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**Tesi**

*Relaunching the Made in Italy manufacturing industry  
through a new model of web-driven company.*

*The case of Berto Salotti.*

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## **Abstract**

The dissertation aims to point out a new web-centric business model for the SMEs that operate in the Made in Italy manufacturing sector. Through a change in perspective and the development of a new set of competences in the digital field in fact, they can rapidly reach a global demand for their distinct products.

Since the domestic consumption has been deeply affected by the last global economic crisis, the foreign markets represent the unique growth opportunity for the Italian Craft Manufacturers. To take up the international challenges, they have firstly to effectively recount and show their creations to an international target of consumers. Secondly, they have to adopt adequate channels and techniques to engage them. Lastly, they need to establish a solid network of business synergies to jointly face the global markets. Based on specific studies, the dissertation discusses that the pervading adoption of the Internet and digital tools can represent the turning point to achieve these objectives.

The discussion has been supported by taking into consideration the case of the Italian furniture industry, since it perfectly reflects the core features of the flagship sectors that distinguish the country. These are: the industrial district model, the unique manufacturing capabilities belonging to people, the strong impact of heritage and the made-in effect associated to the country of origin. To prove the effectiveness of this approach it has been chosen the case of Berto Salotti, an Italian artisanal company specialized in the craft production of superior bespoke sofas. Indeed, it represents a great example of how an Italian family run business can scale up and internationalize the sales by leveraging together its core manufacturing capabilities and the opportunities offered by the Web.



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## **Introduction**

The dissertation aims to point out a web-driven business model for the growth and the internationalization of the enterprises operating in the Made in Italy manufacturing industry. It has been chosen to split the research in two parts: the first one provides an exhaustive framework, while the second one attempts to support the model purposed by taking advantage of a case study represented by an innovative craft company.

The framework has been built, on the one hand, through an in-depth analysis of the impact of the Made in Italy brand on the foreign consumers, the role played by the exportations, the overall industrial organization of the single manufacturing industries, and the effects that the World Financial Crisis has had on them (Chapter 1).

On the other hand, the framework points out the impact that the ICT and the innovative Web practices are having on the manufacturing businesses, the specific case of the Italian SMEs and their digitalization level, and finally how the latter can exploit the new digital opportunities to grow and spread their creations beyond the national boundaries (Chapter 2).

As for the case study, it has been introduced by an overview about the furniture industry it belongs (Chapter 3). Thereafter, it has been organized in the following sections: the opening overview about the company and the business environment in which it operates (Chapter 4), the analysis of its web and craft-based business model (Chapter 5), the key role played by the online communication and the public relations in the overall value creation process (Chapter 6), the quantitative results achieved thanks to the redesign of the business model according to the new digital paradigms (Chapter 7), and finally the closing conclusions and clarifications in such a way that the case study can become a model for other companies operating in the Made in Italy manufacturing sectors.



*The digital opportunities for the Made in Italy products*



# 1. The Made in Italy manufacturing industry

*The goal of the following introductory chapter is to provide a suitable framework to the overall dissertation. After introducing the distinguishing sectors of the Made in Italy manufacturing industry, also defined as the “Four F’s”: fashion, food, furniture and Ferrari, the first part discusses the strong impact of the country-of-origin effect on the foreign consumers (Ch. 1.1). More than that, specific evidences are provided in order to highlight the strategic importance of the exports for the growth of the overall Italian economy.*

*On the other hand, the second part of the chapter discusses the prevailing organization of the “Four F’s”, namely the industrial districts. Thanks to a categorization of the prevailing company profiles, the closing section defines the dissertation unit of analysis represented by the Italian Craft Manufacturers (Ch. 1.2). In view of this, it has been outlined how the digitalization and the adoption of web-driven business models shall support their internationalization and overtake the main lacks of their promotion and distribution strategies.*

*Lastly, in order to contextualize the dissertation with an up-to-date picture of the whole manufacturing sector, the closing part presents an examination about the consequences that the ongoing World Economic Crisis has had on the Italian industrial system (Ch. 1.3).*

## ***1.1 The Made in Italy country-of-origin effect and brand value***

The country-of-origin is a psychological reaction also known as made-in effect. It occurs when people unfamiliar with a product (e.g. product quality or reliability) are influenced by the archetypes associated to the country where it has been made. In this case the image of the country of origin has an “Halo effect” on the consumers’ evaluations that strongly influences their purchasing choices<sup>1</sup>. In particular, as Maheswaran points out, “the impact of the country of origin is likely to be inclined by consumers’ level of expertise and the presence of cognitively demanding attribute information”<sup>2</sup>.

According to a research performed by FutureBrand in 2013 Italy is the fourth most influencing country-of-origin after USA, France, Germany and Japan (Figure 1)<sup>3</sup>. This highlights the incredible effect that the Made in Italy brand evokes in the consumers’ mind, especially for certain categories of goods. Formally established by the Italian law in 2003, it is a declaration of origin that identifies all the products entirely manufactured in Italy<sup>4</sup>. Beyond the strictly legal definition, it is mostly associated to four categories of goods also known as the “Four F’s”: furniture, fashion, food and Ferrari (the latter is used to identify the whole industry of precision mechanics and automation).

The Made in Italy brand became more than a simple declaration. It undertook an evocative function resulting from a mix of tangible and intangible features that characterize the products coming from Italy. In particular these are: the excellence in quality, design and style; the highly specialized manufacturing techniques, which come from rooted local traditions in the most of the cases; the strong contribution of the people involved in the manufacturing processes in terms of the attribution of meanings and values; lastly, the industrial district organization model that is typical in the “Four F’s” sectors<sup>5</sup>.

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<sup>1</sup> Thorndike E., *A constant error in psychological ratings*, Journal of Applied Psychology n.4, 1920.

<sup>2</sup> Maheswaran D., *Country of Origin as a Stereotype: Effects of consumer Expertise and Attribute Strength on Product Evaluations*, Journal of Consumer Research, Vol. 21, No. 2 (Sep. 1994), pp. 354-365.

<sup>3</sup> FutureBrand, *Made In. The value of Country of Origin for future brands*, 2013.

<sup>4</sup> See: art. 4 comma 49 and 49-bis Legge 350 - 24/12/2003 and art. 16 Legislative Decree n° 135 - 25/08/2009.

<sup>5</sup> Enciclopedia Treccani, *Dizionario di Economia e finanza*, 2012.

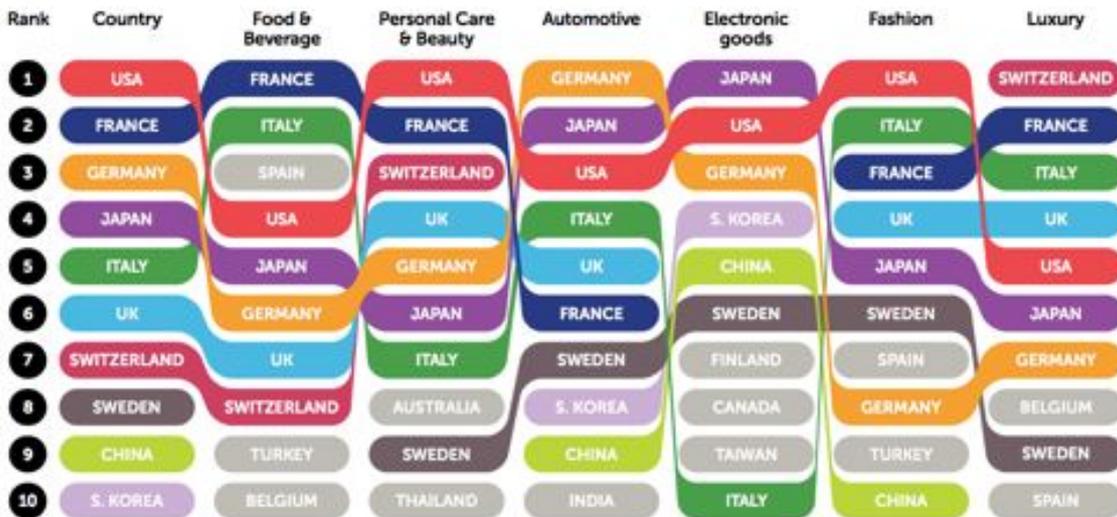
Figure 1 - Global ranking of the country-of-origin effect

### Overall rankings



\* The CBI rankings are as of 2012-13

### Rankings across industry sectors



Source: Future Brand, 2012.

**Table 2 - Leadership of the Italian exportations**

Posizione dell'Italia tra i Paesi esportatori	Numero di prodotti (In base alla classificazione HS1996)	Valore complessivo del saldo commerciale Italiano nei prodotti indicati (miliardi di dollari)
Casi di prodotti in cui l'Italia è il 1° Paese mondiale per saldo commerciale	235	63
Casi di prodotti in cui l'Italia è il 2° Paese mondiale per saldo commerciale	390	74
Casi di prodotti in cui l'Italia è il 3° Paese mondiale per saldo commerciale	321	45
<b>Totale casi di prodotti in cui l'Italia figura nei primi 3 posti al mondo tra i Paesi esportatori per saldo commerciale</b>	<b>946</b>	<b>183</b>

Source: *Fondazione Symbola, Fondazione Edison, Unioncamere, 2012.*

Since the second half of the XX century, the worldwide recognition of the “Made in Italy” has been pushed mainly by the global success of specific brands. With regards to this point, in 2008 Interbrand estimated the economic value of the most relevant Italian brands discovering that the top ten are: Gucci, Prada, Ferrari, Giorgio Armani, Bulgari, Dolce & Gabbana, Diesel, Geox, Pirelli and Benetton<sup>6</sup>. Moreover, extending the analysis to the global level, MillwardBrown found out that in 2014 the first Italian brand of the world’s top 100 rank is Gucci (60° position), followed by Prada (96° position)<sup>7</sup>. In addition to those there are surely many other well-known ones as Tod’s, Calzedonia-Intimissimi, Ferragamo, Versace, and Luxottica in the fashion and accessory sector; Barilla, Granarolo, Lavazza, Illy, Antinori in the food sector; Danieli, Sacmi, Merloni, Permasteelisa and De Longhi in the mechanic and automation; Natuzzi, Frau, Flos, Artemide and Molteni for the furniture. All these brands strongly contribute to the positive Halo effect associated to country, with consequent benefits for the whole linked industry.

Recently Fondazione Symbola, Fondazione Edison and Unioncamere published a study about the impact of the “Made in Italy” exportations in the world (Table 2)<sup>8</sup>. In particular, they estimated the number of products in which Italy is leader in terms of trade balance (according to the european classification HS1996): on 5.117 total product

<sup>6</sup> Interbrand, *I brand italiani a più alto valore economico*, 2008.

<sup>7</sup> MillwardBrown, *2014 BrandZ Top 100*, 2014.

<sup>8</sup> Fondazione Edison, Fondazione Symbola, Unioncamere, *I.T.A.L.I.A. Geografie del nuovo Made in Italy*, I quaderni di Symbola, 2013.

categories, Italy occupies respectively the first place in 235 of the cases, for a global-related value of 63 billion euro; the second place with 390 products, worth 74 billion euro, and the third place with 321, worth 45 billion euro. Summing these values, on the whole Italy occupies at least one of the first three positions of the World's rank with 946 products, worth 183 billion euro<sup>9</sup>. This is useful to provide the sheer size of the “Made in Italy” impact in the world, especially in comparison to the other countries (in 2011 only China, Germany and USA overtook Italy in terms of number of products comprehended between the first three position of the rank).

Finally, another evidence about the global impact of the Italian manufacturing products comes from Google. According to the US leading player in the web researches, the users' interest towards the Made in Italy products is constantly growing (+8% in terms of related researches during the first semester of 2013 CAGAR)<sup>10</sup>. In particular, the most actively interested countries are the US (leader in absolute terms, +9%) and the European ones, followed by Japan (+29%), Russia (+13%) and India (+20%). The fashion-related researches are the most relevant, while the tourism and food-related ones are definitely growing.

In conclusion, all these evidences confirm that the reputation of the “Made in Italy” manufacturing industry still lead the world's scenario, representing a strategic resource for the whole national economy.

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<sup>9</sup> Elaboration by Fondazione Edison of ISTAT, Eurostat and UN Comtrade, data related to the year 2011.

<sup>10</sup> Figures released by Peter Barron (Google Chief Communication Officer) in occasion of the “CNA Next” event in Florence, November 2013.

## ***1.2 The two sides of the Made in Italy: global brands and small craft manufacturers***

### ***1.2.1 The industrial organization of the Made in Italy manufacturing industry***

The Made in Italy brand hides behind a very complex industrial system of manufacturing firms. Taking into analysis the “Four F’s” sectors, the prevailing industrial organization model is still the one of the districts. This system is based on a local network of specialized enterprises where craft labor and complementary inter-firm capabilities play a fundamental role<sup>11</sup>. In particular, the complex regional ecosystem of interconnected firms is constituted by the bigger firms, which usually act as leaders and catalyzer of the system, and by a multitude of local suppliers and contractors highly specialized in specific phases of the overall value chain.

A systemic process of innovation particularly characterizes the districts framework. On the one hand, it has its roots in the tacit knowledge absorbed by the workers during their daily operations and it is constantly renewed through learning-by-making mechanisms. On the other hand, thanks to the spatial proximity the improvements take origin by the knowledge spillovers between the district agents<sup>12</sup>. These peculiar dynamics explain why the recent offshoring phenomenon did not incisively reshape the organization of the districts operating in niche markets in which the product innovation is strictly connected to the manufacturing activities and the roles of producer and innovator often overlap.

At this point, it is necessary to highlight the key trends that have affected the evolution of the Italian manufacturing industries after the establishment of the industrial districts in the ‘70s.

a) ***Global offshoring*** - Starting from the ‘90s the global outsourcing and offshoring phenomenon strongly reshaped the industrial organization of many western economies. These changes particularly involved the low-tech and labor-intensive mature industries focused on mass-markets. Taking the opportunities offered by the globalization (as the

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<sup>11</sup> Becattini G., *Italian Industrial Districts: problems and perspectives*, International Studies of Management & Organization, 1991.

<sup>12</sup> Buciuni G., Corò G., Micelli S., *Rethinking the role of manufacturing in global value chains. An international comparative study in the furniture industry*, in *Industrial and Corporate Change*, vol. Advance Access, pp. 1-30, November 26, 2013.

European Monetary Union, the entry of China in the WTO and diffusion of the networking technologies), in order to exploit the lower labor costs many companies chose to relocate the manufacturing operations in the developing countries. At the same time, they centered the in-house efforts on higher value-added activities as the design, marketing and retail.

The direct consequences of the new global value chain approach were, on the one hand, the achievement of a greater flexibility and a reduction of the sunk costs obtained by the new global production networks; on the other hand, the disaggregation of the previous local value chains with the resulting reduction of control over the production activities, the loss of tacit knowledge mainly represented by the manufacturing capabilities, and the interruption of the relationships with their previous supply chain partners<sup>13</sup>.

b) ***Open Networks*** - In contrast to the point before many Italian companies involved in the industrial districts chose to upgrade their value chain by keeping the bulk of the manufacturing activities locally. However, the typical benefits of the districts did not prevent them neither to open-up and take to the global level other components of the value chain, nor to join external sources of innovation and knowledge.

Chiarvesio et al. refer to the following evolution of the traditional districts model as the rise of the “Open Networks”, pointing out that it is most frequently adopted by the biggest companies holding the leadership of the local systems (authors define them as leading firms)<sup>14</sup>. In general their key features are: 1) the great investments in branding and worldwide promotion; 2) the involvement of foreign suppliers through global sourcing networks; 3) the development of global distribution networks constituted by international partnerships with local distributors, overseas offices and flagship stores; 4) last but not least, the upgrade of the design and R&D functions from the fully internal R&D departments towards more open innovation models by establishing partnerships with international collaborators. As the offshoring, the Open Networks led to a deep

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<sup>13</sup> Zirpoli F., Baker M. C., *What happens when you outsource too much?*, MIT Sloan Management Review, vol. 52, pp. 59-64, 2011.

<sup>14</sup> Chiarvesio M., Di Maria E., Micelli S., *Global Value Chains and Open Networks: The Case of Italian Industrial Districts*, in *European Planning Studies* vol. 18, pp. 333-350, 2010.

evolution of the whole Italian ecosystem of districts too, bringing significant benefits to the all the agents involved.

c) **Back-reshoring** - In the recent years “many Western companies have re-concentrated parts of the production from own foreign locations as well as from foreign suppliers to the domestic production site” (Kinkel and Maloca, 2009)<sup>15</sup>. Thanks to the government involvement, this phenomenon has been particularly significant in the US.

The Italian inter-university research group Uni-CLUB MoRe recently discovered that the back-reshoring strategy is more and more adopted also by the Italian manufacturers<sup>16</sup>. In particular the scholars note that the most affected industries are the mechanic, the clothing & footwear and the furniture & home decor, which exactly represent the Italian manufacturing excellence. According to their findings, the most frequent motivations that have led to this ongoing shift are the better exploitation of the made-in effect, and the greater responsiveness, flexibility and quality standards guaranteed by the domestic suppliers. More than that, the rising labor costs in the developing countries, the minimum batch quantities required, and the logistics issues strongly reduced the benefits of the global outsourcing.

### ***1.2.2 The unit of analysis: the Italian Craft Manufactures***

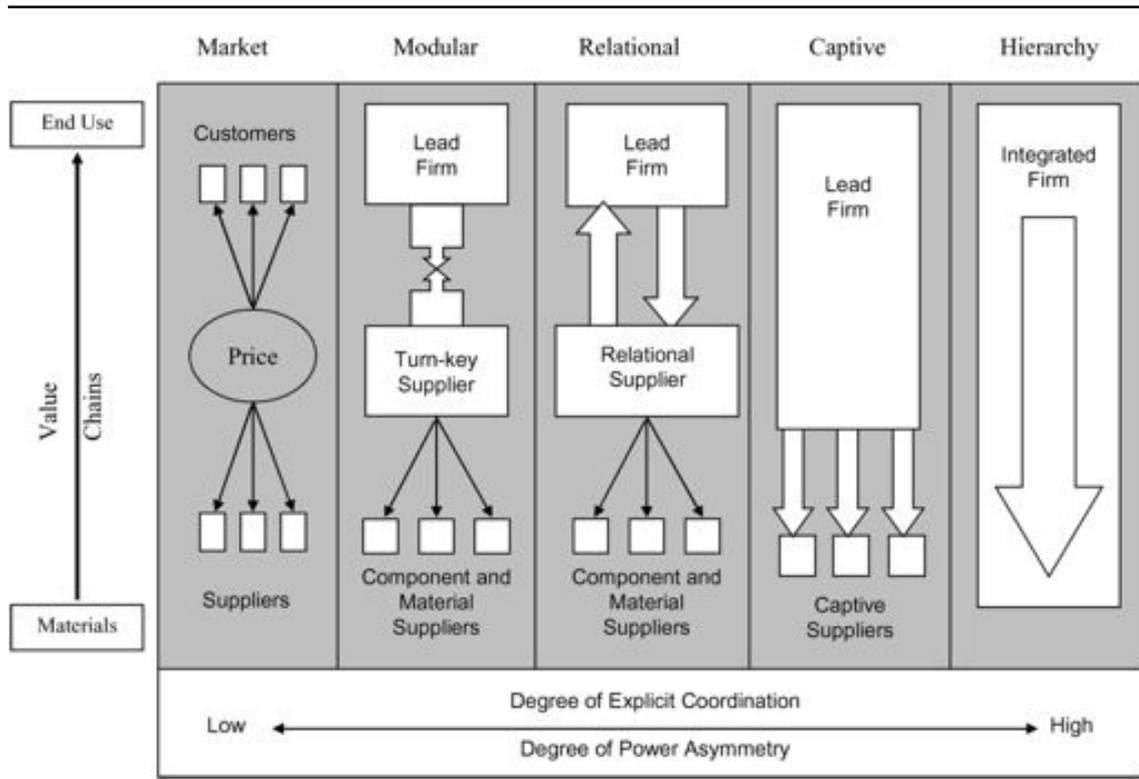
In the light of the discussions made up to this point and in order to define the dissertation unit of analysis, it is fundamental to make a distinction between the different types of companies involved in the Made in Italy manufacturing sector. The partitioning performed takes into account the framework developed by G. Gereffi et al., which focuses on the different kind of governance that the leading firms establish with their suppliers. Taking into account the degree of explicit coordination and reciprocal interdependence between the two agents, authors propose five models of value chain governance (Figure 3).

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<sup>15</sup> Fratocchi L., Di Mauro C., Barbieri P., Nassimbeni G., Zanoni A., *When manufacturing moves back: concepts and questions*, Journal of Purchasing & Supply Management 20 (2014), pp. 54-59, Elsevier.

<sup>16</sup> Fratocchi L. et al., *Manufacturing back-shoring: A Research Agenda for an Emerging Issue in International Business*, Proceedings of the 37th European Business Academy Annual Conference, ASE, Bucharest, 8-10 December, 2011.

**Figure 3 - Five global value chain governance models**



Source: Gereffi G. et al., 2005.

**Table 4 - The three main profiles of Italian manufacturing firm**

	<i>Global Brands</i>	<i>Contract Manufacturers</i>	<i>Craft Manufacturers</i>
<b>1) Main company form</b>	Public companies	Manufacturing businesses	<b>Craft businesses</b>
<b>2) Dimension (employees, turnover)</b>	Big and global (> 250 e., > 50M EUR)	SMEs (< 250 e., < 50M EUR)	<b>SMEs (&lt; 250 e., &lt; 50M EUR)</b>
<b>3) Core internal activities</b>	Design, promotion, brand management and retail	Manufacturing	<b>Manufacturing, sales</b>
<b>4) Manufacturing activities (governance model)</b>	External, captive/hierarchy relationships with domestic specialized contractors	In-house, full dependence on the customers' requirements	<b>In-house/inside the district, tight relationship with selected network of suppliers and contractors</b>
<b>5) Core assets and distinctive capabilities</b>	Heritage and well-known brand, promotion, global sourcing and distribution networks, retail	Manufacturing know-how, customer portfolio	<b>Brand heritage, in-house manufacturing K.-H., flexibility, service-orient., local specialized partners.</b>

Author's elaboration.

The most of the agent involved in the “Four F’s” industries can be associated to the following profiles (Table 4).

a) **Global brands** - The first profile reflects the most well-known Italian players operating in luxury and niche markets that have been mentioned in Chapter 1.1. Their distinctive features can be summarized in this manner. 1) They are public companies often belonging to larger multinational groups quoted on the stock exchange. 2) They rely on large organizations led by tall managerial structures, and they are often endowed by overseas headquarters as well as global retail networks. 3) The core internal activities are design, promotion, brand management, and retail. 4) The manufacturing activities are outsourced to a selected network of domestic contract manufacturers which are managed through captive/hierarchy relationships. 5) Finally, their competitive advantage is imputable to the brand heritage and global fame, the capabilities to promote and recount their products adopting innovative marketing strategies (Web, multimedia contents, storytelling, product placement and events), and to the advanced supply chain and retail management.

b) **Contract Manufacturers** - Their distinctive features are the following. 1) 2) They are mostly manufacturing-based small and medium enterprises (SMEs) led by one or few entrepreneurs<sup>17</sup>. 3) 4) They are strictly dependent from the global brands or the districts leading firms they belong; they perform the manufacturing activities on the behalf of them and they are managed through captive or hierarchy relationships; in particular they rely on specialized workers that realize finished or semi-finished products according to the specific customers’ requirements. 5) Their competitive advantage is based, on the one hand, on the know-how related to the production activities, on the other hand, on the established relationships with the customers.

c) **Craft Manufacturers** - The last category represents the main unit of analysis of the dissertation and it coincides with the definition of district leading firm discussed at the beginning of this chapter. The core features of the Italian Craft Manufacturers are the following. 1) 2) 3) They are SMEs specialized in the production of the Italian

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<sup>17</sup> Definition of small and medium enterprise taken by the European Commission’s recommendation 96/280/CE of 1996 and its related update (recommendation 1442 of 2003).

leading products and they are independent from specific customers; even if their organization is often vertically integrated, their core activities are clearly the production and sales of finished products. 4) 5) Specifically regarding the manufacturing activities, they usually perform them in-house or through local contractors and suppliers which are managed adopting relational governance models; exactly the spatial proximity with the partners stands at the basis of their competitive advantage, allowing them to benefit from a great flexibility, responsiveness and service-orientation to the customers' requests that often culminates in the made-to-measure and bespoke production. In addition to that, the brand heritage, the long manufacturing know-how, and the direct link with the final market guarantee them a strong potential especially in niche markets.

### ***1.2.3 Italian Craft Manufacturers: problems and perspectives***

Even though their worldwide recognition, the Italian Global Brands represent just the tip of the iceberg. Indeed, the no-brand Craft Manufacturers reflect a consistent amount of the domestic enterprises involved in the manufacturing sector. Even if it is difficult to provide a correct size because of the broad definition, it is useful to provide some reference data. In 2013 Confartigianato estimated that the Italian craft businesses were nearly 1,45 million, concurring for 18% to the national exports with an overall turnover of more than 150 billion euro<sup>18</sup> <sup>19</sup>. Moreover, it is useful to consider some other features: the Italian SMEs are nearly 4 million composing 99% of the domestic companies, they produce almost 70% of the national GDP, and they employ nearly 80% of the total workforce<sup>20</sup> <sup>21</sup>.

The “Made in Italy” products have a strong appeal on the consumers throughout the world; exactly for this reason the unique manufacturing capabilities represent one of the major assets of the Italian industrial system. Considering the case of the fashion industry, even the foreign leading brands of the luxury segment rely almost exclusively

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<sup>18</sup> Ufficio Studi Confartigianato, *Si può fare! Come si può fare? Sintesi Rapporto Convention Categorie 2013*, Confartigianato Imprese, November 2013.

<sup>19</sup> The craft business requirements are established by the Italian Law No. 443 8/08/1985.

<sup>20</sup> ISTAT, 2012.

<sup>21</sup> It is worth noting that 95% of the total Italian enterprises have less than ten employees and employs 47% of the total national workforce. In addition to that, Italy is also the European country with the highest number of SMEs.

on Italian craft manufacturers for the production of their products. For example Louis Vuitton and Dior commit the realization of their shoes to the artisans belonging to the Riviera del Brenta shoe district, while Céline and Chanel entrust specialized contractors of the Tuscany leather district for the creation of their icon bags. Moreover, both many of the major Italian brands as Gucci, Bottega Veneta and Loro Piana, and specialized craft manufacturers have been acquired by international investments groups focused to the luxury business as Kering and LVMH.

Despite these evidences, the lacking international distribution and promotion remain the greatest failing of the Italian Craft Manufacturers. Indeed, aside of few isolated cases, only the enterprises acquired by larger international groups have been able to successfully upgrade their capabilities and take their business to the international level. In this perspective, the Italian Craft Manufacturers can overcome the historic limits of the “Made in Italy” by taking advantage of the latest digital technologies. By better exploiting the power of the Net they would develop innovative distribution models and new inter-firm networks to gain access to unexplored market opportunities.

On the other hand, the ICT provides powerful tools to establish a renewed relationship with the consumers. As A. Granelli pointed out in a recent newspaper column, “one of the priorities is not just producing beautiful, useful and unique products, but especially being able to recount them: marketing, storytelling, sense making are the more complex and fascinating challenges for the Italian Craft Manufacturers”<sup>22</sup>. The corporate storytelling, translated into effective multimedia contents, exactly represents what they have to adopt to foster the creation of an emotional linkage with the new generation of consumers (defined as Postmodern consumers by the Italian marketing scholar G. Fabris<sup>23</sup>).

Also Google confirmed the Italian strategic need for digitalization. In November 2013, in occasion of the Big Tent meeting entitled “Made in Italy: the digital challenge”, Eric Schmidt (Google Executive Chairman) announced the company commitment to support the “Made in Italy” in the digital economy conquest. At this purpose it launched

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<sup>22</sup> Granelli A., *Il futuro è degli artigiani, se cambiano*, Linkiesta web magazine, May 5<sup>th</sup>, 2014.

<sup>23</sup> Fabris G., *Societing. Il marketing nella società Postmoderna*, Egea, Milano, 2008.

two projects in synergy with some Italian public institutions. The first platform is named exactly “Made in Italy” and it is realized by a partnership between Google Cultural Institute, Unioncamere and the Italian Ministry of Agriculture. In particular it aims to highlight and promote online the most important local excellences through a collection of more than one hundred specific multimedia contents, which range from the places with a particular cultural relevance to renewed craft products and typical foods<sup>24</sup>. In addition to this, in collaboration with Ca’ Foscari University of Venice, Unioncamere and Fondazione Symbola, Google launched “Eccellenze in Digitale”. The project aims to support the Italian SMEs in the digitalization process and in the adoption of the eCommerce as a strategic retail channel<sup>25</sup>.

In conclusion, in order to relaunch the domestic economy, Italian Craft Manufacturers must upgrade their business model through the pervasive adoption of the Web and digital technologies. In particular, they have to integrate their making capabilities, firstly, with new partnerships to jointly face the global markets, secondly, with the development of up-to-date digital skills necessary to recount their products by taking advantage of the new medias.

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<sup>24</sup> [google.it/madeinitaly](https://www.google.it/madeinitaly)

<sup>25</sup> [www.eccellenzeindigitale.it](http://www.eccellenzeindigitale.it)

### ***1.3 The Crisis impact on the national industrial system***

During the last six years the Italian industrial economy has been hit by two great recessions that have caused the fall of the national production, the consequent bankruptcy of numerous enterprises as well as the loss of employment. However, Italy still holds the seventh position as global industrial power and the second one in Europe.

The Financial Crisis raised in the United States in 2008 triggered the first recession that hit the Italian markets between 2008-2009. According to Centro Studi Confindustria, it caused a fall of 7,2% in the national GDP and 26,6% in the industrial production. In particular, it was driven mainly by the decline of the foreign demand (-21,7%) rather than the internal one (-3,8%)<sup>26</sup>.

Even though a faltering recovery between 2009 and 2011, the second recession wave has stricken the Italian economy causing a fall of 4,1% in GDP and it is still ongoing (Figure 5). This is the longest one from the Second World War and it has been driven by a serious contraction of the internal demand (-11,7% until the last trimester of 2012), while the exports have risen of 5,1%. Finally, compared to the pre-crisis peak, its impact on the industrial sector has been very deep: -25,8% adopting as index base the year 2000<sup>27</sup>.

Due to the shutdown of many manufacturing enterprises (-8,3% between 2007 and the end of 2012, more than 100.000 only in 2012), it has caused a loss of almost 15% of the domestic production capacity. However, the average data hide significant differences between the single industries of the “Made in Italy” sector. In particular, taking into analysis the “Four F’s”, only the food and beverage has suffered by a single digit decrease (index base 2000), while fashion (clothing, leather and textiles), furniture, and machinery suffered by a drop of between -14,8% and -34,7% (Table 6).

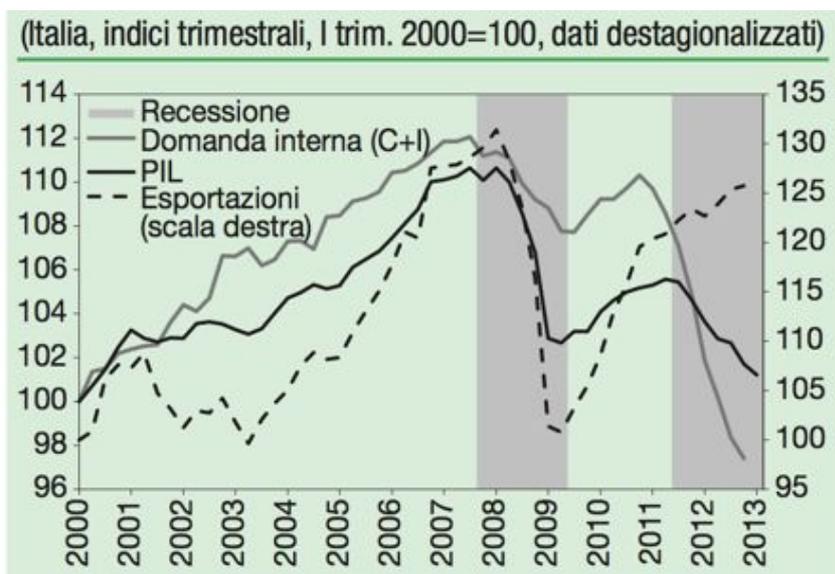
Even if they have been hindered by the slowdown of the worldwide demand especially in the Eurozone, the exportations are positively contributing to the GDP and industrial production endurance.

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<sup>26</sup> Centro Studi Confindustria, *L'alto prezzo della crisi per l'Italia. Crescono i paesi che costruiscono le condizioni per lo sviluppo manifatturiero*, Scenari industriali n. 4, June 2013.

<sup>27</sup> ISTAT, March 2013.

Figure 5 - The Crisis impact on the Italian economy



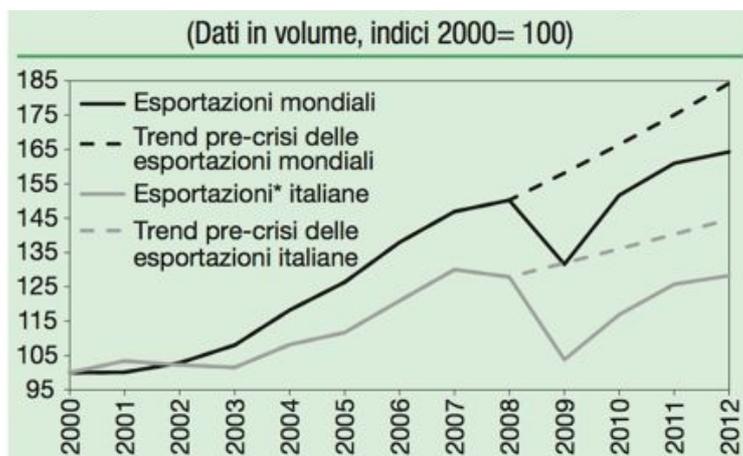
Source: CST elaboration of ISTAT data, 2013.

Table 6 - The Crisis impact on the single industrial sectors

Attività manifatturiere	Prima recessione	Seconda recessione	Var. % al 1° trim. 2013 dal 3° trim. 2007
Farmaceutica	0,9	0,6	3,8
<b>Alimentari</b>	<b>-3,7</b>	<b>-2,3</b>	<b>-1,2</b>
<b>Bevande</b>	<b>0,2</b>	<b>-3,0</b>	<b>-1,2</b>
<b>Abbigliamento</b>	<b>-3,2</b>	<b>-12,7</b>	<b>-14,8</b>
Carta	-17,0	-6,7	-16,4
Riparazione, manutenzione e installazione	-18,5	-19,5	-17,3
<b>Pelle e pelletteria</b>	<b>-22,9</b>	<b>-5,7</b>	<b>-19,4</b>
Altre industrie manifatturiere	-28,8	-13,8	-20,6
Chimica	-18,3	-7,1	-20,9
Computer e prodotti di elettronica e ottica	-18,4	-11,2	-21,3
Stampa e riproduzione	-4,6	-14,3	-21,7
Altri mezzi di trasporto	-7,7	-2,6	-22,7
<b>Totale manifatturiero</b>	<b>-24,3</b>	<b>-9,7</b>	<b>-23,7</b>
Gomma e materie plastiche	-25,2	-10,7	-24,9
<b>Macchinari e apparecchiature</b>	<b>-39,8</b>	<b>-9,0</b>	<b>-24,9</b>
<b>Mobili</b>	<b>-21,8</b>	<b>-15,7</b>	<b>-25,9</b>
Coke e prodotti della raffinazione del petrolio	-10,7	-17,5	-27,5
Metallurgia	-40,8	-17,1	-29,6
Prodotti in metallo (esc. macchinari e attrezzature)	-36,8	-12,9	-33,0
<b>Tessili</b>	<b>-33,2</b>	<b>-15,4</b>	<b>-34,7</b>
Apparecchiature elettriche	-40,1	-11,4	-35,5
Altri prodotti della lavoraz. di minerali non metalliferi	-26,7	-18,9	-42,0
Legno e prodotti in legno (esc. mobili)	-32,9	-16,5	-45,1
Autoveicoli, rimorchi e semirimorchi	-45,5	-26,6	-45,1

Source: CST elaboration of ISTAT data, 2013.

**Figure 7 - Italian exportations trend, 2000-2012**



*Source: CST elaboration of ISTAT data, 2013.*

In particular the Italian enterprises are compensating the weakness of the EU-countries focusing on the emerging markets (Figure 7). This trend is confirmed, on the one hand, by the fact that the national exportations towards these countries have raised of 4% during the last five years; on the other hand, the manufacturing surplus has exceeded the trade with the foreign countries of 14%, doubling the last twenty years average.

## **2. The digital opportunities for the Made in Italy**

*During the last thirty years the ICT reshaped the entire business processes of the most of the companies. However, the recent advent of the Web 2.0 and the new generation of web-based solutions have inaugurated a new era of opportunities.*

*The following chapter puts the focus on the broad benefits that the adoption of a web-centric business model can provide to the small and medium enterprises operating in the manufacturing sectors. In particular, analyzing the best worldwide digital practices, it is possible to derive many valuable best practices for the Italian players.*

*The first part of the chapter highlights the recent key innovations as the cloud computing, the 3D-printing and the new online social environments (Ch. 2.1). In particular, the case of the US Maker Movement provides practical evidences of how also the more traditional businesses can benefit from the adoption of the new technologies.*

*On the other hand, in the light of the well-known under-digitalization of the Italian SMEs, the second part aims to investigate how they deal with the Web and ICT (Ch. 2.2), how they exploit the Web as a retail channel (Ch. 2.3), and which can be the levers to speedup the ongoing digitalization process (Ch. 2.3).*

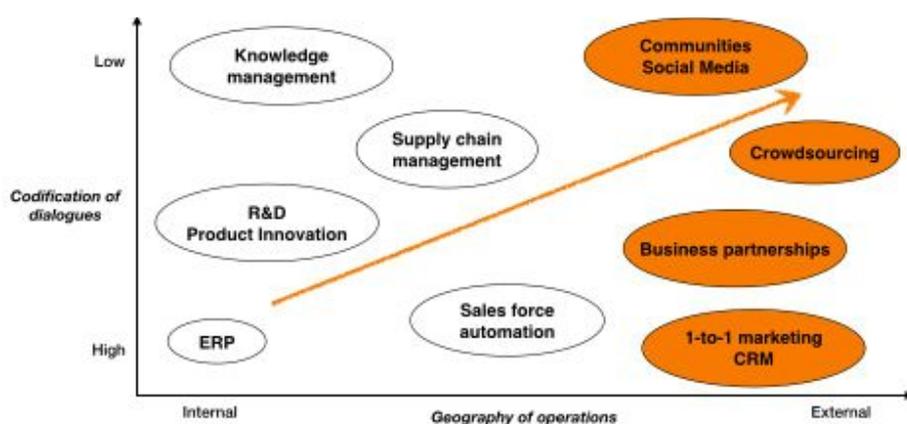
*Lastly, the chapter ends with a recommendation addressed to the small companies operating in the “Made in Italy” sector: they can take advantage of the digital opportunities to led a web-driven internationalization process effectively spreading their creations in the foreign markets (Ch. 2.4).*

## 2.1 The impact of the digital technologies on the manufacturing businesses

Starting from the '80s the impact of the ICT has gradually involved all the business functions. Especially at the beginning, the digital technologies led to improvements mainly in terms of efficiency and control over the operations. On the contrary, the New Millennium saw the introduction of radical innovations as the cloud computing and the Web 2.0, which opened up new horizons<sup>28</sup>.

In order to better analyze this shift, the model proposed by S. Micelli turns to be very explanatory<sup>29</sup>. The two variables the author takes into consideration are: on the one hand, the codification level of the dialogues and knowledge as well as the extent of the procedures that regulate their sharing; on the other hand, the width of the company boundaries and of the subjects involved. Referring to Figure 8 it is possible to point out that the activities located in the south-west of the representation are already well-established in almost all the enterprises and they will be object mainly of incremental innovations. On the contrary, the activities characterized by a low codification and located at the extremities of the firms' boundaries exactly represent the areas in which the companies can establish their new competitive advantages.

**Figure 8 - New competitive paradigms in the ICT**



*Author's elaboration of Micelli S., 2000.*

<sup>28</sup> The concept of Web 2.0 was coined by Dale Dougherty in 2004. On the other hand the Tim O'Reilly was the one who defined and formalized its features. See O'Reilly T., What Is Web 2.0, blog post on [www.oreilly.com](http://www.oreilly.com), September 2005.

<sup>29</sup> Micelli S., *Imprese, reti e comunità virtuali*, Etas, 2000.

As Marston et al. point out, the cloud computing provided a strong contribution to the democratization of the ICT, allowing also the smaller enterprises to adopt advanced services inaccessible until then<sup>30</sup>. The first feature regards the cost-related aspects of the cloud revolution. Indeed, thanks to the new distribution model “as-a-service”, the traditional sunk costs related to networking infrastructures and legacy software today can be avoidable<sup>31</sup>. Specialized providers in exchange for a periodic fee now supply the hardware, the platforms and the applications via Internet. In connection to the last point, authors highlight also the extreme scalability of these services, enabled by the almost unlimited resources made available from the providers (as Amazon, VMware and Microsoft). Finally, the cloud computing lowered the barrier to the innovation thanks to new generations of applications and distribution models. The best example is represented by the growing “Appification” trend that is involving also the enterprise software solutions<sup>32</sup>. As in the case of the mobile “apps”, today more and more applications are made available on cloud platforms by specialized developers (the best example is the incredible ecosystem that Apple built around its App Store). This turns to be extremely useful for whoever is in search for implementing new turnkey solutions in their own enterprise systems.

On the other hand, the networking technologies have deeply reshaped the relationships both between the companies themselves and with the consumers. Regarding the former, in his recent book P. Marsh analyses the impact of these kinds of innovations on the manufacturing activities<sup>33</sup>. Defining it as “The New Industrial Revolution”, the author highlights the three main implications. 1) The networked manufacturing makes it easier for businesses to operate in dispersed locations, drawing on skills spread across the globe. 2) Manufacturers can now easily intercept innovative solutions from the Web, and exploit advanced technologies as the Computer-Aided-Design (CAD), Computer-Aided-Manufacturing (CAM) and the revolutionary 3D-

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<sup>30</sup> Marston S., Li Z., Bandyopadhyay S., Zhang J., Ghalsasi A., *Cloud Computing - The business perspective*, Decision Support Systems 51, 176–189, Elsevier, 2011.

<sup>31</sup> The cloud technologies are distributed “as a service” through the payment of a periodic rental fee. In particular the most diffused business models are respectively the Infrastructure as a Service (IaaS), the Platform as a Service (PaaS), and Software application as a Service (SaaS).

<sup>32</sup> Accenture, *Managing the Growing “Appification” of Business*, 2013.

<sup>33</sup> Marsh P., *The New Industrial Revolution: Consumers, Globalization and the end of Mass Production*, Yale University Press, 2012.

printers. 3) The “industrial democracy” introduced by these technologies allowed new countries to take part in the global manufacturing scenario; the offshoring practices of the western manufacturers and the consequent extraordinary growth of the Chinese OEMs represents the best example.

At the same time, the innovations in the networking technologies led to a deep socioeconomic transformation also on the consumer side. On the one hand, referring to the Cova’s studies dating back to 1997, the diffusion of the online social environments strongly reinforced the communities of consumers and the linking value between their single members<sup>34</sup>. On the other hand, they deeply reshaped the traditional role of the consumers with respect the companies, turning the former into strategic resources for the product promotion and the brand diffusion. In that respect, in 1980 Alvin Toffler coined the concept of “Prosumers” to describe this new generation of end users, while Ritzer et al. defining them as “value co-creators” demonstrated of how wide can be their contribution to the value creation process<sup>35 36</sup>. The hidden effects of the prosumers’ activities on the social networks as the diffusion of useful data and the sharing of the brands viral contents represent tangible evidences; in the same way they can even become co-creators and funders of business initiatives thanks to the emerging crowdsourcing platforms.

At this purpose, the new consumers online behavior led to the development of a new generation of marketing techniques more and more web-oriented. In particular, the contents diffused for the promotion of brands and products have deeply changed with the advent of the Web 2.0 Era, becoming much more sophisticated and emotion-oriented. Observing Figure 9 it is possible to point out that they have moved from convincing and educating people (rational plan, south of the figure) to entertain and inspire them (emotional plan, north of the picture). For this reason, currently the bigger challenge for the enterprises is to exploit the social buzz and the online world-of-mouth by emotionally engaging the communities of users.

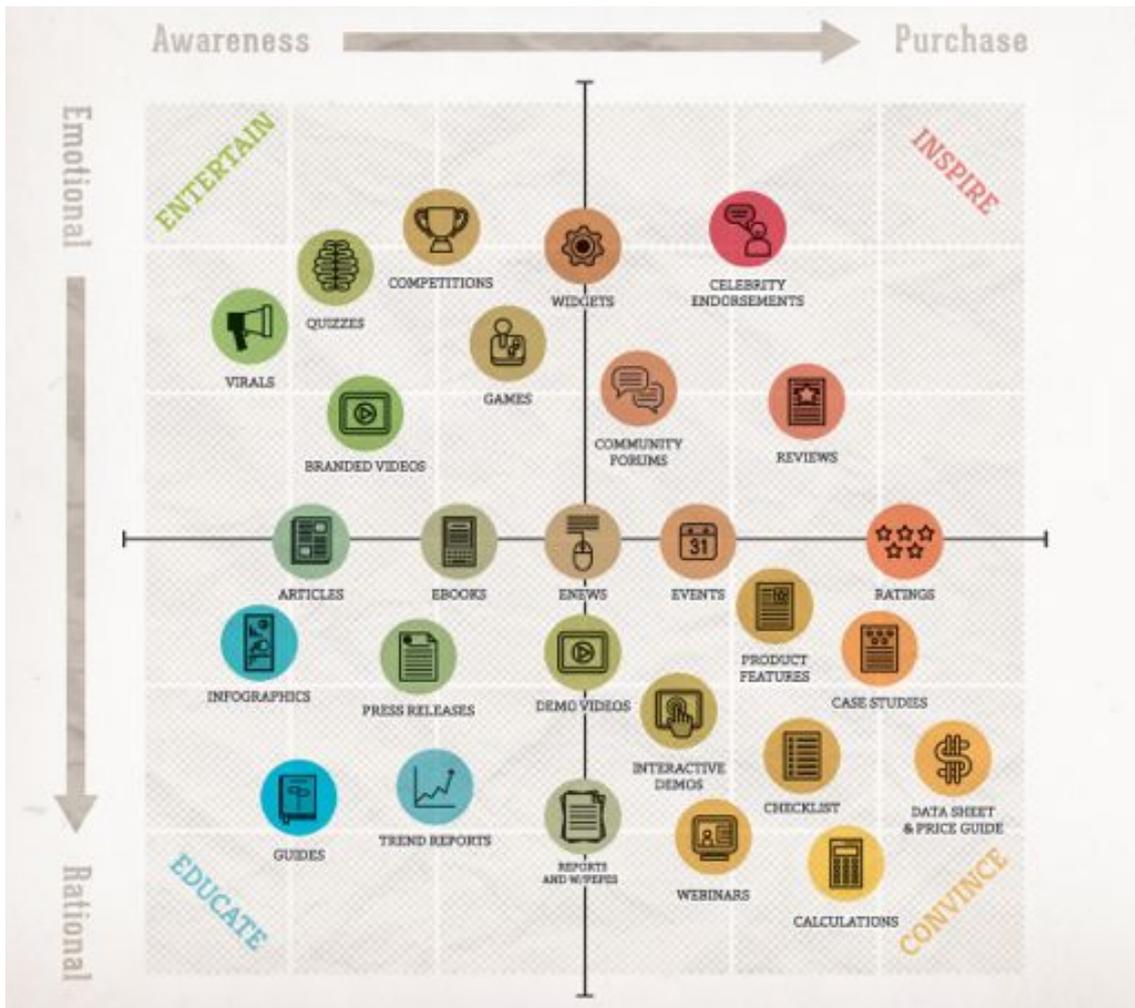
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<sup>34</sup> Cova B., *Communities and consumption. Towards a definition of the “linking value” of products or services*, European Journal of Marketing, Vol. 31 No. 3/4, pp. 297-316, 1997.

<sup>35</sup> Toffler A., *The Third Wave. The Classic Study of Tomorrow*, Bantam Books, 1980.

<sup>36</sup> Ritzer G., Dean P., Jurgenson N., *The coming age of the Prosumers*, American Behavioral Scientist, 56(4) pp. 379-398, Sage Publications, 2012.

**Figure 9 - The content marketing matrix**



Source: *smartinsights.com*, 2013

Before concluding these introducing paragraphs, it is right and proper to briefly discuss the American Maker Movement, which probably was the original trigger of the so-called “New Industrial Revolution”. This subculture was originated by the collision of two pervading phenomenon that characterized the Postmodern society since its origin: the Do-It-Yourself culture, deeply rooted especially in the United States, and the strong impact of the digital and information technologies on the everybody’s life. This provoked an incredible big bang that inaugurated a new generation of manufacturing businesses.

The main theoretical contributions to that movement come respectively from Chris Anderson (founder of Wired magazine and author of the bestseller book entitled

Makers: The New Industrial Revolution), Dale Dougherty (funder of Make magazine), and Cory Doctorow (editor of Boing Boing magazine and author of a novel entitled Makers)<sup>37 38 39</sup>.

The first interesting perspective about the new generation of businesses regards their genesis: the Makers Movement is formed by a galaxy of digital-native companies mainly born in the last decade. Precisely for this reason, their business models are designed according to the principles of the Web 2.0 since the beginning, enabling them to take advantage of the most recent trends in the online scenario. As C. Anderson stated in his book, “since the Makers sell their products only through digital channels, they compete in the global market from the first day”.

Another relevant feature of the Movement is the breakthrough approach to the traditional firm’s boundaries. In fact, embracing open and web-based business models, the online communities of users together with the other online-based partners represent the Makers’ most valuable resources.

Lastly, observing the goods they offer it is easy to grasp that they are far away from the typical outputs of the mass-production. On the contrary, the Makers strongly believe in creativity, crafting, hacking, customization, and recycling to realize cutting-edge creations, which are addressed to narrow market niches that nowadays are easily accessible thanks to the Web.

Adopting the Global Value Chain framework developed by G. Gereffi, G. Buciuni pointed out the new scenarios introduced by those digital-born business models<sup>40</sup>. Indeed, it is possible to observe that the ICT impact the whole value-chain components, from funding, design and R&D, to the promotion and retail. Firstly, considering the funding, while the ordinary businesses usually have to put themselves into the hands of banks and the web startups into the hand of venture capitalists, Makers can rely on

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<sup>37</sup> Anderson C., *Makers: The New Industrial Revolution*, New York: Crown Business, 2012.

<sup>38</sup> Make is a magazine found by D. Dougherty in 2005. The community born around the magazine is deemed the starting point of the Makers Movement. The magazine is also the promoter of the most important fair dedicated to this subculture that takes place every year in San Mateo, California.

<sup>39</sup> Doctorow C., *Makers*, Tor Books, 2009.

<sup>40</sup> Buciuni G., *Valore aggiunto digitalizzato*, Nòva, Il Sole 24 Ore, April 2<sup>nd</sup>, 2014.

crowd-funding communities without pay any interest or dividends. Exploiting specialized web platforms they can submit their product idea to an online community of people; if enough users appreciate it and want it to be produced, they jointly fund the project in exchange for a reward (from a gadgets to product limited editions). Looking at the results of Kickstarter, the most diffused platform, it is incredible to see how many people committed to finance manufacturing startups there are in the world. In witness whereof, thanks to the donations of nearly 5,8 million people who successfully financed almost 60.000 projects, Kickstarter has recently reached the threshold of one billion dollar of funds raised<sup>41</sup>.

Secondly, as for the design, R&D and innovation activities, each Maker can entrust to online communities of designers, software developers and followers that freely offer their competences in line with the Open-Source principles. To give one example, through a platform named Quirky, designers can submit their products ideas. If enough members of the community pre-buy it, the company takes care of the manufacturing and sales rewarding the designer with a royalty fee.

Thirdly, the new technologies significantly transformed also the manufacturing activities. In particular, C. Anderson points out that the introduction of 3D-printing technologies together with CAD software provided a cutting-edge alternative to the large-scale production. Thanks to these new technologies in fact, the investments and fixed costs needed to startup a manufacturing business incredibly fell; exactly exploring the new digital opportunities, the Makers start up their businesses betting on limited batches of customized products. At the same time, the shocking diffusion of open-source manufacturing technologies also in the consumer market opened up new opportunities for collaborative and remote forms of production<sup>42</sup>.

Fourthly, the new generation of web-driven businesses massively exploit the social networks and the online communities for the diffusion of their brand and the promotion of their creations. As has been already discussed, the best viral marketing practices come exactly from the Maker Movement and Blendtec is one of the most brilliant

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<sup>41</sup> Kickstarter Stats, <https://www.kickstarter.com/help/stats>, March 24<sup>th</sup> 2014.

<sup>42</sup> By selling its basic model at less than 3.000 dollar, Makerbot has become the most popular US producer of 3D-printers. They are sold online directly by the official website and they are also distributed through a global retail network as a consumer product.

examples of this. The US producer of blenders in fact rapidly reached the global notoriety through a series of funny videos uploaded on YouTube (the series, named “Will it blend?” shows the founder while he blends every kind of electronic stuff, from iPads to the latest Samsung smartphone)<sup>43</sup>. They have more than 200 million visualizations with so many sharing on the behalf of the amused users who casually found them on the Web. The result has been an incredibly successful marketing campaign characterized by an extreme virality that is still on air.

Lastly, the Movement proposes a new model for the retail. The new generation of entrepreneurs relies on the eCommerce as the main channel to globally sell their creations. In particular Jason Goldberg (the CEO of Fab, an American startup that has rapidly grown in the design industry) recently gave an interesting interpretation about the evolution of this channel in his personal blog. He emphasized three main trends that it took: starting from the commodity commerce, it evolved reaching the emotional sphere<sup>44</sup>. Today in fact we can observe that the most innovative vertical platforms as Etsy rely much more on people and emotions compared with commodity ones as Amazon and eBay, which basically compete on stock availability and price.

In conclusion, as far as the Maker Movement represents a niche in the worldwide business scenario and the replicability of the model needs adequate thoughts, it provides many helpful lessons for every company which operates in the manufacturing sector. In particular, it demonstrates that the impact of the ICT has gone far beyond the beginning expectations of the ‘90s. The Web-related technologies have become an evident business model and an integral part of the overall value creation processes. More than that, the Movement proves that the wise exploitation of the Web 2.0 and the networking technologies can led to a new generation of synergies both between other companies and with the consumers, who in the meanwhile evolved becoming Prosumers.

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<sup>43</sup> Blendtec channel on YouTube: [www.youtube.com/user/Blendtec](http://www.youtube.com/user/Blendtec)

<sup>44</sup> Jason Goldberg is the CEO of FAB, a company born surfing the wave of the Maker Movement that is specialized in the eCommerce of furnishing and design products. In particular in February 2014 he reported his vision about the eCommerce trends through a post on his own blog. This was object of many columns in influential business magazines and newspapers. Link to the post: <http://betashop.com/post/47467121941/the-3rd-wave-of-e-commerce-disruption-emotional>

## ***2.2 Italian SMEs and the ongoing digitalization process***

### ***2.2.1 The current stage of the SMEs digitalization process***

The SMEs represent the essence of the Italian economic framework, but unfortunately they are also the ones that face the major difficulties in implementing the ICT into their business. As the more digitalized countries demonstrate, the improvement of the overall capability to exploit the digital opportunities can have a significant impact on the relaunch of the economy after the Crisis. At this purpose, a general consensus has emerged on the need for an effective push to the rapid digitalization of both the public and private Italian actors.

In order to define the state-of-the-art of the ongoing digitalization of the Italian SMEs it has been chosen to analyze the results of some authoritative researches. The first one was published in 2013 by DoxaDigital and it draws three main profiles associated to the implementation of digital practices<sup>45</sup>. To classify them, the researchers set specific indicators and they made a useful distinction between the small enterprises (<50 employees and a turnover of <10M euro) and the medium ones (<250 employees and a turnover <50M euro), which provides important information regarding the correlation between the size and the digitalization level.

The following profiles have been identified (Figure 10):

a) ***Non-digital*** - It has available at least a PC and the Internet connection, but it does not have any corporate website. Furthermore, it does not sell online and it does not undertake any web marketing activity. The small enterprises belonging to this category are 47% of the sample, while the medium ones are 17%.

b) ***Embryonic*** - It has at least a PC and a mobile device, the Internet connection and a company website. However it does not sell online and it performs only basic web marketing activities. The small enterprises belonging to this category are 28%, while the medium ones are 54%.

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<sup>45</sup> Novelli S., Federico F., Latorre A., *Internet & Export. Il ruolo della rete nell'internazionalizzazione delle PMI*, DoxaDigital, October 2013.

**Figure 10 - Digitalization level of the Italian small and medium enterprises**



*Author's elaboration of data collected by DoxaDigital in 2013, 2014.*

c) **Advanced** - It has at least a PC, a mobile device and the Internet connection; it sells the products through an eCommerce platform embedded in the website and it undertakes advanced promotion activities as e-mail marketing, social media marketing and Google AdWords campaigns. The small enterprises belonging to this category are 25%, while the medium ones are 29%.

The results confirm a general deficiency in the use of the digital tools; on the other hand, they highlight a positive correlation between the size of the organization and the digitalization level.

In 2013 Osservatorio Mobile Enterprises of Polytechnic University of Milan presented another interesting analysis. The research was conducted on 421 SMEs and it investigated the digitalization level by taking into account the presence of an ICT department as indicator. Nearly 64% of the sample claims not to have a specific internal ICT department, instead they commit external suppliers for the management of the technological services. Also in this case there is an evident correlation between the size and the digitalization degree (Figure 11).

The last interesting evidence derives from the investigation about the tools adopted by the enterprises. At this purpose in 2012 Osservatorio Cloud & ICT made a research on a substantial sample of SMEs belonging to various industries. Choosing five indicators, they found that while the online banking services are adopted by almost the total of the companies (86-97%), and the online interactions with the customers (as e-

**Figure 11 - Presence of internal ICT departments in the Italian SMEs**



Source: Osservatori Digital Innovation - Polytechnic University of Milan, 2013.

mail, social and VOIP) take place in the most of the cases (55%), the eCommerce adoption (30%), the willingness to invest in mobile technologies (30%) and the exploitation of cloud computing services (21%) are not yet well diffused<sup>46</sup>.

Concluding, even though the digitalization process has been already undertaken, there is still a long way to go for the diffusion of the digital practices into both the daily operations and the long-running strategies of the Italian SMEs.

### ***2.2.2 The effect of Web-related business practices on growth***

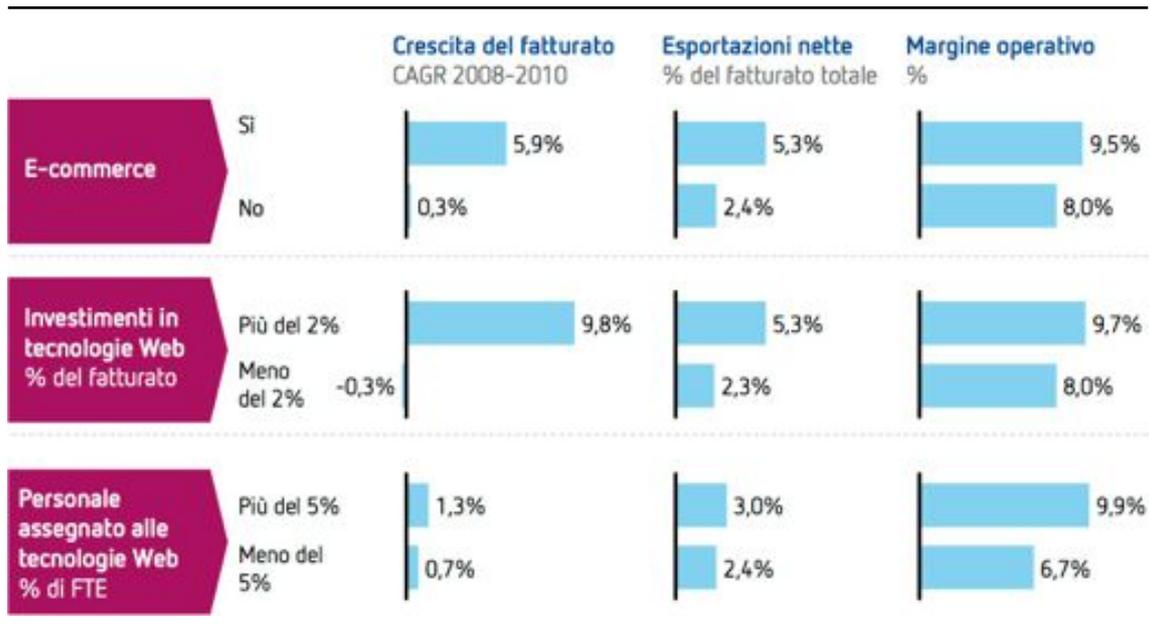
Even though it has been proved that the Internet can lead to both the growth, the internationalization of the sales and the profitability of the small and medium enterprises, in Italy very few of them fully exploit its potential.

In 2011 McKinsey conducted a research on a sample of more than 400 SMEs demonstrating the close correlation between the degree of the Web adoption in the business operations and the consequent turnover and exportations growth (Figure 12)<sup>47</sup>. Firstly, the results show that the Web-intensive companies (the ones that invest more than 2% of the annual turnover in web technologies) register a markedly higher turnover growth (nearly 10%) with respect the substantial stagnation of the low Web-intensive ones (-0,3%). Moreover, the Web proves to be the primary contributor to the

<sup>46</sup> Osservatorio Cloud & ITC 2012, Deuepuntozero, 2012.

<sup>47</sup> American Chamber of Commerce in Italy, McKinsey & Company, *Sviluppare l'economia digitale in Italia: un percorso per la crescita e l'occupazione*, Digital Advisory Group, 2011.

**Figure 12 - Benefits of the Web technologies for the SMEs**



Source: McKinsey Global Institute, 2011.

profitability, both increasing the turnover and lowering the cost of sales. Secondly, the companies which allocate more than 5% of the total workforce to Web-related operations show diffused benefits, especially in terms of operating margin. Lastly, the implementation of eCommerce channels demonstrates its best benefits in terms of turnover growth. Indeed, the companies that sell their product online registered an increase of nearly 6% of the turnover during 2008-2010, while the ones that do not have an eCommerce remained almost stable.

In conclusion, the redesign of the business processes by adopting the Web technologies proves to be an incredible lever to push the growth. In the light of the early step from which they start, the Italian SMEs can gain relevant benefits from it.

### **2.2.3 Web as the internationalization and exports driver**

According to DoxaDigital there is a sensible gap between the internationalization level of the small and the medium enterprises. In fact only 12% of the small ones have continuative relationships with foreign customers, suppliers and partners, while this value is sensibly higher in the case of the medium ones (48%).

Observing the “international small enterprises”, even though only 27,5% of them has faced an internationalization process just during the last three years (2010-2013), 60,7% maintain international relationships from more than a decade. For which concerns the source of the contacts, the small firms interviewed report that trade fairs are the main one (30%), followed by the contacts coming from other companies (21,7%), and finally the Web (17,2%).

In the light of these findings it is possible to state that there is already a certain familiarity between the Italian small enterprises and the foreign markets, although the total amount of them is still a small number. On the other hand, the research demonstrates the importance of the online channel and the networking activities for the internationalization.

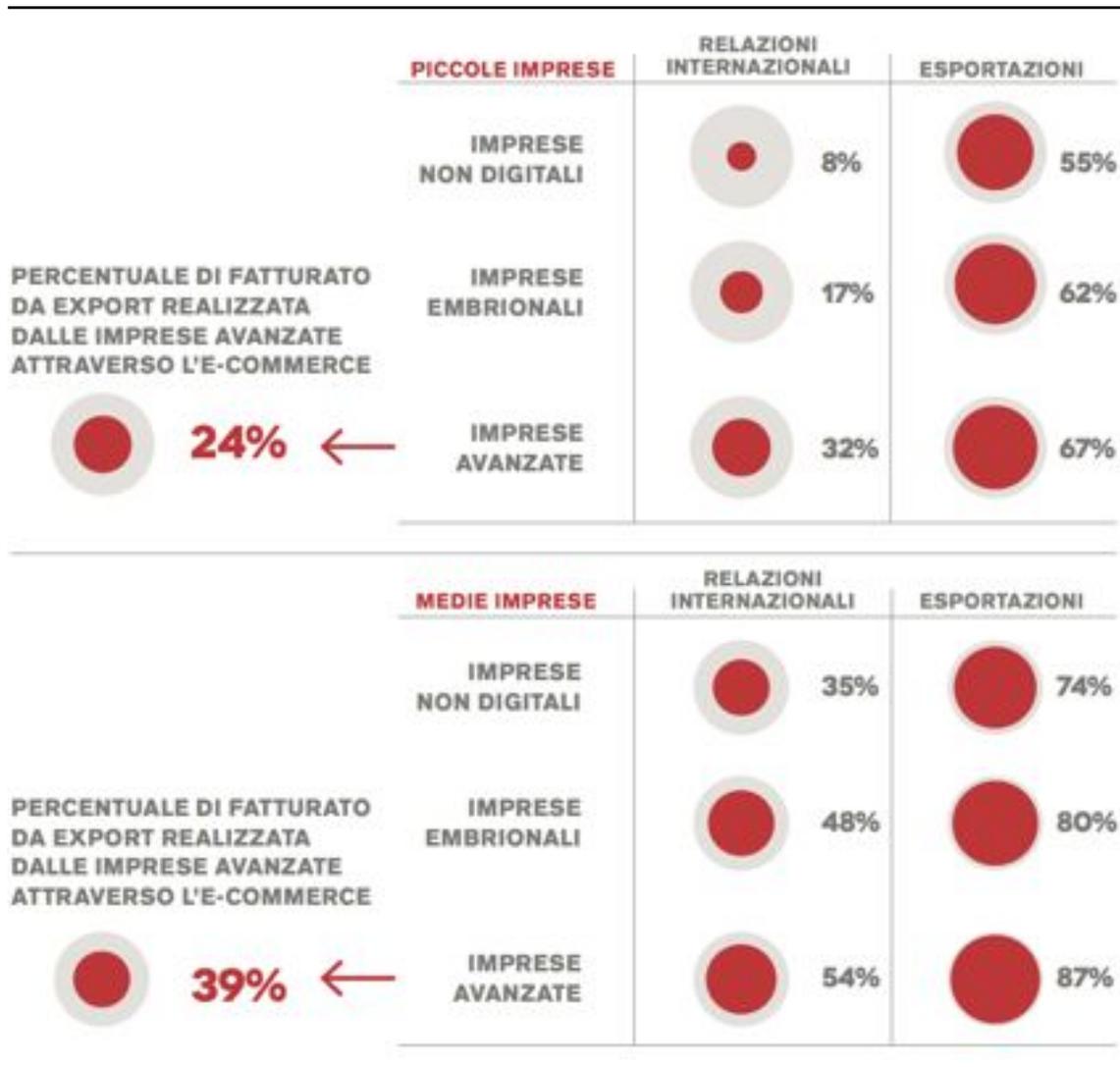
The DoxaDigital investigation provides others interesting evidences about the international sales of the Italian SMEs. In the case of the sample analyzed, they are generated mainly through direct offline channels (90% of the SMEs interviewed) and by foreign distributors (35%)<sup>48</sup>. However, 30,3% of the small enterprises declare to exploit the eCommerce, while the medium ones exploit it in the 11% of the cases. The findings show that the Web can be a suitable solution especially for those firms with a small organization that want to rapidly gain access to the foreign markets without heavy investments.

Investigating more closely the correlation between the digitalization, the organizational size and the internationalization, other evidences turn to be very emblematic (Figure 13): the number of digitalized small enterprises connected with foreign countries is four times higher than the ones that do not adopt any digital tool (only 8% of the non-digital small enterprises have international relationships). More than that, the number of firms that export their products is 21% higher in the case of the advanced digital companies with the respect of the non-digital ones (67% compared to 55%). Nonetheless, regarding the medium ones, the correlation between the three factors seems to be less significant. Even though, both the small and medium digitalized enterprises are considerably more inclined to the internationalization and to the exports.

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<sup>48</sup> Osservatorio Unicredit Piccole Imprese, *La digitalizzazione delle imprese Italiane: efficienza innovazione e conquista di nuovi mercati*, IX Edizione, 2012-2013.

**Figure 13 - SMEs: digitalization, internationalization, and exports**



Source: DoxaDigital, 2013.

Indeed, there is a gap of 50% between the firms with an advanced digitalization and the non-digital ones with regards the international relationships, while for what concerns the exports the difference is about 15%. Finally, as for the turnover originated through international e-commerce sales, the small enterprises interviewed report that it accounts for 24% over the total, whereas 39% for the medium ones.

In conclusion, it is clear that the digitalization represents a compulsory way to undertake for the Italian companies that want to sustain their business growth and that aim to adequately offer their products on a global scale. This statement is supported also by a Boston Consulting Group research: between 2008 and 2011 the SMEs with an eCommerce obtained an increase of the total revenue of nearly 1,2%, while the ones

that are still offline have suffered by a fall of 4,5%<sup>49</sup>. Likewise, regarding the exports, the online companies endowed by adequate systems to satisfy the international demand achieved a double-digit foreign turnover (14%), while the offline companies get only little results (4,1%).

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<sup>49</sup> Boston Consulting Group, *Fattore Internet. Come Internet sta trasformando l'economia Italiana*, BCG Report, 2011.

## ***2.3 Italian SMEs and the online retail channel***

### ***2.3.1 The role of Italy in the eCommerce global scenario***

In 2013 the eCommerce global market overcame the threshold of 1.250 billion dollar with a growth rate of 18,3% over the year before<sup>50</sup>. Analyzing the latest data elaborated by Casaleggio Associati, in 2013 the turnover of the Italian companies deriving from the online retail channels reached 22,3 billion euro, with a growth rate of 6% over the year before (Figure 14)<sup>51</sup>.

Reflecting perfectly the worldwide disruptive trends, Italy is the tenth country in the world regarding the eCommerce turnover; according to the eMarketer previsions it will overcome the Spain by within 2016, becoming the ninth world's online seller. On the other hand, the Italian e-market is the fastest growing one with rates significantly higher than the other Western Europe countries.

The biggest amount of the revenues come from the service sector (63% compared to 37% of products one)<sup>52</sup>. However, even though they represent on the whole the 3% of the annual eCommerce B2C turnover, exactly the flagship sectors of the Made in Italy have the greatest prospects in terms of growth (food +28%, fashion +15%, and furniture & home decor +15% for 2015). See Figure 15.

Finally, as for the destinations of the Italian products sold online, the european countries still represent the main market (Poland, Germany and France are driving the growth, while Great Britain has already reached its maturity)<sup>53</sup>. On the other hand, the new fast growing markets are Russia (which guides the Eastern Europe countries with an expected growth of 200% in the next three years), North America, APAC countries, North Africa, and finally Middle East. Even if it refers to the overall Italian enterprises and not explicitly to the small and medium ones, Figure 16 helps to visualize theses trends.

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<sup>50</sup> eMarketer, *B2C Ecommerce Climbs Worldwide, as Emerging Markets Drive Sales Higher*, 2013.

<sup>51</sup> Casaleggio Associati, *e-Commerce in Italia 2014*, April 2014.

<sup>52</sup> Osservatorio Unicredit Piccole e Medie Imprese, 2013.

<sup>53</sup> Casaleggio Associati, 2014.

**Figure 14 - Growth trend of the Italian B2C eCommerce**



Source: Casaleggio Associati, 2014.

**Figure 15 - Italian eCommerce turnover distribution**



Source: Casaleggio Associati, 2014.

**Figure 16 - Main foreign markets for the Italian eSellers**

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Source: Casaleggio Associati, 2014.

### ***2.3.2 Rising technologies and strategies in the Italian eCommerce scenario***

The following paragraphs aim to discuss the latest trends advised by Casaleggio Associati that interest the Italian manufacturing firms.

a) ***Direct sales from the producers*** - In order to increase the marginality and establish a direct contact with the end users, more and more manufacturers are starting to sell their products directly online. The traditional distributors and intermediaries in fact represent an unpleasant obstacle that now can be overcome thanks to the Web. To do this producers have to endow themselves by effective ICT and communication tools as well as adequate organizational structures and skills able to satisfy the demanding Postmodern e-buyers.

b) ***Omni-Channel retail*** - The rising convergence between the offline and online retail channels led especially by the multinational brands, now is starting to involve also the smaller Italian businesses. Indeed, by adopting an Omni-Channel approach the eCommerce is becoming a continuum of the traditional point of sale and vice-versa<sup>54</sup>. In particular the most innovative retailers are rethinking the role of their stores by

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<sup>54</sup> Rigby D., *The Future of Shopping*, Harvard Business Review, 2012.

committing them as places where interact with the consumers in a new way, enabling them to experience the products and to buy them online. On the other hand, in the case of customers more inclined to experience the brand through the digital environments the point of sale can be seen also as warehouse were picking up the products bought online. As highlighted in the point before, the companies that want to evolve themselves towards an Omni-Channel retail model need to invest in ICT and in the development of a completely new set of capabilities.

c) **Mobile commerce** - The massive diffusion of the mobile devices is completely reshaping the way the Italian e-shoppers purchase online. The market researcher estimated that 62% of the people that have an Internet connection buy online also in mobility through smartphone (47%) and tablet (15%); moreover they tend to adopt a multichannel approach to the e-shopping by using different devices during the purchasing process. Many people in fact use the smartphone to perform the beginning researches and than the PC to conclude the purchase. Exactly due to these changes in the shopping behaviors, the online sellers are strongly forced to redesign and re-optimize their websites and online stores. At this purpose there are two main technologies that are more and more adopted: on the one hand, the responsive websites designed using special HTML codes allow the automatic adaptation of the pages to any kind of device; on the other hand, exploiting cloud-based technologies the most advanced companies have implemented functionalities that grant to the consumers a unique and pleasant shopping experience even if they skip from a device to another (the best example is Amazon with shared carts, wish lists, payment methods and shipping preferences).

d) **CRM** - The effective management of the customers' information is playing a strategic role for the fidelization and the establishment of long-lasting relationships able to maximize the value of the single user. For this reason, in order to monitor the customers' social behavior and to multiply the point of contacts with them, the most advanced providers of CRM systems are more and more integrating their solutions with the social networks. For this reason companies have to endow their departments with theses technologies that can provide relevant returns.

e) **Social media marketing** - Lastly, the development of social media marketing strategies, the targeted social advertising and the establishment of tighter relationships with the consumers over these networks are enhancing the value generation coming from the online retail channels. Therefore the social presence has become a must also for the smaller enterprises.

### **2.3.3 Web marketing and social media for the Italian eCompanies**

As far as it is not an unexplored territory for the most of them, the Italian companies still not fine-tuned their processes with the latest online promotion best practices. In fact, only 36% of the companies interviewed by Casaleggio Associati declare to be satisfied the web marketing activities (+6% compared to 2013), while the rest recognize to be in a tight spot: 45% report difficulties with them (-8% on 2013) whereas the remaining 19% declare to be unsatisfied (+2% on 2013)<sup>55</sup>.

Nevertheless the marketing and promotion appear to be the primarily destinations of the investments (35%). The annual budget of the firms interviewed is allocated on average for 90% to web-related activities: the SEM (Search Engine Marketing) absorbs nearly 28% of them, e-mail marketing and social media respectively for 17%, and finally the SEO (Search Engine Optimization) for 14%. On the contrary, the traditional medias confirm to be definitely out of consideration (Figure 17).

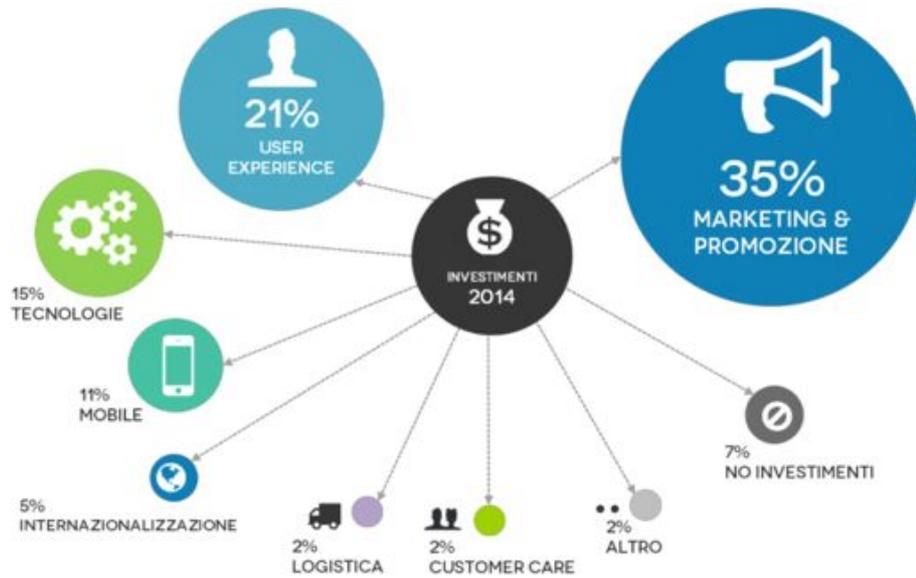
Focusing on the social presence, the main roles conferred to it are obviously the reinforcement of the brand awareness, the development of a closer relationship with the consumers, and last but not least the redirecting of the users to the corporate website. In general the most adopted one is Facebook for sure, followed by YouTube and Twitter. At the same time the image sharing platforms as Pinterest and Instagram are rapidly emerging thanks to their great power in terms of user engagement.

Despite the fact that all the companies active in the B2C market recognize the social media marketing as a fundamental activity, they report some difficulties in identifying their ROI (only 28% declares to be satisfied).

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<sup>55</sup> Casaleggio Associati, 2014.

**Figure 17 - Italian companies investments in marketing and promotion**



Source: Casaleggio Associati, 2014.

### ***2.3.4 eCommerce and Web marketing in the specific case of the SMEs***

Taking into analysis exclusively the Italian small and medium enterprises, the situation is totally different. In this context the most of them stands at the embryonic level: showcase websites with limited functionalities, single language contents, none eCommerce, and ineffective exploitation of the social networks. In particular, only 34% on them has a website (30% translated at least in one foreign language) and just a little amount of them actively exploit it as a sales channel<sup>56</sup>.

In the light of these facts, Italian SMEs stand at the bottom of the European digitalization rank. According to DoxaDigital, only three out of ten companies take advantage of the online retail channels, deriving an average turnover of about 20% over the total. In particular, the most adopted ones are the corporate websites (54%), the vertical marketplaces (32%), other intermediaries (25%), and the online auctions and negotiation platforms as eBay and Groupon (19%). With regards to the main related-benefits recognized by the companies interviewed, they are: the opportunity for a better product development (30%), increasing the national customers-base (30%), increasing the number of new potential suppliers (24%), gain access to new customer segments (22%), and finally increase the number of foreign customers (19%)<sup>57</sup>.

However, there are also many companies that have already implemented advanced digital strategies to support their online promotion (Figure 18). The initiatives reported include the use of geolocalization services as Google Maps (73%), the SEO (57%), the communication through Facebook company profiles (35%), the mobile optimization of the website (27%) and lastly, the adoption of SEM techniques as Google AdWords to be easily founded out on the search engines (27%)<sup>58</sup>.

In conclusion, as for the general findings related to the Italian SMEs, the main factor that discourages them in investing in web marketing is the difficulty in the ROI measurement. In fact, the most complex action is the identification of useful tools and KPIs to catch the direct correlation between the investments and the results.

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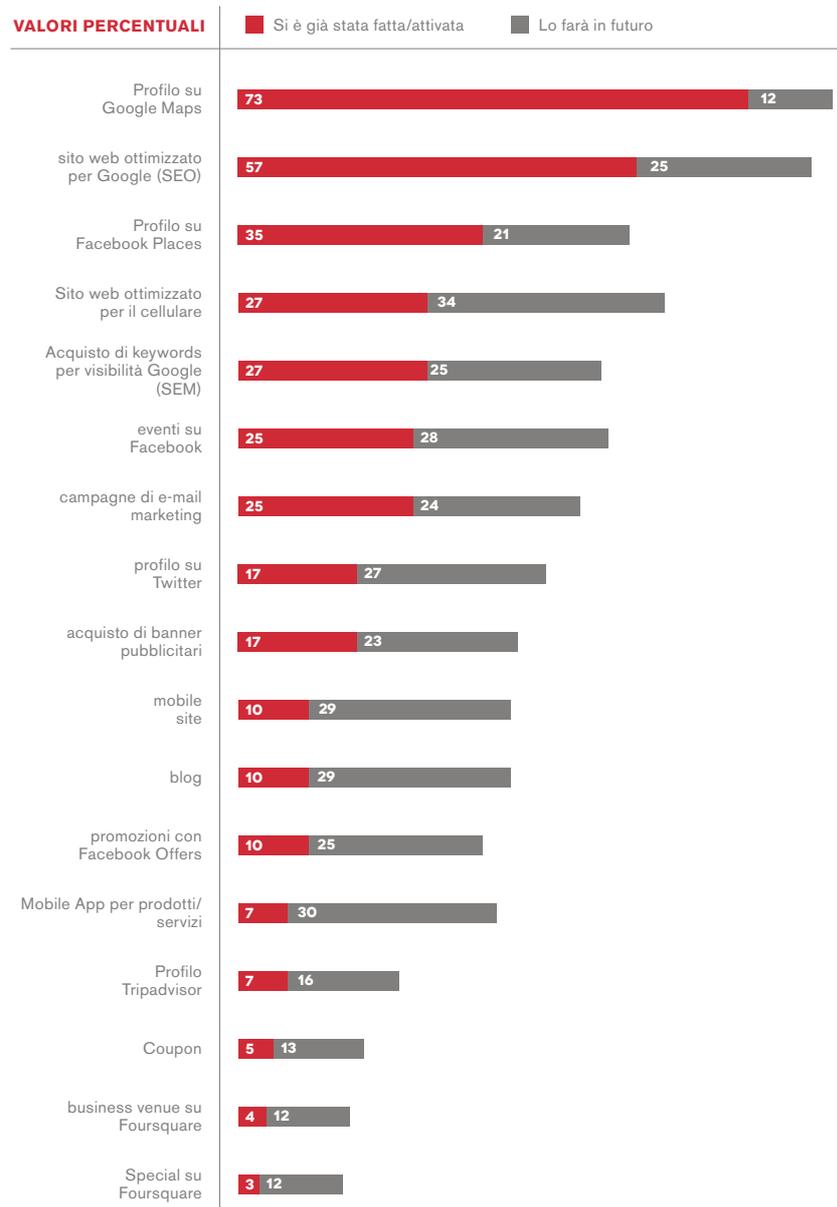
<sup>56</sup> DoxaDigital, 2013.

<sup>57</sup> Osservatorio Unicredit Piccole e Medie Imprese, 2013.

<sup>58</sup> Duepuntozero, 2013.

Basically, behind these limitations there is the general lack of a strategic approach to the web marketing, which leads to timid and discontinuous experimentations of the tools rather than a focused and constant exploitation of them.

**Figure 18 - Main web marketing activities performed by the Italian SMEs**



Source: DoxaDigital elaboration of Unicredit data, 2013.

## ***2.4 Causes and possible solutions to the SMEs under-digitalization***

Both the private and public actors agree that the digitalization is a priority for the country. The goal of the following paragraphs is to summarize the major causes that led the Italian companies to the current under-digitalization. At the same time, they aim to suggest the levers that need to be adopted in order to reduce the gap with the other countries.

According to a broad consensus, the first group of factors directly involves the public actors of the Italian society:

a) ***Insufficient diffusion of the broadband connection*** - The first point regards the underdevelopment of the Italian networking infrastructure. According to the last report diffused by I-Com Institute, Italy occupies the twenty-seventh position in the European rank with respect to the diffusion of the broadband connection<sup>59</sup>. The full coverage of the country is a prerequisite for the adoption of new services and solutions, both by the companies and the private users.

b) ***Scarce adoption of the services provided by the public administration*** - The second point regards the lacking citizens' awareness about the new P.A. services usable by the Web. Even though Italy was tardy in providing e-government services, in 2009 the national authorities launched the e-Gov Plan 2012 that allowed a significant step forward. While in 2009 Italy was at the seventeenth place in the European rank for the e-Gov offering, just one year later it reached the first position. Nevertheless the amount of people that exploit these services is still low because of a lacking promotion<sup>60</sup>. A continuing commitment to increase the divulgation and the adoption of the e-Gov can both enhance the services provided to the citizens and contribute to the diffusion of the digital culture.

c) ***Inappropriate regulatory framework*** - The digital economy is based on technologies and services that are global and in constant evolution for definition. Despite these facts, the current Italian regulatory framework is still based on

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<sup>59</sup> Gangemi G., Compagnucci S., *Rapporto I-Com 2013 su reti & servizi di nuova generazione*, I-Com, 2013.

<sup>60</sup> European Commission, *Digitalizing Public Services in Europe: putting ambition into action*, December 2010.

territoriality and it is unable to respond to the problems introduced by the new technologies. For this reason it is necessary to develop a supranational and flexible regulation that takes into consideration the needs of all the agents involved.

d) ***Retarded educational system*** - The Italian digital underdevelopment is caused also by the scarcity of professional figures endowed with adequate digital skills. The primary reason is that the Italian Universities do not offer programs oriented to a specific training. More than that, the country proves to be unable to retain the ICT specialists because of the gap with other foreign countries that offer better perspectives. The not challenging working environments and the low wages are in fact the main reasons that push people with marked capabilities to leave the country.

In general the creation of digital competences represents an imperative to foster the innovation and the exploitation of international business opportunities. Exactly for this reason, the Italian educational system needs to be updated. At this purpose, the European Commission's Digital Agenda pointed out the improvement of the digital competences as one of its eight pillars.

On the other hand, there is a second group of cooperating causes that are closer to the private subjects. These are:

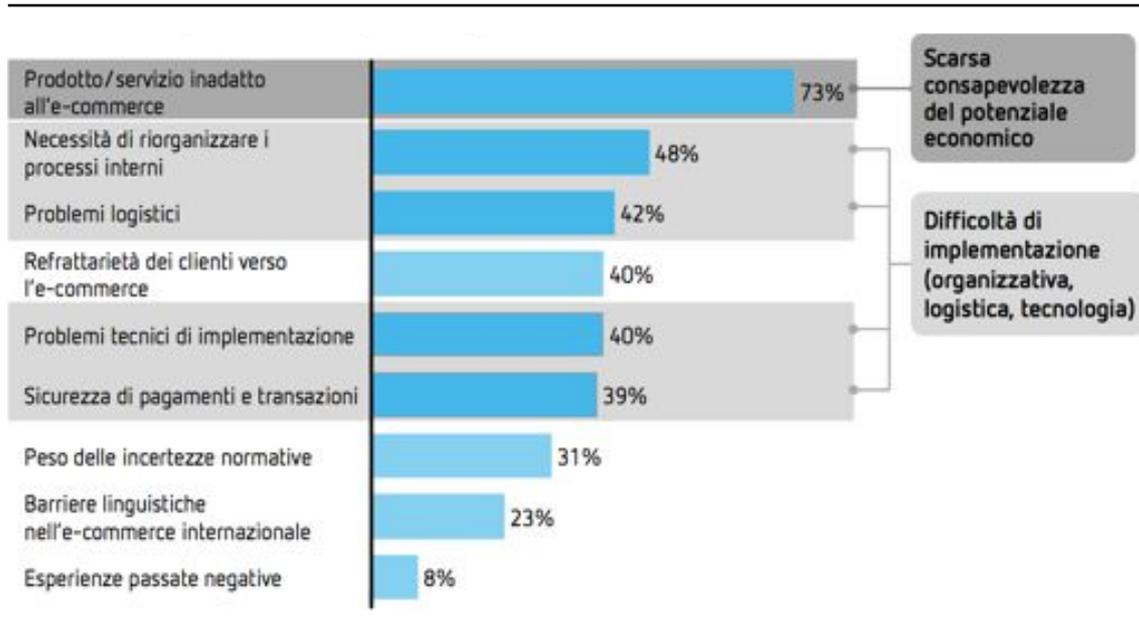
e) ***Inadequate digital culture by the side of the companies*** - In the light of the evidences discussed in the previous chapter it is possible to state that the direct cause of the lacking adoption of the digital technologies is imputable to the companies themselves. Indeed, in addition to the public-related aspects, the handicap is strongly caused by the scarce awareness that the Italian firms have on the behalf of the Internet potential.

Many surveys have been conducted with the aim to better understand the reasons of this deficit. One of these comes from ISTAT that in 2009 interviewed more than twenty-one thousand SMEs<sup>61</sup>. Observing the results presented by Figure 19, it is possible to identify two main categories of limitations. The first one is related to the non-awareness of the opportunities offered by the Web (73% declares to consider their products

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<sup>61</sup> ISTAT, *Rilevazione sull'utilizzo delle tecnologie dell'informazione e della comunicazione nelle imprese*, 2009.

**Figure 19 - Italian SMEs awareness about the eCommerce opportunities**



Source: DigitalAdvisory Group elaboration of ISTAT data, 2009.

inadequate for the eCommerce). Whereas the second regards the lacking organizational capabilities: in general the companies report relevant obstacles in the implementation of digital practices into their processes (48% highlights difficulties to reorganize the internal processes, 42% reports logistic problems, 40% declares to be scared by the technical issues, and 39% by the security of the payments).

More in general, the lacking awareness can be explained by the unfamiliarity of the old generations that still lead the most of the enterprises with the ICT. Indeed, 10% of the entrepreneurs has more than seventy years, while the ones with less than thirty years are just 5%<sup>62</sup>. For this reason the development of an adequate organization structure and the acquisition of the skills necessary face strong resistance. More than that, the scarce involvement of skilled managerial profiles and external specialized consultants represent an additional obstacle.

f) **Incoherence of ICT supporting services** - The last point regards the providers of ICT enterprise solutions. In the light of the general unfamiliarity of the entrepreneurs with the digital instruments and practices, external consultants and service suppliers represent crucial influencers in the implementation of new technological solutions. Too

<sup>62</sup> Infocamere, 2011.

often the service offered are not designed on the basis of the SMEs specific needs: ERP leading solutions as SAP and Oracle unlikely fit the business processes of small manufacturing enterprises. For this reason, it is necessary to accept the small dimensions of the Italian entrepreneurial tissue as a fact and a distinctive feature of the domestic economy. Identifying the real needs of this typology of firms and designing ad-hoc solutions able to support their competitiveness, ICT providers and consultants have to reverse their one-fits-all approach.

In the light of these considerations, the digitalization requests radical efforts both by the companies themselves and by the policy makers as well. Regarding the former, firstly, they have to trigger the evolution of the whole inner culture by integrating their background with up-to-date capabilities. These include the deep understanding of the international customers' features, the ability to catch new market opportunities in foreign markets, and the consequent capability to rapidly exploit them.

Secondly, in order to sustain the diffusion of the digital practices throughout every business functions, it is required a change also in the organization management. Today in fact in the most of the SMEs they are banished almost exclusively to the marketing department. On the contrary, as discussed, their implementation can allow significant improvements also in facilitating the internal communication, in sustaining the design and development processes, in managing the relationship with the customers and in managing the after-sales operations.

Thirdly, to foster the digitalization of the whole company, entrepreneurs need to introduce new profiles with adequate competences both in the digital and in the international management field. Beyond their direct contributions, the new figures can work as internal evangelists capable of spreading new skills throughout the organization, filling the gaps between the single employees. More than that, the learning process needs to be sustained with adequate formal training initiatives. At this purpose, it is proper to highlight that for some years now the Italian trade associations (as Unindustria, Confcommercio and CNA) actively promote many congresses and local projects in partnership with companies, universities and other organizations specialized

in the digital business. The participation to those initiatives represents the best starting point for improving the firm digital knowledge base.

Lastly, enterprises have to compensate their internal lacks by committing the more complex ICT projects to external partners able to support the staff both in the development and in the implementation phase. More than that, in case that the entrepreneurs would not have adequate skills to lead these projects, they should designate internal experts in order to maximize the long-run effectiveness. Especially the access to foreign markets requests complex investigations in terms of feasibility as well as a clear strategic plan that can be out of the capabilities for the smaller businesses. Involving specialized consultants the companies can achieve relevant and enduring results.

## ***2.5 Storytelling, eCommerce and inter-firm synergies for the internationalization of the Made in Italy products***

The concepts of heritage and innovation are often rival, especially in the debates about the future of the Italian manufacturing industry. In this regard, Luca De Biase provided a useful point of view<sup>63</sup>. The author suggested that, exploiting the opportunities offered by the digital technologies, the heritage and innovation could become alleys in sustaining the “Made in Italy” business. In particular, the recent innovations in the IT field turned out to be extremely useful in recounting the distinguishing manufacturing know-how of the Italian Craft Manufacturers (i.e. the storytelling), connecting the result of their capabilities to the global market (i.e. the eCommerce) and improving the productive processes (i.e. crowdsourcing and fast prototyping technologies as 3D-printing and CAD).

Therefore, the Smart Cities, the new cloud solutions, the diffusion of the Internet of Things, and the revolution of the FabLab can provide a strong push to the Italian competitive advantage only if matched with their distinguishing capabilities; denaturalizing the national productive system and following business models far from the heritage can not represent the right way to relaunch the national economy.

As the beginning of this chapter has highlighted, many new opportunities have recently emerged in a middle ground among the manufacturing and the ICT. Indeed, thanks to the approach suggested by the US Makers, those two entities are moving even closer. Taking the perspective of the Italian SMEs involved in the production of special consumer goods endowed with a strong emotional potential, it is possible to extract two important lessons.

On the one hand, the new manufacturing technologies perfectly fit the production models typical of the “Four F’s of the Made in Italy”, allowing new cutting-edge opportunities in terms of flexibility and product personalization. On the other hand, the networking technologies and the social medias can become a turning point in the way the Italian Craft Manufacturers can offer their products and interact both with the consumers and with the other companies. By developing new business models much

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<sup>63</sup> De Biase L., *L'antico sapere di chi innova*, Nòva, Il Sole 24 Ore, April 2014.

more likely to the external enlargement (i.e. the Open Business models), they can generate synergies able to drive their worldwide growth. In this regard, Internet should be the best way both to support joint initiatives in foreign markets and to generate more sophisticated links with the potential customers.

In the light of these considerations, it is possible to glimpse a clear bridge between the role of the heritage and the innovation through a positive-sum-game. The goal of the second part of the dissertation is then to provide practical evidences about the power that can derive mixing together these two entities.

*The Italian furniture industry and the case of Berto Salotti*



## Case study methodology

The second part of the dissertation aims to provide empirical evidence about the themes developed in the course of the first three chapters. At this purpose it has been chosen to take the furniture industry as a reference point and to analyze the case of Berto Salotti (formally FBS Srl). Perfectly reflecting the profile of the Italian Craft Manufacturer discussed in the first chapter, the company represents a great example of how broad can be the effects of a web-centric business model adoption, especially on the behalf of a district leading firm characterized by an extremely traditional business as the craft creation of sofas.

The choice of the company has born in occasion of a guest lecture given on December 2013 by the CEO during the International Management course of the following Master Degree. Due to the Author's particular interest in the design industry and in the business application of web technologies, Berto Salotti has seemed to be straight away the perfect model on which basing the dissertation case study.

The case studied is the result of six month of researches personally conducted. In particular the qualitative analysis have been developed thanks to several company visits, interviews with the CEO, participation to the company events, and close review of the many resources found online as the Bertostory corporate blog and the Eccellenze in Digitale eLearning platform developed by Google<sup>64</sup> <sup>65</sup>. The quantitative analysis has been based on the data courteously provided by the CEO.

Thanks to the extraordinary openness and transparency of the company it has been possible to deepen all the aspects of the business, offering a significant contribution to the digitalization process of the Italian enterprises.

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<sup>64</sup> [www.blog.bertosalotti.com](http://www.blog.bertosalotti.com)

<sup>65</sup> [www.eccellenzeindigitale.it/course](http://www.eccellenzeindigitale.it/course)



### **3. The Italian design and furniture industry**

*In order to introduce the dissertation case study, the following chapter aims at providing an overview about the Italian furniture industry.*

*Leveraging the results of an authoritative study, the first part focuses on the interdependent role of the design and manufacturing activities in the value chains of the Italian furniture producers (Ch. 3.1). In particular, in connection with Chapter 1.2, the research identifies four business models that cover all the industry players.*

*It follows an analysis about the role played by the foreign markets in the industry growth, giving concrete and up-to-date figures on the resulting impact (Ch. 3.2). Finally, the Salone Internazionale del Mobile trade fair has been presented as the evidence of the Made in Italy design worldwide fame and success.*

### ***3.1 The industry organization and the role of the manufacturing activities***

The Italian furniture industry perfectly reflects the discussion developed in Chapter 1.2. Indeed, it is arranged in a set of regional clusters specialized in the production of specific kind of furniture (as design living f., lightings, kitchens and traditional wooden f.). The most important ones are located in Lombardy (Distretto del Mobile della Brianza) and between Veneto and Friuli-Venezia Giulia regions (Distretto Industriale del mobile Livenza).

In order to provide a clear perspective about the Italian players involved in the industry and to position the company object of the following case study, it is useful to present the findings of a research conducted in 2013 by Buciuni, Corò and Micelli<sup>66</sup>. Adopting the Global Value Chain analysis, the scholars made a comparative study between a sample of US and Italian players. In particular, focusing on the role played by the design and manufacturing activities, they came to the identification of four profiles that reflect the most of the Italian furniture producers.

a) ***Furniture Merchant*** - The firms involved in the buyer-driven commodity chains belong to the first group.<sup>67</sup> In step with the global offshoring trends, they outsource the manufacturing activities to foreign suppliers in order to reach a greater industrial efficiency. For this reason their competitive advantage is based on the efficient management of the distribution and retail, which enables them to sell large volume of low-cost furniture globally. In this case the design and manufacturing activities play a side role: both of them are totally outsourced respectively to external design firms and OEMs (Original Equipment Manufacturers), both managed through loosely coupled relationships. Being typical of firms focused on the large distribution as Ikea, this profile is definitely far from the most of the Italian players.

b) ***Customization-driven Producer*** - The second group includes the firms that base their business model on short lead times and opportunities for product customization. In

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<sup>66</sup> Buciuni G., Corò G., Micelli S., *Rethinking the role of manufacturing in global value chains. An international comparative study in the furniture industry*, Industrial and Corporate Change, vol. Advance Access, pp. 1-30, November 26, 2013.

<sup>67</sup> Gereffi G., *The Organization of Buyer-Driven Global Commodity Chains: How U.S. Retailers Shape Overseas Production Networks*, Praeger, Westport, 1994.

this case the in-house manufacturing process represents a fundamental asset and it is mostly associable to the many Italian craftsmen who operate in local scenarios. While the design is not a strategic activity for them, the customization possibilities offered represent a crucial source of differentiation. However, the small dimensions and the artisanal production often limit the scalability of this business model.

c) ***Design-driven Producer*** - The third category is represented by the firms that strongly bet on design innovation and branding as the main differentiation drivers. As for the manufacturing activities, they entrust a local network of contract manufacturers that are managed through a relational approach. The benefits are the flexibility and responsiveness of the production, the effective implementation and development of the innovative solutions, and the high quality level guaranteed by the contracts' expertise. According the Open Network model discussed in Chapter 1.2, they rely on internal design departments that work in synergy with external cutting-edge partners who are able to foster higher degree of innovation. Moreover, they retail their products through international distribution networks that often include international flagship stores. This is the case of the most renewed Italian brands that usually play also the role of district leaders.

d) ***Innovative Maker*** - The last profile reflects the dissertation case study and it proves the benefits of being directly involved both in the manufacturing and in the design activities. On the one hand, the in-house production and the local network of trusty suppliers allow a great responsiveness to the demand and the flexibility necessary to offer ample opportunities for product customization (ending to the made-to-measure and the bespoke production). On the other hand, the Innovative Makers foster the innovation through an innovation-by-making approach, which is allowed by the tight cooperation between the internal design office and the production department, and the exploitation of the internal tacit knowledge learned-by-doing. As for the sales and distribution, they usually rely on a network of regional representatives and partnerships with independent multi-brand retailers.

In the light of these considerations, it is possible to observe that the manufacturing activities together with the design ones represent the key assets for the Italian furniture producers. The reasons should be identified, firstly, in the long handcrafting heritage on which the most of the producers still base their capabilities; secondly, in their business models strongly focused on the high quality of materials and in the service-orientation; lastly, as discussed in Chapter 1.1, in the global success of the “Made in Italy” products and in the positive country-of-origin effect.

## ***3.2 The Italian furniture industry in the global market***

### ***3.2.1 General figures and trends***

According to the latest data from the main Italian research facility of the industry (Centro Studi Cosmit/FederlegnoArredo), today the furniture sector is composed by about 70.000 SMEs (considering also all the satellite activities) and it employs more than 370.000 workers<sup>68</sup>. In 2013 the overall turnover of the macro system was nearly 17 billion euro (-2,5% less than 2012), originated for 60% by exportations.

As has been already discussed in the previous chapters, most of the Italian industries are suffering from a serious fall in the domestic demand, which has forced the companies to reorient their strategies towards the foreign markets. In addition to the turnover downturns, the crisis effects are still causing the bankruptcy of many companies with serious consequences on the occupation. The organization reports that in 2013 the furniture sector suffered of about 660 closures and more than 4.000 job losses. More than that, it highlights a decrease of 7,5% in the domestic consumptions. On the other hand the exportations in 2013 grew by 2,5% compared with the year before, reaching a total value of about 11 billion euro. This positive trend is confirmed by the 2014 forecasts that estimate an additional growth of 3,4%.

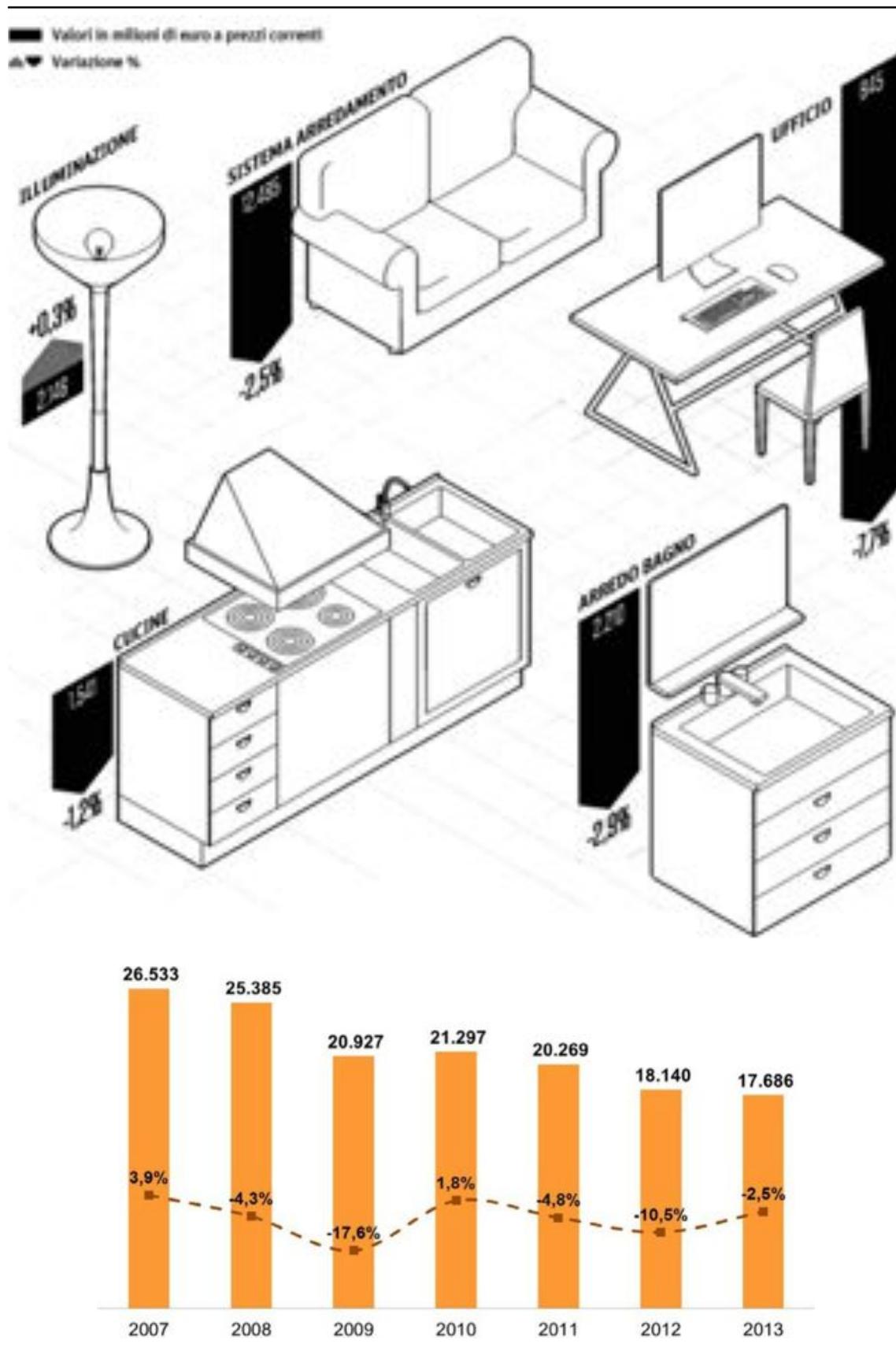
Regarding the composition of the overall industry turnover, it derives, firstly, from the home furniture (12,5 billion euro in 2013); secondly, from the bathroom ones (2,2 billion euro); thirdly, from the lightings (2,1 billion euro); fourthly, from the kitchens (1,5 billion euro); lastly, from the office furniture (845 million euro). Comparing the data to 2012, the unique segment that slightly grew was the lighting (+0,3%). On the contrary, all the others faced a decrease between 7,7% to 1,2% (Figure 20).

As for the destinations of the “Made in Italy” design products, even though the European countries confirm to be the main importers, many extra-EU markets are rapidly growing. Cosmit/FederlegnoArredo confirms the ongoing shift towards the non-EU countries: while in 2008 the EU ones absorbed 65% of the total exports, in 2013 they sustained just 57% of them.

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<sup>68</sup> Centro Studi COSMIT / FederlegnoArredo, *Rapporto di settore 2014*, FLA Federlegnoarredo, March 2014.

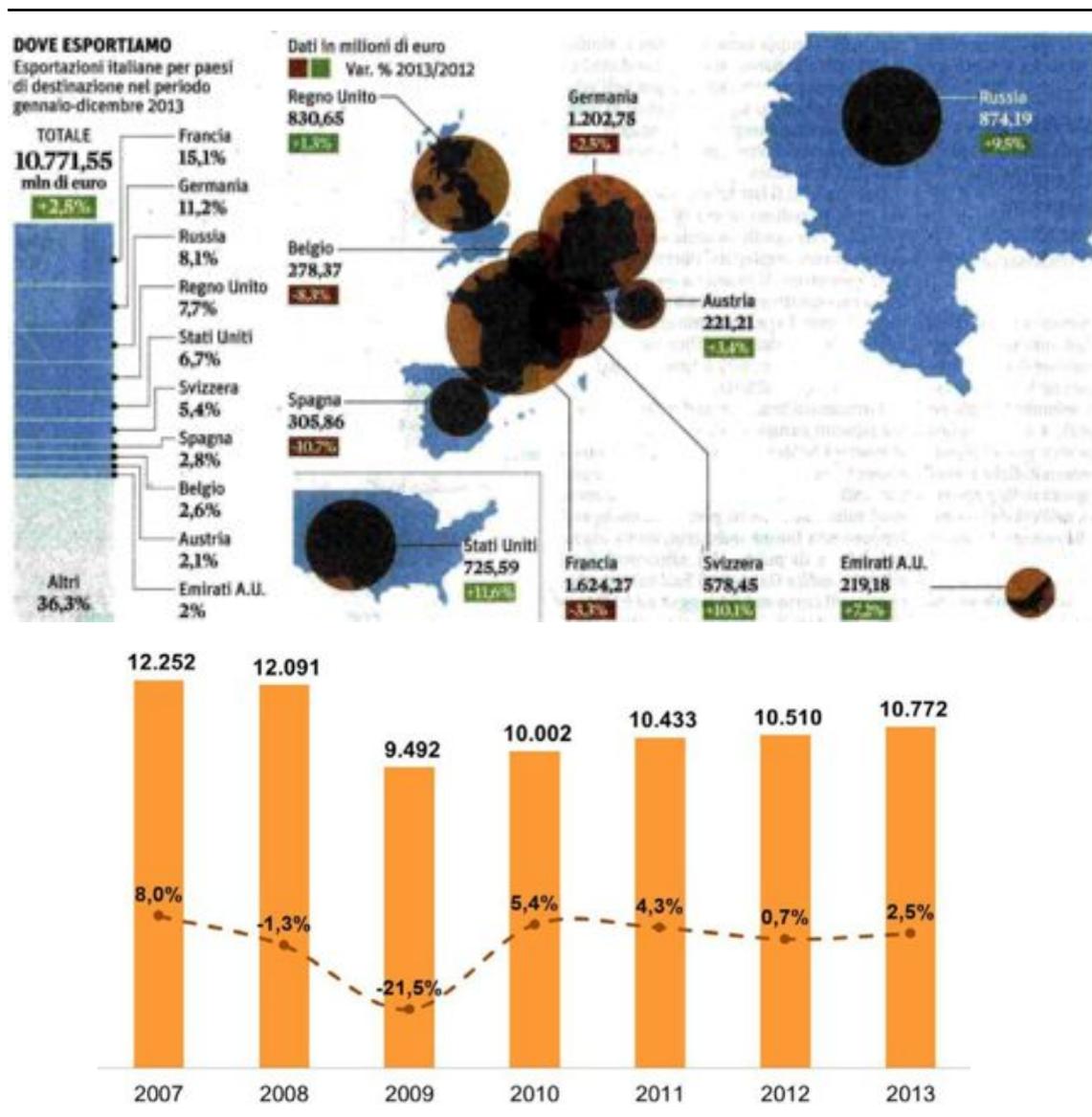
Figure 20 - Italian furniture turnover: figures and trends



Source: *Il Sole 24 Ore*, 2014; Centro Studi Cosmit/Federlegnoarredo, 2014.

In general, in 2013 the first worldwide importer was France (15,1%), followed by Germany (11,2%), Russia (8,1%), UK (7,7%), USA (6,7%), Swiss (5,4%), Spain (2,8%), Belgium (2,6%), Austria (2,1%) and the United Arab Emirates (2%). Analyzing the most straightforward trends, the United States (historically the major extra-EU appreciator of the Italian design) are the countries with the major double-digit growth (+11,6% compared with 2012), followed by Switzerland (+10,1% on 2012), Russia (+9,5% on 2012), and the United Arab Emirates (+7,2 on 2012). Figure 21 gives a graphical representation of these trends.

**Figure 21 - Italian furniture exports: figures and trends**



Source: *Il Sole 24 Ore*, 2014; Centro Studi Cosmit/Federlegnoarredo, 2014.

The latter countries represent the most strategic markets for the Italian furniture manufacturers. In the case of Russia, which is one of the five major emerging economies together with Brazil, India, China, and South Africa (the so called BRICS), the recent rise of a leisure class and the massive private and public real-estate investments are generating great opportunities for the Italian firms, both regarding the contract and the retail segment. Aware of these trends, in occasion of the 2005 Moscow Design Week, the promoters of the Salone Internazionale del Mobile trade faire launched the Saloni Worldwide Moscow. This is an international edition of the Italian fair in which is presented the best of the Made in Italy design products, with the aim to support the Italian firms to jointly face the local market. Besides, starting from 2014 the promoters are going to establish also two additional annual events. The first one is an edition of the MADE expo (acronym for Milano Architettura Design Edilizia) that is a trade fair specifically dedicated to the architecture, design and construction operators. The second will be an edition of the Homi (ex Macef), which is a fair dedicated to the Italian lifestyle products including also the home decor.

The richest countries of the Middle East represent the second rising market, in particular by the United Arab Emirates and Qatar. Indeed, the incredible real-estate boom of the last decade gave the birth to new metropolis like Dubai and Abu-Dhabi, Doha. Consequently, the whole Made in Italy luxury industry is finding incredible market opportunities. In particular the furniture one can rely on two targets. The first is represented by the local investors and their contractors, which in the most of the cases choose Italian design products to furnish the plenty buildings, houses, hotels and resorts they are constructing; for this reason many firms are exploiting these chances contracting relevant orders both of made-to-measure equipments and catalogue products. On the other hand, the consumer market represents the second relevant target. Both the western professionals, who recently moved there following the job opportunities, and the local upper class, that is increasingly appreciating the western lifestyle, drive a fast growing demand.

### ***3.2.2 The Salone Internazionale del Mobile trade fair***

Considering the worldwide furniture industry, the Salone Internazionale del Mobile is the most important international trade fair. It takes place every year in Milan during the month of April and it represents the most important landmark for the worldwide design industry. On this occasion in fact, all the companies, people, and organizations involved meet together to discover the latest trends and the collections of the best international brands.

The first edition goes back to 1961 when a committee of Italian entrepreneurs belonging to the industry (named COSMIT) decided to create an event where the many artisans and producers could show off their offerings and interact with both other companies and potential clients. It involved more than three hundred Italian firms and about twelve thousand visitors<sup>69</sup>. Afterwards, thanks to its success, the fair was opened also to international exhibitors since 1991.

According to the latest data published by the organization, the 2014 edition involved more than 1.200 exhibitors, of which 30% were foreigners. As for the visitors, considering both those who work in the sectors, the journalists and the non-business ones, the last fair registered the record presence of 357.000 people coming from more than 160 countries (+13% on 2012). Composing about 70% of the total callers, the foreigners are the main contributors of the Salone success (their presence has more than doubled in the last ten years: from 92M in 2004 to more than 190M in 2014). This proves the success of the fair and the key role played by Italy in the worldwide design industry.

Moreover, along with the Salone del Mobile, another important event takes place in Milan: the Milano Design Week, also known as “Fuorisalone”. It includes a galaxy of events and expositions organized in the city center by various companies and organizations that exploit the opportunity to show off the most straightforward design products to the public and to organize appealing cultural events.

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<sup>69</sup> Cosmit website - [www.cosmit.it](http://www.cosmit.it).

In conclusion, the Salone del Mobile and the Fuorisalone represent the most important reference point for the sector at the worldwide level. For this reason, all the Italian producers seriously rely on it for the promotion of their enterprises and to get authoritative feedbacks about their products. As a matter of fact usually they exploit this occasion to launch the new product collections catching the audience through incredible stands and collateral events that surround the corporate identity and values. However, regarding the smaller companies that usually are unable to sustain the investments needed to reserve and setup a stand at the main exposition, they can take part of this event by exploiting the many spaces available in the city center. In this way also this category of players can reach a great audience.

## **4. The Brianza furniture district and the case of Berto Salotti**

*Presenting the case study of Berto Salotti, an Italian handicraft producer of furniture, the dissertation aims to demonstrate how the adoption of a web-centric business model can contribute to the whole value creation process. In particular, perfectly reflecting the profile of the Innovative Maker discussed in the previous chapter, the company provides a useful model of digital marketing strategy able to reward the unique manufacturing capabilities and the intangible values surrounded in the “Made in Italy” craft products.*

*As for the structure of the chapter, the first part is dedicated to an exhausted description of the business environment in which the company operates, represented by the furniture district of Brianza (Ch. 4.1). On the other hand, the second part presents the company profile and the evolution that it has faced from the establishment until today (Ch. 4.2).*

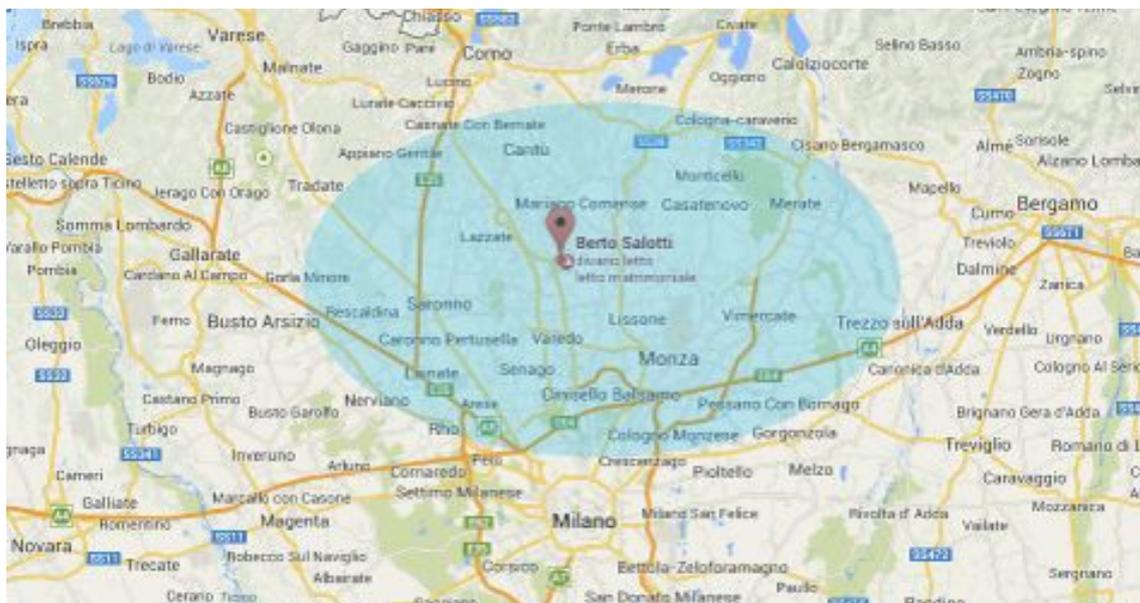
## 4.1 The business environment

In order to better discuss the case study, the following chapter gives an historical overview about the evolution of the Brianza furniture district to which it belongs. The aim in particular is to better frame the company and the factors that led to its evolution. At the same time the following paragraphs provide a confirmation of what has been stated in Chapter 3.1 about the emerging company profiles in the Italian furniture industry. As for the bibliographic source, most of the information have been derived by the reports diffused by the Osservatorio Nazionale Distretti Italiani, the main Italian research institute for what concerns the industrial districts.

### 4.1.1 Birth and evolution of the Brianza furniture district

Berto Salotti belongs to the furniture district of Brianza, which represents the core of the Italian design industry. It is extended across the provinces of Como, Milano, and Monza-Brianza accounting almost 3200 companies and more than 25.000 people (Figure 22)<sup>70</sup>.

**Figure 22 - Map of the Brianza furniture district**



Source: Google Maps, 2014

<sup>70</sup> Osservatorio Nazionale Distretti Italiani, 2013.

Its origin goes back to the XIX Century when the local economy was based mainly on rural activities led by the local nobility. Exactly the upper class demand of fine wooden furnishes for their residences, together with the one coming from the Milan urban market, tapped the rise of a local furniture district<sup>71</sup>. As it is possible to observe also in the case of Berto Salotti, many of the technical and manufacturing techniques that are still adopted go further back at that time, standing at the bases of the know-how. Furthermore, the local ecosystem still relies on a thick network of local complementary relationships between all the members that hedge in the tacit knowledge. These dynamics reflect properly the discussion about the Italian industrial district pointed out in Chapters 1 and 4.

In the past the “Scuola Arti e Mestieri” of Cantù (now “Istituto d’Arte”) was responsible for the professional training of the young prospect artisans. In addition to that function, through a permanent exposition, it has been the main reference point for the retail of the creations made by the smaller craftsmen for a long time.

Between the end of the Second World War and the ‘60s the Brianza district faced a great growth driven by the reconstructing process that restarted the entire Italian economy. At that time, the increasing national demand was capable of absorbing the whole output of the district. Exactly in that period the district model started to established oneself, merging the many local producers located around the provinces of Milan, Como and Brianza.

The main enabling factor of the district settlement has been the following ones. Firstly, the local network of highly skilled and equipped artisans was endowed by all the requisites to manufacture a wide range of artifacts. Secondly, the rapid rise of new productive infrastructures favored by the scarce investments needed and the limited space required (in the most of the cases the enterprises were established inside the owner property). Thirdly, the presence of supporting facilities as the permanent exposition of Cantù. Fourthly, the complementarity and interaction between the local agents, able to perform all the production phases internally to the district by merging their capabilities (woodworkers, metal, glass and marble workers, upholsters, were

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<sup>71</sup> Consorzio A.A.S.T.E.R. per Confartigianato, *Rapporto sui principali Distretti Industriali Italiani*, 2001.

available in a enclosed area together with wholesalers of raw materials and firms specialized in the retail activities).

Starting from the '60s, thanks to the affirmation of leading firms like Cassina and Molteni, the design became a distinctive attribute of the Italian furniture<sup>72</sup>. Thanks to their important collaborations with well-known designers and architects, they still represent the benchmark for all the district manufacturers in terms of stylistic and design innovation. At the same time, implementing new advanced machineries coming from Germany and merging them to their artisanal heritage, they were able to take the production from an artisanal to an industrial scale. Those trends resulted in the worldwide success of the Italian industrial design, as the many iconic products that are still highly demanded confirm.

In parallel with the affirmation of a group of leading companies, during the '70s the smaller artisanal enterprises started fall into crisis due to the inability to upgrade their craft-based businesses following the example of the district leaders. In addition to that fact, the Scuola d'Arte e Mestieri of Cantù quits its training activities and becomes the Istituto Statale d'Arte, which had goals no more aligned with the needs of the smaller craft manufacturers; at the same time the exposition-based distribution model started to face its limits in satisfying the customers needs; lastly, the intergenerational transfer started producing negative effects on the firms development. The direct consequences of those factors had been the resizing of the enterprises number and a substantial shift in the entrepreneurial strategies towards new business models able to better fit the changing environment.

In response to the new market paradigms, during the '70s many firms began to specialize their business model, on the one hand, in the made-to-measure and bespoke production, on the other hand, in subcontracting partnerships with the bigger players. Exactly at that time Berto Salotti was established adopting this strategy.

Observing those trends it seems that the district of Brianza faced a countertrend evolution: while the other districts shifted from the subcontracting approach to more autonomous forms of business, the Brianza district undertook the exactly opposed

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<sup>72</sup> Molteni C., *Distretto del mobile della Brianza*, Osservatorio Nazionale Distretti Italiani, I Rapporto, pp. 216-224, 2009.

evolution. Probably due to the closeness to the numerous design and architecture studios based in Milan strongly focused on inventing innovative stylistic and functional solutions for the high-end design industry, all the members of the district readdressed their offering towards prestigious market niches as the interior design of yachts, luxury hotels and VIP's houses. The shift was enabled by the typical advantages of the district model, which are: 1) the faculty of leading firms to develop an international network of relationships able to attract an highly targeted demand for their products; 2) the subcontractors' capabilities to establish synergies with the leading firms, to exchange and combine their know-how thanks to the spatial proximity, and the long-established relationships; 3) the general service and quality orientation of all the agents, supported by the diffusion of advanced technologies and services made available within the district.

Getting back to the leading firms role, as has been already discussed, also in Brianza they led the internationalization process of the entire district. During the '00s indeed the biggest brands began to significantly invest in a new set of capabilities to support their internationalization strategies.

Besides Molteni, which probably represents the most historical player, the other main international brands that belong to the Brianza district are respectively Flou, Cassina, B&B and Minotti. The direct benefits and spillovers related to the proximity are enormous both for the galaxy of artisanal companies and the local subcontractors: on the one hand, they aliment the local ecosystem of satellite activities relying on their craftsmanship; on the other hand, they strongly contribute to spreading the reputation of the Made in Italy design all over the world.

#### ***4.1.2 Current situation and next frontiers for the district***

In order to better focus the current district position and to provide a benchmark to the case study, the following paragraphs present some useful figures. The latest available data report a number of 3.200 enterprises belonging to the district<sup>73</sup>. However, the effects of the Crisis are still causing the bankruptcy of many companies also in this area.

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<sup>73</sup> Osservatorio Nazionale Distretti, 2011.

**Table 23 - Economic data about the Brianza furniture district, 2007-2011**

Year	Turnover (Million €)	Export. (Million €)	Dom.M. (Million €)	Exp./ Dom.M. (%)	Y/Y turn. growth (%)	T. growth on 2007 (%)
2007	3.540,80	1.276,10	2.264,70	36%	-	-
2008	3.555,90	1.314,30	2.241,60	37%	0,4%	0,4%
2009	2.989,50	1.018,60	1.970,90	34%	-15,9%	-15,6%
2010	3.050,10	1.105,20	1.944,90	36%	2,0%	-13,9%
2011	2.974,30	1.183,90	1.790,40	40%	-2,5%	-16,0%

Data source: Databank - Cerved Group, elaboration on various data sources, 2012.

In particular their number decreased of 28,84% between 2010-2011 and 31,67% with respect of 2009. As for the employment, in 2011 the district counted on 24.424 workers, which have seriously decreased as well (-4,64% between 2001-2011).

The massive shift towards the exportations highlighted in Chapter 3.2 involved also the Brianza district. Indeed, as it is possible to observe from Table 23, the Crisis caused a significant fall in the total turnover that has affected both the domestic demand and the foreign one (-16% comparing 2009 to 2008)<sup>74</sup>. At the same time, starting from 2010 the exports restarted growing, reaching the total value of 40% in 2011. Unfortunately there are not specific data available between 2012 and 2013. Anyhow, according to the research published by Centro Studi Federlegnoarredo it is possible to deduct that the district exportations are still growing and are near to overcome the domestic demand reflecting the national trends.

Another recent study presented in 2012 by the Osservatorio Nazionale Distretti Italiani confirms the break of the turnover recession, highlighting that the Brianza is one of the few national districts that faced a growth between 2011 and 2012<sup>75</sup>. Comparing the ISTAT data elaborated by Fondazione Edison related to the third trimester of 2011 to

<sup>74</sup> L'edicola DBK, *Il distretto del mobile della Brianza*, Databank edizione 23, Cerved Group Spa, December 2012.

<sup>75</sup> Osservatorio Nazionale Distretti Italiani, *IV Rapporto*, 2012.

the same trimester of 2012 in fact, the cluster turnover has grown by 13%, becoming the most performing domestic furniture district (Table 24)<sup>76</sup>.

As has been pointed out before, the positive trend is mainly led by the increasing exports (+6,3% comparing the Jan-Sept 2012 to the same period of 2011) that compensated the downturn of the internal market (-7,9% between 2011-2010). Moreover, confirming the general trend of the Italian furniture industry, the Brianza district exports are moving from the UE markets (-3,6% between 2012-2011).

Finally, the last interesting aspect that characterizes the local cluster is its inclination towards the innovation. In 2012 the Confartigianato annual index awarded the Brianza as the most innovative Italian industrial district<sup>77</sup>. Particularly, the study recognized the supremacy of this cluster in terms of high-tech companies concentration, intellectual property protection, Internet broadband diffusion and exploitation of the ICT for business purposes.

**Table 24 - Growth of the Italian industrial districts, III trim 2011-2012**

	Distretto o area distrettuale	Settore di riferimento	III trim 2011	III trim 2012	Var.%
1	Etna Valley	Elettronica	78.915.265	124.507.896	57,8%
2	Lodi	Cosmetici	51.441.206	77.579.854	50,8%
3	Forlì Cesena	Macchine utensili	8.577.830	12.733.908	48,5%
4	Lucca	Pietre ornamentali	26.922.439	35.373.539	31,4%
5	Firenze	Oli	38.523.305	46.102.700	19,7%
6	Bologna	Macchine per imballaggio	450.252.974	538.369.255	19,6%
7	Bergamo	Macchine di impiego generale	272.792.520	321.973.418	18,0%
8	Arezzo	Gioielleria	352.169.916	412.868.499	17,2%
9	Parma	Pasta e prodotti da forno	126.447.144	147.270.986	16,5%
10	Milano	Cosmetici	217.522.876	251.898.559	15,8%
11	Pavia	Macchine industriali	46.635.835	53.876.522	15,5%
12	Maranello	Autovetture sportive	386.342.615	445.316.573	15,3%
13	Cadore	Occhialeria	377.040.166	434.359.328	15,2%
14	Massa Carrara	Pietre ornamentali	63.475.185	72.345.811	14,0%
15	Chianti fiorentino	Vini	51.473.382	58.360.410	13,4%
16	Brianza	Mobili	218.082.945	246.409.097	13,0%
17	Alba	Cioccolato e prodotti da forno	260.257.674	290.416.930	11,6%
18	Vergiate	Aeromobili	338.973.080	372.444.888	9,9%
19	Reggio nell'Emilia	Macchine per l'agricoltura	91.297.968	100.277.436	9,8%
20	Pesaro Urbino	Mobili	77.321.257	84.625.757	9,4%

Source: Osservatorio Nazionale Distretti Italiani, IV Rapporto, 2012.

<sup>76</sup> Elaboration of ISTAT data performed by Fondazione Edison, 2013.

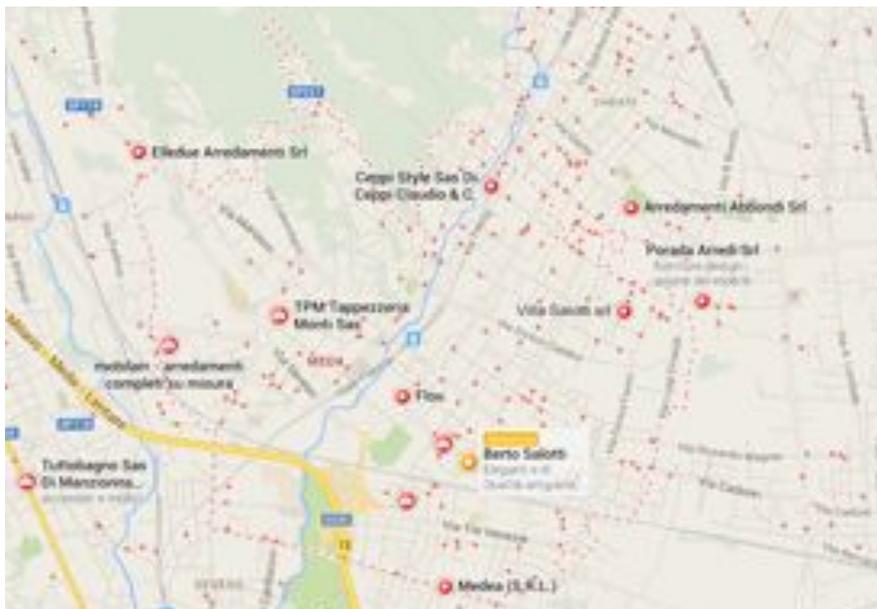
<sup>77</sup> Confartigianato, 2012.

#### 4.1.3 Berto Salotti and the district

The genesis and the evolution of Berto Salotti literally reflect the district main trends: starting from the workshop model, passing to the contract, since arriving to the current bespoke production.

As the CEO confirmed in a personal interview, the company doubtless benefits from the closeness to the district big players. «Be part of this territory means also to continuously receive high stimulus and take important challenges able to tap the growth and increase the innovation and quality standards» said Filippo Berto. Nevertheless, he discussed: «The main benefits come from the unique and top-quality manufacturing capabilities of the small workshops that constitute the district real socioeconomic fabric. For example, the internal staff of craftsman involves exclusively independent metalworkers and woodworkers to prototype our best products, and none factory or hub. This proves that the Brianza ecosystem of craft manufacturers can still produce research and innovation». He concluded: «Within 10 Kilometers we have all the know-how needed to realize the most innovative products of the whole industry. An immeasurable heritage that represents the core of the district worldwide competitive advantage.»

**Figure 25 - Furniture producers in the municipality of Meda**



Source: Google Maps, 2014.

Searching “arredamento Meda” (furniture Meda), Figure 25 taken from Google Maps shows how dense is the presence of companies involved in the furniture sector around the Berto Salotti headquarters. Within few hundred meters around it in fact there is a dense galaxy of manufacturers, including some of the major Italian brands as Cassina, Minotti and Flou. Precisely the strong capability of leading and co-operating with a network of specialized partners and suppliers, together with the innovative way of running its business make it a benchmark for all the smaller brands. Finally, the active participation of the CEO to the local trade and professional associations plays a key role in strengthening the relationships with the other local entrepreneurs.

#### ***4.1.4 The Salone Internazionale del Mobile exhibition and its role for the company***

In the light of the discussion made in Chapter 3.2, the Salone Internazionale del Mobile represents a great opportunity to draw the attention on the new collection of products and to spread its brand also for Berto Salotti. Every year the company organizes special events and expositions both at the Fuorisalone and at its showroom in Meda.

In order to leverage the synergies with its partners, during the last editions the company promoted two innovative joint expositions pursuing various objectives: firstly, it aimed to recount what is surrounded in its creations by personally dealing with the people potentially interested in buying them; secondly, it could take new business opportunities through starting up or renewing partnership with business interlocutors; lastly, the co-expositions have been great occasions for tapping the world-of-mouth through the support of an advanced media strategy.

The greatest initiative was “Divano X Managua”, a unique project of co-design and co-manufacturing launched on the occasion of the 2013 edition. Thanks to the support of the company craftsmen, a group of students and teachers of the local upholstery school directly experienced the entire process of production, from the design to the manufacturing. Involving many professionals, scholars, and other influencing people, the result was a great show set in an atelier located in the Design District of Milan that gave to the company an incredible exposure.

Similarly, the company presented another innovative crowd manufacturing initiative named “Sofa 4 Manhattan” in the occasion of the Onwards joint exposition at the 2014 Fuorisalone. Both the two projects will be discussed more in depth in Chapter 6.3.

In conclusion, of course the Salone Internazionale del Mobile represents one of the best occasions where revealing the craft creations by putting into practice the unique social skills that characterize the company

## ***4.2 Berto Salotti: company profile***

### ***4.2.1 Introduction***

Berto Salotti is a small Italian enterprise specialized in the artisanal handicraft production of top-quality upholstery products as sofas, armchairs and beds. It belongs to the furniture district of Brianza and it is located in Meda, a small city twenty-five kilometers northward of Milan.

The firm distinctive hallmarks are, firstly, the made-to-measure and bespoke craft-manufacturing, deeply rooted in the heritage as the whole “Made in Italy” industry. Secondly, the eCommerce retail channel through which it globally sells its creations. Thirdly, the web-driven internationalization strategy strictly connected to the innovative online promotion one. Lastly, the effective involvement of both consumers and business partners in its value chain.

As far as organizational dimensions are concerned, the staff is currently composed by twenty figures, of which thirteen are involved in the production department, while the rest in the marketing and sales area. As for the turnover, in 2013 it reached nearly 3 million euro, 20% originated by pure eCommerce sales. On the other hand, the remaining 80% is associated to purchases that begin online and are concluded through traditional retail channels (i.e. info-commerce). The foreign customers play an important role: they are located mainly in France, Germany and UK, but also in extra-UE countries as the United States, Russia and in the APAC region.



*Carlo Berto (Berto Salotti founder) in the company laboratory. Source: Bertostory blog.*

#### ***4.2.2 The evolution from traditional upholstery to digital Innovative Maker***

The company was established in 1974 as a family-run workshop by the two Berto brothers, Carlo and Fioravante. The founders were sons of a Venetian family emigrated in Lombardy after the Second World War and they started up their business leveraging their manual capabilities as the many of the Italian micro-enterprises born within the manufacturing districts.

The initial business model was based on contract relationships with local “Design-driven Producers” operating in the high-end upholstery industry. Following the contractors’ requirements, the products were mainly leather hand-made sofas and armchairs characterized by first-class materials and superior finish capable of satisfying the most demanding customers.

In the late ‘90s, exploiting the knowledge learned by the buyers, the entrepreneurs decided to upgrade their business facing the consumer market. At this aim, they presented their first collection of handcrafted sofas and started to sell them directly from their workshop and through few resellers located in Milan. In particular they opted to keep in-house the manufacturing activities and target a specific market niche formed by the people in search for made-to-measure products, Italian artisanal quality, and long durability. This positioning decision was chosen in order to avoid the price-based competition with the national and international competitors that were outsourcing the manufacturing activities in the developing countries.

The real turning point took place at the beginning of the New Millennium when the twenty-three years old son of Fioravante Berto joined the business, bringing a totally new approach to the marketing and sales. At that time the use of the Internet was at its dawn, both from the consumer side as information source and from the companies one for business purposes. However, thanks to the innovative vision of Filippo Berto and his enthusiasm for the ICT, the renewed staff started experimenting the Web to promote the brand and to show online the product portfolio. In 2000, leveraging his digital skills, Filippo self-realized the first version of the website (*www.bertosalotti.com*).

Through basic analytic tools he immediately observed that the new website was catching the attention of a relevant amount of users. In the light of those findings, the

young manager started investing a small budget in Google AdWords, an advertising service to scale the search result page (SERP) and increase the daily visits<sup>78</sup>.

Moreover, even if the eCommerce was not so diffused for selling this typology of products, in 2003 he decided to experiment the new online retail opportunities launching a store on eBay. After a trial period during which he understood that it was not the most suitable channel for selling artisanal sofas, in 2005 Filippo Berto opted for an embedded eCommerce section directly on the company website. The decision was chosen to allow a greater control over the sales and to offer a superior customer engagement.

In 2004, as the online sales were growing, the young manager started to feel the necessity of a coherent communication strategy able to adequately transfer all the intangible product features and brand values. In fact, even though the website was an innovative showcase for the products, the gap with the face-to-face transactions taking place at the showroom was still high. For this reason, in order to become closer to the online customers and better show the human side of the company, he launched a corporate blog. The “Bertostory” blog still represents an important asset for the firm as well as a best practice studied by many other companies and web marketing specialists<sup>79</sup>. Finally, the growing sales marketing team started to develop also a social media strategy based on the storytelling and on viral contents capable of exploiting the typical benefits of the Web 2.0.

Very soon the innovative approach to the digital communication began to give significant results in terms of sales growth. In fact, showing all the product features, the manufacturing process, and highlighting the excellent handcrafting capabilities turned out to be the best solution to support the online retail channel.

On the other hand, the well targeted Google AdWords campaigns and the translation of the website in multiple languages started to pull the attention also of foreign people. In this way, realizing to be the World’s first artisanal upholstery to be online, the

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<sup>78</sup> Google AdWords is an advertising service useful to promote specific webpages on *Google* search engine. S.E.R.P is the acronym used to indicate the list of results that appears after a research.

<sup>79</sup> Bertostory Blog: <http://blog.bertosalotti.it/>

company began to benefit of all the advantages of the first mover in a totally unexplored “Blue Ocean”<sup>80</sup>.

Understanding the big opportunity to grow and internationalize the sales with small investments (mainly the time needed to the website maintenance and the small budget for the Pay-Per-Click campaigns), the firm’s staff started to redesign the whole approach to the business adopting a digital perspective. At the same time, the innovation wave brought into the company showed the need to develop a new set of capabilities, both in the web marketing field and in the management of international and intercultural relationships. For this reason the staff was integrated with new professional figures specialized in press, digital communication, and in the speaking of foreign languages.

Shifting the focus on the offline marketing, in the occasion of the 2013 and 2014 editions of the Salone Internazionale del Mobile, Berto Salotti launched two innovative projects with the double intent to show off its incredible manufacturing capabilities and to trig the online buzz. These consisted respectively in two cutting-edge workshops open to the public for the crowd manufacturing of a sofas.

Finally, thanks to the incredible results achieved, Berto Salotti captured the industry attention as well as the academics one. In the last years in fact the company and its young manager have become one of the representatives of a rising national movement that encourage a national discussion about the impact of the new technologies on the “Made in Italy” manufacturing businesses.

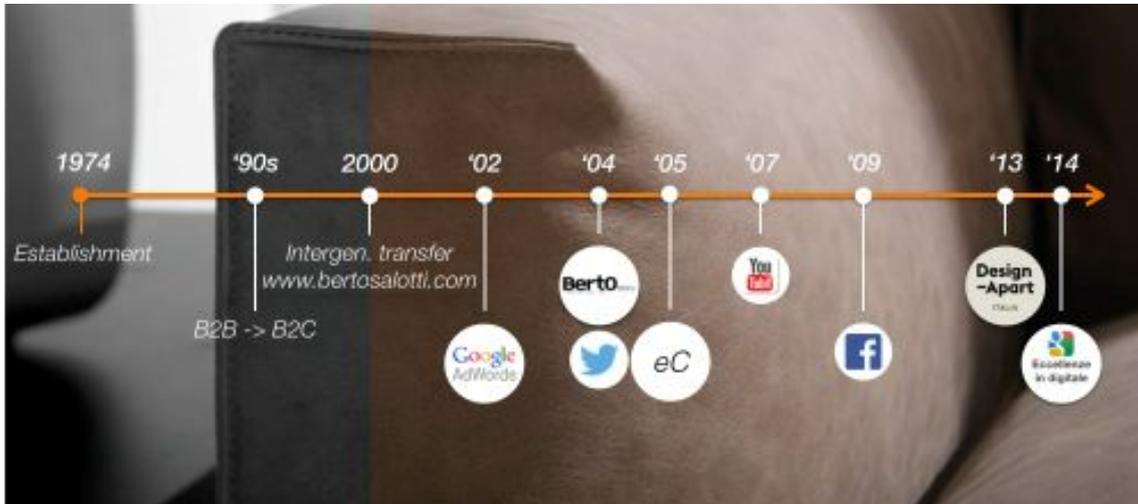
Thanks to his broad relational skills and strong commitment to the public discussion, Filippo Berto has created an incredible network of relationships with Universities, professional associations, and other companies. Exploiting them, the company has been recently involved in several joint business projects. The most important one is Design-Apart, an innovative chain of living showrooms located in foreign strategic cities (as New York and Sydney) for the promotion of a selected group of Italian companies operating in the interior design industry. The second one is the Google’s initiative named “Eccellenze in Digitale” introduced in Chapter 1.

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<sup>80</sup> Chan Kim W., Maubornge R., *The Blue Ocean Strategy*, Harvard Business School, 2005.

Figure 26 provides a summary of the company evolution highlighting the most relevant milestones.

**Figure 26 - Berto Salotti evolution**



*Author's elaboration.*



## **5. The company craft capabilities and its web-centric business model**

*The following chapter presents in-depth the peculiar business model of the company object of the case study. This is characterized by an outward synergy respectively between the heritage and the innovation. The former regards the unique craft capabilities of the company, whereas the latter consists in the intensive use of digital tools, which play a key role in the value-creation process.*

*Regarding the first point, while in the mainstream industry the customization represents a side opportunity at the margin of the value chain, in the case of Berto Salotti the made-to-measure and bespoke offering stands at the basis of its competitive advantage.*

*In consideration of the above, the chapter begins presenting the product distinctive features and the singular way through which they are offered (Ch. 5.1). Thereafter, adopting the G. Gereffi's value chain model of analysis, the last paragraphs focus on the single value chain components, from the design to the online retail activities (Ch. 5.2).*

## ***5.1 Product description and offering structure***

### ***5.1.1 The products***

The product portfolio is composed by a collection of sofas, sofa-beds, beds, and armchairs that are entirely handcrafted in the Meda laboratory. All the products share the same knowledge, manufacturing capabilities and raw material, as they are basically composed by an internal frame made with wood and metal, a synthetic upholstery and a covering made with leather or textiles. Exactly for this reason the company is able to keep the bulk of manufacturing in-house relying on a limited staff of craftsmen which guarantee high quality and innovation standards.

a) ***Sofas*** - They represent the iconic products that distinguish Berto Salotti since its establishment. Currently the catalogue counts on twenty-three models divided in three groups: the modern couches with an innovative design aligned with the most up-to-date trends; a range of classic sofas addressed to the more tradition customers; a collection of Chesterfield leather sofas characterized by a retro look typical of the Great Britain, which still represent icons of the interior design especially in the USA.

b) ***Sofa-beds*** - The second category of products is constituted by the sofa-beds. The offering counts eleven models that include both modern and classic design, and should be covered by a wide selection of textiles and leather. All of them are characterized by sophisticated technical solutions able to combine in one product both the functions of sofa and bed.

c) ***Beds*** - The latest collection presents eleven beds characterized by a dressy design and a multiple practical solutions similar to the ones adopted in the sofa-beds. These go from the very functional storage beds, that offer a big space inside for the linen storage to a retractile draw that transforms the single bed in a double one.

d) ***Armchairs and poufs*** - The last category includes more than twenty armchairs and poufs that range from the more modern to a wide series of Chesterfield ones, designed in armory with the other products.

e) ***Complementary products*** - Finally, the offering is completed by a collection of furnishings and other complementary products as mattress, pillows, and linens.

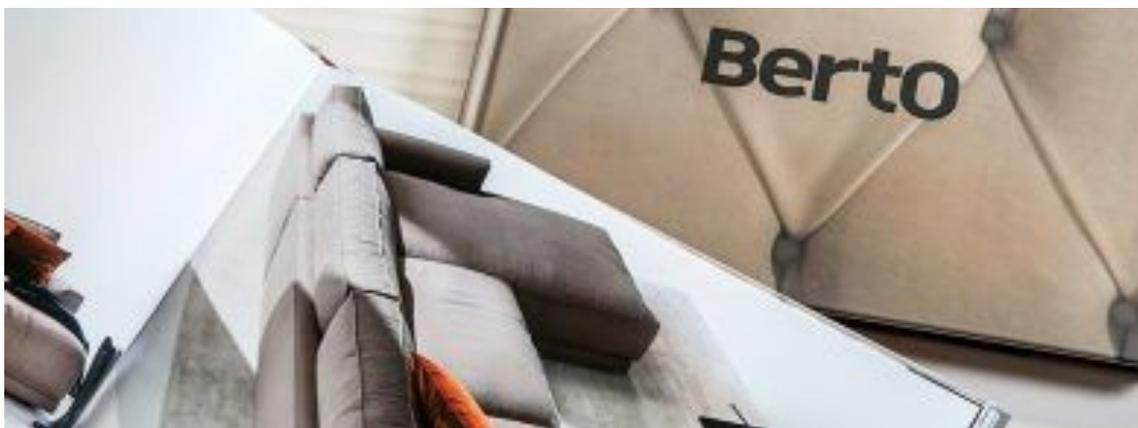
Exploiting the cross-selling opportunities, the function of this category is to offer complete and ready to use products able to satisfy the needs of the more demanding customers. As for the production, they are handmade articles that the company buys from external suppliers. The latter are uniquely selected Italian craft companies with values tightly aligned to the Berto ones.

### ***5.1.2 The offering structure: from the catalogue to the bespoke creations***

As described in Chapter 4.2, the company has faced a deep evolution that drove it very close to the end users. The desire to seek new market opportunities beyond the national boundaries exploiting its incredible manufacturing potential has led the company to occupy an unexplored positioning in the industry.

Perfectly reflecting the profile of the Innovative Maker identified by the research of the Italian scholars presented in Chapter 3.1, Berto Salotti fine-tuned an innovative business model that consists in the following three approaches to the market:

a) ***Catalogue offering*** - The catalogue offering is the most diffused solution in the furniture industry, but in the case of Berto Salotti the concept of catalogue is very far from its industrial competitors. Indeed, due to the artisanal manufacturing process entirely performed in-house, the products are handmade one by one and can be considered as unique pieces. Nevertheless, the catalogue represents also the starting point for the customization opportunities as well as a concrete tool for the sales representatives.



*Company catalogue. Source: Berto Salotti website.*



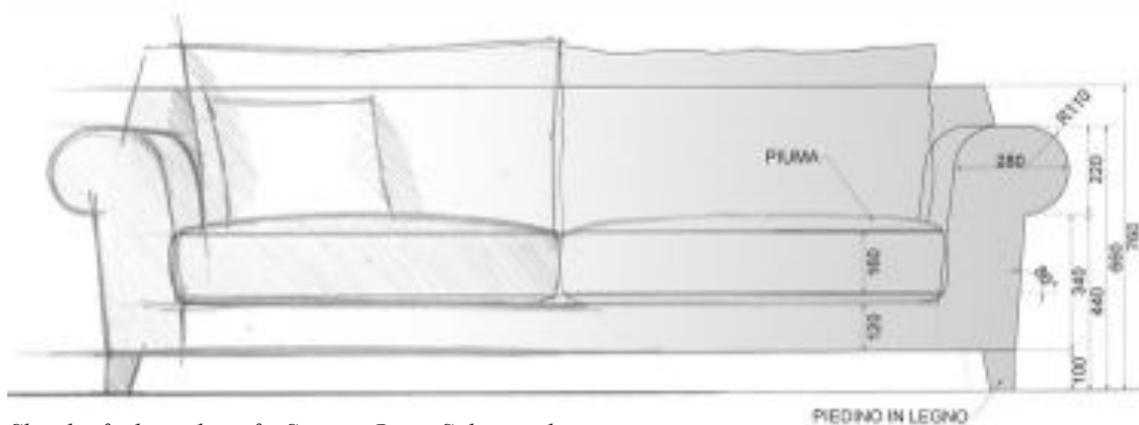
*Sketch of a made-to-measure product. Source: Berto Salotti website.*

b) **Made-to-measure offering** - The second approach (named “*Berto su-misura*”) consist in the made-to-measure production and represents the first step in terms of differentiation from all the other competitors. In fact, to better fit the customers’ needs, the company offers all the catalogue products with the possibility to be freely sized basing on the specific requirements and to be personalized in many other features as the height of the setback, the thickness of the backrest and the kind of padding to obtain the desired comfort. Furthermore, thanks to the wide network of Italian suppliers of raw material, the customers should choose between more than three thousands typologies of fine coverings.

By leveraging its handicraft in-house production the company has been able to overcome both the psychological and practical barriers to the purchase of complex products as well as to offer a plus to the more demanding consumers.

c) **Bespoke offering** - With the respect to the made-to-measure the third model (named “*Berto Progetti*”) goes a step further in terms of customization opportunities offered. During its experience the company has observed that there is a consistent market niche constituted by both consumers and professionals (as interior designers, architects or other business figures) that look for craftsmen willing to manufacture their original projects.

As for the inputs, they can be an original idea like as sketch, or a detailed technical project with specific requirements in terms of materials, dimension and design. Given that all the products are handcrafted in-house one by one, Berto Salotti has not the



Sketch of a bespoke sofa. Source: Berto Salotti website.

typical limitations of the bigger producers, which usually rely on an industrial and/or outsourced production. In this way the company is able to offer an exclusive service that ranges from the starting design consultancy to the outright manufacturing of the product.

According to the data reported the catalogue sales represent on average 20% of the annual turnover, while the made-to-measure and the bespoke creations account respectively for 70% and 10%. Figure 27 provides a graphical representation of the whole offering structure: by moving from the first to the third one, the three approaches allow both an increasing level of customization and customer engagement into the design process.

In conclusion, what emerges from the analysis of the offering structure is that the firm possesses a strong ambidexterity that allows it to take advantage of the know-how at the basis of its heritage (exploitation), and at the same time to scale up the business model with an innovative and proactive approach (exploration)<sup>81</sup>. More than that, combining both the artisanal production typical of the “Customization-driven Producers” and the innovative technical and design solutions of the “Design-driven Producers”, Berto Salotti perfectly reflects the profile of the Innovative Maker.

<sup>81</sup> Duncan R., *The ambidextrous organization: Designing dual structures for innovatio*, The Management of Organization, pp. 167-188, North Holland, 1988.

**Figure 27 - BertO Salotti offering structure**

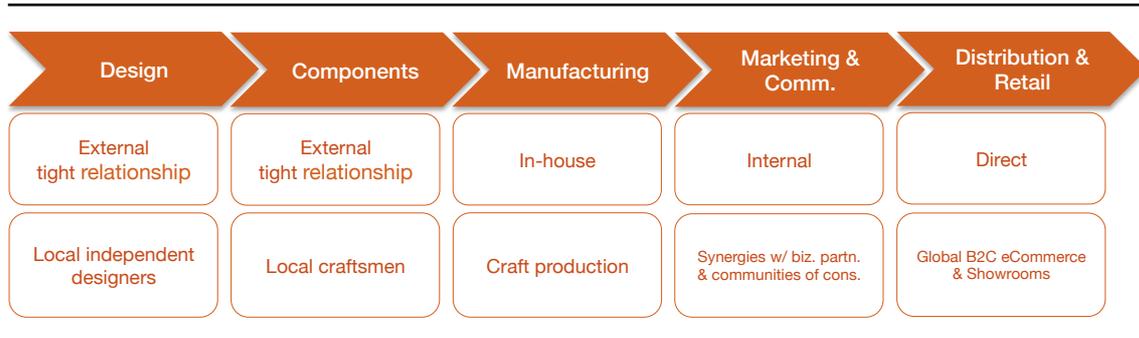


*Author's elaboration.*

## 5.2 The key components of the company global value chain

In order to present the company business model it has been chosen to adopt the G. Gereffi's Global Value Chain analysis model (Figure 20)<sup>82</sup>.

**Figure 28 - GVC analysis of the Berto Salotti business model**



*Author's elaboration.*

1) **Design** - While in the past the design process was conducted internally, for few years the company has upgraded the function through a tight collaboration between the internal department and a local industrial designer with a well-established experience in interior design.

As for the workflow, basing on the company inputs, the external designer realizes the initial draft, than he leads the realization of the prototype relying on the expert craftsmen working in the production department and the internal design office as well. According to the CEO: "His support has been fundamental to conceive a balanced and coherent catalogue portfolio. Thanks to his experience with many successful brands, he strongly contributes to maintain high standards of innovation."<sup>83</sup>

On the other hand, the internal department supports the design of the made-to-measure and bespoke products. As discussed in the previous chapter, since these two services represent the biggest part of the business, its role is fundamental for leading the co-creation process together with the customers and for supervising the manufacturing activities. In the light of these processes it is opportune to emphasize that the synergy

<sup>82</sup> Gereffi, G., *The Organization of Buyer-Driven Global Commodity Chains: How US Retailers Shape Overseas Production Networks*, in G. Gereffi, and M. Korzeniewicz (Eds), *Commodity Chains and Global Capitalism*, Westport, CT: Praeger, 1994.

<sup>83</sup> Personal interview with Filippo Berto conducted at the company headquarters, March 2014.

between the design and the manufacturing staffs is a fundamental ingredient of the company success.

2) **Components** - To realize its creations the company uses mainly two typologies of components. The first category regards the customized ones as the internal metal frame and the wooden structure of the sofas and beds, which are handcrafted by local artisans that collaborate with the company for a long time now. The tight relationships with them indeed are lead by the company founder (Carlo Berto), who is still responsible of the manufacturing activities. On the other hand, the standard components as the padding and the coverings are supplied by trusty Italian companies managed through more loosely relationships.

In general, the spatial proximity with its suppliers (in the most of the cases less than a kilometer), together with the long-lasting relationship with them allow the company to have both the flexibility and responsiveness needed to efficiently satisfy the specific customers' needs. More than that, the constant intra-district interactions strongly concur to the innovation process that regards both the stylistic and the technical solutions.

3) **Manufacturing** - The manufacturing activities are entirely performed in-house by a staff of thirteen craftsmen specialized in the various phases of the productive process. The latter mainly consists in the assembly of the wooden and metal internal frame, the trimming of the padding, the cutting and stitching of the covering, and the final assembly.

All these activities strongly rely on the local heritage and craftsmen's experience that still represent the core of the company know-how. Adapting to the changing environment, the constant development of new innovative solutions and the formidable efforts and attention to detail ensure a positioning in the highest level of the market. More than that, ensuring the responsiveness and the flexibility needed, the in-house craft production represents a *sine qua non* condition for the made-to-measure and bespoke production.

In conclusion, it is possible to state that the manufacturing activities, together with the design ones are the real essence of the company on which it has based its identity since its foundation.

4) **Marketing and communication** - The marketing and communication represent a key component of the value chain. Even though they are the objects of a in-depth analysis developed in the next chapter, it is proper to point out that these activities are fully performed by the internal staff led by the CEO.

On the one hand, the company deeply relies on the online channels as the corporate blog and the social networks; on the other hand, it takes advantage of its extended network of relationships with business partners, which has been developed thanks to intense PR efforts on the behalf of the CEO. In general, through the development of an innovative business model characterized by a strong openness and a pervasive adoption of the digital tools, the company is able to involve a broad range of external subjects in the value creation process.

5) **Retail** - The distribution and retail activities are the second distinguishing feature of the company value chain. In fact, Berto Salotti developed a unique online distribution model to sell the products all over the world by overcoming the spatial barriers and transmitting all the meanings and values that they surround. It is composed by an online retail channel at its core and by a side offline channel to better oversee some strategic markets and to satisfy the more traditional customers.

Focusing on the eCommerce, thanks to a perfectly designed website translated in six languages (Italian, English, French, Spanish, German and Russian) the company is able to globally offer its products without a traditional distribution network that otherwise would be far beyond its resources. The whole offering (including the made-to-measure and the bespoke services) is made available online through a website characterized by an advanced user experience. In fact, effectively presenting in detail the company and the product features it represents the first contact point with the customers coming from all over the world.

The screenshot shows the Berto website interface. At the top, there's a navigation bar with the Berto logo, a search bar, and a phone number (+39 0362 1851425). Below the navigation, there are social media links and a main menu with categories like 'DIVANI', 'DIVANI LETTO', 'POLTRONE', 'LETTI', 'COMPLEMENTI', 'CONTATTI', 'NEWS', and 'OUTLET'. The main content area features a large image of a brown leather sofa with the text 'Clicca qui per ingrandire'. To the right, the product title 'Divano letto Nemo' is displayed, followed by tabs for 'DESCRIZIONE', 'INVESTIMENTI', and 'SCHEDA TECNICA'. The description explains that the sofa is a convertible bed with a mattress and a reclining mechanism. Below the description, there are color swatches for different fabric and leather options, and a 'Richiedi un preventivo' button. The page also includes social media sharing options for YouTube, Facebook, and Twitter.

Screenshot of the company website.

The sales and the other front-end processes are directly managed from the headquarters by the customer service staff. At this purpose, the implementation of advanced IT technologies in the daily operations allows the customers to easily interact, share and discuss the projects from any place in the world. In particular the company takes advantage of both front-end technologies for the communication as the e-mail and VOIP, and back-end ones as a cloud-based CRM, a Business Intelligence tool and a custom ERP tailored on the company specific needs by an Italian provider. Finally, Berto Salotti offers the most diffused payment methods as bank transfers, credit cards and electronic payments.

The adoption of this flexible approach to the customer interaction has determined the overrun of typical limitations of the offline retail. Before the introduction of the eCommerce processes in fact these limits forced the customers interested in the Berto

products to move to a physical showroom or to interact with ineffective communication tools.

Regarding the logistics, in order to ensure the best customer experience the company personally takes care of the delivery and installation of its products in the case of customers located in Italy or in other neighboring countries (as Switzerland and Austria). On the other hand, for all the other international destinations it entrusts to local logistic companies specialized in the delivery and installation of fine furniture.

According to the data reported, the sales coming from the online channel derive for 30% from foreign consumers and represent 20% of the total turnover generated by pure online purchases. However, according to the CEO, it is difficult to split the online sales just because the firm Omni-channel approach to the retail. Many people indeed discover the offering and the products features through the web, and then they conclude the purchase at the physical store. As it has been discussed in Chapter 2.3, the info-commerce is very common between the target of people that are still not willing to buy online complex and high-priced products.

For this reason, the company adopts also a traditional retail network alongside to the web one. This is composed, on the one hand, by two owned showrooms located in Meda and Rome, and on the other hand, by some indirect multi-brand stores located in Italy as well as Belgium and Russia. Finally, Berto Salotti has recently started to perform the first sales through the new New York living showroom that it shares with other Italian partners (the Design-Apart project has been described in Chapter 7.2).

In conclusion, the physical points of sale perfectly integrate the whole retail strategy guaranteeing a complete Omni-channel experience. Firstly, the two direct channels allow the best possible interaction and customer engagement needed to correctly transfer all the aspects surrounded by the products. Secondly, they let the company retain the highest possible value maximizing the sales margins. At the same time, the offline channel offers a trusty touch-point to the people that are not so confident with the eCommerce. All these points perfectly fit the trends highlighted by the Casaleggio Associati eCommerce report discussed in Chapter 2.3.

Figure 29 provides a graphical representation of all the paths that the consumers can follow to buy the Berto Salotti craft creations.

**Figure 29 - Berto Salotti Omni-Channel retail strategy**



*Author's elaboration.*

## **6. The company communication and promotion strategy**

*During the last years Berto Salotti and its owner have become a real model for the digitalization of the enterprises belonging to the “Made in Italy” sector. Indeed, thanks to the adoption of innovative techniques in the digital marketing field from 1999, the company is still protagonist of many studies and public discussions.*

*The chapter provides an in-depth analysis of the company communication and promotion. In particular, the first part describes the internal needs that have brought Berto Salotti towards developing the current marketing strategy (Ch. 6.1). On the other hand, the second part discusses in detail the organization of the online acquisition channels and the strong interdependence that characterize them (Ch. 6.2).*

*Finally, the last section focuses on the importance that the offline partnerships and public relations still have on the company success (Ch. 6.3). Indeed, thanks to the CEO wisdom, Berto Salotti is protagonist of numerous ventures launched in synergy with other companies as well as the crowd of end users.*

## ***6.1 The key principles of the firm communication strategy***

The recent article about the case of Berto Salotti published on *Venezie Post* newspaper represents a nice starting point for the discussion. Prof. Bettiol from University of Padua stated: “The craftsman’s workshop has been a closed environment where keeping at safe all the secrets since today. Thanks to the Berto’s venture everything has changed. The craft factory has no more fear to disclose it selves becoming a strong experience for the customers. The opening movement involves both the doors, the spaces, the tools and the knowledge, and it is extraordinary for two reasons. Firstly, we have a strong narrative about what the artisanal making process really means. With the incoming of the final consumer into its workshop, the craftsman has the opportunity to recount his/her expertise beyond the quality of the products. But there is something more: there is the creation of an attachment. There is something more that just the learning of what the craftsman do: they make and create something together.”<sup>84</sup>

Before describing in detail the components of the company marketing mix, it is useful to introduce a brief discussion about the principles that stand at their basis. When in 1999 Filippo Berto entered into the family-run business, he figured out that the company and its employees possessed an incredible and distinctive know-how in terms of making capabilities. Exactly for this reason he began to build a communication model able to reward all the intangible assets by translating them into the consumers’ language. The traditional approaches to the communication in fact were not able to effectively transfer all the meanings and values surrounded by the craft creations. On the other hand, the company was not able to establish long-lasting and engaging relationships with its customer outside the traditional transactions.

Responding to these needs Filippo Berto has invested the last fifteen years to develop an innovative approach to the communication that strongly relies on the most effective media of the Postmodern era: the Internet.

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<sup>84</sup> D.P., *Crowdfunding, grande occasione per il made in Italy*, *Cult di Venezie post*, April 26<sup>th</sup>, 2014.

The guiding principles on which the company built the new online and offline communication can be summarized in the following points:

a) **Transparency and authenticity** - As it has been discussed in Chapter 2.1, the Web 2.0 and the online communities have extremely strengthened the consumers' role and their capability to collect information about the products that they are next to buy. In this context the self-referential communication adopted by the multinationals to promote their standardized products has demonstrated to be totally counter-productive. In the light of this, Berto Salotti built the brand reputation around two principles: transparency and authenticity. The artisanal dimension and the strong heritage in fact allow the company to go a step ahead towards all the well-established brands in terms of communication opportunities.

b) **Storytelling** - Taking advantage of the most up-to-date marketing techniques, it definitely overcame the third person and antiseptic company language. For many years in fact all the members of the organization are involved in effective storytelling and content marketing initiatives. These have turned to be the best techniques to effectively transfer the company values and to establish an emotional link with the consumers.

c) **Customer involvement** - In connection to the point before, it aimed to break the usual barrier with the consumers. Indeed, it strongly invested in strategies able to build trust around its online and offline reputation, and to trigger the potential of the WoM.

d) **Internationality** - Another distinguishing feature of the company communication and promotion strategy is the strong orientation to the international customers. Indeed, after the observation of an increasing interest in its craft products by the foreigners, the company has completely readapted both the internal processes and the marketing strategies to an international target.

e) **Business openness** - Finally, aligned with the principle of openness on the consumer side, it developed also a strong propensity to the establishment of business partnerships. Unlike many other companies in fact it perfectly realized that the opportunity to rapidly scale-up the business could derive only from the development of inter-firm synergies.

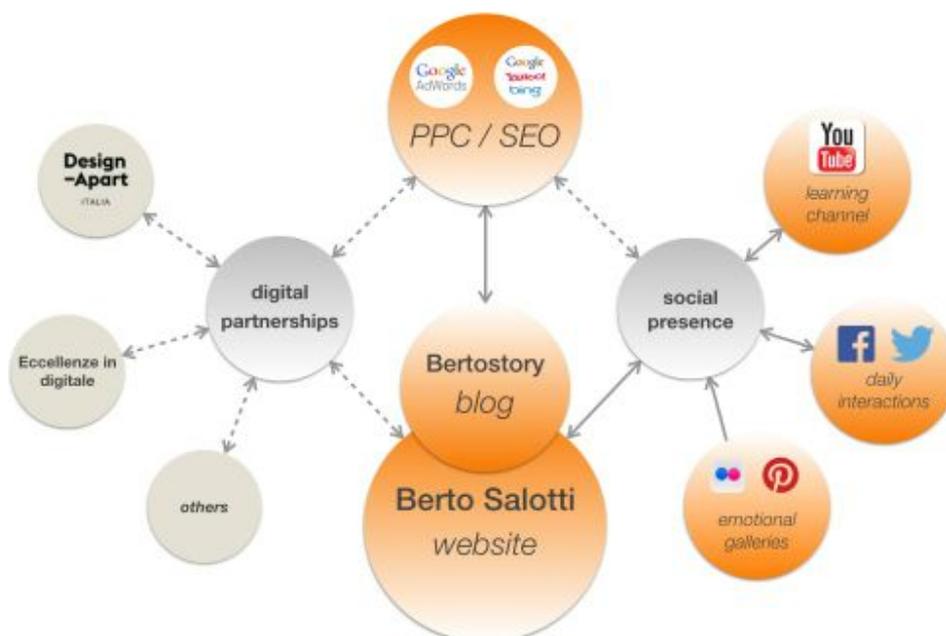
## 6.2 The digital marketing strategy

### 6.2.1 Strategy overview

The company digital strategy is characterized by the synergic exploitation of multiple online channels. These have a double-function: on the one hand, they drive traffic to the company website incrementing the opportunities to sell the products; on the other hand, they represent the main channel of communication and engagement. Figure 30 provides a map of the Berto digital strategy highlighting the interrelations between them. Moreover, it aims to represent the main possible paths that users can follow to land on the company website. Analyzing clock-wise the figure, it is possible to identify the following acquisition channels:

a) **Search Engines** - The search engines represent the main channel that the company exploit to drive the traffic on its website. It includes both the pay-per-click traffic (PPC) obtained through the investments in Google AdWords campaigns and the organic traffic deriving from the users' researches. The latter can reach directly the company website as well as all the Berto-related contents posted in blogs (especially the Bertostory blog) and in other platforms as the social networks.

**Figure 30 - Berto Salotti web marketing strategy**



*Author's elaboration.*

b) ***Social networks*** - Thanks to its direct presence on the main social networks the company is able to drive a relevant amount of users on its website. In particular it is directly present with an own profile respectively on Facebook, Twitter, Google Plus, YouTube, Pinterest and Flickr.

c) ***Indirect presence*** - The last acquisition channel is represented by the online indirect presence obtained both through partnership programs and buzz marketing strategies. On the one hand, the former are based on link building initiatives that consist in agreements with other websites which accept to public a link to the company website on their pages in return of a reward. The link appearance can take various forms: from the more explicit ones as banners, to the more sophisticated ones as paid product reviews or columns on web magazine and influential blogs. On the other hand, through content marketing strategies the company takes advantage of the users' activities on the social networks without sustaining any direct expense.

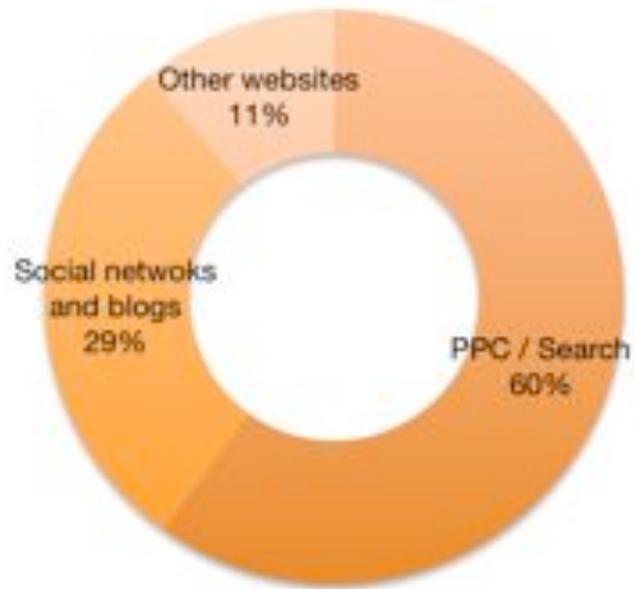
Thanks the data reported by the company, the following two tables provide a rank of its online acquisition channels. In particular Figure 31 shows how the three channels concur to the traffic generation on the corporate website (PPC/Search 60%, social networks and blogs 29%, other websites 11%), while Figure 32 gives detailed figures specifically for the incoming traffic from social networks and blogs. Observing them it emerges that Facebook, Pinterest, and YouTube play a straightforward role, supporting the company strong commitment in terms of social media strategy. In addition to the ones reported there are respectively, Twitter (3,38%), Wordpress (1,2%), VKontakte (the Russian most diffused social network, 0,52%), LinkedIn (0,23%), and Tumblr (0,13%).

Finally, regarding the users' location the first five countries are: Italy, USA, Russian Federation, Swiss, and Canada; in addition to them there is an incredibly long tail of countries that generate few daily visits as the Fiji and Virgin Islands, which prove the straightforward internationalization opportunities offered by the web.

The following sections deepen the three most relevant aspects of the company digital strategy, respectively the SEM and SEO activities, the Bertostory corporate blog, and the company presence on the social networks.

**Figure 31 - Traffic sources of Berto Salotti website**

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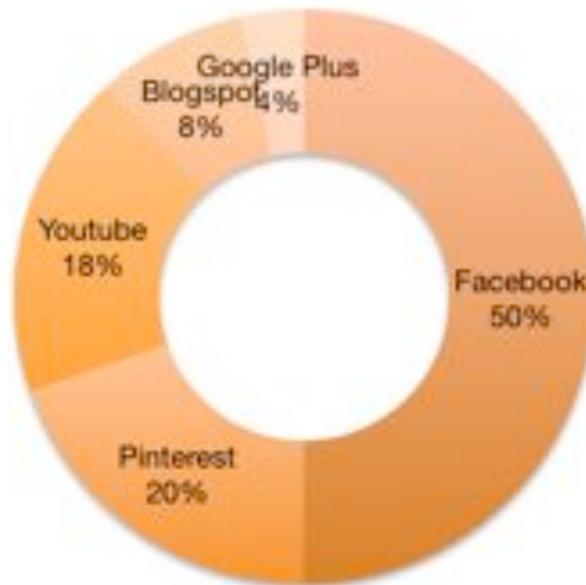


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*Author's elaboration.*

**Figure 32 - Incoming traffic from social networks and blogs**

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*Author's elaboration.*

### ***6.2.2 Search Engine Marketing and Optimization***

In the Digital Era the search engines have become one of the first contact point with the consumers. According to the latest figures reported by comScore Inc., an authorship provider of analytics for the digital world, the most popular search engine is Google, which led the market of the Internet searches with a share of 75%. On the other hand, the other players are Baidu (the most popular in China, 8%), Yahoo! (5%), Yandex (the most popular in Russia, 3%), and Bing (2,5%)<sup>85</sup>.

Aware of this, since 2002 the CEO has launched a “Google-driven” internationalization strategy which was made possible by the translation in multiple languages of the website contents (currently in Italian, English, Spanish, German, French and Russian) and by the increasing allocation of the marketing budget respectively to the website organic optimization (SEO) and to web advertising activities exploiting Google AdWords (SEM).

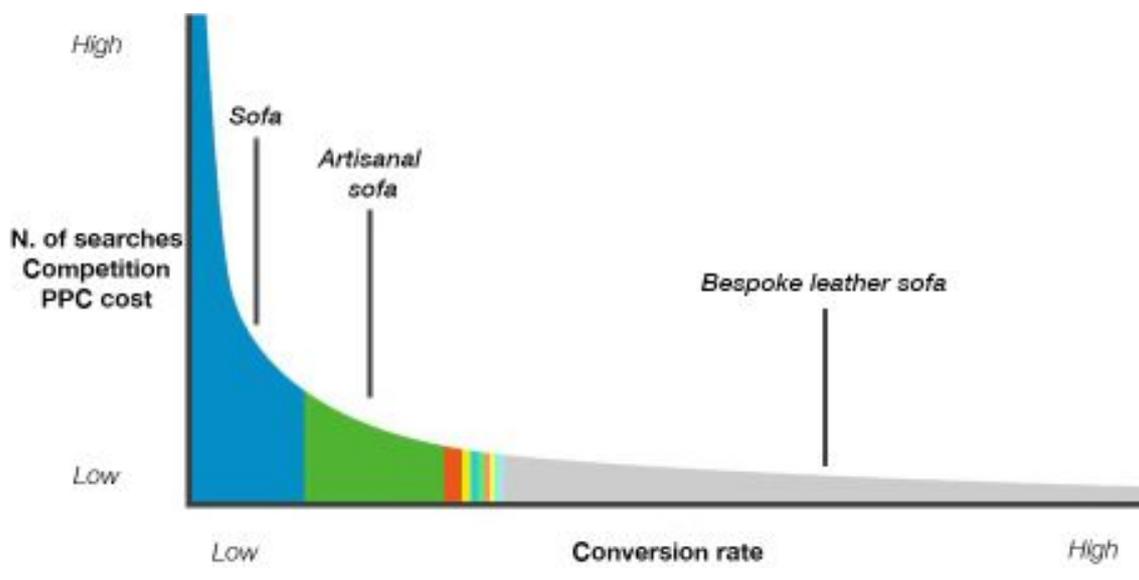
The Search Engine Optimization of the website represents a sort of free-marketing activity that has not any variable costs related to the number of visits. Basically it is obtained by the implementation of sophisticated techniques in the web programming field that aim to scale the Search Engine Results Page (SERP). Indeed, when a user makes an online research, the order of the resulting list of records is determined according to a complex algorithm which takes into consideration multiple factors as the popularity of the website, the number of citation in the form of back-links and many other variables.

The second way to scale the SERP consists in the adoption of a wide set of search engine marketing tools. In the light of the global monopoly of Google, Filippo Berto chose to invest in Google AdWords, the leading solution for the online advertising. The tool allows the advertiser to appear at the top of the SERP through investing on specific research keywords that can be constituted by single words as “sofa”, or more complex keys as “artisanal sofas” (the so called Long-tail keywords). To some extent, the system works following supply and demand dynamics similar to the stock market: the more are the subjects betting on a single keyword, the higher is the cost-per-click that they have

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<sup>85</sup> comScore Inc., 2012.

**Figure 33 - Example of the long tail of Google research keywords**



*Author's elaboration.*

to afford to appear in the first positions of the SERP; at the same time, the more generic is the keyword, the lower is the conversion rate that can derive from it and vice versa. Leveraging the C. Anderson's Long Tail theory, as the company occupies a market niche it is more willing to invest in keywords that stand in the right-hand side of the long tail (Figure 33)<sup>86</sup>.

Finally, analyzing the SEM from the internationalization perspective, by exploiting the sophisticated options offered by Google AdWords the company adopts well-targeted campaigns addressed to specific countries in order to explore the single markets responsiveness.

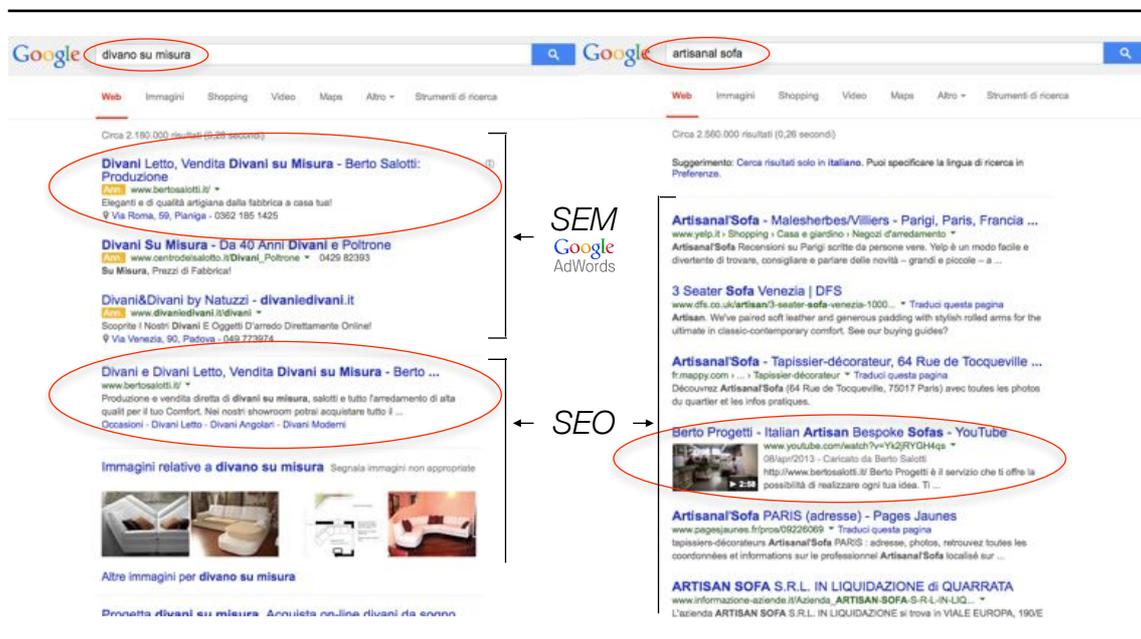
Summing the results of both the SEO and SEM activities, nowadays Berto Salotti has reached the top of the Google SERP for the most of the sofa-related keywords typed in multiple languages. Figure 34 shows a practical demonstration of the results achieved. The left-hand side shows the SERP resulting from the research of “*divano su misura*” (“made-to-measure sofa” typed in Italian language on Google.it): it is possible to observe that Berto Salotti appears both in the first position of the PPC area, thanks to the SEM-Google AdWords campaigns, and in the first position of the organic listing,

<sup>86</sup> Anderson C., *The Longer Long Tail*, Cornerstone, 2009.

thanks to the search engine optimization techniques. On the other hand, the right-hand side shows the results of “artisanal sofa” on Google.com. In this case, the company occupies the fourth position of the organic listing with a video uploaded on its own YouTube profile. This demonstrates the strategic role of the social media contents also in terms of SEO described at the beginning of this section.

In conclusion, even though in the international furniture market Berto Salotti represents a no-name company, taking advantage of the latest web marketing strategies it gained the access to a global demand.

**Figure 34 - Berto Salotti indexing on Google.com**



*Author's elaboration.*

### 6.2.3 Bertostory corporate blog

Activated in 2004, Bertostory is the first corporate blog in the furniture industry. Its founder and main author defines it as the company logbook through which they render more human their initiatives. Indeed, since the traditional news section resulted a too sterile environment to satisfy these needs, Filippo Berto overcame the mainstream approach to the business communication creating an informal environment where recounting its company and all its goings-on.



*The Berto Salotti staff members. Source: Bertostory blog.*

Designed and managed with Wordpress CMS platform, the blog is constituted by various sections that revolve around a wide spectrum of thematic. From the more product-related ones through which the company transparently describes all the behind-the-scenes of the manufacturing activities, to the open discussions about the Made in Italy and the entrepreneurship (section named “discussions on the couch”).

There are several straightforward aspects to highlight. Firstly, the editors of the daily posts are the CEO, the sales manager and the marketing officer in person. Secondly, with the aim to be easily available also to the foreign users, the posts are translated in six languages. Thirdly, the involvement of the firm’s staff to the blog is not restricted only to the marketing department; on the contrary Bertostory is one of the channel through which the company gives voice to its craftsmen and employees.

In conclusion, all the efforts are addressed to overcome all the limits that characterize the eCommerce. The blog in fact fosters the establishment of trust and emotional engagement between the brand and the prospect customers. Moreover it fulfills two other functions: on the one hand it is the container of the most of the contents that are shared through the social media; on the other hand it provides a relevant contribution to the organic indexing on the search engines, supporting the company to be found through a wider set of keywords contained in the posts text and in the tag keywords.

#### ***6.2.4 Social media and the role of the contents***

Sharing the same goals, the role of the social networks is a continuum of the Bertostory blog. However, thanks to their incredible potential in terms of audience and virality, they basically work as amplifiers of the company voice on the Web.

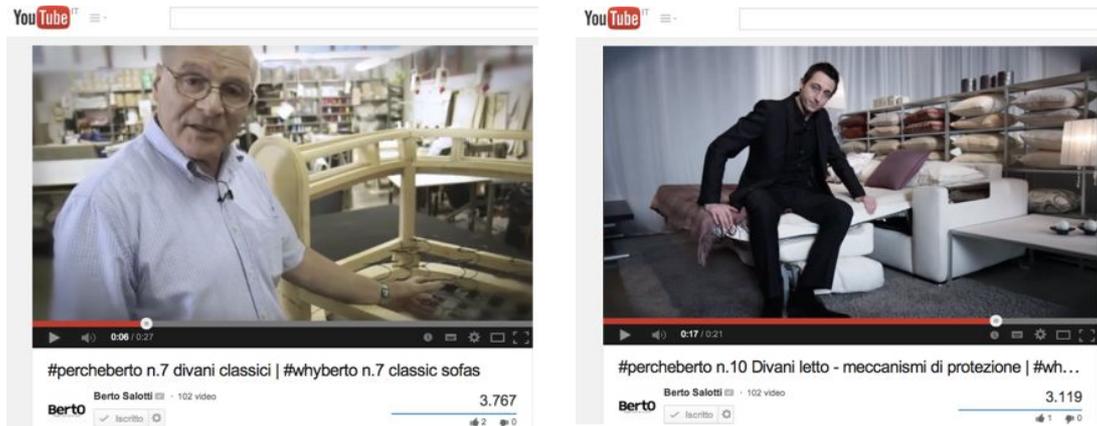
As they basically represent a medium to vehicle messages to a community of users, the key factor to well exploit them are exactly the contents diffused. Aware of that, Berto developed an innovative content marketing strategy able to effectively engage the users and to increment the conversion rate of its eBusiness.

Nowadays the social networks definitely work in synergy and they are more and more interconnected among them (as the built-in YouTube videos on Facebook or the sharing button available at the bottom of every blog post). The last part of this section analyzes the platforms exploited discussing their specific roles.

a) *YouTube as learning channel* - In 2007 the company began to experiment YouTube by diffusing traditional company presentations. Because of the modest results obtained, Filippo Berto rethought the role of the channel by drawing on the latest worldwide trends in the content marketing field; in the light of these he decided to exploit YouTube as an eLearning platform where recounting the distinguishing manufacturing techniques adopted by the company craftsmen and the product features.

At this purpose in 2011 the company launched “#PercheBerto”, an innovative video series composed by more than twenty clips through which the CEO and craftsmen personally explain why their products are above the average compared to the other producers. By showing the faces of the people involved, the specific product features and the manufacturing processes they adopt, Berto Salotti successfully fulfilled the traditional gap with the physical purchases generating trust in the e-consumers. #PercheBerto videos gave a strong contribution also to the brand reputation making the e-shopping easier even though the product complexity. For this reason it is possible to state that they definitely represent an integral part of the overall value creation process.

The 1,3 million overall visualizations and the relevant amount of traffic driven on the corporate website from YouTube prove the results of the innovative social media strategy. Even though similar ones are widely adopted in the international scenario, the Berto content strategy appears to be practically unique if compared to the rest of the Italian craft-manufacturing players, becoming a best practice for the whole “Made in Italy” industry.



Two videos of “#PercheBerto” feature. Source: company profile on YouTube.

b) **Facebook and Twitter as daily interaction and social-publishing tools** - For more than ten years the company takes advantage of Facebook and Twitter for the daily and instant interactions with the community of followers. At the present moment Berto Salotti has respectively 3.126 likes on the former and 1.558 followers on the latter<sup>87</sup>.

Basically they represent publishing platforms through which the company daily shares its messages with the aim to stimulate the social WoM. Regarding the contents, they are mainly news and updates about the company (new products, events, reviews, etc.), the “Made in Italy” in general, the entrepreneurship, and the world of the interior design. More than that, the company takes advantage of the socials also to “share and retweet” its contents posted on other platforms as the Bertostory blog.

Unlike the mainstream brands, the contents are personally edited and managed by the entrepreneur and his close collaborators; this fact turns to be fundamental to establish an emotional and authentic link with the followers. Thanks to the expertise in the use of these medias, the company is able to make the most of its social activities taking advantage of the users’s viral sharing behaviors: all the efforts in fact result in a snowball effect that exponentially diffuse the Berto Salotti brand through the web with very low costs.

d) **Pinterest and Flickr as social albums of emotional pictures** - The last significant contribution to the online brand diffusion is given by the presence on more vertical social networks dedicated to the pictures like Pinterest and Flickr. Following the

<sup>87</sup> Data recorded on May 7<sup>th</sup>, 2014.

breakthrough photo sharing boom, the company daily updates its emotional galleries with both pictures of its own products and with third-party contents found online. The general goals are always the same: engage, interact, observe and, on the other hand, optimize the organic listing on Google.

## ***6.3 The role of the offline partnerships and PR***

### ***6.3.1. The map of the company network and the strategy behind***

Beyond the direct benefits of the digital promotion and communication strategy, the case of Berto Salotti also demonstrates how much is important for a small company to foster public relations and inter-firm partnerships by adopting an open model of business. During the last ten years exactly the partnership building and the constant interactions with external subjects have allowed the company to grow and successfully move around the Crisis.

Thanks to his outstanding interpersonal skills and perspicacity the young CEO has developed an extended network of relationships with various subjects as companies, universities, and associations of entrepreneurs (Figure 35). In particular what moves him to open up and recount his story are his strong commitment to the digitalization issue and the awareness that these situations represent also important occasions for promoting the company and bring value from external sources. For many years in fact he invests a lot of time and energies in presenting his case and explaining the Internet potential for the SMEs. His relational capabilities has been proved by his election in 2009 as president of the local department of the Italian confederation of craft workers.

The elements that are particularly relevant for the research are the digital consequences of all the initiatives undertaken, insofar as they are promptly translated in the Web language assuming the form of blog posts and social media contents as pictures and videos. In this way, moving closer to the community and establishing an emphatic link to the users, the company is able to trigger the precious sharing and viral dynamics of the social networks. More than that, becoming object of columns and reviews edited by influential subjects, they strongly reinforce the company reputation and the brand trust. The following aspects of the PR strategy have been discussed in the next paragraphs: the creation of new business partnerships (see Design-Apart, Ch. 6.3.2), the access to new learning and innovation sources (see the crowd crafting projects, Ch. 6.3.3), the establishment of new promotion channels (see Eccellenze in Digitale, Ch. 6.3.4), and finally the content generation and the spreading of the brand on the Web.

**Figure 35 - Berto Salotti network of partnerships and relationships**

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*Author's elaboration of the information provided by the company.*

### ***6.3.2 Design-Apart joint living showroom***

Thanks to the great estimation from the whole design industry and its solid network of relationships, Berto Salotti has been recently selected for a brand new Italian joint venture named Design-Apart. Involving a group of twenty-one craft manufacturers representing the excellence of the Made in Italy design industry, it aims to establish a completely new retail model for the expansion of the Italian producers in foreign markets.

In order to offer an engaging experience of the Italian bespoke design, the project consists in the outfitting of living showrooms located in strategic hotspots with the producers' niche creations. The companies involved are both well-framed enterprises and small craftsmen specialized in the production of objects at the border between the design and the art. In particular they are: Ermes Ponti (wood furniture), TM Italia (custom kitchens), Berto Salotti (sofas), Exnovo Italia (3D-printed lightings), Elica (range hoods), Marrone Custom Cooking (custom kitchens), Milldue (bathrooms),



*Filippo Berto at the Design-Apart. Source: Berto Salotti website.*

Zucchetti (faucets), Technogel Sleeping (sleeping environments), Techlab Italia (Corian surfaces), Menotti Specchia (wood flooring and coverings), Renata Bonfanti (rugs and textiles), Bosa (ceramics), Secondome (glass accessories), B Stone (stones), Segno Italiano (cooking accessories), AM Ricami (textiles), Servomuto (lampshades), Giovanni Casellato (iron furniture), Magis (domestic design) and Leftover (wood tables and chairs). Anyhow, what pool them together are the Made in Italy production, the innovative design, the superior quality and the bespoke opportunities.

The apartments represent the evolution of the traditional showroom concept. Usually in fact the traditional stores where the furniture are sold to the public are cold spaces that prevent the visitors to fully appreciate the products. On the contrary, the design apartments are living places that allow people to get in touch and interact with the products through unconventional experiences. Regarding the target, the joint venture basically points at wealthy people interested in furnish their houses with unique Italian products by exploiting the advice of experts interior designers. At the same time the apartments aim to become datum points for architects and designers interested in discovering cutting-edge solutions to oppose to their customers.

Inaugurated in 2013 the first Apart is a 2.600 sq. meter loft located in Manhattan (New York) and represents the starting point of the entire venture. Since its opening the space constantly hosts unique events organized by the companies involved. Currently the organization is selecting a location in Sydney for hosting the second Apart and in parallel it is evaluating other opportunities for expanding the project in other countries as well.

Berto Salotti is greatly benefiting from this joint venture for numerous reasons. Firstly, as the US represents the first extra-UE market for the Italian furniture, thanks to the membership the company can better oversee it and directly interact with the potential consumers, without investing in owned showrooms. Secondly, by collaborating with the other companies involved Berto Salotti can both exploit cross-selling opportunities and establish new partnerships with the other members increasing its know-how and the capabilities to work on joint projects. Thirdly, being a meeting point where constantly take place original events, Design-Apart represents a strategic spot for coming collaborations with prospect partners. Fourthly, due to the great visibility that the initiative is obtaining in the United States (recently both The New York Times and Surface Magazine published detailed articles about the project), Berto Salotti can increase further the brand awareness as well as the sales in this area. Finally, focusing on the communication, thanks to the many interesting viral contents about the Apart through which it is fueling its communities of followers, the company is taking advantage of this great opportunity to increase its to tap the online WoM; in particular they include the storytelling of the latest news on the Bertostory blog, great pictures shared on Facebook, Pinterest and Flickr, and YouTube videos that show the most interesting activities that are taking place overseas.

### ***6.3.3 Open design, crowd-crafting and CSR: “Divano X Managua” and “Sofa 4 Manhattan”***

Berto Salotti launched “Divano X Managua” and “Sofa 4 Manhattan”, singular projects for the crowd-realization of two sofas that were presented in occasion of the 2013 and 2014 editions of the Milan Design Week at the Fuorisalone. They basically consisted in a series of workshops organized in various location as the company HQ and the Fuorisalone (in the case of the former), and the Design-Apart (in the case of the latter). As for the the participants they were a group of people with different backgrounds (as students, designers, and DIY fans) who gather up together with the Berto Salotti craftsmen to co-create a sofa and discovering the art of manufacturing that the company hedges in.

Through these revolutionary co-design and crowd-crafting experiences the company completely turned around the mainstream approach to the manufacturing process. Normally in fact furniture producers who own a deep expertise and technical capabilities tend to protect and secure them; more than that the Design-driven Producers usually do not leverage the manufacturing operations to increase the customer engagement, neither by showing the making-of process, nor at least of all by involving external subjects. For this reason Berto Salotti represents a real turning point in the traditional approach to the competitors and to the consumers.



*“Divano X Managua” crowd-crafters and Berto Salotti craftsmen in the company laboratory, fall 2013. Source: Bertostory blog.*



*The “sofa4manhattan” crowd-crafters at the Design-Apart NYC, winter 2014. Source: Design-Apart*

Promoting these initiatives the company pursued various objectives and responded to a broad set of internal needs:

a) *The valorization of the manufacturing process* - Referring to what has been discussed in Chapter 1.2, the communication strategy of the well-known brands usually drives the customer's attention to intangible features as the design and the brand itself, while the manufacturing process is often left to the wayside. On the contrary, through these crowd-crafting projects Berto was able to value its extraordinary craft capabilities and the extreme quality of its products. The events in fact turned to be the best framework to transfer those messages in an unconventional way, allowing the people who join the initiatives to learn, see and touch all the tangible and intangible values that are surrounded in the handcrafted sofas.

b) *Customer engagement* - In connection to the point before, the second objective was to reduce the distance from the consumers. Usually in fact, the point of contact with the firms are strictly related to transaction relationships and demand-offering interactions. On the contrary, Berto Salotti discovered that the artisanal companies with an in-house production have much more opportunities to interact with them than the traditional brands that rely on an outsourced production. The initiatives in fact became the occasion to approach the people in a different way, by committing them as co-creators and no more just as targets. Moreover, by building trust and emphatic relationships with them, the people can become ambassadors able to reinforce the brand diffusion through the online and offline world-of-mouth (this exactly reflects the concept of Prosumers discussed in Chapter 2).

c) *Branding, promotion and source of emotional viral contents* - The crowd-crafting events represented also one a great occasions the company used to tap the digital WoM. Adopting the storytelling techniques in fact the marketing staff documented and recounted every session on the Bertostory blog, sharing plenty multimedia contents that stimulated the viral dynamics of the 2.0 environments. Moreover, being so extraordinary and unusual for the design industry, the events caught the attention of the press that have strongly boosted the brand awareness at the international level.

d) ***Innovation source and opportunity for building new synergies*** - An additional goal achieved was to exploitation of the workshops to seek new innovative ideas and to experiment new technical and design solutions. At this purpose, in the occasion of “Sofa 4 Manhattan” Berto Salotti involved four designers coming from Ideo (the well-known US consulting firm), which designed a cutting-edge sofa that opened up new perspectives to the company.

e) ***Corporate Social Responsibility*** - Last but not least, through “Divano X Managua” project the company pursued also two social purposes. Firstly, involving the students of the professional upholstery school of Meda, the company gave the opportunity to the tomorrow artisans to get in touch and work together with its expert craftsmen. Secondly, a percentage of the revenue coming from the sales of the crowd-crafted sofa are still devolved to an NGO named Terres des Hommes for the funding of an upholstery course in a little village in Nicaragua. This initiative explains how a small artisanal company should link together multiple objectives beyond the profit one: the involvement of the local community, the valorization of the manufacturing activities and the promotion of them between the young generations, and charity.

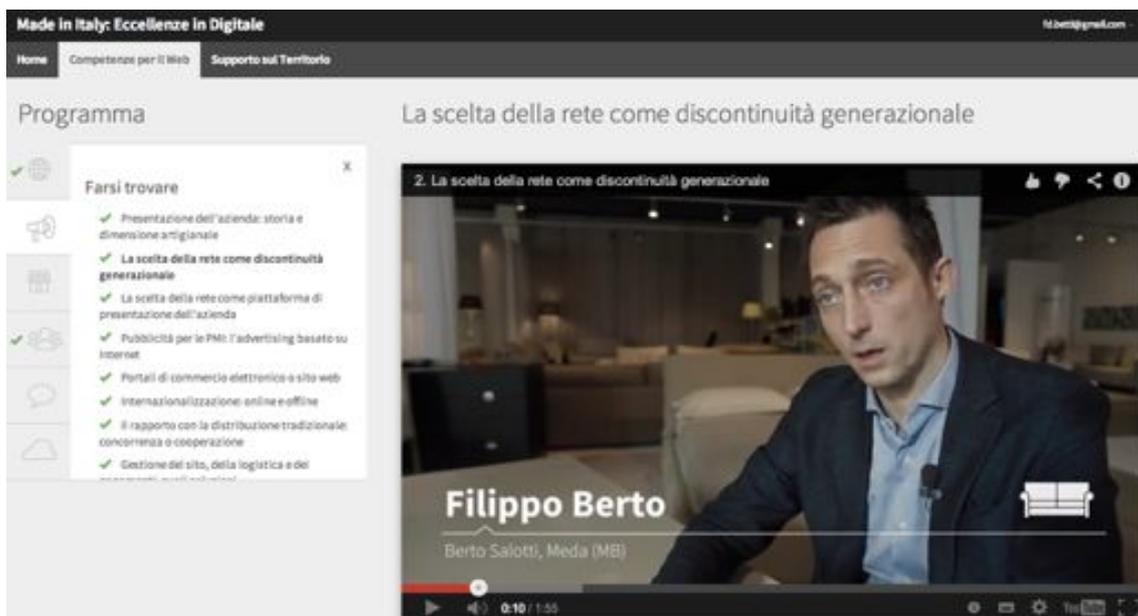
In conclusion, the online promotion channels turned out to be the best environment to recount the crowd crafting initiatives increasing both the company visibility. Two evidences prove the effectiveness of the strategy: on February 2014 Filippo Berto was invited by the University Paris Ouest to give a lecture about the crowdsourcing and the CSR; on May 2014 the company was prized with the “Solitas Social Award” from the Solitas Foundation.

#### ***6.3.4 Eccellenze in Digitale: Berto Salotti as a model for the Italian SMEs***

Thanks to the CEO willingness and his ability in the partnership building, Berto Salotti recently has become the protagonist of Eccellenze in Digitale, an important project jointly promoted by Google Italia, Ca’ Foscari University of Venice, Fondazione Symbola, and Unioncamere. As already mentioned, the promoters’ purpose is to support the SMEs belonging to the “Made in Italy” manufacturing industry to make the most

from the digital tools exploiting them as internationalization and promotion drivers. In order to overcome the Italian under-digitalization, in 2014 they launched an e-learning platform where the firms should find quality resources to support their approach to the eBusiness. Moreover, thanks to the contribution of the public partners, they allocated a budget to train a team of 104 undergraduate students that will become digital evangelists able to support the Italian companies to empower their businesses.

Berto Salotti has been chosen to be part of the project as a case study. Through a series of YouTube videos in fact the CEO recount his experience and the benefits of the skillful use of the Web. In particular Filippo Berto explains in depth the use of Google AdWords, how to choose the best platform for selling online, the value of the CRM and customer service, and how to present online a craft business as best. Beside the important contribution of the entrepreneur in terms of CSR, the partnership represents an important prove that also small firms can strongly benefit from an open business model. Indeed, by opening-up explaining transparently his business strategies, the CEO took the opportunity to exploit this important occasion to promote its company. Today the project is still subject of many columns on influential newspapers as La Repubblica (media partner of the project), blogs posts and social buzz.



*Filippo Berto in a training video of the program. Source: Eccellenze in Digitale website.*



## 7. The results of the Berto Salotti web-centric business model

Presenting the data kindly provided by the company, the following section presents the economic results achieved by the company thanks to the implementation of the digital strategies.

As it is possible to observe from Table 36, during the last seven years Berto Salotti has faced an incredible growth. The first straightforward evidence comes from the period corresponding to the beginning of 2008 World Economic Crisis: while the Brianza district faced a tremendous fall (-16% between 2008-2009, see Table 27 in Chapter 4.1) and the overall national industrial turnover decrease of 20,2% (data related to the period 2007-2009), the company growth proceeded facing just a slight slowdown (+7% between 2008-2009 and 30% between 2007-2009)<sup>88</sup>. On the other hand, it is possible to observe that between 2006-2007 the company increased the rate between the investments and the turnover shifting from 7% (2006) to the current budget of 12% on the revenue. It is proper to note that exactly in 2005 the company redesigned its website undertaking the eCommerce strategy and started to strongly invest in web marketing campaigns.

In conclusion, the data provide a tangible confirmation of the company web-driven business model success. Even though Berto Salotti cannot compete with the biggest Italian brands as Molteni & C. (255 billion euro of turnover in 2012), starting from a family-run workshop it has created a solid base with promising growth perspectives. Innovative vision, digitalization, openness as well as heritage and craftsmanship capabilities represent the key features that allowed the company to become an international leading player of its market niche.

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<sup>88</sup> The data related to the national impact of the Crisis on the industrial turnover has been taken from the Confindustria report (June 2013) cited in Chapter 1.3.

**Table 36 - Financial Analysis of Berto Salotti, 2006-2013**

Year	% Y/Y T. growth	% Investments on turnover	% T. growth on 2006
2006	-	7%	-
2007	12%	11%	12%
2008	12%	10%	25%
2009	7%	12%	34%
2010	9%	13%	46%
2011	5%	13%	53%
2012	10%	13%	68%
2013	15%	12%	93%

*Author's elaboration of company data, 2014.*

## 8. Conclusions

In the light of the theoretical considerations about the Italian Craft Manufacturers and the empirical evidences from the analysis of the Berto Salotti case study, it is possible to point out a set of conclusions. These can be useful to both the firms that want to take up the digitalization challenge and to the researches that wish to deepen some aspects suggested by the dissertation.

### a) *Basic requirements for the application of the Berto Salotti model*

To get the best benefits from the Berto Salotti case the company must possess a unique core capability not replicable. On the other hand, the managers have to be aware of the specific value sources. Very often in fact the companies operating in commoditized markets or not fully aware about their core values are unlikely to build trusty and solid relationships with external subjects. On the contrary, the businesses that best reflect the “Made in Italy” values may take advantage from external contributions.

### b) *A new generation of leaders as turning point*

One of the main cause of the SMEs under-digitalization is represented by the age of the leaders and by their lacking knowledge in the digital field. At this purpose the following quote by Fioravante Berto (company founder and father of the CEO) is self-explanatory: “I have been always very peaceful. My son immediately brought into the company what was missing. He created a completely new job able to reward his capabilities and to generate value for the company. Today, his vision focused on the advantages deriving from a constant evolution is yielding great results. As Sciascia said: to each his own.”<sup>89</sup>

### c) *Organizational size does not matter, people and knowledge do matter*

The case of Berto Salotti disproves the findings coming from the surveys presented about the correlation between the firm size and the digitalization level. Again, what really matters is the presence of skillful leading people able to share their know-how with the rest of the staff, becoming actual digital evangelists. More than that, starting

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<sup>89</sup> Interview published on the Bertostory corporate blog, November 2012.

from a widespread knowledge of English, the development of proper capabilities to interact with foreign subjects adopting a cross cultural approach is fundamental to lead the internationalization process.

**d) *Heritage and digitalization as a powerful binomial***

The case study demonstrates that there are incredible opportunities to benefit from the digitalization, especially in the case of the businesses belonging to the “Four F’s” industries. The real turning point for the Italian Craft Manufacturers derives exactly from the exploitation of their heritage (taken as both the distinctive corporate values and the core making capabilities) through the Internet. Indeed, if it is adequately translated into the language of the Postmodern consumers (storytelling) and it is coherently channeled on the online social environments (viral contents), it can provide a great contribution to the overall value generation process.

**e) *Transparency as the basis of the worldwide reputation***

To catch the attention of an international target of consumers the communication needs to be based on the principle of transparency, outdoing the traditional self-referential promotion. More than that, in order to built a solid web reputation it is necessary that the people involved in these processes are the closest ones to the business. External agencies and consultant in fact cannot have the same grip as the internal staff. As Filippo Berto supports, “You need to show your own face and personally take care about the reputation of your company”.

**f) *The benefits of an open business approach***

In connection to the point before, firms have to abandon the traditional close and protective approach to their own business. Open up the doors transparently showing what stands behind the products and fostering the link generation with both consumers, business partners and public actors represent the fundamental ingredients to take the international challenge and expand the boundaries. For this reason, managers need to invest a relevant part of their efforts in PR activities valuing them on the Web as the Berto Salotti staff does every day. In this way firms can trigger a self-reinforcing

mechanism able to virally increase the network size and maximize the reward of the single relationships.

***g) Return on the investment***

Finally, it is right and proper to observe that the Berto Salotti incredible results in terms of web reputation and worldwide promotion has been achieved over the last fifteen years, thanks to the strong daily efforts of the whole staff. Most of the time the digital initiatives do not provide returns on the investments from day one. Exactly because it is a long process, it must be started as soon as possible in order to anticipate the competitors in catching the rising international opportunities.



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