19 shops present all over the world, including the one opened in Shanghai in 2013.

The main principles of the Brazzale firm are fairness, loyalty and transparency to all of the people who are involved directly and indirectly in the firm's production. Everyone has to operate with a sense of sincerity, neutrality and correctness, to exhibit loyal behaviors to competitors and to attempt to minimize the negative effects on the environment.

The are seven brand which are produced by Brazzale: Verena, Zogi, Gran Moravia, Burro delle Alpi, Alpilatte and Silvio Pastoril. The most popular product of the firm is Gran Moravia, a grana cheese that combine the Italian dairy traditions and the Czech Republic livestock. This kind of cheese is of the highest quality and it is produced by taking into account the ecological environment and at the same time, it is able to present to customers an excellent value for money.

## 3.2 THE CHOICE OF CHINA

Through many studies and analysis made by the Brazzale firm, it has been realized that China is a totally new country for Italian dairy firms, where almost all the business is dominated by New Zealand and Australian exportation. The Brazzale firm realized that in China it is starting the development of a group of customers who are keen on following the western styles of life and, consequently, inclined on discovering new tastes. The Brazzale firm decided to open a trade office in the city of Shanghai and with the help of and Italian expert in International business and in Chinese culture, the Brazzale firm has been able to start a permanent establishment in China. The first product that was exported to China was the hard cheese Gran Moravia. This kind of product was the easiest to export because the food and the import regulations are less strict than the ones requested for other kinds of cheese.

The biggest problem that the Italian dairy firm needed to deal with the opening of the trade office, was to choose how to let the products enter the Chinese market. The firm had two possibilities: the first was to let products enter China from Hong Kong. It was the easiest but an illegal way, because it avoids and evades customs duties and taxes. The second was to directly introduce products to China. It was a legal way but it took to an increase of 30% of expenses rather than the way of Hong Kong. The Brazzale firm without any doubt decided to follow the basic principles of fairness and legality on which the firm was founded, and so it decided to introduce directly its products to China and to cut all the contacts with the business of Hong Kong. After that, the trade office of Shanghai was

enlarged and it created the necessity to hire Chinese employees who have the role of supporting the Italian manager.

### 3.2.1 ADAPTATION TO THE CHINESE MARKET AND THE COMPETITIVE CONTEXT

The exportation of Brazzale products started with hard cheese not only because it was easy to take it to China, but also because it requires less documents and customs certifications. Thereafter, the Brazzale firm started to notice that the most accepted product by Chinese customers was mascarpone cheese. So, they decided to enlarge the kind of products exported to China and to include products such as pasta, cream and mascarpone. In this way, it was possible to create in China a bigger availability of Italian dairy products. Presently, the most sold Brazzale products in China are hard cheese, butter and mascarpone. The Italian firm decided not to modify neither the tastes nor the packing of its products, which were sold in the Chinese market and to leave the original names unvaried. According to the Brazzale firm, the sold products are Italian and they should be sold as Italian products. The only few changes that have been made deal with the Chinese regulations, which are a Chinese translation about the food information and about the nutritional properties of the product.

If we deal with promoting dairy products in China, we should know that the hard cheese market is still a virgin market and it is well represented by the Italian product. While, if we deal with the fresh cheese market, the most sold product in China is the cheese used for pizza and this market is almost

totality dominated by New Zealand, Australia and The United States. The managing director Zaupa of the Brazzale firm said that the majority of consumption of cheese in China is through pizza. Cheese has arrived in China thanks to big restaurant chains that utilize a product similar to fresh mozzarella. Actually, this product is a processed cheese which comes from a mix of different cheeses and additives. This kind of cheese is cheaper than true mozzarella, it has a stringer consistency and a more pleasant taste. Chinese people have always been used to recognize this kind of cheese as mozzarella. Presently, the consumption of cheese in China is almost exclusively composed by processed cheese.

According to the Chinese experience of Dr. Zaupa, Chinese people prefer to purchase this kind of cheese rather than the true Italian mozzarella because of three main reasons. the first deals with food safety: processed cheese is a product more sterile rather than natural cheese, because it is processes at temperatures higher than 150°. the second reason deals with the shelf-life of processed cheese, because it is higher than natural cheese. Fresh Italian mozzarella does not have additives, which allow the product to live for a longer time. The third reason is that processed cheese is stringer and it has a stronger more flavorful taste than fresh mozzarella. These are all obstacles that the Brazzale firm face during the sale and promotion of mozzarella in China.

### 3.2.2 THE TARGET OF BRAZZALE PRODUCTS

Dr. Zaupa of the Brazzale firm divided people who live in China into three groups: Chinese people, Chinese people who want to follow a western style of life and western people. Between them there are people who will eat a

lot of cheese and people who will never eat even one gram of cheese. The products of the Brazzale firm are almost all directed to the Ho.Re.Ca. channel, especially international and Italian style restaurants and hotels, while they are not directed to the big distribution. In China, until recently, there were not Chinese supermarkets, which have a dedicated space for dairy products. Recently, it has become possible, sometimes, to find some spaces dedicated exclusively to processed cheese, which has quite a long shelf-life.

In China, there are presently three kinds of western restaurant. The first kind is of superior level and the main customers are western people and Chinese people who live in big cities and have an open mentality. This market is quite small and requires the use of true Italian cheese. The second kind is big multinational western restaurants that have been present in China for a long time and are very popular. The cheese used in the preparation of their dishes is not Italian but comes from Australia, New Zealand and The United States. The processed cheese used in their dishes is cheaper than Italian cheese, because they are exempt from custom duties and they are well known and appreciated by Chinese people. The Brazzale firm could enter into this kind of market only if Italian specialties were added to the menu. In this kind of restaurants, the Australian and New Zealand cheese is the most used in the preparation of dishes and it is not possible for Italy to replace them. The third kind of restaurants are the most common and they can be find in places such as big shopping centers. There, the price of the used cheese is the most important element. Occasionally, it happens that some restaurants have asked the Brazzale firm to modify the taste of mozzarella in order to let it to be more similar to the taste of

processed cheese. The Brazzale firm could get into this kind of market only if it decides to modify its products in accordance to the needs of customers.

The Chinese market presents to the Brazzale firm two choices: adapt its products to the Chinese tastes and become competitive with countries that produce processed cheese or remain tied to the high level of the Chinese market, which potentially could grow in the future, but if compared with the entire Chinese market, it is very small. However, the Brazzale firm decided to open a dairy firm in China not because it is sure that it will be possible to obtain a big profit with Italian dairy exportation to China, but it is sure that the Italian cheese produced in China will be the more profitable. In China, there is a group of customers that prefer purchasing foreign products, but a larger majority part of people will always buy products made by Chinese people.

### 3.2.3 “JIKANG” DAIRY FARM OF PEKING

In 2012, it was proposed to the Brazzale firm the purchase of a small dairy firm in Peking. This firm was specialized in the production of mozzarella and it was held half by Italians and half by Chinese. The Brazzale firm, after careful considerations and thought, began to consider whether it was a good idea to initiate this kind of activity in China. After numerous studies, they decided to purchase this small dairy firm on the only condition that they exclusively had Italian capital, so Chinese partners would be liquidated. According to the Brazzale firm having partners with a completely different mentality, with different ways of thinking and solving problems could potentially have caused problems related to the firm coordination. Starting a production firm was much more difficult than opening the trade office in

Shanghai. For this reason, from the beginning they decided to maintain these two activities as completely separated entities.

The reasons why they decided to start the production of fresh cheese in China were mainly two. The first reason was a practical and logistic one: exporting fresh cheese by plane was too expensive and there were strict custom inspections. If fresh cheese, which has a short shelf-life, was stopped at the border station, they would obviously waste away. The second reason deals with Chinese people who are extremely autarchic: even if there is a section of people who like to follow western style-life and to eat a certain kind of food, most of the Chinese people will always continue to eat food produced by Chinese people.

It has taken about two years to start the production of the Jikang dairy firm. The Brazzale firm faced many difficulties not only with the liquidation of Chinese partners, but also with all of the Chinese regulations held by the old dairy farm, which have to be converted to the new ones and which had been purchased illegally. The Brazzale firm has faced a much more complex bureaucracy than the Italian one. Only in April 2014, Brazzale firm was finally able to obtain all the permissions to start the production of dairy products, especially mozzarella, in China. After the Italian firm overcame all the bureaucratic problems, there was the problem of liquidating the old Chinese partners and there have been many discussions regarding the value of the financial portfolio. After the Brazzale firm solved these and other smaller problems, it was able to completely set itself in the Jikang dairy firm of Peking and they decided to send an Italian manager with the aim of controlling the production. We can say that the Brazzale firm was the first successful Italian firm to produce Italian dairy products in China.

Presently, in the Jikang dairy firm of Peking there are about 20 employees of Chinese nationality. The Brazzale firm has introduced production technologies and a labor organization, that in the past were not present. Much time and energies has been invested to train employees for specific tasks. Nowadays, it is possible to say that the employees of the Jikang dairy firm are the most specialized in the dairy sector in all of China. Big problems of communication with employees are rare, even if there has been the need to teach them how to work following the Italian traditions of safety and organization. Labor contracts, which were not present before, and adjustments to Chinese regulations have been established. Dr. Zaupa believes that the labor cost in China is not what it was in the past, but it is like in the Czech Republic, which surely is lower than the Italian labor cost. The employees of the Jikang dairy firm have a monthly salary of about 5000-8000 yuan.

### 3.2.4 "LA FORMAGGERIA GRAN MORAVIA" STORE IN SHANGHAI

While the dairy firm of Peking was opening, the Brazzale firm decided to open the "La Formaggeria Gran Moravia" store in Shanghai. Even if the trade office and the production firm both belongs to the Brazzale firm, they decided to leave the two entities independent and to manage them in a completely different way. The Shanghai store refers to the trade office, which commercializes Italian products in all of the Chinese territory. The dairy firm of Peking has its own organization, but it produces and commercializes its own products also helped by the office in Shanghai. Gradually, two completely different business networks were created, even

if until now, some customers prefer purchasing Italian products from the Shanghai office and fresh products from the dairy firm of Peking.

The Formaggeria Gran Moravia store in Shanghai was opened in November 2013. Thanks to this kind of shop, it was possible to sell many Italian products in China, also including the ones coming from the dairy firm of Peking. It became possible to sell products that before, because of logistic and customs problems were not possible to export to China and it became possible to present to customers fresh cheeses, which include ricotta and mozzarella, that because of the geographical distance, were not possible to import from Italy. in 2014, after one year from the opening, the Formaggeria Gran Moravia shop of Shanghai had already been recognized for its contributions in promoting Italian products in the Chinese market and, thanks to its help in promoting the DOP denomination, was nominated Parmigiano Reggiano Brand Ambassador.

The Formaggeria Gran Moravia shop, with the exception of Eataly, is the only food chain shop present outside Italy. The role of this shop is not only promoting Italian products abroad but also to create a direct contact with Chinese customers, understanding their tastes and their needs. The Formaggeria Gran Moravia of Shanghai is situated in the city center and provides a wide range of Italian products. There, it is possible to test and analyze the sale of products and to understand which are the most suitable products for Shanghai people. The purchase of cheese by Chinese people only happens when they want to show their own social status. For this reason, the purchases in the Shanghai store by Chinese customers are not regular, but still rare. Chinese people are not familiar with the shop and

they are apprehensive to enter into the store, but if attracted by free samples, they appreciate the products and decide to buy some of them.

The Shanghai shop is managed by Italians, but all of the employees are Chinese, in this way it is possible to have a continuable and easy relationship with customers. The shop is organized with desk service, like the traditional Italian food stores, where products such as butter and Gran Moravia cheese are cut and wrapped in front of the customers. In addition to the product of the Brazzale firm, other high quality Italian products are also present. The direct contact with the dairy firm of Peking and the Shanghai store gives the possibility to lower the costs and to present fresh products accessible to all customers. In the Chinese store, as in the other Brazzale stores situated all around the world, it is possible to find Italian cookbooks and the "La Formaggeria Gran Moravia" magazine, which includes information about Italy, about the history of products and additional info about agricultural products. According to the Brazzale firm, it is important to promote interest in Italy and knowledge about its products and this can only be done by providing training courses for employees, magazines advertisements and prize contents for customers. The Formaggeria Gran Moravia store in Shanghai takes part to every kind of meeting and event. With an attentive organization and with the help of Italian organizations present in China, famous chefs and television programs, it constantly promotes the Italian culture and lets Chinese people appreciate our traditional food.

The main characteristics on which the store of Shanghai was founded, which are also the same of the other 20 stores located all over the world are: the direct relationship between firm and customers, which makes it

possible to provide products at competitive prices. The provision of fresh products wrapped in the store at the purchasing time, which in this case, come from the Jikang dairy firm and the presence of trained employees who can help customers in their decision making. A pleasant and friendly labor environment is also crucial for the success of the store.

### 3.2.5 ACHIEVED RESULTS IN THE CHINESE MARKET

In 2016, the Brazzale firm in China achieved, thanks to the dairy firm of Peking, a turnover of 15 million RMB and, thanks to the Shanghai trade office, a turnover of 21 million RMB. The turnover of the Jikang dairy firm was principally composed of mozzarella bites and loafs. The turnover of the Shanghai office was principally composed of hard cheese, butter and mascarpone. They cover 90% of the total sales. The remaining 10% of sales is composed by other cheeses, such as gorgonzola (1000kg), provolone (200 kg) and fontina (200kg). In 2016, Italy exported 175 tons of mozzarella to China. At the same time the Jikang dairy firm produced about 230 tons. The same happened with the Grana Padano and Parmigiano Reggiano exportations, which in 2016 were about 217 tons, while in the same period the exportation to China of other hard cheese and Gran Moravia of the Brazzale firm was 277 tons. From the moment that tiramisu started to be one of the most appreciated Italian foods in China, the sale of mascarpone has increased considerably. Presently, it is one of the most sold cheese in China. Mascarpone is necessary in the preparation of tiramisu and it is principally produced in Italy. Because of mascarpone is authentically created in Italy there are really few competitors. While for pizza are usually used cheeses that are not true Italian mozzarella and usually are not

purchased from Italy. Mascarpone, with ricotta and other different types fresh of cheese are the most sold Italian cheese in China with a total of 1.753 tons in 2016.

### 3.2.6 FUTURE GOALS OF THE BRAZZALE FIRM IN THE CHINESE MARKET

The Brazzale firm wants to create a suitable product for Chinese people. Italian firms like New Zealand and Australian firms have to face some difficulties: their products are only directed to the Ho.Re.Ca channel. Presently, in China almost no one consumes or buys cheese daily. If we exclude the cheese used for pizza, the sale rate of other cheeses in China is extremally small.

The future aim of the Brazzale firm is to improve and enrich the production of the Jikang dairy firm with new products, including ricotta. Ricotta is made from the same ingredients of other cheeses and it can potentially represent a competitive product, which differs greatly from the string cheese used for pizza. Organizing the production of this product in China was not easy for the Brazzale firm. The main difficulty which they faced was to obtain all of the authorizations for producing it for the first time in the entire China. Until recently, this product was not present in the Chinese regulatory system, it was possible to import it from other countries, but it was not possible to produce it in China. The Brazzale firm was able to start the production of ricotta only one year and half ago. However, this product, like other cheeses, is not directed directly to Chinese customers, but only to the Ho.Re.Ca. channel.

The main aim of the Brazzale firm is to introduce ricotta to new kinds of customers, for example bakeries, firms which produce ready-made-meals and Chinese people in general. In the future, if it will be possible to obtain permission from the Chinese government, the Brazzale firm would like to create a ricotta dessert. This kind of dessert could potentially enter the big distribution as a completely new product directed towards Chinese customers and more specifically as snack-dessert targeting children. The marketing plane is to produce monodose packages of 40 grams with nutritional properties that make it appealing for parents and enjoyable for children. Everything will be based on specific market researches. This product could potentially present an opportunity for the Brazzale firm to enter the Chinese market with a product exclusively designed for Chinese customers. This kind of product will be a completely new product not only for the Chinese market but also for the European market. In fact, presently, a monodose ricotta dessert does not exist in European supermarkets. This product could be targeted towards schools, canteens and supermarkets. The product will not be directed to western people residing in China or to Chinese people with an open mentality anymore, but to the entire Chinese population and especially to their children.

# CONCLUSION

Thanks to this study of Italian products in China, especially cheese, it has been possible to understand many things, which, in the future, could be useful to firms that want to enter, for the first time, into the Chinese market. We have understood that China is not a simple market suitable for every kind of firm, but only for the strongest firms, which want to learn about and commit themselves to China. Getting into the Chinese market is similar to get into many different small markets at the same time. There is the need to divide China into macro-areas and to use business strategies designed specifically for the targeted area. China is a very big country and it will be a difficult end over to reach a saturation level of a product. Italian firms have many opportunities and they could potentially achieve big results in this market. Contrary to firms from other countries, they are favored because Chinese people associated a positive image of wellness and luxury with our country. These are exactly the kind of elements, which in the last years, they have started to looking for.

Exporting and selling cheese in China is one of the hardest challenges that the Chinese market can present. This product is not yet well appreciated and quite unknown in China, but nothing is impossible. The mentality, which in the past was very closed in this country, is changing and, consequently, also their behaviors and tastes are becoming different. Chinese people want to open themselves to the external world and they want to become more similar to western people and to their style of life. This is happening specifically because in the past Chinese people were isolated from the external world. Italian firms should focus exactly on this

factor: the new desire of Chinese people who are interested in discovering new flavors and tastes, which in the past were completely absent in their culture. The globalization of the entire world is a motivational factor for the success of Italian firms. With the introduction of an increasing number of franchise and restaurant chains, tastes in the world are becoming more similar and cheese, like other products still unknown by Chinese people, will become more common and familiar.

However, it is important to remember that culture has always influenced our choices and will always drive our purchasing procedures. In contemporary society, because of many factors, such as globalization and the development of media and technologies, customers with varying nationalities can sometimes have the same tastes, but their habits, values, religions and behaviors will never be the same. If an Italian firm wants to understand the choice of a customer, firstly, they have to analyze and study his society. The same influence also happens with food. Food is strictly connected to the culture of a nation and it indirectly influences the choices of customers. If an Italian firm wants to achieve success exporting its food products in another country, it has to analyze and understand which are the products most suitable to that kind of social and cultural group. Introducing products that are really far from the local gastronomical culture is very difficult and the exporting firm needs to do a careful study and research before committing great funds and energies. The Italian dairy firm Brazzale was able to achieve great results in exporting its products to China, a country where the consumption of milk and derivatives is not rooted in their local traditions.

The Brazzale firm, thanks to its dairy firm in Peking and to its store in Shanghai, has been able to establish a direct contact with Chinese customers. In this way, it has been possible to study and understand the tastes and the most suitable products for Chinese customers. The dairy firm Jikang can provide fresh products at competitive prices, which would not be possible to import from Italy. The store which opened in Shanghai presents a nice and friendly environment and a Chinese and Italian staff, which assist the choices of customers. However, presently, the purchase of cheese by Chinese people is not a normal accordance. It is still rare and generally made only by Chinese customers who want to experiencing new tastes. For this reason, the majority of Brazzale products are targeted towards international or Italian restaurants and hotels. The aim of Brazzale firm is not only to sell its products through the Ho.Re.Ca channel, but also to extend its products to the big distribution and to arrive directly to Chinese customers. This Italian firm is presently studying a product designed specifically for Chinese people and not only for western people who live in China. The firm is investing enormous resources in order to create a product suitable for the tastes of Chinese children and, at the same time, satisfying for their parent's needs. Creating a new product suitable for local people is the key to obtaining bigger profits from the Chinese market. There is the need to create a competitive product which is different from the string cheese used for making pizza, of which the market is almost totally dominated by New Zealand and Australian exportation. Italian firms do not have to focus on selling cheese for pizza, but they have to make new products, because the processed cheese sold by our competitors is a kind of product that Chinese people will always buy. It has a competitive prize, a long shelf-life and it is really appreciated by Chinese people.

In order to let Chinese customers appreciate our products, there is the need to cross the cultural gap between our countries. Italian firms need to learn how to face new adversities. They, with the help of Italian governmental institutions, need to promote, in every possible way, the knowledge and the interest in Italy. Through exhibitions and events, television programs and tasting classes, it will be possible to let Chinese customers familiar to our products and, consequently, it will be possible to get to an increase of consumption and purchase of the promoted products. Another way to cross this cultural gap is to use the typical Chinese promotional methods, such as advertisements on the main Chinese online platforms WeChat and Alibaba, the use of Chinese translations, slogans and other promoting methods, which are commonly used by local firms. Only in this way, it will be possible for Italian food products to find a place in the big and ancient Chinese gastronomical culture.

## SURVEY APPENDIX

中国市场调查：意大利产品、奶酪

Analysis about the opinions of Chinese customers. Opinions about Italian products and cheese

您好！首先欢迎参加此次的问卷调查，调查会占用您的昂贵几分钟时间。您的回答将完全保密。您的信息将会用来统计分析，非常感谢您的参与。

Hi! Can I ask you to help me complete this market survey, it will take only 5 minutes. Thank you

1. 意大利位置在哪儿?

   Do you know where Italy is?

   - 在欧洲 In Europe
   - 在美洲 In America
   - 在亚洲 In Asia
   - 法国的附近 Near France
   - 俄罗斯的附近 Near Russia

2. 如果我说“意大利”你会想起来什么?

   If you think about Italy what images come to your mind?

   _____

3. 你对意大利有什么样的印象?

   What kind of idea do you have about Italy?

   - 非常积极 Very positive

- ○ 很积极 Quite positive
- ○ 没有影响 I do not have any opinion
- ○ 很消极 Quite negative
- ○ 非常消极 Very negative
- ○ 我不知道 I do not know

4. 对你来说意大利产品的质量好不好？

   What do you think about the quality of Italian products?

   - ○ 非常不好 Very negative
   - ○ 2
   - ○ 3
   - ○ 4
   - ○ 5
   - ○ 6
   - ○ 非常好 Very positive

5. 你认为意大利产品有什么特性?

   What kind of characteristics can you associate with Italian products?

   - □ 高质量 High quality
   - □ 差质量 Low quality
   - □ 漂亮 Beauty
   - □ 豪华 Luxury
   - □ 可行性 Reliability
   - □ 高价格 High price
   - □ 创造性 Innovation
   - □ 别的 Other

6. 你买过意大利产品吗?

Have you ever bought Italian products?

□ 没买过 No

□ 葡萄酒 Wine

□ 饮食 Food

□ 服装 Clothes

□ 鞋子 Shoes

□ 化妆品 Beauty products

□ 珠宝 Jewelry

□ 家具 Fourniture

□ 汽车或者别的交通工具 Cars or other mean of transportation

□ 皮革制品 Leather goods

□ 其它 Other

7. 你对意大利产品的满意度？

How satisfied are you by Italian products?

○ 非常不满意 Absolutly not satisfied

○ 2

○ 3

○ 4

○ 5

○ 6

○ 非常满意 Really satisfied

8. 你认为意大利产品的质量比中国的好吗?

Do you think that Italian products are better than Chinese ones?

- 意大利产品比中国的好 Prefer Italian quality
- 中国产品比意大利的好 Prefer Chinese quality
- 它们的质量一样 They are the same
- 我不知道 I do not know

9. 你多少次吃奶酪？

   How often do you usually eat cheese?

   - 一天一次 Once a day
   - 一个星期一次 Once a week
   - 一个星期几次 Several times a week
   - 一个月几次 Several times a month
   - 偶尔 Rarely
   - 我不吃奶酪 I do not eat cheese

10. 你怎么吃奶酪?

    How do you usually eat cheese?

    - □ 跟面包一起 With bread
    - □ 在比萨上面 On pizza
    - □ 在汉堡包 In panini
    - □ 在甜点 In desserts
    - □ 在三明治 In sandwiches
    - □ 我不吃奶酪 I do not eat cheese
    - □ 其它 Other

11. 过去在中国没有人吃奶酪。现在奶酪在中国人的营养多少

    In the past cheese was not present in the Chinese diet. Presently how

much is it present in your diet?

- ○ 非常少 Very little
- ○ 2
- ○ 3
- ○ 4
- ○ 5
- ○ 6
- ○ 非常多 Very much

12. 你在网上搜过 "奶酪” 生词吗？

Have you ever made an online research on cheese?

- □ 没搜过 Never
- □ 我搜过怎么吃奶酪 How to eat cheese
- □ 我搜过奶酪有什么营养价值 What are the nutritional properties of cheese
- □ 我搜过在哪儿可以买奶酪 Where to buy cheese
- □ 别的 Other

13. 你尝过意大利奶酪吗?

Have you ever tasted Italian cheese?

- ○ 只一次 Only once
- ○ 没买过，但是尝过几次 Taste it rarely
- ○ 有时候我买意大利奶酪 Sometimes buy it
- ○ 我常常买意大利奶酪 Usually buy it
- ○ 没尝过 Never tasted it

14. 你知道哪些意大利奶酪的种类?

Do you recognize some of these Italian cheese?

□ Parmigiano 帕尔玛奶酪

□ Asiago 艾斯阿格

□ Gorgonzola 古贡佐拉

□ Mozzarella 马苏里拉

□ Ricotta 乳清干酪

□ Mascarpone 玛斯卡彭

□ Caciocavallo 马背干酪

□ 我一个也不知道 None of them

15. 你喜欢哪个奶酪种类?

What kind of these cheese do you prefer eating?

□ 鲜奶酪 Fresh cheese（比如说 mozzarella ricotta mascarpone）

□ 蓝奶酪 Blue cheese（比如说 gorgonzola）

□ 硬质奶酪 Hard cheese（比如说 parmigiano）

□ 半硬质奶酪 Semi-hard （比如说 pecorino）

□ 别的 Other

□ 我不知道有什么区别 I do not know the difference

16. 您的性别：

What is you gender?

o 男 male

o 女 female

17. 请选择城市:

What is your home province?

_____

18. 年龄

How old are you?

_____

19. 教育资格

Your level of education

- ○ 小学 elementary school
- ○ 高中 high school
- ○ 本科生 undergraduate
- ○ 研究生 postgraduete

20. 月收入

How much do you earn in one month?

- ○ 我不工作 I do not work
- ○ 0/5000 元 yuan
- ○ 5000/10.000 元 yuan
- ○ 超过 10.000 元 more than 10.000 yuan
- ○ 超过 15.000 元 more than 15.000 yuan
- ○ 超过 20.000 元 more than 20.000 yuan

21. 你的想法或者你的建议

Your ideas or suggestions about this topic

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