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# **‘Made in Italy’ in the fashion sector: Challenges and opportunities in the Chinese market**

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## **ABSTRACT**

China is a big country with a huge market which offers great opportunities.

As a result, it is necessary to adopt a local development strategy based on the specific Chinese real life in order to take advantage of its potential.

The general view that China means cheap goods is overcome; in fact, in this country also, the quality of goods is imposing on their quantity and this kind of evolution can benefit the “Made in Italy” in a special way.

However, the Asian giant is still not among our major industrial partners. Is this a consequence of the structural inability of Italian companies or of the well-known Chinese integration difficulties? In order to promote the “Made in Italy” in the Chinese market it is essential to first have a clear idea of how Chinese consumers perceive foreign brands.

Despite finding Pharmaceutical and Machinery production among the most developed and advanced Italian sectors, Fashion and Luxury are still the leading ones of ‘Made in Italy’. Through the analysis of some significant case studies of Italian fashion and luxury companies working in the Chinese market, it is possible to identify future scenarios for the players who will compete in it. Thanks to organizations, such as the Italian Chamber of Commerce in China, it is possible to promote the “Made in Italy” and move towards this vast market.

Nevertheless, this system shows flaws as the amount of Italian fashion and luxury companies in China is far lower than actual potential of our country.

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*“The Chinese customers are already informed about the products, they are not so interested in hearing something more. They have a faster approach.”*

BOTTEGA VENETA

Stefano Leoni,  
Store Manager



## 前言

中国是全新的世界超级大国，而且是一个年轻而又强大的竞争对手，与此同时，中国也是一个全新和巨大的市场。中国在几十年中经济有了巨大的进步。早前中国闭关锁国和经济落后，过去资本主义和共产主义强制性的到达社会主义市场经济体制。所以，中国不是由工业革命发展来的，在之前中国共产主义以农业为主，随着 21 世纪的到来，中国有了更多对外交流的机会来发展，但也带来很多的问题：劳动力的成本非常低，大规模的伪造产品出口到国外，这些已经出口的商品加剧对欧洲经济的恶化。随着商品产量的增加，中国即成为了世界的中心也成为了世界的工厂，消费和进口和生产处于非常高的水平且购买力也非常强。随着生活水平的提高，中国也慢慢加强基础设施建设。但是中国使用了太多能源导致环境污染严重，现在中国是全世界谈论的焦点（学者，企业，政府等），这是正常的，现在中国想赶上西方国家发展，因为封建统治与闭关锁国让中国落后。

尽管中国政府为促进和增加本地商品和服务的消费而努力，但由于很多原因，大多数中国人喜爱国外货物。主要原因与国家经济史有关，因为邓小平在二十世纪九十年代提出改革开放，让中国变得富裕，使中国与世界的关系更加紧密，人与人之间的关系更加平等。但还有其他原因，和设计与产品安全有关。

改革开放和经济改革等政策，导致中国人口增长，从而也导致了社会的变化，经济的变化。事实上，在过去，人口特点是强烈的集体主义思想，但今天因为西方的影响，特别是对年轻的孩子，有一个趋势是个人主义。

中国商人面临的形势越来越严峻，人们开始有了新的体验，每个人已经形成了自己特定的品味和个性。国外产品已经成为展现财富地位的一种象征，从而变成提高他们品味的方式。西方企业可以利用这一变化的优势，从而使中国人的购买力增强。

中国消费者受西方生活方式和时尚品味所影响，谁拥有一个高端的产品从而变得流行和时尚。展望国外市场已经取得了很大的进步，中国已经开始自给自足，变得更加富有，但城乡之间的差异依然存在。

新一代的年轻人是跟以往有很大不同。虽然谁也没有见经济和社会的变化，但是在中国已经看到了他们的习惯和生活品质的突然变化，他们的孩子已经出生在一个现实而富裕的社会。其结果是，年轻人都没有能力购买奢侈品，但他们想购买罕见的奢侈品在人群中脱颖而出，而炫耀自己的财富水平与品味。

虽然有时中国消费者不正确地将品牌与原产国相关联，有些人甚至不了解国家的形象特征，但他们将外国商品视为权利，品味和声望的象征。

在时尚领域，中国消费者对欧洲品牌的偏爱是由于中国产品缺乏设计感。在这个行业中，时间是一切，中国的生产过程甚至在分配之前已经过时了。

中国消费者在意大利产品中鉴定出高附加值，服装行业和时尚配饰行业享有很高的声誉。

意大利制造在意大利知名品牌以优雅，技术含量高，精致设计而享誉世界，在市场上和中国人的想象中都是高端的;但它较高的品质也是值得赞赏和期望的,也表达了意大利人的生活态度犹如奢侈品一样质量上乘，丰富多彩。

虽然存在社会地位和人均收入的差异，但购买意愿方面仍然保持不变，但在新的中国资产阶级之后，中产阶级的消费者是最经济可行的类别。然而，它们不断发展，不仅仅针对着有名的品牌，而是研究以工艺和创意为特征的产品，意大利制造的要求可以轻松满足。

“意大利制造”一词的唤起，在世界上，意大利的产品表达了它的制作理念。它的这种理念在过去二十年中已经做到了一定的名气，直至今日，承担了一个真正的品牌特色与特点。在这段时间内，“意大利制造”的发展，帮助建立了所谓的“意大利体系”，反映了意大利的制作水平和工序高于其他国家，所以意大利制造的产品在国外市场非常受追捧和抢手。

如今，不仅是产品，而是意大利的生活方式在世界各地享有消费者的高度赞赏：这是我们的国家和我们的企业一笔巨大的财富，这意味着需要有充分的保护手段，来出台相应的扶持政策。

“意大利制造”的产品，仍然是全世界最畅销的产品，在过去的几年内所销售产品的利润可以去购买缺乏的原材料，来提高产品质量。

在当今世界，全球化的国际市场竞争激烈，在国际市场上的竞争已变得越来越困难和复杂，部分原因是加入了新的工业强国。在这种情况下，重要的是各国需要展现创新和实施相应的竞争与策略的能力。

价格是决定中国顾客买与不买的一个重要因素，但是更重要的是顾客自己开始评估商品的质量和特点是否值得购买，如果所要购买的商品价格公道，质量有保障，性能强，且知名度高那么这些特点就成为了顾客购买的主要因素。

值得注意的是，评估论证，导致采购决策是与西方消费者非常不同的。在购买之前，中国买家通常是十分仔细查看的产品信息，特别是在网络上，对企业网站和消费者的评论。对于被筛选的产品，以满足的要求是高质量和心仪风格;当然售后服务保障也非常的重要。

中国买家如果要买一件昂贵且漂亮的奢侈品，总是要有合理的理由，例如：买家购买了一双非常昂贵的意大利皮鞋，那么证明这双昂贵的意大利皮鞋即舒服又实用而且使用寿命会非常之久。这种行为受环境和文化的因素所影响，因为这样深的影响直接影响到了人的社会行为和购买欲望。

然而近年来，中国已成为高端市场运营商最希望得到的目标，好消息是意大利制造的品牌，这可能会让中国的购买增加。意大利制造奢侈品是基于传统的，历史悠久的基础，其中的魅力是给人留下了意大利美好的生活方式，正如买家得到满足的情绪。

意大利奢侈品企业家的艰巨任务是提供的产品，以保持他们令人回味的消费，但在同一时间创造价值。意大利商家的天赋在于能够结合不同款式，材料和品味和谐的融入到一件产品上且没有过度的奢华与贵气。

奢侈品的消费者，预知其他人会怎样欣赏在一线的奢侈品，因为他们是最了解和关注国际流行趋势的。

在供应方面，意味着所有的企业重要的工作是必须有效地确定全球的需求，并必须在第一时间内国际化且不会成为其他品牌的替代品与附属品。

奢侈品行业是欧洲企业盈利的重要领域，因为在结合专业而细腻工艺的同时，有非常高端的设计，因为这些奢侈品企业已经成为了意大利这个国家机智才干，创新的代言词，而且奢侈品行业现在是帮助重振国家经济的关键部门。

意大利制造以知名品牌的奢侈品已经完全熟练地出口国外，并拥有强有力的形象在世界市场上，建立在优雅的形象，精致的设计，和独特风格的产品与意大利设计者的天生技能优良的品质，无论他们是设计师，建筑师，工程师或珠宝商都拥有得天独厚的条件。

为了更细致地了解市场和客户的需求，需要去参加一些博览会，比如每六个月或一年在北京和上海的时装周，这是一个很好的机会，与经销商和买家取得联系。

尽管许多奢侈品土生土长在欧洲，但是今天东亚这个地区才是增加销量的真正动力。在未来，中国买家也不只是局限于购买西方品牌的奢侈品，基于他们的丰富的文化遗产和他们的传统文化，他们将开发自己的奢侈品牌，将进入全球市场。如今的中国汽车市场的情况也有很多本土品牌在全国享有消费者的肯定和亲睐。但是，他们还没有一个精密管理和设计，能够与成熟的国际品牌所抗衡，因此需要在这方面重新定位和发展更多的技能。他们需要一个国际认可的奢侈品制造商，但这也是一个很难获得的机会。

为了在全球范围内成为知名品牌，一个中国品牌首先不能局限于自己的想象，要向世界看齐，了解世界的流行趋势，提高产品的质量与做工，这样才会使中国品牌越走越远，从而走向世界。

事实上是中国不断增长的经济与机会再加上意大利的人才，这样才能诞生一个巨大的和长期的经济合作。

# 1)MADE IN ITALY AND CHINESE PERCEPTION

## 1.1 THE EVOLUTION OF COO

A large body of literature tried to give an exhaustive definition to the concept of country of origin. Country of origin (COO) is the country from where a products or goods come from, where it is manufactured or it originated.

If a good is only made in one country, with no interference from others, such as foreign inputs, determination of the country of production is easier, but nowadays products are processed in two or more countries using both domestic and foreign materials, so the determination of the country of origin is more complicated.<sup>1</sup>

Companies may use different COO marking, for instance the use of “Made in”, the use of COO flags or symbols, the use of typical landscapes from the COO, the use of stereotypical people from the COO or typical COO words in company name.<sup>2</sup>

Voluntary labelling of country of origin has always existed, but in the 1880s the British government, in order to reduce the sales of foreign goods in Britain, especially those from Germany, stated that non-local products had to be labelled with their country of origin, so country of origin laws were enacted. In 1890 in the United States, with the enactment of the Tariff Act, this became mandatory and in fact even if these laws were reworked countless times, it is exactly this country that maintains the broadest and most stringent set of marking requirements.<sup>3</sup>

COO is useful to the ultimate purchaser because it clearly indicates where the item is made and it helps consumers make inferences about products' attributes and appraise their quality and performance.

Since people today are more exposed to international products than ever before and consumers also judge the property of goods based on previous experiences with products of that country or country stereotype, the COO cue has become essential.

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<sup>1</sup> Martin, I.M. and Eroglu, S., 1993, 'Measuring a multi-dimensional construct: country image', *Journal of Business Research*, Vol. 28 No. 3

<sup>2</sup> F. Checchinato, L. Hu e T. Vescovi, 'The communication of foreign products in China through the store: an empirical analysis', « *International Journal Of Economic Behavior* », vol. 3, 2013

<sup>3</sup> 'Smoot-Hawley Tariff Act'. <https://www.britannica.com/topic/Smoot-Hawley-Tariff-Act> (accessed March, 4 2017)

COO is usually used as a quality cue and its goal is to produce a positive association in consumers between products and their country of production. COO relevance relies on the importance that consumers give to it. If people give such importance this will lead them to search some information and evaluate alternatives, otherwise they will take into account other factors like price, brand, or post-purchase services.

In the late 1980s country of origin started to be a research issue, but today the world has changed and COO, viewed as actual country of manufacture (COM), is no longer valid. In other words, people perceive the cues related to brand origin, but manufacturing origin has become irrelevant.<sup>4</sup>

This is because since origin image is a crossroad concept between countries, goods and end users, considering only COO is not a clear measurement, so COO is now mostly related to country of brand that have taken the lead in suggesting product origin.

In fact, the design of one product today may happen in one country, but its manufacture may happen in another, and then reach the final consumer. Therefore, obviously people tend to focus on brand origin rather than the country of manufacture.

It is only when considering agricultural products that COO, seen as COM, is still essential. In fact, for clothing and especially regarding well-known Italian brands, COO does not count so much because the brand is Italian and there is already a guarantee of quality. This is still the case, even if the country of manufacture is not in Italy. However, for food this is the opposite.

For this reason, a very strong brand could decrease the importance of COO cue, but when consumers have to buy something to put on the table, their attention is focused on the COO, especially when products taken into consideration are Italian, since the high expectation due to the famous culinary culture, the quality, taste and freshness of goods. Thus, there is a shift from COO to country of brand (COB).<sup>5</sup> Indeed, even if in the absence of other cues consumers still need origin cues, brand names are the faster way to activate origin recognition. Brand is always clearly displayed so does not require

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<sup>4</sup> C. Min Han and Vern Terpstra, *Journal of International Business Studies*, Vol. 19, No. 2 (Summer, 1988), pp. 235-255

<sup>5</sup> F. Checchinato, L. Hu e T. Vescovi, 'The communication of foreign products in China through the store: an empirical analysis', «*International Journal Of Economic Behavior*», vol. 3, 2013

much effort for the consumer to recognise it, or at least less than understanding the made in label.

However, visual cues are also important seeing that the process by which the name of the brand suggest its origin is unclear. In fact, when asked to associate brands and countries lots of people fail in this task.

When companies' brands are incorrectly classified, the consequence is an unfavourable classification for them, so it is necessary to stress the relevance of brand origin recognition accuracy (BORA).<sup>6</sup>

Language and linguistics are determinants for BORA in order to understand why people make associations between brands and nations; in fact, if brand name is incongruent with its origin, this leads to lower BORA score.

Brand intent, if built in recognition cues, works in the long run; but there are also companies that intentionally disguise the true origin, adopting sounding names and this happens also with products seeming to be Italian only thanks to Italian sound branding.

Since perception is still a perception, especially companies that are suspected to have an unfavourable classification, decide to design brand names with favourable origin recognition. This phenomenon is called Country Sound Branding (CSB) and identifies in the mind of the consumer an image of a COO considered positive, even if it is not genuine. In order to be effective, the COO image of the product category covered by the CSB has to be positive, and the customer has to recognize the CSB.<sup>7</sup>

CSB aims to produce a favourable misclassification, and this is an advantage for small brands, suggesting to the customers the product's quality and expertise that belongs to the country that recalls the brand; whereas strong brands suffer a lot as a result of this. But CSB produce leads to confusion about the actual origin of the product; in fact consumers are not prepared for an accurate analysis, so often the perception of the mark keeps only immediately evident elements.

It is a strategy to the limit of correct behaviour, sometimes as an essential part of positioning in new market, but in other cases it is an opacity of the market.

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<sup>6</sup> Samiee, S., Shimp, T.A. and Sharma, S. 2005, 'Brand origin recognition accuracy: its antecedents and consumers' cognitive limitations', *Journal of International Business Studies*, Vol. 36 No. 4

<sup>7</sup> L'italian sound of branding e gli effetti sull'immagine del Made in Italy, Tiziano Vescovi, 2014

For Chinese people it is very hard to distinguish an Italian brand from others, as the sounds and characters of the brand appear to the consumer as western and not specifically belonging to a given country in Europe. CSB generally is seen as a negative phenomenon to the original brand and for country image, but actually could even be a COO image accelerator for people who do not have the insight.

The current situation of COO can be seen as its division in COM country of manufacture, COD country of design and COB country of brand. Since direct investments to foreign countries are growing, it is fundamental to understand how much COO plays a positive role on influencing buying behaviour and evaluating process.

Since the publication of Schooler's study in 1965, which was the first to analyse COO's impact on products with the same attributes, lots of scholars have analysed the COO and its effects on consumers' product perception and evaluation process. Every country has its specific identity which is reflected in its products, this is the so called Country of Origin Effect (COOE).<sup>8</sup>

As the phenomenon of globalization is becoming even more important, consumers' perception is not only based on factors like price, features and quality but also on COO, so an understanding of COOE is very useful.<sup>9</sup>

Consumers sometimes are affected by country of origin beyond their conscious control, but usually COO effects traditionally start from the analysis of some fundamental aspects of the referenced market: analogue country and COO; ethnocentrism, nationalism and cosmopolitanism; prospect of consumption, sectors and markets; marketing strategies; and evolution of the country of origin concept.

A country's economy is only one of many factors that contribute to the country image; the high industrialization, technological advancement and capability, capitalism and successively market economy are also all factors that lead to a positive COO effect.

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<sup>8</sup> Hu, L., & Checchinato, F. (2015). The country of brand communication in the retail setting: An analysis of Italian products in China, *Australasian Marketing Journal*, 23(4), 325-332

<sup>9</sup> Bucci A., Coldeluppi V., Ferraresi M., *Il Made in Italy.*, Carocci, 2011

Obviously, for the previous reasons COO, is not a static concept but it is constantly evolving with country conditions.

There are lots of different reasons for different purchasing behaviour and, in order to measure consumer perceptions, it is necessary to link COO with other variables, since there are both objective factors and subjective factors. Among objective factors the most important are consumer nationalism, hybrid products, product quality and features, price, technology sophistication, country images and advertising image, while among subjective ones the most important is emotional status of the consumers.

Obviously COO effects have an impact on prices. If a brand and its COO are well perceived, it is then possible to charge price premiums. It has been demonstrated that for people who do not know very much about the product and for older consumers, the COO effect is strongest, while for consumers who are well informed it is weakest.

When people have to invest in durable or luxury goods, their sensitivity for COO is much better understood, while for the other products it is weaker, so it varies by product category.

Consumers' general perception of a country, of its economic and political situation, national characteristics, its history and traditions, creates a stereotype that is attached to the product.

This image influences buyer behaviour, in particular when other information is unavailable this is the only determinant that helps people to decide whether to finish the purchasing operation.

Country association leads to customer bias and that depends on the vision that the customers have of a country. There are goods that are recognised all around the world for their association with the COO, which people perceive as premium. Consumers assume they are high quality; this phenomenon is called the Halo Effect. For instance, fashion is associated with Italy, wine with France, chocolate with Belgium, cars with Germany, spices with India and silk with China and so on.<sup>10</sup>

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<sup>10</sup> Vescovi, T., L'italian sound of branding e gli effetti sull'immagine del Made in Italy, in G. Aiello (a cura di), Davanti agli occhi del cliente. Branding e retailing del Made in Italy nel mondo, Roma, Aracne Editrice, 2013

So consumers have a preference for or aversion to products from certain countries; this is called affinity and animosity. While the country ethnocentrism is the preference for products made in its own country, in some cases people prefer those of foreign countries. The preference for home-made products is typical of collectivist culture, and a preference for foreign-made is linked to individualistic and competitive culture and in developing countries.

Since brands and their COO are sometimes associated incorrectly, in some cases COO does not affect the country image, especially in emerging countries like China where COO does not help them in purchasing behaviour because they are not aware of COO characteristics.

Chinese products are generally perceived as low quality, value pricing, inexpensive materials and unskilled labour and because of worries about quality and safety.

In 2007 - 2008, due to the world economic crisis and the consequent inflation, natural disasters and overheating, the reputation of Chinese goods suffered all around the world.<sup>11</sup>

Besides quality factor, another one that is very important and that explains consumers' perception is the social status associated with foreign brands, so for international companies managing a proper COB is a key factor since the effects on consumers determine a competitive advantage for them.<sup>12</sup>

How the actors involved in the selling process transfer the COO attribute to consumers is an important factor to understand. COO connected with the store type has a significant effect; different presentations of COO in stores affect consumer choices.

In the Chinese market, although there is a rapid development for brands perceived as foreign, COB is not the primary cue to communicate product image in store.

Companies can use this cue in order to provide information to consumers but also in order to modify their quality perception, and to be effective it must build a true value.

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<sup>11</sup> Shujie Yao, Minjia Chen, 'Chinese economy 2008: a turbulent year amid the world financial crisis', issue 47, <https://www.nottingham.ac.uk/cpi/documents/briefings/briefing-47-economic-review-2008.pdf> (accessed March, 10 2017)

<sup>12</sup> Hu, L., & Checchinato, F. (2015). The country of brand communication in the retail setting: An analysis of Italian products in China, *Australasian Marketing Journal*, 23(4), 325-332

In order to reinforce the strength of the brand, retailing is useful and consequently the placement of the stores is fundamental, first to attract consumers in first-tier cities, and then to expand in the second-tier centres.

The primary asset in mono-brands or flagship stores is represented by the store image.

In fact, considering that flagship stores are seen as symbols of the brand strength, they are often used as a market entry method, and indeed stores play an important role for consumers' brand awareness.<sup>13</sup>

However, there are areas where physical stores are not available yet, so to retail strategy is added the e-commerce channel, in order to enhance brand image.<sup>14</sup>

In particular, given Chinese people's large use of online services, it is fundamental for international brands to have their website also in the Chinese language, in order to provide information that will lead consumers to purchase those goods.

Using online services can also give importance to brand and, since COB is often used when people can not have other ways to have information, managing this cue properly is the basis for international companies to differentiate the brands from competitors.

Virtual stores are relevant for communicating with culturally and physically distant markets because a brand needs an immediate association that proves its quality.<sup>15</sup>

The Chinese market is culturally distant from the Western one. For most Chinese consumers, the made in Italy association is not very clear; they only have a general idea of made in Europe, so the common use of simple elements such as iconic images and the Italian flag instead of elaborate symbols and texts is not always the best idea.<sup>16</sup>

Because of this problem, retail strategies should consider the fact that the shoppers would be engaged with the brand, and facilitate product presentation transforming sellers in brand ambassadors and integrating dynamic elements in a defined brand image, promoting entertainment activities and interactions with store personnel.

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<sup>13</sup> Moore, C.M., Doherty, A.M., Doyle, S.A., 2010. Flagship stores as a market entry method: the perspective of luxury fashion retailing. *Eur. J. Mark.* 44 (1/2), 139–161

<sup>14</sup> Vianelli, D.; De Luca P.; Pegan G., 'Modalità d'entrata e scelte distributive del made in Italy in Cina', Milano, Franco Angeli edizioni, 2012

<sup>15</sup> Hu, L., & Checchinato, F. (2015). The country of brand communication in the retail setting: An analysis of Italian products in China, *Australasian Marketing Journal*, 23(4), 325-332

<sup>16</sup> *Ibidem*

In retailing, COB can be used in dynamic and static elements, but to be effective, it has to provide consumers with a true value and information system.<sup>17</sup>

## 1.2 MADE IN ITALY

The Made in Italy concept is difficult to define in a unique sense and even literature has connoted it with the most different meanings.

Literally, the term indicates the whole of the goods whose productive process takes place mainly on the Italian territory; however, this definition is not sufficient to express the complexity of this nomination. 'Made in' is also the effect on the image that a product or brand can receive from being produced in a particular place. Only products that, in the collective imagination, are in tune with the identity of a country can take advantage from the 'Made in' effect.

Made in Italy was born in a special context, consisting of small and medium sized businesses, often family owned businesses, which have, in recent decades, evolved and adapted to operate in a rapidly evolving market.

Even if the technological content is low, Made in Italy products are characterised by an extraordinary refinement; most often the production process is articulated as it is the result of secular traditions requiring extensive technical knowledge and artisans are able to transfer this knowledge into wider production with the best results.<sup>18</sup>

Thanks also to favourable economic policy measures, such as the Italian participation in GATT<sup>19</sup>, the active role that Italy has played in the European integration process, these small enterprises have been developed.

All these measures contributed to the opening of new sales outlets for Italian productions, which abroad also enjoyed a competitive advantage in terms of price, as Italy could count on low labour costs.

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<sup>17</sup> Verlegh, P.W., Steenkamp, J.B.E., 1999. A review and meta-analysis of country-of-origin research. *J. Econ. Psychol.* 20 (5), 521–546 ; Zhang, L., Han, Y., Wang, L., 2011. Information availability on Chinese apparel B2C Websites. *Int. J. Consum. Stud.* 35 (4), 420–429

<sup>18</sup> Bucci A., Coldeluppi V., Ferraresi M., *Il Made in Italy.*, Carocci, 2011

<sup>19</sup> GATT: General Agreement of Tariffs and Trade, is a trade treaty signed by 23 countries to boost economic recovery

When we think of Italian fashion, it is a subject so embedded in our culture and such a cause of pride for us Italians, that we talk about it as if it had existed forever, although it has really recent origins.

Nevertheless, during the Unification of Italy, there was a need to create a national fashion without any real development; in 1935 Fascism had established the National Fashion Institute, based in Turin, but it did not have the desired success.

In the post-war period, Italian fashion first needed a market to expand, but Italy was not appropriate for this task because it was backward and still suffering the consequences of world conflict and was unable to offer a potential market.

Despite this situation, the great success of Salvatore Ferragamo (1898–1960) in Hollywood showed our country the right path to follow.

Only in the post-war period political change allowed the expansion and affirmation of Italian fashion in foreign markets. In fact, in 1946 Turin hosted the first National Fashion Art Exhibition organized by the Fashion Institute and in 1949 in Milan the Italian Fashion Centre was born.

Actors, actresses and journalists allowed the affirmation of Italian fashion as one of the most important aspects of Italy together with the beautiful life and the wonderful tourist destinations, and in 1949 the Fashion Committee was established in Rome.

However it was only with Giovan Battista Giardini, who was an antique dealer, collector, businessman and art enthusiast, and who was the first to understand the connection between art, fashion and Italianness before many others, including the strategic importance of quality clothing for Italian economy, that Italy started to have a real world importance. Indeed, in 1951, he set out in his home in Florence the first fashion show for foreign buyers and this became an annual event such that it was shortly transferred to Pitti Palace<sup>20</sup>, gaining a stable place in world fashion events. So thanks to Italian fashion and thanks to Giardini, for the first time Italian style managed to go beyond national boundaries and to be known and appreciated in the rest of the world: 'Made in Italy' was born.

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<sup>20</sup> Pitti Palace: located in Florence, it was the residence of the grand-dukes of Tuscany and King of Italy, now it houses several art collections

Giorgini's show has had the great merit of pointing out to the world that the taste of Italians for art and beauty, which had represented their strength in the past, not only were not depleted but were still able to create a concrete model of development.

Italy possessed, in its culture and the creativity of its inhabitants, an important resource and was ready to share it with the rest of the world.

The nineties were the time where Made in Italy and the definitive perception of its success gained a foothold in world markets, and from this period a great interest for this phenomenon and a flourishing literature in this area were born.<sup>21</sup>

Marco Fortis, Quadrio Curzio and many others are the spokespersons of the idea that the label of Made in Italy should be used not as an indicator of origin but rather as a quality indicator, encompassing under it all the excellence of the Italian system of production, considered as a whole.

At the time, Made in Italy was mostly known for the successes of Italian fashion houses and a few other luxury brands, while little attention was reserved for excellence in other fields of production.

In 1998, Marco Fortis described the perception that until then had been made of Made in Italy: “When it comes to Made in Italy it is almost inevitable that public opinion thinks immediately and mainly about Versace's clothes, Valentino and Armani, the casual clothing chains of Benetton, the bags of Gucci and Fendi, the shoes of Della Valle and Ferragamo: in short, Italian fashion. Or the thought runs to Ferrari, considered as a flag of our country. But Made in Italy is a more complex phenomenon, which touches different sectors and economic activities of the Italian system, ranging from the most varied industrial goods to the typical products of agriculture and tourism.”

As a result of this phenomenon, the expression Made in Italy has become something far more important than a simple brand of origin, an expression that evokes the idea of Italian products worldwide, coming to assume the characteristics of a true brand with a well-defined identity, and it has become synonymous with quality and reliability that is universally recognized.<sup>22</sup>

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<sup>21</sup> Castronovo V., *Storia economica d'Italia. Dall'Ottocento ai giorni nostri.*, Einaudi, 2013

<sup>22</sup> Fortis M., *Le due sfide del Made in Italy: globalizzazione e innovazione. Profili di analisi della Seconda Conferenza Nazionale sul commercio con l'estero.* Il Mulino, 2005

The development of Made in Italy over time has helped to create in the collective imagination a well-defined idea of the so-called “Sistema-Italia”, able to reflect its distinctive abilities and capabilities, so that products that can be marked with this label are extremely sought after in foreign markets.

Today, not just products, but it is the Italian lifestyle that enjoys great appreciation from consumers all over the world: this is a great asset for our country and for our businesses, so we need adequate safeguards and policies to support it.

The charm of Italy is the result of its history, its art, its culture and the attractiveness of its geography, and the ability to innovate tradition has been, and always will be, the strategy of the success of Made in Italy.

It has been supposed that if Made in Italy was a brand in the proper sense of the term, it would be placed in the third position in the ranking of the world's best-known brands, ranking after Coca Cola and Visa.<sup>23</sup> Consequently, thanks to the benefits coming from such a strong image, for a company to have the opportunity to sell products with the label Made in Italy means being able to achieve a strong advantage over the competition.

Made in Italy is characterised by four macro areas, that are:

**1) clothing – fashion**

This system is the macro-sector that best represents the success of Made in Italy in the world. This system consists of four major sectors: Textile clothing and accessories; Leather, Footwear and leather goods; Eyewear; Jewellery.

**2) furniture – house**

Even if not all of its sectors benefit from equal popularity among the public, this is an important part of Made in Italy. It is divided into four main sectors: Wood and furniture; Lamps and lighting engineering; Tiles and ceramics; Ornamental stones.

**3) automation – mechanics**

Automation-Mechanics sector represents a great area of excellence for Made in Italy. It includes the production of machinery, equipment and some segments of the transport sector, such as luxury cars, motorcycles and bicycles

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<sup>23</sup> Noci G., Se il Made in Italy fosse un brand sarebbe il terzo al mondo. Il Sole 24 Ore, 27/08/2014

#### **4) food and beverages**

Over the last few years, the food and beverage sector enjoyed a period of great development and has been considered as one of the most promising sectors for increasing the diversity of Made in Italy.

Besides these macro-areas, other niche leadership with a high technological component can be identified, such as the luxury car, aerospace, cruise ships, chemical and pharmaceutical specialties, diagnostics and bio-medics.<sup>24</sup>

In 1992, the theme of Made in Italy for the first time officially became a topic of discussion at the institutional level.

In order to delineate the position of the Italian industries in the world, understanding the perception that international consumers had of Made in Italy and to outline a policy aimed to strengthen it, the first National Conference on Foreign Trade was organized.

The attributes of Made in Italy are the love for its own work, high quality, creativity, craftsmanship, attention to detail, of knowing how, beauty; it is important to keep the value of the past, tradition, originality and style and take them as an example in order to see the future with an innovating view.<sup>25</sup>

The Made in Italy industry is composed of small and medium enterprises that communicate the Italian style in different ways.

In this classification, we can identify two trends: those which in order to communicate Italian style use quality, and the other that simply applies the Made in Italy label on their products.

Obviously, the first group has an important role in spreading Italian style, while the others that continuously offer lower prices, in the future will face the challenges of local competitors able to offer the lowest prices.

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<sup>24</sup> Fortis M., Le due sfide del Made in Italy: globalizzazione e innovazione. Profili di analisi della Seconda Conferenza Nazionale sul commercio con l'estero. Il Mulino, 2005

<sup>25</sup> Accetturo A., Bassanetti A., Bugamelli M., Faiella I., Finaldi Russo P., Franco D., Giacomelli S. e Omiccioli M., Il sistema industriale italiano tra globalizzazione e crisi. Banca d'Italia, Occasional Paper n. 193, Luglio 2013

The Italian lifestyle is in some way individualistic that is quite typical in western cultures, and this means the ability to design products that are able to satisfy the search of beauty at any level.

Moreover, in Italy in addition to historic landmarks and cities of art, there are certain products associated with geographic regions that have a registered and protected denomination of origin.

The European Commission, in 2013 declared with reference to Italy: "The performance of Italian exports continues to be affected by a model of unfavourable specialization and the low growth capacity of Italian companies. The Italian specialization model looks very similar to that of emerging economies, especially China, where most of the added value is generated by traditional sectors with relatively low technological content, a phenomenon due to the limited innovative capacity of Italian companies."<sup>26</sup>

In fact, Italian products, especially those of the manufactory sector, suffered from Chinese competition since Chinese goods were cheaper.

China has also adopted aggressive competitive behaviours, using dumping practices or imitation of some Italian products, using even a strategic method called Italian sounding, that are able to attract large market shares away from many Italian products. Nevertheless, Italy can rely on the ability to adapt to every new market situation like no other western production system offers.<sup>27</sup>

It is not a coincidence that Italians are seen as the Chinese of Europe, as they have always shown an innate willingness to get always back in the game, have abundant imagination to make new products and have a personal and systemic creativity in the entire industrial process, from enterprise organization to product. These talents have always allowed this country to overcome historical phases perhaps even more difficult than the present one.<sup>28</sup>

In this respect, it should be emphasized that China can represent, for Italian companies and Made in Italy, a great opportunity for expansion because for some years now it is possible to find a reversal of trend that is being expressed in high quality products. The

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<sup>26</sup> Autori vari., 'In depth review for Italy', Commissione Europea, 10/04/2013

<sup>27</sup> Anonimo, 'Piano per il Made in Italy: dal governo 260 milioni', La Repubblica, 26/02/2015

<sup>28</sup> De Benedetti C., 'Chi teme il gigante cinese', Il Corriere della Sera, 03/10/2003

production of this type of goods tends to remain firmly rooted in Europe instead of moving to China where labour costs are lower. This is also due to the fact that Chinese consumers have assimilated the idea that Europe is the cradle of luxury and related know-how.<sup>29</sup>

Currently, Made in Italy assumed the role of a kind of international megabrand, and has been recognized by the Chinese market as a security: in the past, the most renowned brands were the world famous ones (Gucci, Prada, Armani, etc.), but with the evolution of consumption and the diffusion of international fashion magazines and the Internet, as well as numerous trade shows to get in touch with the smaller realities, even the minor Italian excellence had been warmly welcomed and entered into the wishes of Chinese consumers.<sup>30</sup>

Chinese customers nowadays search an expression of a culture of beauty that little by little sought out and recognized, excellent products and the best craftsmanship; this give them not only the appreciation of the social entourage, which consider him as elegant and expert, but also the security in themselves given the great awareness of foreign goods.

However, the success of the Made in Italy brand should not mislead Italian companies intending to do business with China; the conviction that Italian qualities are enough in order to reach such a huge market is naive.

Indeed, even if the intent is to communicate merely a production culture, this is very difficult to do especially to consumers that are still not aware of what there is behind a Made in Italy product. To possess a Made in Italy product, is considered an expression of taste and elegance and it is a sign of social recognition.

Since the geographical coverage, it is difficult to find Made in Italy in second and third tier cities, and for this reason consumers often rely on online shopping platforms. Italian companies seem to have difficulties in developing adequate entry and grow strategy and this is due to language difficulties and lack of knowledge of Chinese

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<sup>29</sup> Fazzino E., 'La Cina alla riscossa del Made in Italy' (FT), *Il Sole 24 Ore*, 10/04/2012

<sup>30</sup> Lingjing, ZHAN; Yanqun, HE, 'Understanding luxury consumption in China: Consumer perceptions of best-known brands', *Journal of Business Research*, Volume 65, Issue 10, 2012

culture; in fact, the illusion of being able to rapidly reach big profits only thanks to Italian labels, provokes a climate of impatience and managerial distrust.

Italian investments are very diversified in China, the most important are in mechanical, textile and chemical sectors, but especially in Shanghai and Beijing they are growing also in areas like banking, shipping companies, and legal and consulting offices.

The most famous Italian sector in China now is fashion; the Italian textile system is very strong because it meets the needs of customers thanks to very flexible production and a fast stream of consumer demand, while maintaining very high quality both in terms of mass production and in terms of individual details or niche products.

The factor that makes Made in Italy stand out is not only the high quality, it is also the particularity not to be intended as the detail on the dress, but the characteristic care that artisans use while producing their goods.

Made in Italy products, in order to be successful in China have to evolve the country of origin mark to a country concept brand that is the symbol of high quality. Italian goods have to maintain their characteristics of class and elegance, but also have to adapt to different consumers' needs, making differences between first tier cities and the others.<sup>31</sup>

In order to reach the growing Chinese market, another important element to take into consideration is advertising, that needs to be improved and adapted; anticorruption measures should be carried out in collaboration with department stores and mono-brand shops.

The best category that determines development opportunities for Italian companies is the Chinese middle class (中产 zhōng chǎn), that consists of almost all the Chinese people living in an urban environment, having a degree, who have employment as professionals or entrepreneurs.<sup>32</sup>

In fact, even if it is not to interpret as being like the European middle class, it has some features that allow us to make comparisons with the western one. Belonging to the middle class it is not only based on capital incomes, but it is also necessary to consider occupation and level of education, and some of them have a progressive attitude thanks to the economic boom of nineties that totally changed their lives. Another subcategory

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<sup>31</sup> Zhou, L., Hui, M.K., 'Symbolic value of foreign products in the People's Republic of China', *J. Int. Mark.* 11 (2), 36–58, 2003

<sup>32</sup> Tami Luhby, 'China's growing middle class', <http://money.cnn.com/2012/04/25/news/economy/china-middle-class/index.htm?iid=EL> (accessed March, 15 2017)

to take into consideration is the Y Generation, composed of young people born between 1980 and 2000.<sup>33</sup>

Made in Italy megabrand has to evolve and offer a lifestyle at prices that can be affordable even to the middle class.

### **1.3 THE CHINESE'S PERCEPTION OF MADE IN ITALY**

According to a survey conducted by KPMG Advisory, foreigners associate Made in Italy with values such as aesthetics, beauty, luxury, well-being and passion.

Factors such as innovation and technology are still far apart from the identity of Made in Italy.

So Made in Italy for foreigners mainly refers to fashion, food and furnishings, while mechanics, robotics and electronics are not perceived as representative, although they are an important part of our export trade.

Despite the efforts of the Chinese Government to promote and increase the consumption of local goods and services, the majority of Chinese people prefer foreign goods for many reasons.

The principal motivation is linked to the country's economy history, thanks to Deng Xiaoping and the boom of the 1990s China came out from a period of significant deprivation and homogenization; but there are other causes related to style, design and product safety. Despite industrial and managerial innovations, largely imported from abroad, and continuing improvements in related research, there are still huge gaps in the local production system.<sup>34</sup>

Chinese industry does not enjoy a good reputation at home, this is due to the low security of the production, the shortage in terms of technological content and the difficulty in finding prepared and trained personnel.

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<sup>33</sup> Anon., '后Y时代(85后和90后):工作中我想获得什么?', <http://www.aon.com/china/human-resources/thought-leadership/china-connect/201301/generation%20Y.jsp> (accessed March, 25 2017)

<sup>34</sup> Zhang Fuliang 张福良, 'Shichang yingxiao guanli 市场营销管理 (Il marketing della moda)', Beijing, Gaodeng jiaoyu chubanshe, 2009

Although sometimes Chinese consumers incorrectly associate brands with country of origin or some people are even not aware of the country's image characteristics, they see foreign goods as a symbol of sophistication, modernity and prestige. This wrong association may be due to the adoption of foreign names of Chinese brands planning to globalize the brand. In fact, origin perception is a fuzzy concept, sometimes manipulated by companies in order to make the association favourable.

In the field of fashion, the preference for European brands is due to the lack of design and obsolescence of local production proposals. In this sector timing is everything and the Chinese production process makes something obsolete even before its distribution.<sup>35</sup>

Chinese clothing manufacturers focus on price strategy to induce people to buy and to squeeze market slices to foreign brands, without considering that the price factor has little importance when there is the desire to possess a status symbol object that can give visibility to the buyer, especially nowadays in China where its economic growth leads to social changes and determines an overturning in consumers' habits.<sup>36</sup>

In fact, although there are differences between regional and urban level, policies such as (the Open Door Policy , ménhù kāifàng zhèngcè, 门户开放政策) and economic reforms (gǎigé kāifàng, 改革开放), lead to a growth of the income of Chinese population.

Chinese consumers identify in Italian products a high added value, the clothing industry and fashion accessories sector enjoys an excellent reputation, but unfortunately it is quite limited to the major global brands.

In order to plan appropriate marketing strategies for the Chinese market, it is in the preliminary phase to research the tastes of the average Chinese customer and its cultural background and evaluate its level of education to understand whether it is or is not able to recognize a Made in Italy product, regardless of the brand's reputation. Despite the opening of the market, traditional trends in terms of cost and savings still remain and greatly affect purchasing behaviour.

Among peculiar features there are the chauvinist and collectivist tendencies, strong hierarchy and high levels of unforeseen management. Price is one of the decisive

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<sup>35</sup> Ibidem

<sup>36</sup> Graham Earnshaw , China Economic Review's China Business Guide, 2005

factors that lead a Chinese consumer to buy international goods; in fact they are interested in trying a new product when it has a competitive price.

What influences consumers' attitudes towards the country of origin brand is the intention to save the face or increase its reputation within the community; they are more likely to buy products originating from countries whose image or perception is positive and which offer quality products, easily recognizable and able to give you visibility and an appearance of success and well-being.

Made in Italy is well-known in the market and in the Chinese imagination thanks to the established reputation of quality, elegance, high technological content and sophisticated design of Italian products; but it is also appreciated and desired for its high symbolic content, able to evoke the whole essence of "dolce vita" and expressing a certain social status.

Italian products are perceived by Chinese consumers as value-added; in fact Made in Italy works as a true brand evocative and romantic, giving cultural expression, guarantee of style and sophistication.<sup>37</sup>

Chinese consumers choose to buy and show Italian goods in order to appear in the eyes of others like people of success and culture, refined and endowed with taste and elegance.

Even when a consumer has to buy a gift, an Italian product, thanks to its now well-established reputation, enjoys enormous consensus over articles from other countries. Made in Italy becomes a symptom of good taste for those who give the gift and respect and appreciation to those who receive it.

Obviously the buyer is not always fully aware of what he is paying for; if we take Armani for example, most Chinese people believe it is a French brand. The use of Italian sounding branding can even damage the perception of the country of origin Italy when there are not quality and design; on the other hand it produces to the consumer a sort of brand awareness effect of the mega brand Made in Italy, because if there is a copy this means that the original is a valuable product.<sup>38</sup>

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<sup>37</sup> M. Chevalier; R. Crespi; P. Xiaolu, *Luxury China: sfide e opportunità per le imprese del lusso e della moda* Milano, Francesco Brioschi Editore, 137, 2012

<sup>38</sup> *L'italian sound of branding e gli effetti sull'immagine del Made in Italy*, Tiziano Vescovi, 2014

Since the first contacts with China, Italian products have always been welcomed and seen as good quality. In fact, Made in Italy is a guarantee for Chinese consumers looking for well-made goods and able to give some visibility to the buyer. Even when the global economic crisis affected almost the whole of the West, the Chinese market has not stopped growing, especially with French and Italian products.

There are three main aspects made in Italy can point to in order to take competitive advantage. The first is value consciousness that consists of luxury goods experts: the motivation to buy is given by the symbolism that is attached to products and the status that the brand identity can confer on them.

The second is susceptibility to influence that is the attitude of consumers to well-known brands; in China this is very important as the community exerts pressure over individuals and this influences purchasing choices in the attempt to increase their figure. The third is a need for uniqueness and is linked with the desire of the younger generations to express their taste and to stand out from others.<sup>39</sup>

Although social differences still remain both in terms of per capita income and in terms of taste and motivation to buy, after the new wealthy Chinese class, middle class consumers are the most economically viable category. However, they are evolving and they are not oriented only towards famous brands, but rather researching niche products characterized by craftsmanship and originality, requirements that Made in Italy of SMEs<sup>40</sup> can easily satisfy.

Beyond the price factor, which makes high-end clothing outfits out of range for most consumers of foreign goods, there is no longer the aspiration to have absolute and unreachable western luxury, but it is necessary to buy quality above all.

Since the Chinese customer has a profound connection with Confucianism, the expenses he carries out must meet specific social and functional requirements, so he is extremely attentive to what he buys. The purchased goods must allow him to increase his own visibility within the community, but they also have to justify higher prices than those required for local, cheaper but less valuable products. Despite the price it represents a very influential evaluation criterion on Chinese consumers buying behaviour; it is

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<sup>39</sup> Lingjing Zhan; Yanqun He, 'Understanding luxury consumption in China: Consumer perceptions of best-known brands', *Journal of Business Research*, Volume 65, Issue 10, 2012

<sup>40</sup> SMEs: small and medium sized enterprises

however subordinate to other assessments of the intrinsic characteristics of the product, which, if they justify a premium, become decisive for the purchase. Some customers of the middle class still make associations between the quality of a product and its price, considering an economical product as of low quality.

So in many cases there is the need to make changes to original products to match the taste of Chinese consumers; the most common changes are in clothing, footwear and accessories, but also drinks and foods in order to meet the needs of strongly local attitude by linking the offer to Chinese context without losing original identity. Traditionally Chinese society is strongly collectivist, but nowadays the concept of individuality is imported from the West. In fact, Chinese consumers tend to be individualistic about their own shopping preferences, though always related to the approval of the community of reference.<sup>41</sup>

It is important to note that the evaluation reasoning leading to purchasing decisions is far different from those of western consumers. Before the purchase, Chinese buyers usually look very carefully for product information, especially on the web, on corporate sites and on consumer blogs. It is essential for the products being screened to meet exact quality and style requirements; after-sales services or special guarantees are also important.

Greatly used is word-of-mouth: if an acquaintance has a positive shopping experience after having tried some products or service and tells friends, they are led to buy the same goods. What a person suggests represents his personal taste and consequently what he accepts and perceives as right.<sup>42</sup>

Chinese buyers need to apologize for purchasing luxury goods or expensive products; for example, purchasing a pair of Italian shoes should be justified by the convenience, quality and durability. This is due to the cultural environment in which an individual is born and grows, because it influences his desires and aspirations, as well as directing his behaviour towards others people within the community of reference.

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<sup>41</sup> Marino Vittoria; Mainolfi Giada, 'Country Reputation and attitudes towards made in Italy products: a study on Chinese consumers', *International Journal of Chinese Culture and Management*, Vol. 3, No. 3, 2013

<sup>42</sup> Romaniuk Jenni, 'Is word-of-mouth more powerful in China?', <https://blog.oup.com/2016/04/is-word-of-mouth-marketing-more-powerful-in-china/> (accessed April, 2 2017)

In China cultural heritage and historical roots are exceptionally strong and influential, in fact tradition influences purchasing choices, shapes Chinese tastes and orientates their preferences. There are some cultural influences on Chinese consumer behaviour that are common for all the society. The first is Confucianism with its normative doctrine that regulates relations between individuals in order to achieve harmony.<sup>43</sup>

In fact, rújiā (儒家, Confucian school of thought) has for centuries regulated interpersonal relationships according to a rigid social structure that has slowed social and political evolution. Confucianism has always considered individualism immoral, and now Chinese consumers don not have a trailblazing attitude towards new products on the market. So even if it contributed to maintaining social order, it has created a middle class in balance between their desires to emerge and the guilt of showing a status symbol.

The concept of guānxì (关系, relationship), that has Confucian origins, is related to the relationship between individuals. This ratio is very important in Chinese society because it is a way of mutual help even if, sometimes, it takes opportunistic shadows when it comes into play in business because it could result in real corruption. Therefore, it is essential to know each other's social position in order not to disturb the social equilibrium.<sup>44</sup>

Collectivism in some way influences the buyer and Chinese society is the appropriate example; Chinese people consider the opinion of others fundamental and the fact that they have to maintain a kind of balance in the community leads to repression of personal characteristics.

Although previous aspects are very important, the most relevant according to the current view is the concept of miànzi (面子, face) that is the reputation of a person in the society. The concept of mianzi implies a series of behaviours just not to lose face (diū miànzi, 丢面子) or always make a good impression on the other (yǒu miànzi, 有面子). This

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<sup>43</sup> Li Chen, 'Brand culture and consumption: Chinese consumers and foreign brands', [http://cerdi.org/uploads/sfCmsContent/html/253/LI\\_Chen.pdf](http://cerdi.org/uploads/sfCmsContent/html/253/LI_Chen.pdf) (accessed April, 15 2017)

<sup>44</sup> Chen X.; Chen C., 'On the intricacies of the Chinese guanxi: a process model of guanxi development', *Asia Pacific of Management*, 21, 2004

aspect is not concerning only physical goods, but also on private lifestyle, family and career; in fact if someone loses face for any reason he could even consider suicide.<sup>45</sup>

The one-child policy created a new kind of people, different from their parents as the only future figure of the family. For this reason, they spend lots of money to assure to their only son a bright destiny and this new generation becomes the main target of the luxury goods.

Consequently, alongside the traditional elite, made up of high-income male consumers, who have long been involved in the purchase of luxury goods and therefore being more sophisticated and demanding, the class of new wealthy has formed, called the Little Emperors, who were born between 1979 and 1990, in the decade in which China has seen the start of the extraordinary development that continues today.

This spoiled people are known as *dúshēng dài* (独 生 代, dusheng generation). Thanks to the gradual increase in available income, the Chinese middle class started adopting a previously unattainable lifestyle, contributing to transformation from a savings-based society to a more consumer one.

The children of this new social class, the second generation of wellbeing, are young people who have studied or travelled abroad, and have long gained some familiarity and expertise with these products. These young people buy luxury goods with the aim of personal satisfaction and feeling unique, not to show off their well-being. So they are the most innovative part of the Chinese population; they are not linked to tradition like the older generations, they do not give such importance to savings and they constantly pursuit their individuality, but they have in common with the older generation the necessity of approbation.<sup>46</sup>

There is another interesting target of Chinese consumers that has grown recently: that is Chinese women with high revenues, especially regarding the market of jewellery, luxury and clothes. Personal fulfilment and great career are new concepts for women, in fact they get the inspiration from western images and ideals like individualism and independence even at the expense of the family. For rich Chinese women the most

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<sup>45</sup> Aimee Groth, 'Don't Do Business In China Unless You Understand The Concept Of Mianzi', <http://www.businessinsider.com/mianzi-in-china-2012-5?IR=T> (accessed April, 15 2017)

<sup>46</sup> Tom Doctoroff, 'Billions: selling to the new chinese consumer', Palgrave&McMillan Editions, New York, 2005

appreciate good is lingerie; the Italian brand La Perla is very well known as target of this area of society.<sup>47</sup>

Italian firms have adapted quality standards in order to reach wealthy people, that are not sensitive to the price factor and this is due to the high competitiveness of Chinese textile production. For previous reasons, until recently, the great Italian fashion companies, being able to seize these opportunities in order to obtain competitive advantages on the Chinese market, have had great success. Some great brands such as Zegna, Max Mara, Morellato, Armani, Ferragamo, Versace and Fendi are the best examples.

In fact, consumers buy these products because they try to make up for his inexperience with this kind of purchasing, relying on the strength and fame of luxury brands and paying close attention to the historical baggage and value they represented, especially with those of long duration, in order to obtain the purchase of products capable of reflecting the taste and personality of those who made the choice.

However, although the brand's international reputation seems to be the crucial choice in the selection of luxury products, a critical success factor is that the brand succeeds in creating and communicating a high value perceived by the ultimate consumer, focusing not only on the quality of the product but also on the service, especially at the point of sale. But it is exactly the control of the image at the point of sale that is one of the biggest criticisms for Italian companies in China.<sup>48</sup>

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<sup>47</sup> ICE 2008, Rapporto Cina, Il mercato della lingerie, [www.actea.ice.gov.it](http://www.actea.ice.gov.it) (accessed April, 29 2017)

<sup>48</sup> F. Checchinato, L. Hu e T. Vescovi, 'The communication of foreign products in China through the store: an empirical analysis', «International Journal Of Economic Behavior », vol. 3, 2013

## **2) THE LUXURY SECTOR**

### **2.1 THE WORLD OF LUXURY**

The birth of the concept of luxury and its evolution have their origin in the ancient Egyptian culture. The word luxury originates from the word *Luxus* which means abundance, excess in the way of life and, since then this term has been linked to appearance, social status and beauty; this was already a metaphor of prestige and social standing. Hence the ancient Egyptians can be considered predecessors of the modern interest in the field of excellence.

Today this concept has a double value, positive and negative. Luxury, in fact, can be seen as something capable of generating consumer satisfaction and providing a unique sensory and emotional experience, but also as a simple and pure ostentation, aimed at defining its membership of the other layers of society.

In the 1990s, much attention was paid to this second aspect, while today it is much more concerned with the intrinsic value of luxury goods. The negative meaning comes from the possibility of approaching luxury even for individuals who are not able to comprehend deeply the meaning and value but use it as a pure and simple boast tool.<sup>49</sup>

Luxury goods are so defined because they are not related to the satisfaction of a need, but rather to the concept of dream that fully involves the consumer in its most intimate and personal dimension. The dream is something strictly personal and individual, and the purchase of a single product can result in the realization of different types of dreams and experiences.

Luxury has had and still has several social relevant functions, in fact it creates a social stratification, it distinguishes what is useful and what is superfluous and drives economic growth. The luxury good is something that does not belong to the sphere of goods whose consumption satisfies the individual's primary needs but rather refers to the aesthetic and psychological dimension.<sup>50</sup>

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<sup>49</sup> Paper a cura di F. Manucci, Luiss, 2013

<sup>50</sup> J.N. Kapferer–V. Bastien, 'The luxury strategy. Break the rules of marketing to build luxury brands', Ed. Kogan Page, 2012

As Okonkwo emphasizes, fashion is a symbol of a society and it is constantly influenced by its historical, social, cultural, religious, political, economic and technological changes.

As the luxury industry has witnessed these evolutions its brands have consequently changed over the years; in fact new brands have become highly attractive at the expense of old ones.<sup>51</sup>

The French association Comité Colbert<sup>52</sup> affirm that luxury is an opening to the world, in fact its main value is its transnational character. This industry plays a key role in promoting traditional know-how and contributes to the preservation of culture by passing savoir faire, keeping the creative dynamics of the countries active, positioning aesthetics at the heart of society and encouraging dialogue between different cultures.

Luxury refers to something that presents a high price compared to goods belonging to the same category and to its usefulness. In the luxury goods market, choosing a brand often translates into choosing a lifestyle or adhering to a community of individuals and values.

An important item for companies producing footwear, accessories, clothing, jewelery and watches is the fact of being handmade, that is a distinctive element for luxury goods and a source of prestige, exclusivity, uniqueness and value for consumers.

Many leading brands in Made in Italy footwear such as Ballin, Fratelli Rossetti, Tod's and Testoni pay close attention to the need to use handmade methods and highly skilled human resources in craftsmanship in their mission, for the production of high quality products that can also become objects of collection.

A feature of a good value product is that it is not constrained by the flow of time.

Since the opportunities to use luxury goods are less frequent than common goods, it is important that those with a high symbolic value have elegance and timeless value. For this reason, consequently, through the years the majority of these precious products gain

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<sup>51</sup> Uche Okonkwo, 'Luxury Fashion Branding, Trends, Tactis, Techniques', <http://books.mec.biz/tmp/books/4TZH7NZNWMPEE3HNNH1NW.pdf> (accessed May, 5 2017)

<sup>52</sup> Comité Colbert : founded in 1954, it is an association including French luxury houses active on export markets and in luxury crafts and creation

even more value and actually, over the years, the luxury vintage market is increasing its importance.

Although it has been repeatedly stated that it is not necessary to identify a luxury good by looking at the high price in absolute terms, it is undeniable that these products have a very high price that often comes from the quality and rarity of the materials and the care of details in their realization.

An emblematic example of this aspect is Loro Piana, this company produces high quality cashmere garments and since it uses a very rare wool and it has a kind of monopoly on it, obviously the price of garments grows exponentially, even if in this case the high price appears more justified.

High quality is one of the key drivers of the companies that operate in this field. It is essential for this sector, otherwise, the high price would be hard to justify.

Another example is Bottega Veneta, a leader in the production and marketing of luxurious leather accessories, owing to the high quality of its workmanship and the materials used. The pieces of Bottega Veneta are characterized by the use of very prestigious and uncommon leather, such as ray or crocodile skin, which make these unique accessories accessible to a very narrow circle of individuals.<sup>53</sup>

Another element related to quality is the duration of the goods. When we buy a luxury product we expect this to last more than normal products, in the sense that it must not show defects in the workmanship with use, it should not wear out like any other good or should be protected by a warranty for assistance in the event of production failures or defects.

Most companies that manufacture fashion accessories in the luxury sector offer after-sales services to customers for washing or restoring the item in order to preserve the materials and prolong their durability. This goal can also be achieved by using methods of processing that allow you to pay close attention to the realization of the individual good, delaying the obsolescence as long as possible. This is what distinguishes the majority of the production of luxury goods from the mass market.<sup>54</sup>

Another feature of luxury goods is, without any doubt, the importance of the aesthetic component. It is very easy to see how all the goods that are included in the luxury set

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<sup>53</sup> <https://www.bottegabeneta.com/it> (accessed May, 20 2017)

<sup>54</sup> Corbellini E., Saviolo S., L'esperienza del lusso, ETAS, Milano, 2007

are impeccable in design and appearance, whether it is goods that are adhering to fashion trends or whether they are goods that are alien to its trends.

Aesthetics is fundamental to the consumer's eye, since when you buy a good at such a high price you are expected to be perfect in lines and shapes and above all that it is pleasing to the eye. Obviously, there are goods for which this aspect has a greater relevance, for example, for all the products that belong to the fashion sector, or to the artwork market or the sports car market.<sup>55</sup>

In the supercar market the visual and aesthetic aspect is so important that the different brands try to mark themselves with some distinctive and unmistakable features.<sup>56</sup>

As an example, the prevailing use of red in the realization of Ferrari, which is a peculiar character of the company well known to everyone, or the unmistakable Bugatti plank, or the unique patterns of Missoni's clothing, or Versace's geometric prints.

In the world of luxury goods, in fact, if the consumer recognizes himself in the brand, he develops a loyalty to it that leads him to buy various products that belong to the same company. This factor is very important and it is called Brand Extension; in fact, if companies want to expand their product portfolio and if the brand has a positive image in the eyes of the consumer, it is easier for the new product to succeed when it is introduced in the market because brand attributes are automatically transferred by the consumer onto new goods.<sup>57</sup>

Packaging must also communicate to the consumer uniqueness, exclusivity, prestige and luxury of the brand. For this reason, the effort of businesses to create increasingly attractive packaging for consumers is remarkable. Obviously, this is especially true for some areas of luxury and this way of operating is typical of many companies in the perfume industry.

There are different types of luxury and those analyzed by Kapferer are divided into:

- 1) **Labels:** which are the category of unique products of inaccessible luxury and custom creations made of high value.

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<sup>55</sup> M. Chevalier; R. Crespi; P. Xiaolu, *Luxury China: sfide e opportunità per le imprese del lusso e della moda* Milano, Francesco Brioschi Editore, 137, 2012

<sup>56</sup> F. Mosca, 'Marketing dei beni di lusso', Pearson-Prentice Hall, Torino, 2010

<sup>57</sup> *Ibidem*

- 2) **Luxury brand:** which corresponds to the intermediate category, in which a limited series of products are the result of authentic craftsmanship and high-end products.
- 3) **High-end products:** that identify the accessory luxury partition of goods made in series but stand out in their product category while retaining the role of social markers.

It is evident that the effect of country of origin and 'Made in' plays a fundamental role, particularly with regard to Made in Italy, which is based on the same attributes of quality, innovation and creativity. While considering the importance of ties with the country and the country of origin factor, the luxury industry is by nature a global industry. Luxury is today an extremely interesting and growing industry, thanks also to an increasingly demanding, sophisticated consumer and to the constant pursuit of excellence.<sup>58</sup>

What emerges from a recent Deloitte report is that in 2016, the world's top 100 companies in the luxury sector have totalled \$ 212 billion, and the first in the ranking is the French giant LVMH<sup>59</sup>.

But Deloitte has good news also for Italy; in fact this country is the first in the world for a number of luxury companies, 26 of the top 100 companies are Italian. The aggregate sales amount to \$1.3 billion that is 16% of the total and the percentage of the growth of sales is 9.3% achieving third position among those registered thanks to a great increase of 6.7% compared with previous year.

The principal feature that distinguishes Italian companies from the others is their governance; the majority are controlled or wholly owned by members of founding families and, in most cases, they want their name to correspond to the brand name.

This strategy represents the guarantee of the original values of the brand giving a high world reputation to the company even if this causes a limitation in expansion.

The amazing results of Italy are due thanks to the three Italian giants. The first is Luxottica which ranks 4th in the world with 9.8 billion of revenues (up 15.5%), hoping it will keep its headquarters in Milan even after the merger with the French company

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<sup>58</sup> J.N. Kapferer–V. Bastien, 'The luxury strategy. Break the rules of marketing to build luxury brands', Ed. Kogan Page, 2012

<sup>59</sup> LVMH: since 1987, it is a French family run group that brings together 70 Fashion Houses

Essilor; the second is Prada, with the 17th place with 3.9 billion; and the third is Giorgio Armani, which stands at the 21st position with 2.9 billion sales and a growth of 4.6%.

These three brands, although they have a strong power all over the world, part of their success is inevitably due to Made in Italy as a guarantee of quality.

This strength is highlighted especially in the sector of fashion where two-thirds of the top 100 Italians are active in the fields of clothing and footwear, as even in the production of handbags and accessories, half of the active companies are Italians.

Even in the classification of the Fastest 20 there are six Italian luxury companies, the first one is Marcolin Group in the eyewear sector with an annual growth rate of 43%; also the second one is an Italian leader, that is Valentino Fashion Group that has an annual growth rate of 37.8% thanks to a strengthening brand identity pursued in all the markets where the group is active.

Among this group of 20 there is also the presence of Moncler with the 9th position, Vicini with the 12th, Gianni Versace with the 18th and Furla ranking 10th.<sup>60</sup>

The luxury sector is widespread at global level and for brands it is quite challenging; in fact the growth is contained in developed countries.

## 2.2 THE LUXURY MARKET

According to Altgamma<sup>61</sup>, the foundation that brings together the Italian cultural and creative industry, the luxury market in 2020 will count on \$880 billion invested in top products for a total of 440 million consumers.

The chairman of the Altgamma Foundation, Andrea Illy, says that consumption in the luxury sector, as well as resisting it as a real bargain on the market, is destined to grow and play a leading role in the economy.

This is shown especially by the Made in Italy brand, which is at the top of the charts of preference of the Global Trotter and has come to over three times the French made in

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<sup>60</sup> Global Powers of Luxury Goods 2016, <https://www2.deloitte.com/content/dam/Deloitte/ch/Documents/consumer-business/ch-en-cb-global-powers-of-luxury-goods-2016.pdf> (accessed May, 10 2017)

<sup>61</sup> Altgamma: it is an Italian foundation that since 1992 gathers high-end Italian companies globally recognized as ambassadors in the world of Italian style in order to make them more competitive.

luxury purchases. Obviously, under these very positive circumstances, companies will have to follow well-planned strategies in order to be able to meet the increasingly diversified needs of buyers.

Altagamma has realized, at Boston Consulting Group, a research called True Luxury Global Consumer Insight to identify the trends in the development of the luxury sector.

Altagamma took over more than 20 countries, focusing mainly on 10 of these, namely Italy, France, the United Kingdom, Germany, the USA, Japan, Brazil, China, South Korea and Russia as they are particularly relevant in the area considered.

In the study, central importance is given to the consumer, as he is seen as the main cause of growth in the luxury sector and is therefore aimed at delineating a well-defined trait of buyers who, with their purchases, determine the growth of profits. The purpose of this operation lies in reconsidering the marketing mix, then adopting new strategies and technologies.

In numerical terms, the results of the data were 380 million consumers who now purchase a total of 730 billion luxury goods and in 2020 will be 440 million.

Today there are 32 million core consumers, who drive growth and spend on average 10000€ in personal luxury each year and are estimated to grow by 10 million by 2020.

The main markets will be USA, China, Europe and the Middle East.

We must also underline that in addition to the new consumers, the research also reveals the presence of some buyers that want to drastically reduce their spending on the elite market. They intend to preserve purchases in terms of experiential luxury with regard to furniture design and travel, at the expense of personal luxury such as cosmetics, perfumes and clothing.

They are mainly Italian, French, Japanese and US consumers; their purchases are strictly dependent on visits to the store, the interaction with the staff and the quality and craftsmanship of the products that are indispensable factors for the purchase.

In the light of this data, a loss of about 4 billion euros is estimated so, to avoid their departure from the consumption scenario, companies will have to focus on these and other elements.<sup>62</sup>

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<sup>62</sup> C. D'Arpizio-F. Levato, 'Lens on the worldwide luxury consumer', Bain & Company, 14 Gennaio 2014

There are 7 general trends especially emerged that will have a significant impact on the industry:

**1) Recovery of intrinsic values**

Features such as resuming intrinsic values such as exclusivity, craftsmanship, quality and timelessness are back to being essential for core consumers. In fact, they attribute a greater weight to external qualities such as the brand's recognition and the aesthetic component, which are now falling sharply and typically predominantly of old-fashioned consumers, and which consolidate with the growth of age.

**2) The fundamental importance of 'Made In':**

For the 80% of consumers, especially those in emerging countries, the origin of products is a discriminating factor. Made in Italy has surpassed the primacy of Made in France, leading the charts to the fore and collecting continually broad support. However, Made in Italy has a limit, that is, the fact that it fails to fully appreciate this feature.

**3) The Advocacy:**

As 2/3 of consumers usually suggest or recommend their favourite brands, word-of-mouth as well as digital media are becoming increasingly important elements.

As a result, for businesses, in this age where social media is the basis for information, it is crucial to articulate a communication strategy that allows strong consumer contacts in different markets.

**4) The male sector is growing:**

Men make a significant contribution to the growth of the luxury market by purchasing for themselves and for others. Gifts represent 30% of purchases.

**5) The new consumer is Globe Trotter:**

New consumers, travelling a lot and finding cheaper prices and more assortment, buy outside their home country. Made in Italy today is synonymous with luxury, in fact Milan is second only to Paris as a destination for the global shopping trotters. However, cities such as Singapore, Moscow and Macao are becoming more and more important, so Made in Italy has to improve its performance.

**6) A new approach is needed with respect to the single-seller point of sale:**

Consumers in mature countries prefer stores specialized in exclusive locations and enabling intimate purchasing, while those in emerging markets prefer bigger flagship

stores where physical experience blends with the virtual and digital.

As a result, the difference of supply by age and geographical origin needs to be diversified. There are also some Russians who like Korean people to be more independent at the time of purchase, or who, like the Chinese and US, want more assistance.

### **7) Digital Physicalization:**

Over 50% of purchases are influenced by the digital world. Consumers and young people use the web, new technologies, to compare products and prices, and share opinions with other consumers and directly with the brand.

The use of e-commerce from a current 5% share will grow by a total of 15%. Therefore, these are the main guidelines that all luxury companies should keep in mind.

Another aspect that has undergone a strong change is the behavioral level of high-end consumers.

Clearly, they are active and demanding, quality-minded and eye-catching subjects like the Global Trotters who shop for themselves and others without losing sight of smartphones and tablets. Nevertheless, it is not easy to outline a portrait.<sup>63</sup>

## **2.3 LUXURY CONSUMER PROFILES**

Altagamma and BCG Boston Consulting Group identified eight global segments, two country-specific and two by sex, for a total of 12 profiles, identified not on the basis of traditional demographic and income variables, but on attitudinal variables.

These 12 new consumers are:

### **1) Absolute Luxurer:**

This type of buyer is refined and elegant who buys both personal and experiential luxury. It is mainly composed by European elite or emerging markets for a total of 2 million consumers who spend over 60 billion euros per year, so an average expense per person between 30,000€ and 150,000€.

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63 Marco Blaset, 'La corsa inarrestabile del mercato del lusso: numeri e tendenze', <http://www.outsidernews.net/la-corsa-inarrestabile-del-mercato-del-lusso-numeri-e-tendenze/>. (accessed May, 20 2017)

## **2) Megacitier:**

A typical resident of the great metropolises, where the trends are travelling at very high speed. It includes mainly those who live in the major European capitals, in New York and a few other major US cities, or are part of the megacity elite of emerging countries. These buyers are between the ages of 25 and 35 and spend around 20,000€ per year for a total market of 30€ billion.

## **3) Social wearer:**

They are very loyal customers, today about 700,000 individuals that spend 15,000€ a year.

They pay great attention to quality, sustainability and emotional connection with the brand.

## **4) Experiencer:**

This consumer is usually aged between 40 and 50 years, comes from Europe, the United States or Japan. There are about 3 million of these people with an average spending of 12,000 euros a year.

Instead of dresses and accessories, they prefer travel or starry dinners, luxurious experiences – sophisticated and never flashy.

## **5) Little Prince:**

This is the new generation, aged between 18 and 25, used to playing with luxury.

They buy impulsively and prefer brand and aesthetics to quality. They mainly buy clothes, bags and glasses. Luxury firms earn about 15 billion euros from these young luxury consumers.

## **6) Fashionista:**

composed mainly by women, from 35 to 40 years, that are informed about everything about style. Instead of holiday or leisure experiences, they prefer clothes and accessories. They spend annually on average 8,000€.

## **7) Status Seeker:**

It is composed mainly of Asians, Russians and Italians who are already attached to established brands. They love showing off logos and they generate a market of 16 billion euros.

## **8) Classpirational:**

This type of buyer lives the accessible luxury as a passport for acceptance by his

community, especially his working community. There are 3 million people, including men and women, who are mainly from Korea and Russia. This type of consumer is attentive to online prices, and spends on average 3,000€ a year.

**9) Luxe-immune:**

He has great availability of money and could buy whatever he wants but does not seem interested in doing so. Probably he did it in the past. He is present only in mature markets and spends around 6 billion euros a year.

**10) Rich Upcomer:**

The new wealthy emerging countries, still dull but with great potential for buying. They are just over a million and spend about 5 billion euros annually.

**11) Timeless Proper:**

This category is composed only of women, about 2.5 million, refined and elegant, who love a classic and timeless style. For this reason they are loyal to a few brands and shops.

**12) Omnigifter:**

This type of consumer primarily buys for other people, rarely comes from emerging countries, in fact it is part of the mature segment. With a turnover of 19 billion euros, this segment is made up of 2 million individuals.

Absolute Luxurer, Megacitier, and Experiencer will continue to be the driving force behind the luxury market, even if Little Prince and Social Wearer segments will gain more and more importance.<sup>64</sup>

## **2.4 CHINA LUXURY EXPERIENCE**

China, set already in 2010 as one of the leading luxury markets, is today the most acclaimed country to become the largest luxury market. Chinese consumers are deeply enthusiastic about improving themselves, their lifestyle and above all the way others

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<sup>64</sup> Anon., 'The luxury goods market: who are the luxury consumers? How many are they? How do they spend their money?', <http://www.lescahiersfm.com/en/the-luxury-goods-market-who-are-the-luxury-consumers-how-many-are-they-and-how-do-they-spend-their-money/> (accessed May, 21 2017)

perceive them. Top level goods become the most accredited way to assert themselves, considering that purchases become the benchmark for themselves and others.

According to the March 2017 Hurun Report, which released the Hurun Global Rich List also known as Nine-Zero Club, Beijing for the second year surpasses New York City as the billionaire capital in the world; Shenzhen gained 4th place and five Chinese cities make up the top 10.<sup>65</sup>

No wonder if the richest self-made woman in the world is Chinese, in fact the publisher of the Hurun Report highlighted that China is the best place in the world to be a female entrepreneur.

Chinese represent the 20% of the population, and the 29% of the world richest people are Chinese and the majority of them are selfmade. In fact China and the USA have half the billionaires in the world. The net worth of all the Chinese billionaires is 2.1% of the global GDP. The average age of China's richest people is 58, that means six years younger than the average of the list.

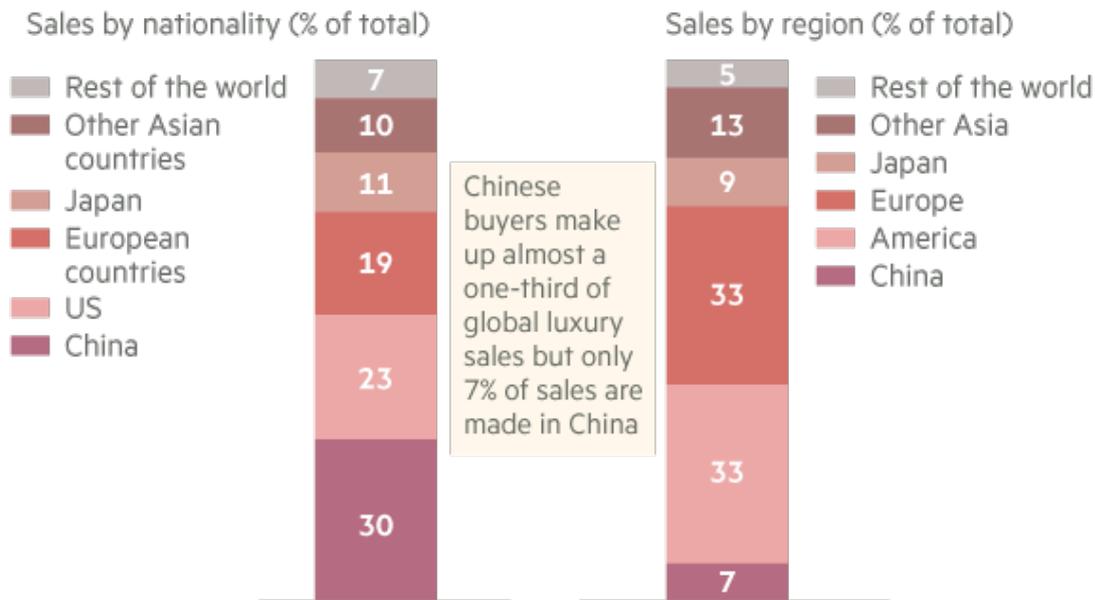
Even if Chinese Yuan lost 6% against the US Dollar, in China there are more billionaires listed on its stock exchange than the USA.

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<sup>65</sup> Hurun Report, [https://www.google.it/search?client=safari&rls=en&q=hurun+report+2017&ie=UTF-8&oe=UTF-8&gfe\\_rd=cr&ei=ZU1JWeTxHpLEXuTLuGg](https://www.google.it/search?client=safari&rls=en&q=hurun+report+2017&ie=UTF-8&oe=UTF-8&gfe_rd=cr&ei=ZU1JWeTxHpLEXuTLuGg) (accessed May, 23 2017)

## Global personal luxury market

2016



Source: Bain & Co

FT

As even the chart points out, Chinese buyers in 2016 make up one third of global luxury sales, however, only 7% of sales are made in China.

Research conducted by McKinsey divides Chinese consumers of this sector into four major categories in relation to the percentage of high-quality products and brands.

### 1) **Core Luxury buyers:**

It includes about half of the consumers of luxury, including consumers with annual spending in the industry ranging between 12% and 20% of their total income.

### 2) **Luxury role models:**

They are young people and belong to well-off social classes. They are characterized by a luxurious lifestyle and particular attention to fashion. The majority of them work in their own firm or they are managers of companies that mainly live in Shanghai or Beijing. They normally studied abroad where they had relationships with a circle of people born into wealth, and where they came into contact with luxury brands.

### 3) **Fashion fanatics:**

This group mainly belongs to the upper middle class, but they are not particularly rich. The most interesting aspect of this category is the high percentage of purchases made in luxury goods in relation to their annual earned income. In fact, they spend 40% of their profits in this sector and they spend their free time going to find out about the latest fashion and trends and looking for the best deals on the market. Fashion fanatics love others to notice their new purchase and buy products following other people's recommendations or after seeing them worn by celebrities. Yet their ability to influence other people is also very important, suggesting them as opinion leaders and sharing their latest purchases and considerations online and on social networks.

This category is increasingly relevant in Chinese society.

### 4) **Middle class aspirants:**

This group is formed by those who hold intermediate positions in local companies or in foreign multinationals and who live in peripheral areas of the country.

It encompasses the majority of Chinese luxury consumers who lead a lifestyle that is not too expensive so they can save and manage to afford occasional purchases of luxury goods. They have the most conservative nature among all the consumers in this sector; in fact after buying one of these goods, they reduce their expenses in other product categories in order to bring their budget back to balance.

With high growth rates in the middle class, first-class cities such as Beijing, Shanghai and Guangzhou, characterized by saturation and high competition, as well as heavy rental sales costs, do not seem to represent key markets for luxury goods. Since 2007, the luxury market has seen rapid growth in the second and third cities, including Chengdu, Harbin, Dalian, Chongqing, Xi'an, Wuxi and Wenzhou. These cities offer an interesting alternative market thanks to the greater availability of good locations at lower costs and higher profits.

In the face of a mostly conservative mentality, especially of older generations, there is always a growing tendency among young people to spread a new trend that is frugality. Chinese consumers all have an average age that is much lower than that of Western countries. These young people have grown up in a climate of growing prosperity that made them very positive and optimistic about the future and above all about becoming

wealthy. Changing life and being able to afford top-level goods and services by climbing the social pyramid is the real motivation of every Chinese consumer activity.<sup>66</sup> Over time, major Western brands were able to benefit from a monopoly due to the fact that consumers, with their first purchases of a certain economic importance, sought to guarantee the quality and safety of goods in well known brands.

But today this situation is changing, because the Chinese consumer experience and product knowledge are increased, and because in China, buying niche brands has become more and more a way of asserting their individuality and distinguishing themselves from the mass.

Heritage and brand history are also peculiarities that can not be imitated by new entrants and remain a heritage of a few, giving the brands of Italian luxury a precious competitive advantage over competitors of other nationalities. As Mario Boselli, chairman of the Italian Fashion House, recently said, for the fact that typically the brand is crucial for a gift of a certain type, some of the luxury segment was automatically a privilege only of top brands.<sup>67</sup>

However, the crackdown on corruption has helped to change the balance and today Chinese consumers seem to be more inclined to buy for themselves, and this has opened the market to smaller brands capable of satisfying specific and personal tastes.

Boselli's position is confirmed by a Mintel report that explains why today Chinese consumers associate luxury with the concept of craftsmanship (64% of the urban population) rather than the concept of expensive (indicated by 58% of respondents) and able to confer a status symbol (to which luxury is associated with 53% of respondents).

The introduction of the study states that at the initial stage of the boom of purchases Chinese consumers were mainly attracted by the status that a luxury product could bestow them, perhaps through the display of large-scale logos printed or sewn on bags and t-shirts.<sup>68</sup>

Today this tendency is changed and they are massively geared towards seeking the quality and the sophistication of carefully crafted products with a fairer value than

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<sup>66</sup> Zanier V., in *Libellule sul Drago. Modelli di business e strategie di marketing per le imprese italiane in Cina*, a cura di Vescovi T., CEDAM Padova 2011

<sup>67</sup> Luca Testoni, 'Artigiani per il Drago', <http://www.pambianconews.com/approfondimenti/artigiani-per-il-drago/> (accessed May, 22 2017)

<sup>68</sup> 'For Chinese consumers, luxury now defined by craftsmanship' <http://www.mintel.com/press-centre/retail-press-centre/for-chinese-consumers-luxury-now-defined-by-craftsmanship-reports-mintel>, (accessed May, 25 2017)

super-branded brands but equally elegant and durable as Chinese consumer looks for products that meet rational needs before emotional ones.

This is a great opportunity for the medium small Italian companies that are not well known as the big brands, but that have a huge potentiality thanks to the Italian globally known concept which sees Italian products as 'beautiful' and 'well done'.

The underlying nature of Chinese society leads to the need to differentiate oneself from others; collective nature pushes and respects the individual standards of their own group and to tries to distinguish from another reference group.<sup>69</sup>

However, the individualism that distinguishes Chinese society is very different from that of Western societies. In fact, the general idea of individualism, instead of being understood as seeking uniqueness and nonconformity in China, involves adapting its values to the way in which they are perceived by the rest of society.

The purchase of luxury goods becomes one of the main ways in which the individual seeking social feedback can qualify as the one who has respected the rules and has been able to scale the predefined social hierarchy. Despite the love for brands, the Chinese consumer has always been identified as having a very low fidelity to them and has always preferred the choice between a large alternative repertoire. However, since consumers are becoming increasingly perceptive in brand and product discovery, in recent years the situation has evolved and more and more people seem inclined to be more loyal to brands.

Trademarks from all over the world become more and more familiar to Chinese consumers thanks to the increasingly popular luxury stores that open in China and the real time spread of information on magazines and websites.

This leads the Chinese consumer to have more familiarity with the brand and to be more aware of the relationship between price and quality, because they no longer associate the high quality of a product at its high price.

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<sup>69</sup> Kacen Jacqueline; Lee Julie Anne, 'The influence of culture on consumer impulsive buying behaviour', *Journal of Consumer Psychology*, 12, 2002

In China, as well, two luxury consumers out of three had at least one overseas trip and thus had the opportunity to compare foreign prices with those of the domestic market.<sup>70</sup> Paradoxically, many of the Chinese luxury customers claim to be satisfied with knowing that the products they are buying are sold at a higher price than other markets. The number of Chinese luxury consumers who are no longer looking for new goods but new emotions is growing.

Contrary to what you can expect, the Chinese are becoming more and more competent and sophisticated knowledge-makers of luxury, so that they can be among the most demanding and sophisticated online shoppers. From a recent study on the behaviour of the Chinese elite towards luxury have emerged some criteria that can explain the choice of a higher level purchase. These factors are excellent quality, very high price, shortage and uniqueness, aesthetics and emotional content, brand history, and heritage and superfluity.<sup>71</sup>

The story that the brand is able to convey and pass that originates from the past is a highly appreciated and demanded feature for luxury goods and services. Especially with regard to international brands, Chinese people are very curious about the stories and legends that lie behind a brand and are very much attracted to the stories that over the years have involved its founders and designers. Luxury is never something necessary to survive<sup>72</sup>, it is something that is not essential that becomes interesting as it is more about displaying its own well-being than performing any material and functional role.

As evidenced by the data provided by the McKinsey surveys, the increase in exports of luxury goods to the Chinese market has been increasing steadily over the past years, in line with rising average wages and improving life conditions of much of the urban population. In 2009, the most critical year of the economic downturn, luxury goods sales in China increased by 16% compared to the previous year.

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70 'Chinese Outbound Tourism Statistics in 2016', <http://news.travel168.net/20170203/43145.html> (accessed May, 25 2017)

71 M. Chevalier; R. Crespi; P. Xiaolu, *Luxury China: sfide e opportunità per le imprese del lusso e della moda* Milano, Francesco Brioschi Editore, 137, 2012

72 F. Mosca, 'Marketing dei beni di lusso', Pearson-Prentice Hall, Torino, 2010

Tourism and shopping are two inseparable concepts. In Italy, Chinese tourists arriving with the intent of buying high-end products, each year account for 30% of the tax free sales of our country and are returning to growth in 2017 after a not very positive 2016.

In fact, the Bank of Italy has certified that the latest Italian data on shopping for non-EU tourists is positive, foreign tourists spending around 40 billion euros.

Global Blue, a company specializing in Tax Free Services, points out, commenting on data from early 2017, that Chinese tourists decided to choose again Italy as a destination for shopping.

After a quite negative period, since the flow of Chinese tourists had diminished due to the introduction of different new visas or due to the fear of terrorist attacks, 2017 started very well.

In fact, according to Global Blue survey, in comparison with 2016, 2017 first months are better, Chinese tourist purchases increased by 12%. In this period, tax free sales in Rome rose by 11%, exceeding Milan with just 6%. In the top of the ranking with 77% of sales in this sector, clothing and accessories are up, with a growth of 12% last year and purchases per person of 832€. Also the jewellery and clock industry grew by 5% with an average spend of 2,912€.

Favourite shopping places have been the streets of the capital city by registering a 20% increase in Chinese buyers. The Globaltrotters have increased by 4%, mostly buying the most trendy items of the moment.<sup>73</sup>

The city of Milan, the Quadrilatero del Lusso, saw a 10% increase in Chinese shopping. Montenapoleone district, with more than 150 Quadrilateral brands, together with Global Blue, the international leader in tax free shopping, decided to launch a new project for training the staff, the 2017 Sales Cultural Training China, in order to attract Chinese and international shoppers and to make sure that they were served in the best way.

Given the high purchase potential, it is crucial to understand the customer in front of you, such as the group of tourists visiting Europe for the first time that are not accustomed to Western uses, customs and languages, or the Global Trotters who speak fluent English and already informed online about the products to buy.

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<sup>73</sup> Marta Casadei, 'Chinese tourists go back to buying Made in Italy luxury goods',

<http://www.italy24.ilsole24ore.com/art/business-and-economy/2017-04-12/china-fashion-185929.php?uuid=AESjPP4> (accessed May, 20 2017)

You should not underestimate aspects such as Chinese traditions and customs: it is necessary to know that it is rude to show your emotions to the Chinese customer or to push them to buy. These consumers appreciate education and efficiency, accept some advice, but only if appropriate. The return of these buyers is highly welcomed as they occupy the main role in the tax free sector in Italy, with a percentage of 31%.

Also Antonella Bertossi, marketing manager of Global Blue Italia, highlights the change of Chinese tourists present in Italy, and consequently the change in their purchases. Since tour operators have expanded their catchment area to both the second and third tier city residents, Chinese consumers arriving in Italy are not only focusing on the extreme luxury, but on the premium segment. Businesses must be able to gradually reposition themselves in the Chinese market so that they can respond positively to rising consumer aspirations. New brands, through a strategy based on maintaining an image similar to their consolidated competitors but offering premium versions of their products, will have to overcome them. Anyone who aspires to build an international brand in this area can not fail to take a close look at this market.<sup>74</sup>

It is well known that, today, businesses are called to operate in an increasingly international context as a result of a generalized globalization of demand. This reality affects all sectors by creating differences that previously were well differentiated but now are overlapped in a melting pot that mixes and melts and eliminates them. This is the case for the luxury area.

Luxury consumers, more than any others, anticipate the times of cultural approval because they are among the most informed and alert to the spread of international trends.<sup>75</sup>

On the supply side, this translates into an indispensable requirement for industry firms, which must become international in order to effectively respond to global demand and at the same time not be overwhelmed by the reputation of trademarks that have already begun their internationalization.

The luxury sector is a profitable growth model for European companies based on quality and respect for crafts and customers, as they are masters in combining *savoir faire*, creativity and innovation. The luxury sector must now be re-evaluated as a key

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<sup>74</sup> Ibidem

<sup>75</sup> F. Mosca, 'Marketing dei beni di lusso', Pearson-Prentice Hall, Torino, 2010

sector in helping to relaunch the economy of the countries and to reshape the offer produced by ancient knowledge.

In recent years, China has become the most desired destination for high-end market operators, good news for middle-high Made in Italy brands, which could see Chinese purchases increased. Made in Italy luxury is based on solid foundations of secular traditions, history and territorial traditions, the charm of which is the ability to give the impression to a whole lifestyle: the buyers buy an emotion.

The difficult task of the entrepreneurs of luxury Made in Italy is to offer products that keep all their evocative charge, but at the same time create value. Italian talent lies in being able to combine and pull together different styles, materials and flavours with harmony, never falling into excess or extravagance.<sup>76</sup>

The prestigious brands of luxury Made in Italy have expertly exported abroad and increased a strong image inside their national market, an image built on elegance, refined design, excellent quality of products born from flair and the innate skills of Italian creators, whether they are designers, architects, engineers or jewellers.<sup>77</sup>

A great way to look at market receptivity is to participate in the numerous international trade fairs organized semi-annual and yearly in China, for example, for clothing the Beijing and Shanghai Fashion Week represents a great opportunity to get in touch with distributors and buyers.

Italy is, at present, the leading luxury goods producer and the world's leading exporter, although it always contests the place with France. The preferred product category for purchases remains the fashion sector, with growth of 6% over last year. Venice is the city which achieved the biggest increase in purchase of fashion: + 9% by 2015. The streets of the centre remain the most popular for shopping with an increase of 11% of the Chinese consumers.

There are lots of Italian companies, but only a few represent Italian excellence. This is the case with Laura Biagiotti, that was one of the first in 1988 to invest in China, when she used Chinese cashmere and silk to create her collection.

The leader in the production of high-end men's clothing Ermenegildo Zegna, was

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<sup>76</sup> Fortis M., *Le due sfide del Made in Italy: globalizzazione e innovazione. Profili di analisi della Seconda Conferenza Nazionale sul commercio con l'estero*. Il Mulino, 2005

<sup>77</sup> Marino Vittoria; Mainolfi Giada, 'Country Reputation and attitudes towards made in Italy products: a study on Chinese consumers', *International Journal of Chinese Culture and Management*, Vol. 3, No. 3, 2013

another one of the first European companies to enter China; in 1991 in Beijing it opened a single-boutique. Since then, a dense retail network has developed throughout the country and today it is one of the major markets.<sup>78</sup>

Notable is the case of Giorgio Armani which although it decided not to change its production and communication strategy, thanks to the opening of new stores, gained appreciation among Chinese consumers.

The maison that most of all keeps its communication strategy focused on Italianity is surely Dolce & Gabbana. Domenico Dolce and Stefano Gabbana often are themselves the creators of advertising campaigns; they reproduce scenes of an Italy that has remained unchanged in values. In fact, Domenico Dolce is Palermitan and he has always been very close to its origins, even to the extent of putting his hometown in all collections and also in communications.

Regarding the shoe industry, it also focuses on a strong image of Made in Italy using images by which symbols of Italy universally known are immediately identifiable.

Ballin, a historic Venetian footwear brand, has been using its city of origin for several seasons and it uses as a backdrop for its advertising campaigns works signed by photographer Giovanni Gastel. Recently, other brands such as Iceberg or Anna Molinari's Blugirl took the inspiration from Chinese tradition to create entire collections.

Despite the luxury born in Europe, today Eastern Asia is the real driving force for the growth in this sector. In the future, Chinese people will not continue to be only buyers of Western goods and brands but, strong in their rich cultural heritage and their tradition rooted in time, they will develop their own brand of luxury and will increasingly get in the global market.<sup>79</sup>

Today's Chinese luxury market situation has many local brands that enjoy a positive and consolidated image of consumers in the country.

However, they do not yet have a management and a design to offer that can compete with established international brands and therefore need to reposition and develop more

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<sup>78</sup> Corbellini E., Saviolo S., *L'esperienza del lusso*, ETAS, Milano, 2007

<sup>79</sup> Ibidem

skills in this regard. They need an international acceptance as a luxury goods manufacturer that is very difficult to obtain.

To be globally known, a Chinese brand must, first of all, be able to eliminate the image that, for all this time and around the world, links China with extremely low quality economic output. There are lots of Chinese brands proposed as an international brand but that remain largely tied to the domestic market and are unable to export overseas with trading subsequently down also in the country of origin.

The government itself is implementing financial reforms to allow economically weaker brands to benefit from the development of the internal market through loan and financing systems. However, the main aim is to increase the consumption of domestic production rather than foreign in an attempt to pursue greater control over the huge expense figures in commodities by Chinese consumers, as well as, of course, boost the growth of the domestic industry.

To succeed or to continue to have it, a luxury brand has to win in China today. Only in this way can it continue to win in the rest of the world.

### **3) ITALY IN CHINA**

#### **3.1 MANAGERIAL IMPLICATIONS FOR ITALIAN COMPANIES**

Businesses, in order to affirm themselves positively on the Chinese market, must adopt appropriate marketing and distribution strategies. Some of the key factors available to Western companies to be successful in China and build a brand awareness and a strong image of Western appeal include: communications, product, distribution format, sales outlet, quality of service and involvement with a unique and exclusive offer of shopping experience.<sup>80</sup>

When companies decide to enter the Chinese market, the first important factor is the positioning choice that their brand will have to keep in mind in the new context, since

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<sup>80</sup> Checchinato, L. Hu e T. Vescovi, 'The communication of foreign products in China through the store: an empirical analysis', «International Journal Of Economic Behavior », vol. 3, 2013

sometimes it may be necessary to have a real rebranding process. Emblematic is the example of Ermenegildo Zegna, which built an image of Italian fashion business in China, assuming a much more luxurious positioning than those the brand has in the Italian market; or that of Pirelli, whose products are considered the luxury of the car market as they are combined with the major car brands and are designed according to exact aesthetic standards.<sup>81</sup>

Chinese language has an ideographical nature which uses signs that are individually bearers of meaning, so in this country the symbolic aspect plays an important role.

The brand has sound, graphic elements and associated colours that significantly influence consumer perception and become important factors for enterprise strategy.

The choice of the name is therefore extremely important and it is also capable of affecting the brand's impact on the market both in a positive manner or in a negative manner, when it is associated with meanings considered unsuitable.

Concepts such as happiness, long life, fortune, wealth and harmony are widely appreciated in the country's culture and are therefore used by businesses. All the images that refer to nature and its elements are attractive, while what links to abstract symbols, acronyms and abbreviations without a precise meaning does not benefit consumers, attracting less appeal and less success.<sup>82</sup>

However, Armani, Versace and Ferrari, even though they do not have a Chinese translation of their own brand and are therefore perceived as a sound of no meaning, are nevertheless appreciated for their referral to abroad and to Italy. The globalization of today's market has led to the idea that now it is more profitable to rely on the common aspects of the different countries rather than on what differentiates them.<sup>83</sup>

On the other hand, adapting to local tastes is a strategy that needs to be carefully weighted as it can not always lead to winning results in China. For example, Armani in 2001, with the opening of its first store in Beijing, has sought to incorporate elements in the design with more traditional aesthetic appeal such as a large red lacquered door and

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<sup>81</sup> Ranfagni S., in *Libellule sul Drago. Modelli di business e strategie di marketing per le imprese italiane in Cina*, a cura di Vescovi T., CEDAM Padova 2011

<sup>82</sup> Amuso M., Montanga M., *Branding Intelligente: Portare e promuovere il marchio in Cina*, in *Doing Business in China* a cura di Maria Weber, *Economia & Management*, n.3, 2009

<sup>83</sup> Herbig P.A., *Marketing Interculturale*, Apogeo 2003

other ornamental elements. Despite the effort to try to adapt to the culture of the place, this choice was immediately perceived by Chinese consumers as a mixture of styles of bad taste.<sup>84</sup>

The company realized therefore that local customers appreciated the exclusivity of the Armani style that reminded them of the manufacturing excellence typical of Made in Italy and then redesigned the shop according to the brand's global identity. The challenge lies in the right balance between the two strategies, to be able to interpret local needs and traditions while at the same time maintaining a strong identity.

Communication is one of the main elements for foreign companies operating in China. When entering international markets, succeeding in transmitting the values of your brand and the quality of your products in the most effective and correct way from a cultural and legal point of view, requires a good understanding of the country and its characteristics, especially in a country like China where tradition and modernity are clashing, and the people, although already accustomed to Western products and lifestyles, are still very sensitive to some of their own cultural symbols.

China is indeed a high context country in which symbolism and implicit messages are favoured mainly in verbal and descriptive advertising. For business, this means first of all the need to define precisely their target audience and the most adaptable method through which to reach it; and secondly, the search for a local partner to benefit from a lower price of the advertising space and the creation of messages that demonstrate that it is aligned with the Government's objectives and with a business contribution to Chinese society.<sup>85</sup>

If the brand is weak, it is necessary to join the country of origin to increase its value. In this case, companies will use a multi-brand sales point as a tool to approach the customer, in which they express their strengths. It is therefore based on known associations and aspects of Italy such as text or banner, so that complex consumer processes are not required.

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<sup>84</sup> Amuso M., Montanga M., Branding Intelligente: Portare e promuovere il marchio in Cina, in *Doing Business in China* a cura di Maria Weber, *Economia & Management*, n.3, 2009

<sup>85</sup> Checchinato F., in *Libellule sul Drago. Modelli di business e strategie di marketing per le imprese italiane in Cina*, a cura di Vescovi T., CEDAM Padova 2011

In some cases, even if the brand is not well known or easily recognizable by the consumer, the association to the country of origin is not the best way, because the focus is on product attributes, which are considered so distinctive that it does not require further connections that could distract from the focus. It is a risky strategy, especially in the Chinese market that is still looking for status products.

In cases where the brand is very strong or the 'Made in' is recognizable, the point of sale takes the role of the temple of the brand and the name becomes a marginal aspect since it does not add value to the product, but could even create worthless associations that distract the consumers from the unique selling proposition.

The last strategy, which focuses on exalting excellence in the point of sale, is the one that strengthens the link between brand and country since one would give value to the other with an increase in the overall value of the system.

The distributive picture of luxury brands in China is now divided into several main forms:

- 1) A **Speciality Store** – that is a single brand store located in the country's major shopping streets, one of the most used forms of international brands to penetrate the new market. The Armani flagship store opened in 2004 in the Bund, one of the most renowned and prestigious areas in Shanghai.
- 2) A **Shopping Mall** that has a fast development in larger cities. These are used by both the great luxury brands and the niche ones, since they are not able to open the Flagship Stores. In Shanghai there is one of the top branded shopping malls: Plaza 66 in Nanjing Road.
- 3) Particularly important **Department Stores** in the luxury industry, which in China are conceived not only in the Western sense of multipath surface with a large number of treated categories, but also as a point of sale of any size that sells a despecialized and non-food assortment. For the Chinese, these structures

have always been the ideal place to go with families on weekends, to break the daily routines and experience new and exciting experiences.<sup>86</sup>

The point of sale must be well designed by a company that wants to operate in the Chinese market, as it is the place par excellence capable of communicating to the consumer the values of the brand at the time of purchase. Customer service is a recent concept in China and training in knowledge of composition, manufacture and maintenance of goods is often difficult and sometimes also requires intensive training. Large global brands such as Ermenegildo Zegna have invested in creating an internal Retail Academy to develop service standards and form their own international sales force.

The staff can be a strategic key to success because, once it is formed, it can be able to recognize the most loyal consumers and then treat them in the best way, by guiding them in choosing the most suitable products for their needs and showing them the advantages of the brand compared to the competitors.<sup>87</sup> The Chinese are indeed a very thoughtful people and once in a store they usually linger and stall for a long time before making the purchase. The sales staff in explaining to them the peculiarities of the product and the brand are therefore decisive in influencing the purchase.

As the store personnel transmit brand knowledge to the consumers they can be seen as brand ambassadors. The store plays a crucial role, from a visual point of view, with furnishing, merchandise design and window display, with a staff knowledgeable in the experience that the Chinese customer wants to live.

Emblematic is the example of a Chinese consumer belong to the ultra wealthy band that has a sales representative of Chanel who personally informs her about the arrival of new exclusive products conforming to her style and preferences. Once in the shop, the special customer has a private room where Chanel's staff take care of her while viewing the items they have selected for her. In addition to the numerous precious purchases, this can also generate valuable feedback to understand the motivation behind the major

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<sup>86</sup> Musso F., Bertolucci F., Pagano A., *Competere e radicarsi in Cina, Aspetti strategici ed operativi*, Franco Angeli, 2005

<sup>87</sup> Corbellini E., Saviolo S., *L'esperienza del lusso*, ETAS, Milano, 2007

or smaller sales made in its stores. To highlight the elite nature of the report, some selected customers may also receive invitations for special occasions, thus eliminating any risk of their being treated like ordinary people.<sup>88</sup>

Another very profitable strategy adopted by many brands to keep up with technological change is to develop e-commerce and mobile commerce systems. The widespread use of the internet for online purchases and the spread of smartphones have created for luxury brands an opportunity to extend their customers and increase their profits by adopting new ways to interface with customers even without the presence of the point of sale.<sup>89</sup>

For this reason, many brands hastened to create the first official web sites with e-shops and then apps that would allow the customer to buy luxury products anywhere and anytime without giving up the guarantees offered by the brand at the point of sale and escaping the phenomenon of counterfeiting. A great help in this regard has been provided by the development of new media in which companies can invest, such as social networks, the internet and any other form of digital communication.<sup>90</sup>

Even smartphones, that have become fundamental to daily lives, have tremendous communication potential. This introduction has allowed luxury goods and service providers to increase the younger market of buyers, using the internet and smartphones as the primary means of communication. In fact, the biggest luxury brands are developing more and more advanced apps that, with targeted notifications during the day, intrigue consumers and push them to a deep knowledge of new brand trends and new products by entering the app. All these ways of digital communication gradually increase customer loyalty because they are able to accompany people at any time of daily life and take advantage of every free time.

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88 Y. Atsmon, D. Ducarme, M. Magni, C. Wu, *Luxury without borders: China's new class of shoppers take on the world*, McKinsey, dicembre 2012

<sup>89</sup> Hu, L., & Checchinato, F. (2015). The country of brand communication in the retail setting: An analysis of Italian products in China, *Australasian Marketing Journal*, 23(4), 325-332

<sup>90</sup> Gutgel-M Y., Mazzù A., Michetti N., Sandri, *Digital Luxury Experience 2012, From customer experience to impact*, McKinsey & Company, settembre 2012

The digital world also helps companies in the fight against counterfeiting, a phenomenon that usually weakens the dominance of the most famous luxury companies. To overcome these problems, digital authentication tools for luxury products have also been developed. Digital serialization is a great tool to allow consumers to authenticate their products independently. This serialization is made through publicly available serial numbers, QR codes, mobile bar codes, etc. Being able to contribute personally encourages consumers in the fight against counterfeiting and increases their loyalty to the brand.

If a company chooses to enter the market through export, it will first have to check that the type of products for the Chinese market does not fall into the forbidden or restricted. However, there are effective and advantageous measures of attraction of foreign investment: in special economic zones (zhōngguó zìyóu mào yì shì yàn qū, 中国自由贸易试验区), such as Shanghai economic zone launched in August 2013<sup>91</sup>, where it is possible to benefit from attractive tax breaks and a greater degree of independence in commerce, as well as the possibility of setting up not only joint ventures with local partners but also WOFE<sup>92</sup>.

A great way to look at market receptivity is to participate in the numerous international trade fairs organized in China, for example the Beijing Fashion Week and Shanghai for clothing, that is a great opportunity to get in touch with distributors and buyers.<sup>93</sup>

### 3.2 NATIONAL ENTITIES

Competent national institutions and efficient associations represent an extremely promising stepping stone for resource availability and allocation, customer communication and education strategy planning that are fundamental for culturally far-reaching consumers.

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<sup>91</sup> ‘安永中国自由贸易试验区系列刊物’, [http://www.ey.com/Publication/vwLUAssets/EY-FTZ-interpretation-issue4/\\$FILE/EY-FTZ-interpretation-issue4.pdf](http://www.ey.com/Publication/vwLUAssets/EY-FTZ-interpretation-issue4/$FILE/EY-FTZ-interpretation-issue4.pdf) (accessed May, 30 2017)

<sup>92</sup> WOFE: Wholly Owned Foreign Enterprise, totally foreign, both from the point of view of funds and management.

<sup>93</sup> ‘How to survive a Chinese trade fair’, <https://www.chinasavvy.com/toolbox/tradefairtips.php> (accessed June, 3 2017)

Italian companies, however, in order to succeed in China's challenges and in adapting to the new conditions of globalized markets, need the support of the entire country-system and above all, adequate policies to support them.

## **ALTAGAMMA**

This is an Italian foundation located in Milan. It gathers high-end Italian companies globally recognized as ambassadors in the world of Italian style in order to make them more competitive; since 1992 it has been the promoter of Italian excellence. Altagamma companies operate in the fields of fashion, design, jewellery, food, automobiles and wellness. They have a wide range of activities, such as knowledge of the markets, relations with institutions, networking activities and specific industry issues and it is the point of reference of the luxury world.

In China Altagamma works with institutions in order to reduce duties and non-tariff barriers and to combat parallel imports.

The foundation can boast the participation of some illustrious names in the luxury world such as Fendi, Missoni, Ferrari and Bulgari.

Since tourism is very important for Italy, in 2017 Altagamma in collaboration with IC Bellagio, launched the Altagamma Italian Experiences, enhancing business opportunities to the main Italian brands.

On the occasion of the EXPO2015, Altagamma established also, in Piazza Gae Aulenti in Milan, a video installation called Panorama. This installation in only 15 minutes presented Italian uniqueness and 230,000 people in five months enjoyed this project. Panorama in 2016 was reopened in China at the Shanghai Exhibition Centre.

The chairman of Altagamma is Andrea Illy, the founder and honorary chairman are respectively Santo Versace and Leonardo Ferragamo.

An organization similar to Altagamma has also been developed in France under the name of Comité Colbert. It brings together 78 French luxury goods makers and 14 cultural institutions with the aim of launching discussions on how to maintain an international leadership position in the creation of exclusive and prestigious products and to complete the strategies at the individual company level. It can also boast the

presence of leading members in the luxury sector such as Chanel, Hermès, Cartier and Yves Saint Laurent.<sup>94</sup>

### **CAMERAMODA**

The National Chamber for Italian Fashion is a non-profit association which aims to promote and coordinate the development of Italian Fashion both in Italy and abroad.

It was established in 1958 in Rome, where now there is its head office, and all the Fashion Houses can be immediately involved.

This association represents a point of reference, also abroad, for all the initiatives aimed at promoting Italian lifestyle and fashion. Since its foundation, it has pursued the knowledge, promotion and development of fashion and has signed lots of agreements with other countries that contribute to the consolidation of Milan as the leading centre of the international fashion scene. This association also promotes the study of what could be useful to its associated categories.<sup>95</sup>

### **CHINA ITALY CHAMBER OF COMMERCE**

The Chamber works independently in China, but also in collaboration with the other Italian institutions in order to promote Made in Italy.

### **CONFINDUSTRIA AND CONFARTIGIANATO**

Established in 1910, Confindustria is an association that represents manufacturing and service companies in Italy; the membership is voluntary and includes companies of all sizes. Confindustria offers efficient and modern services to its members by representing companies to the institutions and helping them to achieve success.

Since the economic context is characterized by rapid changes, Confindustria has to rely on its human resources that stand for their professionalism, competence and capacity for initiative. They provide to the companies managerial and training opportunities, in order to improve the organisation.

Since 1959, Confindustria has had a Delegation to the EU in order to represent Italian industry in Europe and inform them about the latest EU funds opportunities.

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<sup>94</sup> <https://altagamma.it> (accessed June, 5 2017)

<sup>95</sup> <http://www.cameramoda.it/it/> (accessed June, 4 2017)

Confindustria is not just an industrial trade association, indeed through the dialogue with other members of the world of production solutions to the economic problems that Italy is facing may be found.<sup>96</sup>

Established in 1946, Confartigianato is the largest European network that represents artisans, enterprises and small businesses. It provides information to companies and has relations with governments' agencies representing their interests. They formulate a tailor-made strategy to help companies enter new markets.<sup>97</sup>

## **EMBASSY OF ITALY IN BEIJING**

Economic and trade offices of the Italian diplomatic-consular network in China are present at the Embassy of Italy in Beijing, as well as at the Consulate General of Hong Kong, Shanghai, Chongqing and Canton. They are competent for economic, commercial and financial relations with China and Mongolia, offering a range of services to Italian business and economic operators who intend to establish or have business opportunities in China. Since 2015, the Ambassador of Italy to the People's Republic of China is Ettore Francesco Sequi.

The Ambassador Ettore Sequi, in collaboration with the Lawyer Renzo Riccardo Cavalieri, director of the Master's course GMC Global Management for China of Ca' Foscari Challenge School in Venice, train young Italian students in order to introduce them to China and to the world of work with the launch in 2016 of a challenge for them. They required a new idea or an original project in order to help the Embassy in China to best promote Italy in China and the winners were awarded with a prize as they provide the great idea of linking promotional methods of 'Made in Italy' concept with new digital technologies born in China, especially WeChat.

On June 2016 the Italian Embassy in Beijing launched a new project called Italy 4.0 for the promotion of Italy in China and for the cooperation between the two countries. This initiative was proposed at the end of the second informal meeting with Italian

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<sup>96</sup> [http://www.confindustria.it/wps/portal/IT/home!/ut/p/a1/04\\_Sj9CPykssy0xPLMnMz0vMAfGjzOJ9PT1MDD0NjLz8\\_Q0cDRwtXC3DAkMtjN1dzYEKIoEKDHAARwNCsP1o1CVuPuEAvVZBFk6GzoZGXp7G0AV4LGilDfCINNRRUREAIPfePg!!/dl5/d5/L2dBISEvZ0FBIS9nQSEh/](http://www.confindustria.it/wps/portal/IT/home!/ut/p/a1/04_Sj9CPykssy0xPLMnMz0vMAfGjzOJ9PT1MDD0NjLz8_Q0cDRwtXC3DAkMtjN1dzYEKIoEKDHAARwNCsP1o1CVuPuEAvVZBFk6GzoZGXp7G0AV4LGilDfCINNRRUREAIPfePg!!/dl5/d5/L2dBISEvZ0FBIS9nQSEh/) (accessed June, 6 2017)

<sup>97</sup> <http://www.confartigianato.it> (accessed June, 6 2017)

entrepreneurs in Shanghai and was attended by the Consulate General in Shanghai, the Ice Agency and the Italian Chamber of Commerce in China.

Businessman, academics and representatives of Italian institutions in China attended this two day meeting at the Okura Garden Hotel.

The most important achievements of the Shanghai meeting are the sharing of a common agenda inspired by Road to 50, the strategy launched by the Embassy in the perspective of the fiftieth anniversary of diplomatic relations, focusing on the areas of greater complementarity between China and Italy. During the meeting, the most important issues of the current phase of Chinese development were dealt with, including the thirteenth five-year development plan covering the period 2016–2020, the latest Business Confidence Survey of the European Union Chamber of Commerce in China, the financial aspects of the Asian giant and the Research and Development industry, with collaboration between universities and corporations.

The meeting also closed with the commitment of companies to formulate proposals for co-operation between Italy and China over the three-year period 2017–2019 with particular emphasis on the change of approach of the Italian strategy in China, greater coordination between public actors and private individuals and a marketing strategy of Italy's most intriguing image. In addition to economic cooperation, thanks to this institution, China and Italy have bilateral relations also in political, cultural and scientific areas.<sup>98</sup>

## **ITALIAN TRADE AGENCY**

The ICE Agency has the task of facilitating, developing and promoting Italian economic and trade relations with foreign countries, paying particular attention to the needs of small and medium companies and working to develop the internationalization of Italian companies in international markets. Through the headquarters of Rome, the Milan office and the network around the world, the Agency carries out information, assistance, promotion to businesses and institutions, training for businesses and young graduates, and promotes cooperation in the industrial, agricultural sector, distribution and tertiary service.

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<sup>98</sup> [http://www.ambpechino.esteri.it/ambasciata\\_pechino/it/](http://www.ambpechino.esteri.it/ambasciata_pechino/it/) (accessed June, 6 2017)

The ICE Agency operates abroad within Italian Diplomatic Representations, in synergy with business organizations and other public and private stakeholders, providing coordinated support to national enterprises and networks engaging in the internationalization process with the aim to promote the image of Italian product in the world and Italy as a destination for foreign investment.

Their worldwide network provides assistance and advice to Italian companies. The activities of the ICE units abroad are aimed at providing assistance, advice services, developing promotional actions for individual companies and the Italian System, producing information about the country, business opportunities, international competitions, investments from and for Italy.<sup>99</sup>

### **LEONARDO COMMITTEE**

The Italian Trade Agency, together with Confindustria and a group of entrepreneurs such as Gianni Agnelli, in 1993 established on common initiative the Leonardo Committee. This Italian quality Committee promotes Italian excellence around the world; indeed it works in collaboration with institutions that help Italian companies to internationalize their activity. The Committee organizes cultural and economic events in order to enhance the perception of Made in Italy.

Confindustria and the Italian Trade Agency create synergies between production, art, culture and science in order to provide the Committee with all the support needed for initiatives, both in Italy and overseas. The Committee also established the Leonardo Prize in order to highlight talents; it is awarded to the company which best reflects the country's products and lifestyle around the world. Another prize they give to the leading figures abroad is the Leonardo International Prize. This is given to the companies that best develop cultural and economic ties with our country.

The last important prize is called the Leonardo Start up Prize that since 2012 awards the young Italian companies with excellence in terms of growth and success. Since companies which receive the prizes have an important international role, they are called the Ambassadors of Italy's Image Around the World.<sup>100</sup>

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<sup>99</sup> <http://www.ice.gov.it> (accessed June, 5 2017)

<sup>100</sup> <http://www.comitatoleonardo.it/it/> (accessed June 7, 2017)

As well as national institutions, we can also find private companies working in the field of the validation of Made in Italy helping Italian companies in the internationalization and entry of the big Chinese market. Recently, in addition to Italian companies working in this field, also Chinese companies opened and they help well known Italian brands figure out and best understand the Chinese market, their customs and their country.

### **INTERNATIONAL FINE FASHION GROUP (IFF)**

International Fine Fashion Group (IFF) is a Chinese multinational that is becoming increasingly important. Based in Shanghai, it has branches also in Singapore and Hangzhou. It started with the selection of two hundred Italian medium-high fashion brands, able to stand out for product quality and stylistic innovation. This consists of an important international distribution project dedicated to the fashion sector of Made in Italy, which is progressively developing throughout all the territory of the People's Republic of China. The project envisages the opening of eight fashion centres in major cities in mainland China, especially in Shenzhen, Changsa, Beijing, Wuhan, Shengyang and Xiamen. The goal is to create a commercial distribution platform in China for Italian fashion, where wholesale and retail sales can work together.

Moreover, as digital technologies are becoming more and more central, IFF has created a platform called O2O<sup>101</sup> and fashion centres will also function as online shopping centres.

IFF's headquarters are located in the centre of Shanghai, where a 110-square-metre structure is built up of twenty-nine floors. Made in Italy occupies 26,000 square metres, which fill four storeys, where luxury elegance and refinement are distinctive features. Spaces are run by three hundred Chinese distributors, selected by IFF as among the best and most talented in the country.

The inauguration of IFF's first fashion centre took place in Shanghai at West Nanjing Road, China's most famous and elegant shopping area, near luxury boutiques and major shopping malls. The first commodity orders were executed in February 2016 and covered the purchase of products for the fall / winter season 2016–2017.

The IFF Group proposes a five year business partnership agreement with each brand.

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<sup>101</sup> O2O: online to offline services

IFF secures volumes of annual minimum purchases for the Italian brand with only a basic requirement for accessing an export opportunity without original investment that is the granting of the exclusive trade to IFF for the Chinese market.

The IFF project, besides being a cost-free project for the Italian brands, is also designed to limit the business risks of all players in the distribution network in China, consisting of distributors, retailers and consumers.

The goods purchased in Italy will be initially parked in special areas where customs duties are temporarily suspended to allow IFF distributors to acquire orders from wholesalers, traders and consumers and then proceed to customs clearance, having the confidence to have already resold the products purchased.

By using the O2O technology platform, it will also be possible to benefit from the new discount arrangements decided by the Chinese government in online sales machines, which include lowering tax on goods sold on the Internet.

The IFF Group's reputation and business success are the result of the union of three prestigious partners that are Hangzhou IFF Investment, Penta Hong Kong, SRE Singapore. Hangzhou IFF Investment is a sales network of more than 3,000 distributors with strong trading channels in all areas of China, able to guarantee a fast and efficient distribution of products within selected prestigious areas.

The Retaily Group is the official partner of this project, which has a target of 300 million people, forecast to double in ten years.<sup>102</sup>

## **RETAILY**

An Italian important example is Retaily, which is an advisory and consultancy company. They identify the Italian fashion brands for individual partnerships with Chinese agents and distributors. They provide Chinese retailers with tailor-made solutions to import exclusive high quality Italian and European fashion brands, especially those not yet present on the Chinese market. The founding partners of Retaily have a unique and outstanding background in the retail industry over 20 years of working experience in this field, indeed they provide all legal advice and works. They furnish national and international retail development plans and feasibility plans. They basically recruit

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<sup>102</sup> <https://www.iff-eu.com> (accessed June, 10 2017)

Italian fashion brands that are new and unknown for the Chinese market, as well as brands already present in it, providing them assistance in negotiations and operations.

The latest major project that Retaily is part of is in partnership with the famous Chinese multinational IFF.<sup>103</sup>

## **WHITE**

White, situated in Milan in Tortona area, is the main tradeshow for Italian fashion companies and leader for international brands scouting. Since it is the reference point for multibrand and department stores in the world, it represents an occasion for successfully entering the world of fashion for new brands and companies during its four yearly fashion editions during the Milan Fashion Week. White, together with Confartigianato Imprese two months ago, organized in China the Style Routes to Shanghai event, which focused on the prospects of contemporary brands in the former Celestial Empire. The centre of the initiative, on April 7 and 8, was the upcoming Sihang Warehouse, Shanghai's fashion district, where a parade was set up on the first day, integrated with an exhibition. This event also boasts the participation of Mario Boselli and Mario Dell'Oglio, who are respectively the chairpersons of the Italian Fashion House and the Italian Chamber of Commerce.

From the depositions it emerged that China's attention to contemporary fashion is growing and that there are open spaces for industry brands, on condition that they choose the right channels of communication and sales, showing themselves offline and then being bought online.

However, it should be remembered that a European brand to export to the Asian country has to pay customs duties, which inevitably impact on retail prices.

It has been pointed out that many Chinese consumers are beginning to be annoyed about the big luxury brands, which have had a massive diffusion over the last decade, but today there is more security in showing their taste and style.

Also thanks to the impact of bloggers, seeking the unique piece and styling in their brand mix is becoming more and more important. It has been shown that contemporary fashion is a market that is still not mature, which sees important fluctuations season by season, but that is populating with new stores, buyers and investors.

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<sup>103</sup> <http://www.retaily.it> (accessed June, 8 2017)

As White's patron, Massimiliano Bizzi has anticipated that further developments are being made for this buyer-oriented format, which is the prelude to the next events in the internationalization of trademarks in China.<sup>104</sup>

### **3.3 CHINA ITALY CHAMBER OF COMMERCE CICC**

The China Italy Chamber of Commerce (CICC) is an organisation aimed to promote Made in Italy and represent the Italian business community in China. It was established in Beijing in 1991 and since then it has developed and now has offices in Chongqing, Guangzhou, Shanghai and Suzhou. It has a staff of both Chinese and Italian people; the secretary-general is Giulia Ziggiotti and the chairman is Davide Cucino. It is recognized by both the Italian MiSE Ministry of Economic Development, and the Chinese MoCA Ministry of Civil Affairs.

It involves multinational corporations, small and medium sized enterprises, service companies and, in 2016, the Chamber counted 575 members. Thanks to the network established over the years, the CICC now can help its customers in the best way, with a high level of professionalism and competence.

They aim to give the members useful information about placement and growth strategies in Chinese markets, as well as Chinese ones which want to work with Italy.

They organize activities and events in order to link Italian and Chinese companies and let them introduce each other, hoping that they reach an economic agreement. The Chamber also promotes Italian excellence, especially where the Italian companies operate, thanks to the organisation of missions with the aim of spreading Italian know-how.

Moreover, they provide their members with training and programs in collaboration with universities all over the world, that explain to the businesses how to work in China.

The Chamber provides Italian companies with information services for the first market orientation and country presentations, business contacts for fairs participations, workshops and identifies partners, specific support and consulting advice such as translations, visa services, HR services and logistic assistance. The most common

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<sup>104</sup> <http://www.whiteshow.it> (accessed June, 8 2017)

services of the CICC are the events it organised. Through advertisements on media, press conferences and media campaigns, it communicates its gala dinners and networking events, as well as independent events.

In order to benefit from these services, an Italian company has to join the chamber. There are different ways of doing this such as joining as a Representative Office or Enterprise Registered in China, Enterprise not Registered in China, Italian or Foreign Citizen Resident in China or Foreign Citizen not Resident in China. There are two kind of members, the ordinary ones or the supporting ones. The supporting membership, obviously more expensive, grants companies more promotions, more services and more engagement with CICC. Recently, the Chamber created a new category of member, the Friends of CICC, that is composed of Chinese companies that are interesting in doing business in Italy.

China Italy Chamber of Commerce has 10 Working Groups.

This Groups were established in collaboration with its members and are divided into Italian strategic sectors for China. Each company that operates in the same sector or is located in the same area of another one, can join the same Group, with the aim of sharing information and ideas, organising activities and helping businesses not yet present on Chinese territory.

CICC constantly remain in contact with these groups, in case they need some assistance and always participate in their projects.<sup>105</sup>

## **PANDA D'ORO AWARD**

The most important event organised by the China Italy Chamber of Commerce is the Italian Gala Dinner Panda d'Oro Award.

It is always held in the second weekend of June, and this year it reached its 8th edition, the Panda d'Oro Award 2017 第八届上海意大利盛宴 暨金 熊猫奖颁奖典礼 / 2017 年 6 月 17 日.

Panda d'Oro Award is an annual award that prizes the best Italian companies that seize the right opportunities through the year and achieve great results, enhancing the relationship between China and Italy.<sup>106</sup>

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<sup>105</sup> <http://www.cameraitacina.com/it> (accessed June 10, 2017)

<sup>106</sup> <http://www.cameraitacina.com/it/notizie/grand-gala-panda-doro-award-2017-post-event> (accessed June, 20 2017)

This year, the prizes awarded were:

- **Panda d'Oro-Cina Award - Fincantieri**  
The Italian Company which achieved the most relevant growth within the Chinese market in 2016 and plans further investments in 2017/2018.
- **The Gourmet Panda Award - Ferrero e Fabbri China**  
The Italian Company which implemented the most effective strategy to promote the Italian Food & Beverage quality in China.
- **The OBOR Panda Award - Savino del Bene**  
The Italian or Chinese Company which engages in any project boosting connectivity along the Silk Road.
- **The Digital Panda Award - Alfa Romeo China**  
The Italian Company which introduced a structured and effective digital strategy to support its business in China.
- **The Best Italian SME in China Panda Award - Istituto Marangoni**  
The Italian SME which mostly increased its productivity and competitiveness in the industrial sector in China.
- **The Smart Panda Award - Pelliconi Suzhou**  
The Italian company investing in technological advancement in China.
- **The Friendship Panda Award - Hai'an Science Park and Italian Itaway**  
The Chinese company with a remarkable commitment towards CICC activities and a long-standing relationship with Italy.
- **The Green Panda Award - Boeri architectural design consultancy**  
The Italian Company characterizing itself for the best approach and implementation of an eco-friendly and sustainable business model.<sup>107</sup>

## **INTERCHAMBER MIXER**

Another important event organized by the Chamber is the InterChamber Mixer. That is an opportunity to meet the members of other Chambers of Commerce in Shanghai and

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<sup>107</sup> <http://www.corrierenazionale.net/2017/04/24/8th-edition-italian-gala-dinner-panda-doro-award-2017-shanghai/> (accessed June 19, 2017)

organise some networking activity with them. This event represents a great occasion for Italian companies which want to be part of the international business community.

The Interchamber Mixer is organised twice a year.

### **MEET THE CHAMBER**

Once a year the Chamber also organises this event in order to give the opportunity to its members to meet the Board Team of CICC and share opinion with them about new proposals in order to deal with new future challenges.

### **SUZHOU APPRECIATION MEETING**

Thanks to the organisation of this event, the members of the Chamber can also meet Chinese governors. The best example is the Suzhou Appreciation Meeting where all the Italian companies which want to participate, can meet the most important figures of the city of Suzhou. This event also boasts the participation of the Ambassador of Italy and other important Italian people.

This event is organised annually and during it, companies can make questions and explain their problem to Suzhou Authorities, and they try together to reach a solution.

In order to help Italian young students or postgraduates, the Chamber has a section in its site dedicated to job offers. This represents a great occasion for Italians, who can send their CVs directly to the interested companies and have a rapid connection with them.

The Chamber also offers opportunity of internship, in order to introduce students to the world of work. The Staff of CICC make the interns part of their work, explain to them the running activities of the Chamber and let them participate as active protagonists in their events. Last year, thanks to the GMC Master Course, I did an internship in the China Italy Chamber of Commerce in the office of Shanghai; for three months I worked along with CICC staff, from May to July 2016.

The staff was composed both of Chinese and Italian workers and they were also very helpful to me. During the first days they helped me understand the activities of the Chamber and their online site, since from the office we could make changes on it.

My tasks were to classify, collect and store information and contacts, create and search the database, handle correspondence, arrange appointments, liaising with the team for the organisation of events and support CICC info service.

These were the main activities I did, but since the period of my internship was the busiest of all the year, I did also some other tasks. Indeed, I participated at the Suzhou Appreciation Meeting, and with the organisation I was in charge of the list of the participants, calling and emailing them and, once arrived in Suzhou, I helped other staff members with the preparation of the location just before welcoming all the participants. However, the most important task I had was to take notes during the meeting in order to write a report to be published on the CICC website and provided to the board's members to inform those who could not participate in the debate.

I also had the great privilege of participating at other similar meetings in Shanghai, with the participation of the most significant Italian people in the world of business in China. However, the most exciting event I participated in was obviously the Italian Gala Dinner Panda d'Oro Award. When I arrived in Shanghai, the staff of the Chamber had already worked since February in order to organise this event.

I was in charge of helping to organize the list and disposition of participants and I had to manage the work for the prize and check the final awards. We needed three evenings in order to organize the staging of the evening, which was held in one of the most famous hotels in Shanghai, also with the help of an event management company.

This experience introduced me to the job world, taught me how to work under pressure, to be tenacious in the achievement of my objectives and to be dedicated and responsible. It helped me improve my Chinese and my English but, furthermore, this was a great life experience.

## CONCLUSION

Italian companies that operate in any manufacturing sector and are committed to the internationalization of their products have discernible views on the apparently easy way of doing business in China. Indeed, many of them believe that it is enough to bring their products labelled 'Made in Italy' to the Chinese market to have, in a short time, large sales and sales volumes in rapid and steady growth. Others, unfortunately, have misleading prejudices about possible Sino-Italian collaborations and have little confidence in Chinese partners and the ability to succeed in a market that is now saturated with supply.

The truth is somewhere in the middle because while there is an underestimation of the money and time commitment to organize a successful internationalization process towards the Chinese market, it is equally true that the huge Celestial Empire still offers pockets of important opportunities for Italian SMEs offering quality handicrafts.

This is due because of the great pressure exerted by the competition of big brands, the limitations and bureaucratic complications that the Chinese Government places on foreign companies; in fact entering the Chinese market for a small company is particularly complicated.

Thanks to international collaborations between political and financial organizations, reforms have been launched in recent years to encourage the installation of foreign economic activities on Chinese territory.

In addition to the substantial lack of structures and institutions in Italy that can facilitate the creation of business systems, the main problems that arise concern the consumer education mechanisms and the necessity of massive investment in marketing and communication.

Handicraft excellence does not have enough resources in order to engage in kinds of business and sometimes the only solution that remains is to rely on agents already immersed in the economic situation of China or to create joint ventures with local expert partners.

Another problem with doing business in China is distribution. Indeed not all of the country has, at present, an adequate infrastructure that is needed to ensure fast connections and timely communications.

On-line sale is often the only resource for consumers in peripheral urban areas who do not find a sufficiently large offer in the malls or boutiques of the area.

It is true, however, that a Made in Italy product has always enjoyed a highly positive Chinese reputation on the Chinese market and has an important competitive advantage that is the attention of consumers. New Chinese buyers are increasingly alert and informed; they have moved from the major brands to less important names that are still able to offer equally high quality merchandise.

Even though COO shift to COB, the Country of Origin factor, as well as in all other areas of Italian excellence, remains decisive. The production in Italy remains a fundamental condition, however it is no longer sufficient to motivate the purchase of a premium item or accessory, therefore it is necessary for the labelling to correspond to the facts and that the products comply with universally recognized requirements that have become historic and which characterize the Italian beautiful and well-made products.

In spite of the above mentioned difficulties, SMEs have incredible growth opportunities in the Chinese market. It is essential to start with clear ideas about product placement and target customers.

An adequate knowledge of the country from a social and geographic point of view is fundamental, especially in relation to the destination customer. However, cultural preparation and patience are also needed, in the Chinese economic environment it is fundamental to know the consumers and the aspects of their culture and system of values that influence their preferences and buying habits. This means starting in the right way.

Sometimes important changes are required in order to adapt the company's product range to meet the Chinese consumer tastes, and qualified collaborators and staff can help to understand country local culture and habits.

Made in Italy, in spite of the slowdown of consumption in Europe and in the western countries in general, even during the worst years of the global economic crisis, enjoys steady growth rates in sales volumes and remains a very important mega-brand at the international level.

The affluence at fairs of international buyers belonging to the large Chinese financial groups that manage retail spaces within the gigantic shopping malls of mainland China and fashion entrepreneurs grow at every edition.

For those Italian companies able to seize all these opportunities, there is no doubt that China will be their eldorado.

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