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Web and internationalization: new opportunities for Italian Small- Medium Enterprises?

Case Study: “Berto – from Italy with love”

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Abstract:

Italian Small Medium Companies (SME) are currently going through a very challenging period. It is important for them to deal with all the complexities that they encounter, like for example: high competition, low domestic demand, little traditional ad efficiency, scarce financial resources, etc. To effectively face some of these problems, firms may find support in the opportunities granted by the web and its tools. The goal of this thesis is to show the importance of the Web for SMEs and what tools they can use in order to increase their brand awareness at a national and international level, to facilitate their internationalization process and to increase exports. In order to show that this is possible and has already been implemented by other companies, a case study on a family company, situated close to Milan called "BERTO From Italy with Love" is presented. Using a questionnaire it was possible to identify this successful firm strategy, the Internet tools it uses and what are the effects of their adoption, the main difficulties it had to face and its future goals. This will show us how the web is a very important tool that all firms and especially SMEs, should use in order to promote their business in global markets.

Introduction

The thesis is focused on the Italian Small Medium Sized Companies' (SMEs) internationalization process and its aim is to show that the Web can help firms that want to follow this path.

In the current economic context, internationalization represents a fundamental dimension which influences firms' management and strategy. The evolution of the communication systems, the reduction of transport costs, the progressive liberalization and integration of the international economy and the reduction of barriers to communication, mobility and exchanges of goods, services, capital, knowledge and people between countries have brought to the demolition of the concept of national boundaries that limit and divide the enterprises economic space (Fornari, 1995; Musso & Risso, 2007).

Moreover, due to an increasing integration between the economic, political and technological systems of different countries, a new competitive environment in which foreign companies can get to threaten the position of other companies even within their home market has emerged (Cedrola & Battaglia, 2011).

Therefore, besides being an important opportunity for firms' development, internationalization can sometimes be a necessity for their survival (especially for Italian SMEs which are dealing with a saturated domestic market) and the success of those companies that want to lead the new competitive scenarios opened by the globalization (Calvelli, 1998). If in the past the internationalization process was at the exclusive prerogative of large enterprises in developed countries (the only ones with financial resources such as to enable a stable presence in foreign markets), today the consolidation of the phenomenon of globalization, with all its consequences listed above, and the utilization of the Internet and its tools in the business activities, allow small-medium sized to play a more significant role in this process. So every enterprise in the competitive market, regardless its size or sector, can internationalize its business (Cedrola & Battaglia, 2011).

This work is divided in three chapters. In the first one called "literature review", I describe some of the most important definitions and theories regarding the internationalization phenomenon and I provide a brief illustration of the internationalization drivers. Next, I appropriately explain the foreign market entry modes, and for each, I point out advantages and disadvantages. Then, I

make an important consideration regarding the relevance of a size's firm when going international through a description of the obstacles and of the advantages that Small-Medium Enterprises (SME) and Multinational firms (MNE) which choose to produce or sell in foreign countries have to face. After that, I present the evolution of the internationalization process in Italy and finally, I explain why the web can be seen as a "foreign entry facilitator" by Italian SMEs.

In the second chapter, I focus on the role of the Web in the internationalization process. So after giving Internet and E-commerce definitions, I explain how Internet can be used by SMEs as a communication and web marketing tool to access national and international customers. Then, it follows a briefly description of the reasons behind the slow digital tools adoption by Italian SMEs. After that, I make a focus on how Internet influences a firm's exports, concluding with the description of the initiatives taken by different actors (like the Government, Google, Regions, etc.) to help Italian SMEs in the digitalization process.

In the third chapter, I present a case study and analyze the answers of the interview with Filippo Berto, the owner of a small artisan firm called "Berto – from Italy with love". So after describing the furniture industry with a focus on the Brianza district and on the firm's story, organization and strategy, my main goal is to show how this firm thanks to the usage of the Web and its tools (website, social media, etc.) managed to tell to the whole world the story behind its products. This initiative was taken by the owner and allowed to create a bridge between the firm and foreign markets giving the opportunity to the firm to sell its products in more than 40 countries around the world.

This case could be a good example to follow by Italian SMEs in particular by artisan businesses which have high competencies and manufacture high-quality and high-design products but the fact of not knowing how to show to the world, the process and the people behind all this, does not help them much.

1. Literature review

1.1 Definitions and theories of the internationalization phenomenon

The internationalization process of businesses and firms has been the subject of investigations and discussions of many researchers for several decades. Numerous definitions and theories have been made and in order to better understand this phenomenon some of the most significant ones are described below.

Johanson and Vahlne (1977) in “The Uppsala Model” define internationalization as a process in which a firm gradually increases its commitment to foreign markets. Usually a company goes through different stages: it begins its expansion activities by exporting, then it makes deals with intermediaries which are agents of local companies in the foreign market, later when sales grow these agents are replaced with their own sales organization and if sales continue to grow the company will start manufacturing in the foreign market.

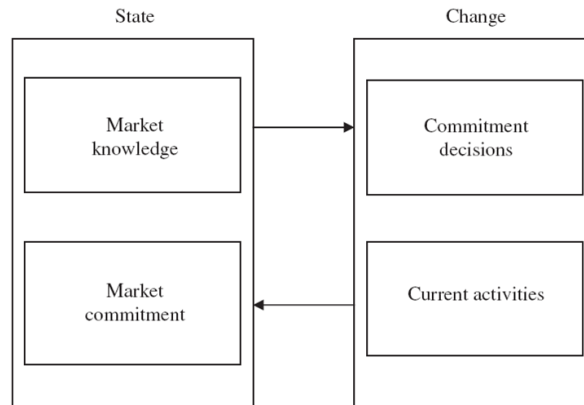
This model also sustains that at the beginning for a firm it is easier to invest in foreign markets that are closer to the domestic market in terms of psychic distance. Once the firm has acquired knowledge and experience in these markets it will expand to other further away from the home country (Johanson and Wiedersheim-Paul, 1975).

The reason why psychic distance is a problem lays in what is called the liability of foreignness which considers social and cultural differences as barriers to understand foreign environments (Zaheer, 1995; Zaheer and Mosakowski, 1997; Mezias, 2002).

A solution to this issue is given by Johanson and Mattson (1988) with their “Integration in Networks Theory”. According to them a company that establishes relationships with other firms and becomes a member of a network will have access to the market knowledge and this will facilitate its adaptation to the economic, political, legal and cultural dimensions of the international environment.

The Uppsala Model is based on four concepts: market knowledge, market commitment, commitment decisions and current activities. These are divided into state and change aspects and interact with each other in a cycle (Figure 1).

Figure 1: The Uppsala Model



Source: Johanson and Vahlne, 1977

The state aspects refer to the resources committed to the foreign market while change aspects are the decisions to commit resources and the performance of current business activities (Johanson and Vahlne, 1977).

The state aspects comprises market knowledge and market commitment. The first one is used by managers in taking decisions and can be of two types: objective knowledge, which can be transferred from one market to another and experiential knowledge, which is gained by experience or learning by doing. The second one refers to the resources that will be committed and to the degree of involvement.

The change aspects comprehend the commitment decisions and the current activities and are influenced by the state aspects in the following way: the market knowledge and market commitment impact on how activities are carried out and the commitment toward these activities which in turn will affect market knowledge and market commitment and so on.

Another important theory is “The Eclectic Paradigm” made by Dunning (1974). In this theory the author sustains that the extent, form and pattern of international production of a firm depends on three sets of advantages called OLI and these are: the ownership-specific advantages (these can be tangible like superior technology and patents on particular products or processes or intangible like a brand name, trademark or other indication of product quality), the locational advantages (are those that make it more profitable to serve the foreign market by local production rather than by exporting, like for example market size, tariff and non-tariff barriers and anti-dumping regulations) and the internalization incentive advantages (are those coming from the exploitation of the ownership advantages internally rather than sold these to other firms).

So the internationalization market entry decisions are made in a rational manner, based on an analysis of the costs of transaction (Jeryl Whitelock, 2002).

In order for a company to compete with firms from another country by producing in this foreign country, the advantages described above must compensate the cost of setting up and operating a foreign value-adding organization.

Looking at Dunning's theory, Rugman (1981) created its own explanation on why firms go abroad. His theory is based on a firm specific advantages (FSA) which are its properties like for example: technologies, knowledge, managerial and marketing abilities, etc. He sustains that the two reasons why a company decides to go abroad are: to turn to good account its FSA and the attraction towards the host country specific benefits like for instance: the quality and size of the labor force, the natural resources, tariff and non-tariff barriers, public policies, etc.

A complementary model to the OLI paradigm was proposed by Mathews (2006) who saw internationalization in a different way than other scholars i.e. not as a "push" (firms were pushed by some strategic objectives to go international) but as a "pull" meaning that: "it is the multiple connections of the global economy which draw firms into involvement across national borders, through contracting, licensing, or other transacting relationships". He defines internationalization as: "the process of the firm's becoming integrated in international economic activities". This represents a more complete formulation as the term "integration" refers to both push and pull movements.

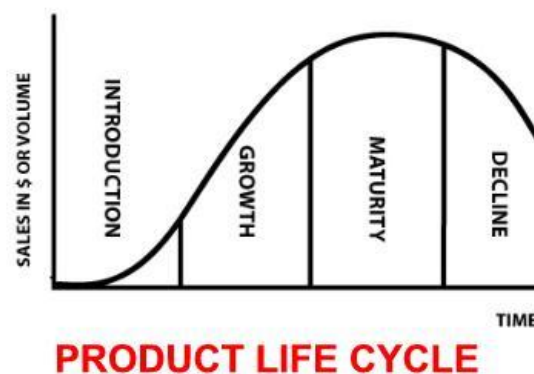
He developed a model called LLL which stands for Linkage – Leveraging – Learning. This explains the success of latecomers and newcomers multinationals compared to incumbents. Linkage refers to how newcomers and latecomers instead of focusing on their own advantages they prefer to focus on those that can be developed abroad by creating joint ventures and partnerships. Leverage is also referred to foreign partners and the possibility to count on their resources. Learning can be: organizational when the use of linkage and leverage processes allows the company to makes its operations in a more efficient way, and economic in the case the firm has research and development alliances.

Another important contribution was made by Vernon (1966) with its "International Product Life Cycle Theory". In the theory the author identified several stages in the life cycle of a product and each of this stage has a different implication in the internationalization process of the firm. The

first stage is called introduction stage and the firm will tend to focus on the domestic market with very low export activities. The second stage is called growth stage and it is the point where the firm will start to increase its export activities and to make foreign direct investments in manufacturing plants in countries with high demand for that product. The third stage, called the maturity stage is when the major markets are saturated and the product is standardized so the firm will tend to relocate the manufacture to countries with low labor costs. The fourth and last stage is the decline stage in which the demand for that product is very low so its production will be soon stopped (Vernon, 1966; McKiernan, 1992).

The graphic below shows this stages:

Figure 2: The Product Life Cycle



Source: Vernon 1966

The applicability of this model is limited for products with short life cycles which are increasing especially in the technology field and also in the case new products are developed in companies that already have considerable operations in foreign countries (McKiernan, 1992; Vernon, 1979).

The traditional model of internationalization in which firms first develop their business in the home market and once this is well established they may take the decision to go abroad has been challenged by the phenomenon called Born Global Firms or International New Venture (INV). Oviatt and McDougall (1994) define INVs as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and from the sale of

outputs in multiple countries” (p. 49). An INV right from the moment of its constitution considers the world as its marketplace and its strategy is international.

According to Madsen & Servais (1997) the fast growing number of Born Globals is due to: the changing market conditions like for example the increasing specialization required by a large number of niche markets which pull the firm towards them very fast, technological developments that modify the way production, communication and transportation is managed (for example specialization and product customization is possible, markets all over the world can be accessed more easily thanks to the Internet and transportation has become more frequent and cheap) and increased capabilities of the management team as they have a different education which includes more experience of living and working abroad and so they see in international markets opportunities not obstacles. Due to these factors this phenomenon is expected to grow even more in the future.

The advantages of being an INV are: flexibility so it can adapt easily and rapidly its organizational routines and management systems to the environmental changes (Mario Krist, 2009), internationally experienced entrepreneurs that are more risk-taking and innovation oriented with access to strong international business networks (Oviatt and McDougall, 1994), strong marketing orientation so it is able to increase the value perceived by the customers in relation to its products and services (Knight & Cavusgil, 2004) and knowledge-based assets and technological resources and capabilities which allow the firm to enter into valuable niche markets with leading edge technology products (Bettis & Hitt, 1995).

However, Born Globals face also obstacles like for example: the requirement of high capital, liability of newness which refers to the costs and risks of establishing new structures and procedures, of attracting, training and retaining new employees and of constituting a solid portfolio of clients (Stinchcombe, 1965); liability of foreignness related with additional costs caused by the firm’s unfamiliarity with the foreign markets and their rules (Zaheer, 1995); lack of economies of scale in production and distribution and limited financial and tangible resources. Despite all the above obstacles if a Born Global Firm has ownership advantages (Dunning, 1993) consisting in highly specialized knowledge and technological innovations, it will be successful on the international market.

1.2 Drivers of internationalization

Some firms go abroad because in a certain way they are forced to react to the changing conditions in their environment while others chose to do it because they want to find better opportunities outside their home market. In the first case the company's behavior is called reactive while in the second case it is called proactive (Johnston & Czinkota, 1982; Piercy, 1981).

There are some internal and external factors that influence the decision of internationalization of firms.

The internal factors that push a company to go abroad are: available production capacity so the firm is able to satisfy the domestic demand and also a part of the foreign one (Johnston & Czinkota, 1982), the need to reduce inventory as it has a cost keeping it in the warehouse so it is better to sell it (Sullivan & Bauerschmidt, 1988), to realize economies of scale or to take advantage from the ones coming from additional orders (Kaynak & Kothari, 1984), differential advantages that allow the firm to charge a higher price than its competitors in the home market but also abroad (Crick & Jones, 2000), important networks that the company has and from which it could take advantage (Coviello & Munro, 1997) and a management team that has the will to gain new competencies and knowledge (Morgan & Katsikeas, 1997).

Regarding the external factors that can influence a firm's decision to go international, these are: high level of competition in the domestic market or its stagnation (Ursic & Czinkota, 1984), advantageous foreign country regulations or favorable exchange rates that make it easier to sell or produce abroad (Bilkey & Tesar, 1977), the availability of export promotion programs or of attractive export incentives (Kaynak & Erol, 1989), the exclusive information about a foreign market and about its attractive growth opportunities (Albaum, 1983), encouragement from contacts in the foreign business environment or by value chain advantages (Bell et al., 2003) and finding out about small market niches which mean opportunities of growth and profit (Crick & Spence, 2005).

Each of these drivers may occur independently or in combination with the others.

Independently from the type of driver that pushes the firm to go abroad, there are four types of factors that will influence its success on the international market. These are: internal and external factors, infrastructural factors and congenital factors (Rudolf Grünig, Dirk Morschett, 2011).

Internal factors refer to: the capabilities and knowledge of people working for that company, the international orientation of the entrepreneur, the characteristics of the entrepreneurial team, the firm's financial resources and its comparative and competitive advantages. On the other hand external factors involve: market conditions, technological developments, the global financial crisis and the changes of monetary policy are issues that a firm inclined to expand has to consider.

Regarding infrastructural factors these refer to: the governmental support regarding direct financing, low interests loans and subsidies and infrastructure building and maintenance, the firm's domestic environment context in relation to internationalization as this may increase or reduce its performance, the diffusion and application of technologies like Internet which allow a company to communicate in a more effective and efficient way with its collaborators but also with its target customers, air travel companies as they have a dense network of connection between countries from all over the world and the container system which allows to transport goods without the need to pack.

As for congenital factors, these are: tariffs added to imported goods, non-tariff barriers which can be classified in: restrictions on a company's activity, regulations which imply asking for government permission in order to sell in certain country and "buy local" campaigns made by NGOs, foreign investments in the case governments prohibit the establishment of fully owned subsidiaries and put regulations regarding the composition of a company's board of directors and psychic distance between the home and the foreign country.

1.3 Foreign market entry modes

Before going on the international market a firm has first to decide three important things (Hill, 2007):

1. Where to internationalize: in order to choose the place that better fits the requirements of the firm, a research regarding the different foreign markets should be done followed by a comparison for each of it of: the benefits with the costs and risks, the political and economic issues, the purchasing power of the consumers, the expected growth of the country in the future, etc.

2. When to internationalize (the timing of entry): the firm needs to evaluate if it's more convenient for it to be an early entrant (the first player in the market with a new product and the first to enter into a particular market segment or geographical area) or a later entrant (the second player entering into a market with improved products and services or by imitating the first mover). The company has also to decide if to enter new markets during times of economic boom or during times of recession. All these options have advantages and disadvantages that have to be considered.
3. How to internationalize: the firm has to choose between entering on a large or a small scale. This will depend on the commitment that will want to take but also on the resources available. Usually companies that are established in large scale in their home market chose to enter into foreign ones at a small scale as this allows them to build brand reputation later.

After this, the next important decision that has to be taken is the entry mode into foreign markets. This is a very relevant and critical strategic decision as all entry modes involve resource commitments and if the firm initially chooses the wrong option, changing it will be considerable expensive in terms of money and time (Root, 1987).

Several studies have proved that there are two types of companies: those that freely choose the entry mode and those that don't choose it but adopt one as a response to external stimulus like for example agreements with foreign partners (Mencarini, 2003; Musso, 2000).

Regarding the first ones, they will usually base the decision of which entry mode to choose, on a trade-off between risks and returns. A behavioral evidence has shown that the choice of a company is also influenced by two elements: by the firm's resource availability i.e. its financial and managerial capacity to serve a foreign market and by the need for control i.e. a firm's need to influence systems, methods and decisions in a foreign market (Cespedes 1988; Stopford and Wells 1972, Anderson and Gatignon 1986).

High operational control is wanted for the purpose of improving the firm's competitive position and maximize the returns on its assets and skills and is linked with having more ownership in the foreign venture but also with higher costs and responsibility.

In order to explain the entry mode choice several theories have been developed. The most significant ones are:

- The Stage Development model (SD) - was enhanced by Brooke (1986) looking at the Johanson and Paul's (1975) Uppsala Model. It sustains that as a firm goes through more stages during the internationalization process the decision of which entry mode to choose depends on the stage in which the firm is.

The weakness of this model is the inability to explain why some newly established companies do not follow the stage internationalization model i.e. the case Born Global Firms.

- The Transaction Cost Analysis (TCA) model was developed by Anderson and Gatignon (1986) and sustains that a firm chooses an entry mode that will allow to minimize the transaction costs and to maximize the long term risk-adjusted efficiency. The choice also depends on four factors: internal uncertainty, external uncertainty, transaction specific asset and free riding potential. These elements will also determine the ideal degree of control.

The limitations of this model are: the transaction costs are ambiguous and therefore difficult to measure, considers profit maximization as the only goal of the entry mode choice decision and this is not always true, ignores government regulations and production costs which in most of the cases have an influence on the entry mode decision and leaves out the non-transaction benefits.

- The Ownership, Location and Internalization (OLI) model was proposed by Dunning (1977) and it states that the entry mode decisions is influenced by a firm's composition of three sets of advantages: ownership advantages, location advantages and internalization advantages. Therefore a firm that holds a lot of OLI advantages it will tend to choose an entry mode that gives it high control level while one that has some or at all OLI advantages it will choose an entry mode with lower control level and also lower risks.

The shortcomings of this model are: it is a static model and it gives little attention to the environment, to the competition and to other factors that can influence the decision maker.

- The Organization Capacity (OC) model was enhanced by Aulakh and Kotabe (1997) and Madhok (1998) and it is the first one that considers the influence of the organization

capabilities and knowledge on the entry mode decision. So before taking the decision of how to enter foreign markets, a firm will evaluate its capabilities in terms of people's skills and of the available technology and at the same time will look for the way of developing them.

The drawbacks of this model are: it limits a firm's capacity to its ownership while in reality an organization efficiency may also be influenced by collaborative agreements and it doesn't consider sociological and political factors.

- The Decision Making Process (DMP) model was proposed by Root (1994) and developed by Young et al. (1989) and it affirms that the decision regarding the entry mode is a multistage one in which many factors like risks and costs, the environment and the firm's goals need to be considered. This model is more practical than the others but it still has some weaknesses like for example the fact that in the decision process the role of the decision maker and of the organization itself are neglected.

The table below shows these modes, organized in a hierarchical way i.e. from the one that gives the lowest degree of control but has few risks to the one that allows high control but that involves the biggest level of risk. It will follow a properly description with advantages and disadvantages of each of it:

Figure 3: Types of Entry mode



Source: Elaboration partly based on Zahra (2000)

1.3.1 Export mode

I. Exporting

Export is the most traditional and the easiest way to enter an international market, that is why many firms use it when they begin their international expansion.

Export means that a firm manufactures its products in the domestic market or in a third country and then it sales them to the host market. As the goods need to be transported to another country and this represents a cost for the firm, it will usually tend to export to countries that are closer from a geographical point of view. Doing this the firm takes also advantage of the cultural similarities between the two markets.

Considering that this method is less costly than the others gives the possibility also to small companies to sell their products around the world (Dalli, 1995). Today thanks to the internet this can be made not only in a cheaper but also in an easier way as this allow firms to access critical information about the foreign market and about its potential customers and competitors.

The firm has to divide its functions with external agents regarding the export channels and usually this is done through contractual agreements.

The advantages of using it are: allows a firm to enter a foreign market quickly and gradually it can assess local, there are no manufacturing cost in the host country and in general it involves less financial exposure, there is the possibility to gain scale economies from the global scale volume and to achieve experience and knowledge about the host country (Root, 1994).

The disadvantages are: the cost of transportation and at the same time its impact on the environment, eventual tariff barriers which impact the firm's profits, less control over marketing and distribution in the host country and in certain cases lower production costs of the goods in the foreign country which will affect the price of the imported goods (Hill, 2007).

There are two types of export modes that can be used:

I. Direct Export

This is the most basic mode of exporting and it is perfect for small volumes. The production is concentrated in the home country so this allows the acquisition of economies of scale and a better control over distribution (Hessels and Terjesen, 2008).

The firm has three options regarding the distribution of its products. The first one is to rely on a sales representative which is a foreign supplier or manufacturer that will not only sell the products but will also provide support services regarding legal requirements, local advertising, etc. all this in exchange of a commission on sales. The second option is to use an importing distributor who buys the product in his own right and then it resell it to wholesalers, retailers from his local market. The third option is to use internet and its tools and sell the products online, this is called e-commerce and will be appropriately explained in Chapter 2.

By using the direct export, a firm has control over the selection of foreign markets and regarding the choice of foreign representative companies, it will be able to protect better its goodwill, patents, trademarks and all other types of intangible property, it will be well informed about the feedback coming from the target market and it will have more sales than using the indirect exporting.

Meanwhile this method requires more time due to the need of acquiring information about the foreign market and foreign companies and has higher start-up costs and higher risks than the indirect exporting (Bloodgood et al. 1996; McDougall and Oviatt, 1996).

II. Indirect Export

With this method another domestic company (export house or a trading company) takes care of the exporting activities and often the manufacturing firm is not even involved in the foreign sale of its products. So even if this method requires less investments it gives to the producer firm minimal or at all control over the products and their marketing (Fletcher, 2004).

If a company decides to use this method there are a couple of options from which it can choose. The easiest option is to find domestic buyers that will export the product or that represent foreign customers.

Another possibility is to rely on an Export Management Company (EMC) which is an independent firm that acts like an export sales department. Usually a formal agreement is done between the two firms and through it the manufacturer company can take advantage of the consulting company's specialized experience and knowledge while the other firm receives commissions on each export. The EMC can act in two ways: as an agent when it is present in the foreign market and solicits orders in the manufacturer's name, and as a distributor when it buys from the manufacturer at a set price and then resells at a different one to foreign customers.

A further option is to rely on an Export Trading Company (ETC) which is an organization that acts oppositely to the EMC. It finds out what products are needed and could be easily sold in the foreign market and then it searches domestic sources willing to export them. This type of company looks only at the best terms for itself and is not loyal to any manufacturer.

A firm can also use export merchants which are wholesale companies that buy unpackaged products from manufacturers or suppliers with the purpose of reselling them under their own brand name.

The good thing in this case is the promotion of the products but the bad thing is the possibility to find on the market identical products under different brand names and pricing.

Least but not last option is to use cooperative exporting method also called piggybacking. In this case the manufacturer makes a contract to export with a multinational firm that has an established distribution channel for its own products. The two firms usually produce complementary goods so there is no competition between them. Both companies benefit from this agreement as the smaller firm manages to enter the international marketplace and to learn its dynamics while the multinational fills out its product lines and stays competitive overseas (Peng and York, 2001).

Using the indirect method a firm has a fast access to the market, low risks, little or no financial requirements and no worries regarding the export process. At the same time it has to deal with the possibility of choosing the wrong distributor or market, of having little or no control over sales, marketing, distribution, etc. and the fact that it will not learn how to operate in the international market (Blomstermo et al. 2006; Johanson and Wiedersheim-Paul, 1975).

A company that considers going international as part of its goal in order to reach success will choose the direct exporting method while one that has other goals and prefers to avoid financial risks will tend to choose the indirect exporting method.

1.3.2 Intermediate mode

This entry mode implies that the firm and the local partner share ownership and control. It is less risky than exporting and it can be done through the following types of arrangements:

I. Licensing

A licensing agreement is an arrangement where the licensor grants the rights over an intangible property to another entity (the licensee) for a specific period and in return, the licensor receives a loyalty fee from the licensee (Hill, 2007). This is a general definition so in the foreign market entry mode the situation is the following: a licensor from the home country gives limited rights to the licensee in the host country. These rights might regard the use of: a trade mark or a name, a patent covering a product or a process, manufacturing know-how which are not subject to a patent, technical advice and assistance, managerial skills, technology, etc. In this way the licensee is able to produce and sell in the host country a similar product to the one that the licensor is already producing and selling in the home country, without the necessity to open a branch in the foreign country.

It is very important that the home firm chooses the right partners in foreign markets in order to keep safe the transference of knowledge and avoid the competition between the different partners. The licensing contract is a flexible agreement so it can be made in a way that satisfies both, the licensor and also the licensee.

This type of contract is advantageous for a firm for the following reasons: allows to expand to foreign markets in a pretty fast way and without making a high capital investment, the firm will not have to deal with all the risks of being in a new market, it avoids the danger of nationalization or expropriation of assets, it paves the way for future investments in the market, it allows access to established markets closed by trade restrictions and concedes that new products can be rapidly expanded on a worldwide basis.

The disadvantages of this kind of agreement are: scarce control over the licensee operations regarding the production, the marketing and the strategy, it gives a lower profit compared to the other entry modes, the risk of choosing a wrong partner that ruins the trademark and reputation of the licensor, the license period is limited and the possibility that when the licensee expires the former licensee can be seen as a competitor.

II. Franchising

Under franchising an independent organization called franchisee pays a fee in order to operate the business under the name of another company called the franchisor. In this case the franchisor is a firm from the home country while the franchisee is a firm from a foreign one. This type of

contract gives the franchisee the possibility to use trademarks, product reputation, operating system, equipment, support in advertising activities, employee training and all the support needed in order to run the business in the same way that it is done by the franchisor.

In many aspects franchising is similar to licensing. The difference between the two relies in: the duration of the commitment as the first one has longer terms than the second one, the package of rights and resources transferred as the franchisor offers a broader package but this is limited to trademarks and operating know-how of the business while the licensor offers also intellectual property and trade secrets, the franchisee has to follow strict rules regarding the management of the business activities (for example how to set the physical space) while the licensee is more free from this point of view and the fact that licensing is a strategy used primarily by manufacturing companies while franchising is preferred by service companies.

Regarding the point saying that the franchisee has to follow strict rules in the administration of the business imposed by the franchisor a good example is the case of McDonalds. Any firm that decides to make a franchising agreement with McDonalds has to run the restaurant in an identical manner to the other McDonalds in the world.

We can distinguish between two types of franchising:

Product and trade name franchising – it's part of the distribution system and the suppliers use it to make contracts with dealers to buy or sell products. The dealers can use the trade name, trade mark and the product line (example: Coca Cola, Pepsi).

Business format “package” franchising– it's the package that the franchisor transfers to the franchisee which contain patents, know-how, marks, designs, copyrights, etc. All these allow the franchisee to establish and run the business in a very profitable way but in exchange it has to pay an initial fee or continuing fees (for example: McDonalds, PizzaHut).

The advantages of adopting this entry mode are: allows a fast development of international markets and an expansion into different parts of the world simultaneously, the possibility to use similar advertising or promotion in different countries, it has a low political risk, generates economies of scale, can be controlled more than licensing and has low risk (Hill 2007, p. 492).

While the disadvantages are: high costs for the protection of the goodwill and of the brands' name, the search of a capable franchisee might be expensive and take long time, the risk that the franchisor's profile and reputation might be affected by the actions of its franchisee, the low

quality control due to the distance and the fact that the franchisee may become a future competitor.

III. Contract manufacturing

With this mode a firm negotiates through a long-term arrangement with a foreign firm the manufacturing of a product which will be sold by the home firm on the international market. Usually the first one transfers technology to the second one as in this way the product will be produced according to certain specifications (like for example IKEA and Foxconn).

As there are a lot of manufacturers around the world, choosing the right one might be a pretty difficult task moreover considering that the success or failure of the firm on the international market depends on that. There are a couple of steps that a firm should follow in order to choose the right contract manufacturing and these are: first it has to decide what precisely it wants from the manufacturing partner like for example: to develop a product, to convert a concept into a commercial product, to produce an existing product, etc. The second thing is to look for a partner that is compliant and has the right size for the firm's needs (i.e. investigate if the minimum and maximum run sizes correspond to the firm's requirements). The third step is to look for a manufacturer that has consistent lead times in order to avoid future inventory problems. The fourth and last step is to inquire about the partner's experience and resources in order to exclude the possibility of future pitfalls (Ebner, 2009).

The advantages of this method are: it does not require high investments of capital so the risks are low, gives access to the expertise and technological advances of the manufacturer firm, allows the home company to develop and control marketing, distribution, sales and servicing of its products on international markets and avoids the political problems of local ownership.

While the disadvantages are: the difficulty of finding a reliable manufacturer, transferring technology and know-how to a foreign firm arises the risk of having a future competitor and the control over the quality of the product is difficult.

IV. Joint Ventures

A joint venture (JV) is a contract through which two or more firms decide to join and create a new business entity that is legally separated and distinct from the parent firms. It involves

sharing revenues and costs but also the control of the new firm. The duration of such a contract can be short when it is created for a limited purpose or long when it involves many business activities.

Very often firms decide to enter into a Joint Venture agreement in order to: create new products and services, enter new and foreign markets, or both (Beamish, 2008).

The important thing about JVs is that they allow to the companies involved to access each other's resources and capabilities and in this way new products can be developed in a faster and cheaper way and also economies of scale or scope can be achieved. However, it has been proven that if the firms that created the JV focus each on enhancing their own capabilities in order to complement those of the others, the JV will have better chances to succeed (Nakamura, Shaver and Yeung, 1996). Therefore it is relevant for companies to choose partners that have complementary resources, capabilities and knowledge.

Being in a JV with a foreign firm permits the home firm to have access to local knowledge regarding markets, competitive conditions, culture, language, political system and business practices and also to have some operational and strategic control on the business (Beamish, 1987). Moreover having a local partner sometimes increases the home company's credibility in the eyes of local consumers.

Beamish and Lupton (2009) sustain that the Joint Venture process has four phases which are: "assessing the strategic logic for creating the venture, selecting a partner, negotiating the terms and implementation and ongoing management of the business" and that at each phase managers have to take important decisions which will influence the success of the partnership.

The key issues that need to be considered in a JV are: ownership, governance, knowledge transfer and organizational culture.

Ownership refers to how the shares are distributed between the partners. The proportion is usually decided by the firms involved but in some countries there are restrictions about it so having foreign ownership necessarily includes the collaboration with a local partner (like for example in China or India) while in others local regulators require to foreign firms investments over 20%.

Governance is referred to who will take the decisions in the JV so before the contract is made the partners have to decide if the control of the JV will be shared or if one firm will take all the management responsibilities. According to Beamish (1985) shared control is preferred when firms from less developed countries are involved while Killing (1982) suggests to avoid shared control when developed countries are involved; in another paper Beamish and Choi (2004)

suggest that control in a JV should be “split by functional expertise”, this means that each firm is responsible for managing the functions in which it excels and is different from shared control where the partners share responsibility for all functions.

Knowledge transfer might be a problem as some firms at the beginning prefer to protect their intellectual property and trade secrets. According to Nicholls-Nixon and Woo (2003) firms prefer to use JVs for riskier R&D where the results are uncertain and to use other types of agreements like for example export and contractual agreement for sharing knowledge especially that regarding recent advances of technology.

The last relevant factor that firms should consider when they choose a partner in a foreign country is the difference in the organizational culture between the two companies. The home firm has to look at the local firm’s internal environment and see if it fits with its own. If the difference between the two is high it might create future problems regarding the communication inside and outside the JV, the way personnel is managed and how decisions are taken. Fey and Beamish (2001) observed that JVs which have similar organizational cultures have a higher probability of success.

The advantages of this entry mode are: shared knowledge, resources, costs and risks, gives the firm better access to the local market and also a competitive advantage, it allows to overcome host government restrictions, to avoid local tariffs and to gain economies of scale, it gives access to distribution channels and it allows for risk pooling so the firm can face industry structural barriers and risks due to liabilities of foreignness more effectively (Hill, 2007).

While the disadvantages are: it implies a high investment, the risk of losing control over the technology knowledge, cultural differences might bring to differences in the goals and management of the firm in time, transfer pricing problems and the fact that it might be a too long-term relation.

A Joint Venture can terminate for one of the following reasons: it has been reached the termination date specified in the contract, one of its active member dies, the purpose of its creation has been accomplished and when a court decide it due to serious disagreements between the members.

1.3.3 Hierarchical mode

This is an entry mode that gives the firm tight control over operations in different countries as the firm owns and controls totally or partially the local subsidiary. There are two different ways of doing this: by creating a Greenfield Venture or by doing a Merger or an Acquisition.

Both options commit the firm to a strategic choice as they involve significant resource and time commitments and cannot be changed easily.

The choice between these two modes is influenced by the following factors: investment costs, differences in technologies, market size, market structure and competition intensity (Müller, 2007).

Regarding the investment costs, if the cost of building a subsidiary from scratch is too high (Greenfield Venture), firms will prefer to acquire an existing local firm (acquisition) or to merge with a foreign company (merger). If the cost of the second option is also too high for the firm, then it will look for cheaper entry modes.

Considering technology differences, a firm will decide to create a Greenfield Venture when the technology that possess is superior to the one of the foreign country where it wants to invest. While when the technologies between the two countries are pretty similar, the firm will prefer to entry that market through an acquisition or a merger.

As to market size, a firm will prefer to use the acquisition mode in large markets as there it can have many options between which to choose, while in small markets it will use the Greenfield Venture mode.

Regards market structure, it has been proven that an “entry through Greenfield investment increases local capacity and intensifies competition whereas entry through acquisition does not”. So a firm will choose the option depending on the type of market where it wants to enter and on the effects that it will want to cause in that market (Buckley and Casson, 1998, p. 7; Görg, 2000). Concerning competition intensity, in the case of a market very or not competitive the preferred option will be the Greenfield Venture, while in the case of moderate competition the best entry mode will be the acquisition (Buckley and Casson, 1998).

Another factor that should be considered when choosing between the two options is cultural distance. Kogut and Singh (1988) observed that when the cultural distance between the two countries is large, firms will prefer to use Greenfield investment while in the opposite case they will tend to use the acquisition mode.

Elango et al. (2004) add to this list other two factors: industry size and industry profitability. Regarding industry size, they discovered that larger industries encourage Greenfield entry while small industries attract acquisitions. In the case of industry profitability which is measured in terms of gross profits, if this is high it will encourage an entry through acquisitions otherwise if it low Greenfield investment will be preferred.

In the next paragraphs the two entry modes will be described properly.

I. Greenfield Venture

With this method a firm establishes a subsidiary in a foreign country from ground zero. The process of doing this is often complex, very expensive and it takes time before it can be operational but once it is done, it gives the highest degree of control over all aspects of the business and the possibility to have above-average returns. In this case the parent firm has to bear all the costs and the risks of the overseas operations which is very different from the case of the licensing where the licensee deals with most of the costs and risks or the case of joint ventures where the costs and risks are shared.

As the firm creates a new capacity/supply in a particular industry, it will have to provide all the requested resources and capabilities for this investment in order to overcome eventual industry structural barriers and risks related to liabilities of foreignness. A solution to this issue is to hire host-country nationals or consultants that can counsel and support the new firm.

Besides the two advantages said before, setting up a wholly owned subsidiary also allows to reduce the risk of losing control over the technology, this aspect is very important when the parent firm's competitive advantage is based on technology. This entry mode is preferred in industries like electronics and pharmaceutical as it permits to protect better the firm's knowledge.

Other advantages of this entry mode are: high control over the brand and the staff, the possibility to achieve economies of scale and scope in R&D, production, marketing, purchasing and to implement a good long-term strategy, solid commitment to the market and the chance to collaborate with the relevant authorities since the beginning of the activity.

While the disadvantages of choosing this entry mode, besides the ones mentioned above are: the barriers to entry can be very costly, governmental regulations might put the firm in difficulty in

the short term, the entry process may take years and the fact that the competition might be difficult to overcome.

II. Merger or Acquisition

A merger is when a domestic firm combines itself with a foreign company into one while an acquisition it is when the first one purchases an existing local firm acquiring at the same time its ownership and control.

As in both cases the domestic firm is operational immediately after the merger or the acquisition, these entry modes are used when time represents an important issue in the investment decision, not like a joint venture or a Greenfield investment.

Having control over the foreign firm and the possibility to count on its existing goodwill, allows the home company to overcome industry structural barriers and liabilities of foreignness in the host country very quickly.

Other advantages of this entry mode besides the ones considered above are: lower cost of production and operation in the foreign country, the possibility to acquire industry know how, technology and a good positioning pretty fast, allows to increase the market share of the home firm and also it gives it higher competitiveness.

While the disadvantages of this option are: the purchasing operation is usually complex and involves lawyers, bankers and economic specialists, the restrictions that some countries might have regarding the acquisition of local companies by foreign companies and the possible consumer or shareholder drawback.

An example of an Italian firm that owns subsidiaries all over the world is Electrolux.

1.4 Small Medium Firms versus Multinational firms

An important consideration that should be done, is regarding the relevance of a firm's size when going international.

In the following paragraphs there will be a description of the obstacles and of the advantages that Small-Medium Enterprises (SME) and Multinational firms (MNE) which decide to produce or sell in foreign countries have to face.

According to a European Union definition, the factors that determine if a company is a Small-Medium Enterprise are the number of employees and the turnover or the balance sheet total. So considering these two variables we can distinguish between: micro-enterprises which have less than 10 employees and an annual turnover below 2 million Euros, small enterprises that have less than 50 people employed and an annual turnover below 10 million Euros, and medium-sized enterprises which have less than 250 employees and annual turnovers below 50 million Euros. Generally SMEs develop their activity well in the domestic market and in certain cases some of them decide to go abroad.

While a multinational enterprise is defined as an organization that produces and sells goods or services in more than one country at time. Usually it has its headquarters in one country and operates through subsidiaries wholly or partially owned in other countries.

Regarding SMEs, the most critical obstacles to internationalization are: the lack or limited knowledge of international markets regarding: labor, raw materials, legal issues, etc., limited assets and financial resources, limited international networks like local contacts, local distribution channel, etc., little or at all international experience of the management team, the difficulty to preserve property rights and the fact that they have to face larger entry barriers than big corporations (Acs et al., 1996). With reference to the last obstacle, this may be represented by increased competition in the world market and by the inability to offer competitive prices abroad (Leonidou, 1994).

De Chiara & Minguzzi (2002) point out that the main obstacles for small firms are inside them (their internal resources and capabilities) and not outside them in the business environment. Also a statistic made by OECD (2006) confirms this affirmation and underlines how barriers are seen by a firm that is already exporting in comparison to a non-exporter one. While the first ones give more importance to the business environment barriers, the second ones are more worried about financial and access barriers. Their results also show that as soon as SMEs overcome internal constraints, they are more attentive to the business environment obstacles.

An event that today makes the internationalization process of SMEs even more difficult is the financial crisis as banks increased risk premium and are less willing to finance small firms and their risk investments.

Besides the obstacles that SMEs encounter there have also some advantages in comparison to the MNEs which are: higher level of innovation and customer orientation, less restrictions regarding

bureaucracy and hierarchical thinking, velocity in implementing new technologies and meeting specialized needs and tastes, greater flexibility so they can adapt their systems and routines to different situations and higher capacity to spread information across the entire firm (Kirpalani and Macintosh, 1980; Mascarenhas, 1996).

Small firms can gain competitive advantages by being part of international networks, alliances or other strategic partnerships. This will give them access to information about foreign markets and will allow to accelerate their learning curve (Johanson and Mattsson, 1988).

Also SMEs have to face obstacles in the internationalization process like for example: deal with more laws and regulations as each country has its own business and labor laws that have to be respected, face intellectual property issues, may have to pay higher taxes in order to sell in certain countries and their brand image could be affected by the way foreign subsidiaries are managed.

On the opposite side, the advantages that MNEs have are: economies of scale in production and purchasing economies when they buy in bulk, access to cheaper labor and raw materials and reduced expenses as some foreign countries have more favorable laws regarding business and the environment; so by having lower production costs the firm can increase its profits and be more competitive, more potential customers that can buy their products and the ability to deal better with competition and with micro and macro business environmental changes.

De Chiara & Minguzzi (2002) sustain that a firm's international competitiveness is not related to its size, even if it admits that small firms have to struggle more because of their structural handicaps, but it depends on the capabilities of the management team and on the competitive and comparative advantages that the company has.

1.5 The evolution of the internationalization process in Italy

The internationalization process of Italian firms has had three stages, each of it had a different: player, destination area, sector involved, motivation and form as can be seen in the table below (Balcet, 1997).

Table 1: The evolution in the internationalization processes in the last three decades

Stages	Main players	Areas of destination	Sectors involved	Main motivations	Forms
Until the 1970s	Big groups Minor multi-nationals	Latin America European countries	Scale-intensive	Market-oriented (tariff-jumping)	Greenfields Joint-ventures cooperative agreements
1980-1988	Big groups	European countries	Scale-intensive	Market-oriented Economies of scale	Acquisitions Joint-ventures cooperative agreements
1988-2003	SMEs	European countries Europe Far East	Scale-intensive Traditional	Market-oriented Cost saving	Acquisitions Joint-ventures cooperative agreements

Source: Elaboration on Balcet (1997) and Mariotti (2004)

The stages are:

1. The traditional pattern – until the ‘70s

In the first stage we had only a few large multinational groups (Fiat-IFI, Pirelli, Olivetti-CIR, Montedison, State-owned ENI and IRI groups) organized in the forms of: Greenfields, Joint-ventures and Cooperative.

These big multinationals were operating in scale intensive sectors (basic metals, motor-vehicles, trailers and semitrailers) and were driven by market motivations (identify and meet the needs of the customers). Their areas of destination were Latin American and European Countries.

In the same period we had also a small number of “minor multinationals”, medium-sized firms which were family controlled. These were operating in “traditional industries”: textile, clothing, footwear, leather, furniture, etc. and in “specialized supplier industries”: mechanical engineering, specialized equipment and machinery (Pavitt, 1984).

2. The “Oligopolistic heart” – until the ‘80s

In the second stage, the Italian industry had its highest level of expansion abroad through Acquisitions, Joint-ventures and Cooperative Agreements. In 1987, the first ten Multinational

Forces had 86,6% of total employment abroad and 88,4% of the foreign affiliates' sales (Cominotti and Mariotti, 1997).

The areas of destination changed from the previously stage. Here the focus was on European Countries and important divestments were made in Latin American Countries because of the debt crisis that started in the 70's.

The sector involved was still the "scale intensive" and the main motivations were market orientation and economies of scale.

Minor family-controlled multinationals didn't acquire a lot of importance during these years but they were still an important part of the economic environment.

3. The emerging internationalization process of Small Medium Enterprises (SMEs) –from the end of the '80 till now

This third stage was characterized by the emergence of medium-sized investing companies which were highly specialized and flexible with strong capacities to adapt imported technology and to develop design, brand and marketing policies (Balcet and Vitali, 2000).

Their main motivations were market orientation and cost savings and the sectors in which were involved are: the "scale intensive" (transportation equipment and household appliances), the traditional industries (textile-clothing, food, etc.) but also steel industry and capital-intensive activities (cement).

Acquisitions, Joint-ventures and Cooperative Agreements remained the most used ways to acquire more power in the global environment.

Regarding the destination of foreign operations, new geographical areas like Central and Eastern European Countries and the Far East which were chosen for being low-wage areas.

1.6 The web as a "foreign entry facilitator"

Some of the existing theories of internationalization are static in nature and they also cannot accommodate in time (Andersen, 1997) therefore they are not able to explain how firms behave today in the international business marketplace as the internationalization process is faster than it was before, it involves more and more firms, and the ways in which they choose to go abroad are different than before. According to Matthyssens (2002, p. 445) "*...internationalization theory*

has to be reframed and evolve to enable it to encompass the new realities of economic life.” The researcher also sustains that: “...*the concept of internationalization must be widened. It nowadays implies a mixture of complex learning processes, organizing cross-border knowledge and resources, integrating cross-cultural perspectives in internal and external networks, managing the global/regional portfolio and blending global/regional shareholder value with local customer value perspectives.*” (p. 446)

Over the past 40 years, the environment in which firms act has been continuously changing. Accordingly, in order to survive firms had to modify their behavior and adapt to these changes. The most important changes regard: the birth of the global economy and the Internet-driven economy (Matthyssens, 2002).

With reference to the birth of the global economy, this was stimulated by the markets globalization (Levit, 1984; Yip, 1992; Bartlett and Ghoshal, 2000) which in turn was an effect of the fact that: (1) during the years, trade barriers between countries have been reduced thanks to the creation of market agreements like MERCOSUR and NAFTA, (2) the new technologies developed, allowed firms to improve their production process, to transfer goods faster and more efficiently (air travel, containers, super-tankers) and to communicate faster and more effectively with other firms but also with customers from all over the world, (3) economic developments like the introduction of the Euro currency hasten the global trade. As a consequence of all these, more and more national firms decided to internationalize their activity so exports but also investments, mergers and acquisitions on a global basis increased.

The global economy was defined by Dunning (2000, p.167) as: “*a deepening integration of international economic and financial activity, fostered by electronic networks, to the liberalization of cross-border markets and to the emergence of several new countries on the global market*”.

As for the Internet-driven economy, this refers to how the Internet influences all the actors in the market as it allows: (1) firms to do market research and find available trading partners more easily but also to achieve cost savings and to make products or services transformation and improvements in a more effective way (Hamill, 1997; Bishop, 1999), (2) buyers to choose between a variety of sellers around the world so this gives them more power, (3) firms to improve their internal processes and to facilitate knowledge sharing inside but also outside the company.

Internet has slowly reshaped the way in which businesses are managed and the way we interact with one another (Evans and Wurster, 1997; Gilmore and Pine, 2000). Empirical studies in economic geography have proven that the greater the distance between any pair of countries is, the less they trade between each other. Internet has reduced the physical distance problem, in effect Leamer & Storper (2001) sustain that: *“The internet may make it feasible for certain types of manufacturing and routine intellectual labor to be more effectively managed at much greater distance than is now the case, both in terms of technical quality, ongoing operation of facilities “on line”, and coordination of quantities between far-flung and interconnected units of production systems.”* (p. 23) Furthermore they also add that Internet will increase the product differentiation in the economy and will create new forms of complex transactions.

Today Internet is used by a lot of firms (also by SMEs) as a foreign entry mode facilitator as it allows to overcome traditional barriers to export, like for example: little information about foreign markets customers, sellers and other actors, little knowledge about foreign countries laws and import rules, costly marketing campaigns, etc.

Regarding SMEs, as their main problem in selling abroad is the absence of sales channels in overseas countries, Internet can help them to sell into new geographical markets as customers can be found more easily (Chaffey et al., 2000).

The advantages that Internet gives to firms are: (1) information about foreign markets laws, import and export polices, etc., (2) information about sellers, agents, partners and about customer's tastes, (3) the possibility to make marketing policies at an international level at a very low cost, (4) the opportunity to sell the products all over the world and also to create new products in collaboration with the customer, (5) the occasion to create brand awareness, (6) the facilitation of the distance management operations and many other. (Hamill, 1997; Bishop, 1999; Leamer & Storper, 2001)

The impact that Internet can have on international operation modes and sales channels till now has received little attention in the literature but there are some researchers that recognize its importance like for example Gabrielsson et al. (2006, p. 279) who affirm that: *“When properly applied the Internet can provide a way to decrease the effects of liability of foreignness and resource scarcity, and herewith contribute to an increased speed of internationalization.”* In their paper they also sustain the importance of Internet in the organization of the marketing structure necessary for doing international business.

Firms could and should use in their internationalization process all the tools that Internet offers, as today's consumers are more innovative and demanding, so in order to reach them, marketing approaches different from the traditional ones are required (John et al., 1999). Furthermore, there is also the need of a deepen dialogue with them, so the tools that can be used for this purpose are the social media which refer to mobile and web technologies through which individuals and communities discuss, share, co-create and modify user-generated content (Kietzmann, Hermkens, McCarthy & Silvestre, 2011). There are many social media platform that can be used but the most relevant ones are: Facebook, Twitter, LinkedIn, YouTube and the blog.

According to Maltby (2012) “...entrepreneurs can use social media to amplify their tacit knowledge and convert it into sellable products and services” (p. 22) Tacit knowledge is an element that many Italian SMEs have and even if it is a concept that cannot be explained but it can only be observed through practice in a given context, it has been proven that it can be spread all over the world through social networks. (Schmidt and Hunter, 1993)

Social consumers are very ingenious and willing to participate, and as their preferences are intensified by social media, firms should take advantage of this (Berthon, Pitt, McCarthy & Kates, 2007). They can use social media to: (1) find national and international individuals and firms that are interested in their products; (2) communicate with foreign customers, partners and other actors; (3) have real-time feedback from their customers; (4) be updated with the customers preferences; (5) and to develop trust relationships with potential customers and partners (Paniagua & Sapena, 2014a).

Moreover social media give firms the following functional resources: identity of the company and also of the potential customer, the presence in new market segments, the possibility to have conversations with the users and to share content, the opportunity to create the firm's reputation, the chance to establish relationships with potential customers and to create or be part of different groups of users (Kietzmann et al., 2011).

An important aspect that has to be mentioned is that often, using social media like forums and blogs, users create communities of interest where groups of people discuss about common interests and share advices, ideas, etc. (Wenger, 1998). Being a member of a national or international community, it can be a huge opportunity for the firm as it allows it to create and capture value at a little or no cost (Maltby, 2012).

According to Paniagua & Sapena (2014a) social media influence a business performance through four channels: social capital, disclosed preferences, social marketing and social corporate networking.

The first channel, social capital refers to a firm's identity and reputation and these two elements can be influenced by the company's activity on platforms like blogs, search engines, Facebook, Twitter, etc. Nowadays consumers tend to rely a lot on what social media say about companies, so for a firm being active in this field can make the difference both at a national and international level (Falck & Heblich, 2007; Fieseler, Fleck & Meckel, 2010).

The second channel is represented by the users' preferences which are disclosed through their actions for example with their "likes", conversations and sharing on sites like Facebook or Twitter (Beshears, Choi, Laibson & Madrian, 2008). Following these goings on, can help companies in taking decisions regarding new products introduction, what to improve or change in the current products and what type of product are addicted for each foreign market.

The third channel, social marketing means to include social media in the firm's marketing mix plan. This can be done through the presence on the main social media platforms (Facebook, YouTube, Twitter) and by sharing content and interacting with users from all over the world (Mangold & Faulds, 2009).

While traditional media marketing (television, print, radio, etc.) is about awareness, knowledge and recall, social media marketing involves conversations, sharing, collaboration and engagement (Weinberg & Pehlivan, 2011). The difference between the two is the cost but also the fact that only the first one allows to see a clear and quantified business impact while the second one has more reputational risk (Aula, 2010).

Research has proven that investing in online marketing influences a firm's operational performance in terms of customer linkage and commitment (Hulland, Wade & Antia, 2007).

The fourth channel, social corporate networking refers to another type of social network like for example LinkedIn or ResearchGate, that is used to create relationships with people from inside but also from outside the company, especially with professionals. There are two types of networks: the intra-company network which allows to recognize the most valuable skills sets within the company and the inter-corporate network which permits to individuate the most qualified workers for job vacancies. These channels are low-cost and represent a very accessible way to communicate, to discuss, to share knowledge, to find customers, etc. (Korzynski, 2012; Paniagua & Sapena, 2014a).

Even if social media tools give a lot of opportunities especially in the internationalization process, a lot of firms are still not convinced of their relevance and utility therefore they tend to allocate too little effort and budget for them (DesAutels, 2011; Weinberg & Pehlivan, 2011) .

More information about the importance of Internet in today's businesses but also how and which of its tools SMEs can use in order to access international markets successfully are given in Chapter 2.

2. The web and its role in the internationalization process

2.1 Internet and e-commerce definition and importance

Today more than ever our society, our economy and our technological systems are influenced by a tool called Internet.

Internet was defined in 1955 by the US Federal Networking Council as: *“the global system that: i) is logically linked together by a globally unique address space based on the Internet Protocol (IP) or its subsequent extensions/follow-ons; ii) is able to support communications using the Transmission Control Protocol/Internet Protocol (TCP/IP) suite or its subsequent extensions/follow-ons, and/or other IP-compatible protocols; and iii) provides, users or makes accessible, either publicly or privately, high level services layered on the communications and related infrastructure described herein.”* (Federal Networking Council, 1955). This is a very broad and technical definition that is why many others have been given during the years. For example Wikipedia defines internet as: *“a global system of interconnected computer networks that use the standard Internet protocol suite (TCP/IP) to link several billion devices worldwide. It is an international network of networks that consists of millions of private, public, academic, business, and government packet switched networks, linked by a broad array of electronic, wireless, and optical networking technologies. The Internet carries an extensive range of information resources and services, such as the inter-linked hypertext documents and applications of the World Wide Web (WWW), the infrastructure to support email, and peer-to-peer networks for file sharing and telephony.”* (Wikipedia, 2014).

A less technical definition was given by Hamill (1997, p. 305): *“Internet is a network of interlinked computers throughout the world operating on a standard protocol which allows data to be transferred between otherwise incompatible machines. The word itself simply means a “network of networks”. Participants on the Net include individuals, companies, governments, universities, research establishments and many others. Any form of data can be transferred over the network including text, graphics, video, software, voice etc.”*

The importance of Internet relies in its power of generating, exchanging, sharing and manipulating information in a various number of ways. This is made possible thanks to an information system called World Wide Web (WWW) that *“allows documents to be connected to other documents by hypertext links, enabling the user to search for information by moving from*

one document to another.” (Oxford dictionaries, (consulted on 07/01/2015), <http://www.oxforddictionaries.com/definition/english/World-Wide-Web>).

Internet provides global instant connectivity to all its users at a very low cost creating a global environment where people from all over the world are brought closer to each other.

During the years the importance of Internet has increased and today it is almost vital in the day by day activities of people, firms, banks, universities, governments and other institutions.

From the point of view of a firm, Internet allows it to connect and sell directly to final consumers reducing the role of intermediaries while from the point of view of consumers Internet gives them the possibility to access a broader range of product choices and buy from firms located all over the world. This buying and selling at any place or time changes the processes behind the production, the products and the relation between companies, suppliers, clients and intermediaries (Turban, E., LEE, J., King, D., Chung, H. M., 1999).

Internet is slowly revolutionizing the dynamics of international commerce and according to Quelch and Klein (1996) it is a tool that can accelerate SMEs internationalization process as it helps them to overcome many of the barriers and obstacles that they usually encounter. For example one of the main barrier that small companies encounter is that of obtaining information about the foreign markets customers and how to communicate in the best way with them. Internet and its tools can be used to obtain information about market trends and customers desires and to improve the communication with actual and potential customers but also with suppliers and partners. Another important obstacle is given by the high global advertising cost but also in this case Internet can be a good solution as it can be used as a promotion and sales tool of the business in order to reach a global audience at a very low price.

Internet can also help firms: (1) to take the most appropriate decision regarding which foreign markets are more suitable for their products by using its market research tools, (2) to overcome the geographic barriers and to reduce the psychic distance resulting from language and cultural barriers, (3) to implement more effective promotion and marketing campaigns, (4) to enter into new target markets (young technological people), (5) to reduce the costs of sales, distribution and inventories, (6) to create customized products at a low cost and to improve the customer service and support, (7) to find international partners and sponsors in order to create inter-firm collaborations which could result very advantageous, (8) to create internal and external integration (while the internal refers to a firm's departments, the external refers to the relation between the company and other actors like for example suppliers, clients, other firms, etc.), etc. (Chung-Shing, 2001; NewsMercati, (2013), “L'impatto di Internet sull'internazionalizzazione

delle PMI italiane”, (05/11/2014).
http://www.newsmercati.com/Internet_e_internazionalizzazione_delle_PMI_italiane).

According to Porter (2001, p. 63): “*Internet technology provides better opportunities for companies to establish distinctive strategic positioning that did previous generations of information technology.*” He also sustains the importance of using Internet as a complement to traditional ways of competing, not as a substitute.

As the use of Internet reduces the cost of communication, small firms which are in an early stage of development or those which are offering specialized niche products will be able to find worldwide customers for their products. Furthermore given the fact that Internet diminishes the competitive advantages of scale economies in many industries, this makes it easier for small companies to compete on a worldwide basis (Jim Hamill, 1977).

The importance of internet is constantly growing and we can see it in the number of users. According to a report made by ICE (Italian Trade Agency) called “E-commerce Europe Report 2014” from 7.2 billion consumers in the whole world, 2.8 billion of them are online and 42% of the online consumer demand is global (Rapporto ICE 2013-2014, “L’Italia nell’economia internazionale”. http://www.ice.it/statistiche/pdf/Rapporto_ice.pdf).

Another interesting survey was made by Casaleggio Associati regarding internet and the E-commerce phenomenon from which resulted that in 2013 the percentage of Italian people which had internet access (no matter from where or how) reached 82% (people between eleven and seventy-four years old). The most used way to access it was the personal computer used by 35 millions of people while 22 million (47%) used smart phones and 15% used a tablet.

If we look at Internet users at a global level we have that: 57% of teenagers with age between 12 and 17 browse regularly while the percentage of people with age between 18 and 34 years old is 70%. The Net is used for different purposes: to carry out work activities, to play or download games and music, to access social networks, to buy or sell goods, etc.

Thanks to the Internet and to the highly advanced technologies we have today, SMEs can sell their products or services anytime and anywhere in the world directly on the Internet. This option is called electronic commerce (e-commerce) and has been defined by Kalakota and Whinston (1997, p.18) as: “*the buying and selling of goods and services via electronic networks involving*

some sort of payment". In their article, the authors also divide e-commerce into three classes: inter-organizational (business to business), intra-organizational (within business) and customer to business.

A more specific and current definition would be this: "*Electronic commerce is the paperless exchange of business information using electronic data interchange (EDI), e-mail, electronic bulletin boards, fax transmissions, and electronic funds transfer. It refers to Internet shopping, online stock and bond transactions, the downloading and selling of "soft merchandise" (software, documents, graphics, music, etc.), and business-to-business transactions.*" (BusinessTown.com, (consulted 07/01/2015), <http://www.businesstown.com/internet/ecommerce/definition.asp>).

Using E-commerce is advantageous for firms but also for consumers and society.

Regarding firms this tool provides them with the ability to create new markets for old products and to create customized products for new and existing markets. At the same time it allows to save operational costs (those related to creating, processing, distributing, storing and retrieving paper-based information) and to overcome many of the operational barriers connected to paperwork and export documentation (Turbin et al., 1996). Other benefits are: (1) to reduce the communication costs, (2) the possibility to customize products following the customer requirements, (3) to reduce inventories by adopting a "pull"-type supply chain management (this means that the production is based on the actual consumer demand), (4) to digitalize products and processes – this refers to the sale of software, music and video products which can be downloaded directly by customers through the Internet, (5) to have more profits due to the fact that there are no intermediaries, (6) to diminish costs as the personnel required to do the business processes can be reduced, etc. The relevance of e-commerce is constantly increasing and according to Cunningham (2001, p.2): "*e-commerce will become the main pillar for a company's strategies, operation and technology systems*".

As regards customers, using E-commerce give them the following advantages: (1) they can shop 24 hours a day and 365 days a year, (2) they can choose between suppliers from all over the world, (3) they can compare two or more options and choose the most suitable one, (4) in the case of a digitized or electronic product they can receive it immediately after the payment by downloading it while in the case of a mail or courier pack they can track its progress online and see where the pack is and when it is going to be delivered, (5) they can order and in certain cases create a product according to their specifications, etc. (Rust & Lemon, 2001).

E-commerce brings benefits also to the society like for example: (1) enables people from rural areas or developing countries to access information, products and services, (2) provides happier and less stressful working environment and reduces pollution as people can work from home so in overall it improves the life quality in the society, (3) it simplifies the delivery of public services like for example filing taxes, etc. (Hamill, 1997).

E-commerce has also limitations like for example: the lack of sufficient system security (many measures have been taken during the years in order to improve this aspect), the high competition faced in national and international markets might lead to a price war which could affect the firm's profits, continuously investments required in order to adapt to the new technologies and to the market requirements, the impossibility for customers to touch and feel the products, it disrupts the human interaction and creates social division, etc. (Turban, E., Lee, J. K., King, D., Liang, T.P., Turban, D., 2009).

If we compare all the opportunities and advantages that E-commerce offers with all its limitations, the first ones have the potential to outweigh the second ones. Of course firms need a proper strategy in order to fortify the customers trust in the system and to manage to solve all the technical problems that might show up.

Firms should integrate their traditional sales and distribution channels with the e-commerce channel in order to perform better in the national and international markets.

Anyway once a firm decides to do e-commerce, it can choose between several options: to do it through its website or to use one of the following: intermediaries, existing e-commerce platforms or online auctions.

When the option is the website the firm must assure that this one has: e-commerce capabilities and it can guarantee secure transactions, an intranet (which is a *“a system of connected computers that works like the internet and allows people within an organization to communicate with each other and share information”*) that permits orders to be processed efficiently and staff with IT knowledge able to maintain the e-commerce system (Cambridge dictionary, (consulted on 10/10/2015), <http://dictionary.cambridge.org/dictionary/british/intranet>).

A good e-commerce website has to be able to: protect the data the customer gives, provide clear information about the products and services the firm offers and about the costs the client has to pay (distinguishing between posting and packing costs, taxes, etc.), grant security for payments, etc. As the creation of a website with all the requirements listed above might result difficult to do for those with limited IT knowledge, firms can turn to professional web development agencies

which can help them in exchange of a payment. Even if this might seem expensive it is much cheaper than the traditional business model which includes leasing a space where to show the products and paying for the products displays, hiring staff, etc. Besides this option allows the firm to save a lot of money on the long term. Of course after the investment, the website requires a constant commitment from those in charge with its update in order to attract new customers and to convince the acquired customers to come back.

In the case a firm does not want to invest in the creation of its own e-commerce channel, it can use intermediaries or already existing e-commerce platforms like for example Etsy or Ebay. These connect suppliers with buyers and permits Internet transactions between them without taking title to the goods sold. Usually services like transaction processing and co-ordination, monitoring, quality guarantees, etc. are provided but in order to use them it is required the payment of fees (like for example a listing fee) and a percentage on the sales.

Another option for firms is to use online auctions platforms which allow them to sell new and used goods on an auction basis thanks to an auction software that regulates the process. Also in this case the title to the goods remains to the seller and a lot of options and services are included (like for example help and support during the transaction) at an accessible price (OECD, (2010) “The Economic and Social Role of Internet Intermediaries”, <http://www.oecd.org/internet/ieconomy/44949023.pdf>).

Independently of which option a firm might choose, after the transaction it has to provide an excellent shipping and customer service.

In 2013 the value of e-commerce (buying and/or selling products and/or services online) in Italy was estimated at € 22.3 billion and the turnover from on-line sales had grown by 6% from the previous year with forecasts of future growth.

Regarding the situation at the European level, there are two types of markets: those where consumers are very active on-line, like for example in Great Britain, Germany and France, and those where consumers are less active on-line but their number is increasing slowly like for example the case of Italy and Spain. Anyway by 2016 Internet will represent 5.7% of European Gross Domestic Product (GDP) and the most rapid growth is forecasted to happen in Eastern Europe and Russia in the next three years. While in mature markets the growth of the activity on-line is given by an increase of the purchase frequency and by the inclination to spend more, in markets where the on-line activity is developing slowly the growth is give by the increase in the number of buyers.

As regards to the global situation, the e-commerce B2C has reached \$ 1.250 billion in 2013 with an increase of 18.3% from the previous year and forecasts to reach \$ 1.500 billion in 2015. This growth will be guided mainly by emergent markets thanks to the diffusion of internet access and of mobile devices and their increasing usage in the e-commerce.

In 2014 thanks to the growth of the Chinese, Indonesian and Indian market the Asia-Pacific area overtook North America in terms of e-commerce value growth. Other countries that will influence this growth in the next years are: Argentina, Mexico, Brazil and Russia (Casaleggio Associati, (2014), “E-commerce in Italia 2014”. http://www.primaonline.it/wp-content/uploads/2014/05/Casalegio_Focus-E-commerce-2014-Web.pdf).

2.2 Internet as a communication and web marketing tool

Every era of business requires new strategies and new ways of doing business. So in this era of network an effective communication with potential and actual foreign customers but also with suppliers, distributors, partners and agents is fundamental (Blankenburg and Johanson, 1992; Johanson and Mattson, 1988).

The Internet has revolutionized the way firms communicate with all the actors in the business environment (especially with the final consumers), the way of doing marketing and sales promotion and also the way of accessing foreign markets (Ellsworth and Ellsworth, 1996).

Today the business environment is more competitive and the consumer is more careful with what he buys, also the domestic demand has decreased due to the financial crisis so the way companies communicate with the consumers from all around the world has a fundamental importance as it influences their choices. Classic tools like advertisements on the radio, television and magazines, fliers distribution and promotional activities are pretty expensive for SMEs and are less efficient than once. Besides a firm might have the best product or service in the world but if nobody knows it and where to find it, this will not help it much. For this reason more and more firms use digital tools which allow them to make themselves known by national and international customers.

A good competitive strategy that is followed today by many firms with strong brands but should also be used by SMEs is that of integrating off line activities (like stores, exhibitions, distributors, etc.) with on line activities (promotion and advertising on the web).

The ways in which a company can use internet for its business is by creating a website and by using what are called “web marketing tools”. The latter refer to all the marketing and communication strategies thanks to which the firm will not have to capture the consumer with actions that invade his space (like for example with commercials) but it will be the consumer that will come to the firm attracted by the value of its content.

2.2.1 The Website

So one of the most important steps a firm has to do in the digital world is to design and create a website. Its importance has been recognized by many researchers like for example Nour and Fadlalla (2000) and many others tried to identify which elements an adequate website must contain. The focus is on aspects such as content, use and objectives (Ju-Pak, 1999; Liu, Arnett, Capella & Beatty, 1997; Takacs & Freiden, 1998). The content involves: the information given on the website which should be detailed, up-to-date, accurate and useful (Zhang & Von Dran, 2001) and the characteristics or the services offered. As regards to the use and objectives of a website these can be many but the most important are: for brand name recognition and corporate visibility, for advertising and direct sales, for customer support and technical assistance, for public relations and press releases, for corporate sponsorship (Light & Wakeman, 2000; Ellsworth & Ellsworth, 1996).

Other studies have pointed out other relevant elements that a website should have, like for example: (1) a good quality (which depends on the ease of use and on the content) as this affects the users impression of the firm and is able to influence their beliefs and behavioral intentions (Ahn, Ryu & Han, 2007), (2) a good loading speed, navigability and interactivity (Palmer, 2002), (3) a good design as the way in which the content is displayed will influence the success of the website and of sales (Huizingh, 2000), (4) an excellent service quality able to accept and solve consumer complaints (Ahn et al., 2007; Lin 2007), etc.

Nowadays a website can be translated and visualized in many languages and this fact gives a great opportunity to firms to promote their activity at an international level and so to have access to consumers from all over the world. There are many free translation plug-ins that can be found on the internet and once they are installed to a website allow users to choose in which language they want to visualize the content. One of these is Google Language Translator (GTL) plug-in which permits to add to the website a language widget with a drop menu from which up to 81

languages can be chosen (Singhal, P. (2013), “Make Multi Language Website By Using Google Language Translator Plugin”, (05/11/2014). <http://www.inkthemes.com/make-multi-language-website-by-using-google-language-translator-plugin/#>).

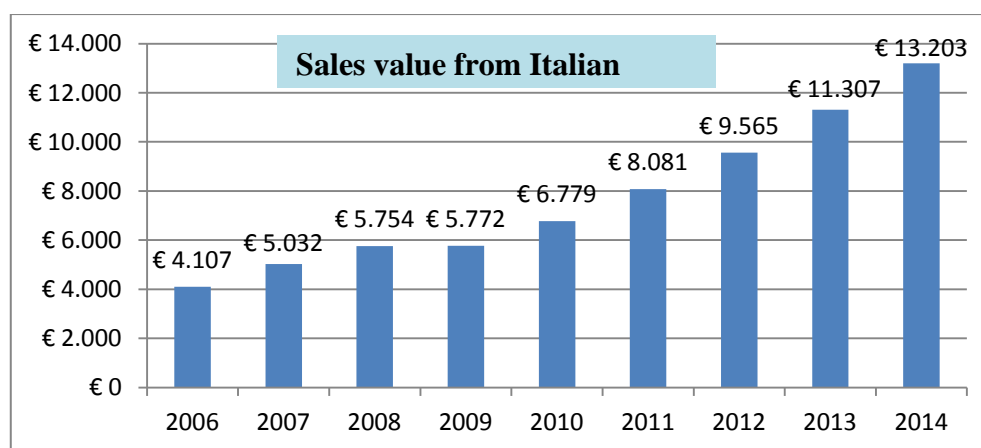
Even if the website is a fantastic tool which offers a lot of opportunities it has been noticed that many SMEs do not have one and a quite big percentage of those that have it, this is too simple with too little information and options for the users so it does not help much the SME.

Obviously that if SMEs want to have an adequate website that reflects their activity and allows them to reach national and international audience, the support of a digital expert or of a special agency is recommended. Even if this will require a certain investment to the company, it would be a promising one.

In effect according to Osservatorio E-Commerce B2C Netcomm the growth of sales from Italian websites is constantly growing since 2006 and in 2014 the increase was around 17% with a turnover of € 13.2 billion. The sectors where this growth was higher are: IT (+32%), publishing industry (+28%), grocery (+23%), clothing (+21%) and tourism (+11%). Also the export volume on the Net increased by 21% reaching a value of more than € 2 billion, the two sectors which had the highest growth were: clothing with 33% and tourism with 54%.

The graph below shows the trend of E-commerce B2C in Italy from 2006 to 2014.

Figure 4: The tendency of E-commerce B2C in Italy



Source: Elaboration of Osservatorio eCommerce B2C Netcomm data

As we can see, the trend is a growing one and forecasts say it will keep increasing in the next years (Osservatori.net, (2014), (6/11/2014). http://www.osservatori.net/ecommerce_b2c).

In order to assure high access to the website, firms need also to market it properly. There are a lot of solutions that can be adopted like for example register the site to online search engines, insert the URL address in all the email correspondence, create cross-linkages from other sites or from other marketing tools, etc. (Jim Hamill, 1997).

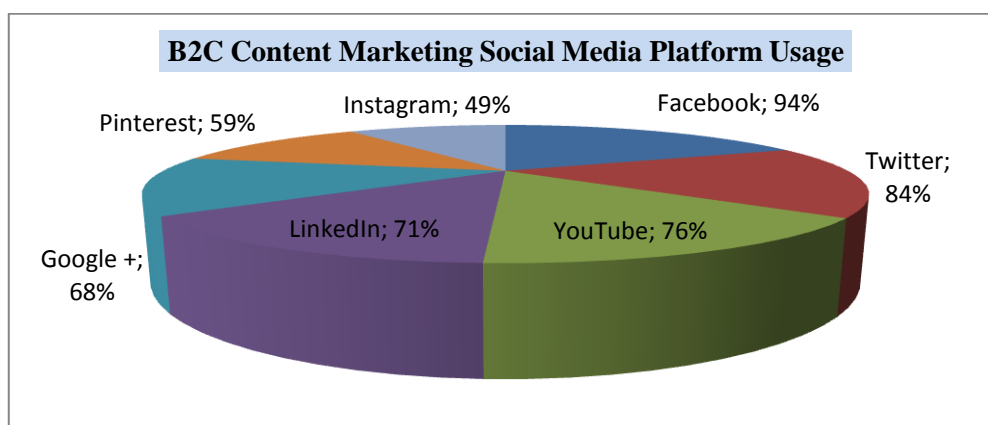
2.2.2 Web marketing tools

Any business advisor would recognize the importance of the so called “web marketing tools” and recommend it to SMEs in order to: facilitate their internationalization process as they permit to position the brand in the market and to increase its awareness at a national and international level, to create and continuously improve the corporate image, to strengthen the relation with customers from all over the world by interacting actively with them, to promote existing products and services but also to create customized ones with the help of the customer, etc. (Sterne, 1995).

There is the possibility of choosing between a variety of tools but according to the Content Marketing Report made by an American Content Marketing Institute in which around 300 marketers working in different industries and business from all over the world participated, it resulted that the most used Social Media Platforms for promotion and marketing purposes, are: Facebook, Twitter, YouTube, LinkedIn, Google Plus, Pinterest and Instagram (Pulizzi, J. (2014), “New content marketing research: B2C challenged with measurement”. <http://contentmarketinginstitute.com/2014/10/2015-b2c-consumer-content-marketing/>).

The figure below shows in which percentage each tool resulted used by firms:

Figure 5: B2C Content Marketing Social Media Platform Usage



Source: Elaboration on American Content Marketing Institute data

Below there is the description of these tools and why and how can firm use them:

- Facebook (FB) is the reigning champ of social network sites. Here firms can create for free a page that can be useful to their internationalization process as allows: to be known by millions of users from all over the world, to keep customers informed about their activity, to increase the customers number, to make promotions and develop brand identity but also to know customer's behavior and to rapidly interact with them. In order to attract more attention from people which could become clients, firms should besides listing products and services try to share links, posts, images, videos and interact with people in this way also a human side of the company is shown.

There are some initiatives that can be used on FB in order to increase the number of fans, like for example: the possibility to run a contest or a sweepstake (adopting free tools like Shortstack and Pagemodo or those at payment), the Facebook Promoted Posts initiative that allows to increase a specific post's reach and impressions by paying a flat rate, the Sponsored Stories tool which shows a user's interaction to its social friends in order to tempt them to act in the same way and as this tool can get preferred positioning in the news feed it has a higher success than the normal ads, Facebook Open Graph is defined as a sort of consumer story and acts like a "word of mouth" so businesses can use it by creating applications that connect to users and when they performs an action with it, a notice on FB is posted, Facebook Exchange that allows firms to retarget ads on the social media regarding products that users observed on the firm's website but did not buy and last but not less important Facebook Marketplace Ads which are classic ads (with an image and a headline) situated in the side columns of the FB page that allow through a click to access a website, an application or a specific FB page but the most interesting thing about it is that by relaying on FB user data the targeting can be done using different criteria like for example: hobbies, interests, location, age, education, etc. (Gandhi, N. (2010), "Facebook as a successful business tool" (06/11/2014). <https://facebookbusinesstool.wordpress.com/>).

Even if FB has a lot of advantages for firms that use it, it might also present problems in terms of privacy and unstable social information.

- Also Twitter has become a pretty effective promotion and sales tool for firms as it allows them to communicate with their customers and at the same time to achieve new ones. Once a profile is created a firm can write Tweets which are short updates regarding its activity but it can also share stories, promote content, create a link to photos and videos, publish news, etc. (Prodromou, T. (2013), “Using Twitter for Sales and Marketing”. (07/11/2014). <http://www.entrepreneur.com/article/226149>).

This social network can help firms in their internationalization process as it permits to build or to tighten up their brand at a national and international level, to influence consumer’s behavior, to promote products and events, to redistribute content from their website, etc. and at the same time it allows them to see how many users are following the firm, which Tweets generate the best response and thanks to the quick customers’ feedbacks become aware of what aspects should be improved.

Through twitter a firm is followed but can also follow other users, so it could be used to build a network with people that have similar interests or live in the same area for example it might monitor its main competitors’ activity in order to see what people say about them and if they are satisfied with their products, in the case they are not the firm could offer them a solution with its goods (Kroguer, K. (2013), “31 Twitter Tips: How to use Twitter Tools and Twitter best practices for business”. (07/11/2014). <http://www.forbes.com/sites/kenkroguer/2013/08/30/31-twitter-tips-how-to-use-twitter-tools-and-twitter-best-practices-for-business/2/>).

- Another important marketing tool is YouTube. It gives the possibility to firms to share videos regarding their business or explaining the work behind their products, etc., and these in turn can be shared or commented by the users. This tool allows to build relationships with customers more easily as today a lot of people prefer watching things over reading (Kokemuller, N. (2014), “E-commerce marketing tools”. (07/11/2014). <http://smallbusiness.chron.com/ecommerce-marketing-tools-60747.html>).
- Extra value to the online presence can be given by using LinkedIn which is the largest professional network on the Net and it has more than 313 million members in over 200 countries. It is used by all type of professional like for example: students, professionals, executives, etc. and it is seen as a useful tool by recruiters and by job seekers but it is not limited just to these two things. Firms can use it to build relationships and networks with

the target market, to find national and international partners that can help increasing the sales and might give access to foreign markets, and to find and connect easily with hundreds of potential clients. Experts in the field forecast for the next years an increase in the number of users (Chansamooth, A. (2014), “Why LinkedIn is the most powerful marketing tool of the 21st century”. (10/11/2014). http://www.huffingtonpost.com/anfernee-chansamooth/why-linkedin-is-the-most-b_5706017.html).

- Google Plus is a social network created by Google Inc. and it is different from the others as it has some unique features that allow users to interact with groups of people and to categorize the contacts. These are: “the Circles” function – with which firms can group customers into specific circles and in this way share targeted content, “the Hangout” function – which permits businesses to have group chats and video conferences within members of the same circle, “the +1” function – is useful to recommend and share content, with “the Ripples” function the success of public posts can be checked as it provides statistics and “the Google Plus Brand Page” which allows firms to connect with their website page and increases the probability to appear on Google searches.

Having a Google Plus account it has many advantages, especially for firms that want to internationalize, like for example: raises the possibility for the firm to appear on Google search engine results, it provides visibility also on Google Map and Google local, can be combined with other Google applications like Gmail, Google Calendar, etc. and gives the possibility to use Google Analytics in order to see how the content is viewed and shared.

In order for firms to obtain more visibility on the Net, they could link the Adwords option (will be explained further down) with Google Plus. This is what H&M did and it was very successful as besides increasing their presence on the Web, they also managed to improve the effectiveness of the Adwords campaign.

Since its creation in 2011, Google Plus has acquired more than 500 million registered users so it represents a great opportunity for firms to access and increase their national but also international customers (Jones, T. (2013), “Why Google Plus is an Essential Content Marketing Tool”. (10/11/2014). <http://www.business2community.com/google-plus/why-google-plus-is-an-essential-content-marketing-tool-0402858>).

- Pinterest is another social network useful for companies to make themselves known and to bring people to visit their website as this tool is connected to it. Its design is very different from that of FB and Twitter and this thing attracted a lot of users in a short period. It can be accessed through an existent FB or Twitter profile and it consists in creating a board (indicating to which category the firm it belongs, for example furniture, food, etc.) where images and videos can be pinned and these in turn can be shared by other users. As it tends to connect people with similar interests or tastes, it allows to create a network that in time will attract more and more people. The search criteria is based on keywords or on specific categories.

The interesting thing about this tool is that it offers some free mechanisms that allows firms to see if their strategy on this social network is working or not and where to intervene to improve it. For example Pinterest Web analytics gives real time data regarding the number of people who visualized the pins, the most popular contents and those that have been repined most times. Another analysis tool to evaluate the success of the presence on Pinterest is Tailwing. It is used by more than 9.000 firms to find out which type of pin works better and to have information about the followers' age, interests, studies, location, etc. The third tools used is Pinalyzer and permits to see the incisiveness of past pins and to discover the current trends on Pinterest in order to focus on them (Fastweeb (2014), "Come si usa Pinterest, il social delle immagini", (10/11/2014). <http://www.fastweb.it/social/come-si-usa-pinterest-il-social-delle-immagini/>).

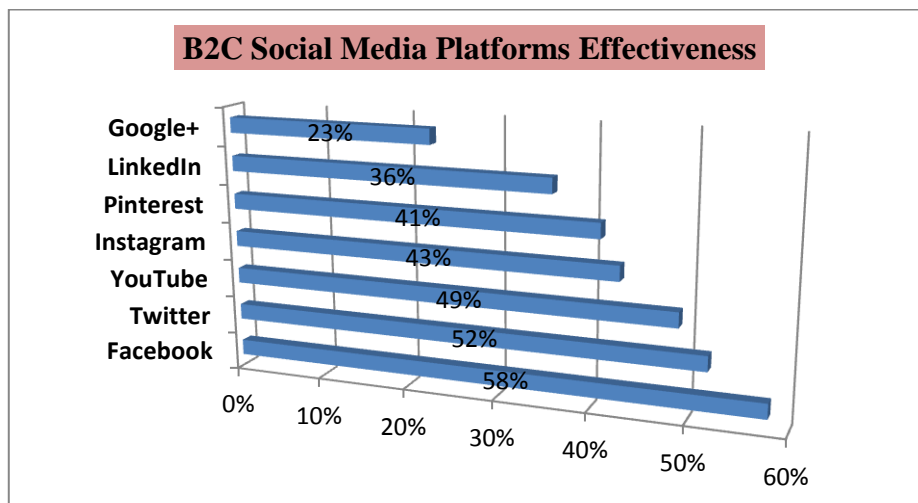
- A tool that is similar to Pinterest but it has different features is Instagram which in the last years proven to be an effective platform for firms and marketers in order to "*reach a new audience in a way the audience wants to be marketed to: with visuals and short messages*". The favorite way of accessing it is through mobiles and as this platform has millions of users it allows firms to get to a wider number of potential national and international customers and to target their ads.

Firms that decide to internationalize their business but not only, can use it to put pictures of their business and products in order to allow users to know better the company, to promote their products, to inform users about events and news, etc. With Instagram firms can create the story behind their business using images and this will increase the attention on the company as people love stories.

Some initiatives that can be taken using this tool and which tend to engage users are: to create photo contests, create networks with the users, reward followers with discounts and promos, etc. (Hemley, D. (2013), “21 Tips for using Instagram for Business”, (11/11/2014). <http://www.socialmediaexaminer.com/instagram-for-business-tips/>).

The Content Marketing Institute analyzed also the effectiveness of social media platforms. The graph below shows the situation:

Figure 6: B2C Social Media Platforms Effectiveness



Source: Elaboration on American Content Marketing Institute data

As we can see from the graph the most effective social media were: Facebook followed by Twitter and Youtube. The less efficient are LinkedIn and Google Plus even also the percentage of these two is not very low.

Other marketing tools that are not mentioned in the report but deserve firms' attention are:

- Google AdWords – is an advertiser platform that allows the publication of text announcements but also of images and video on the pages of the research results and on websites within the network with Google content. This tool represented, in the last years a real innovation in the online advertising field, probably due to Google's notoriety as a search engine. For firms that want to go on international markets, this tool is very important as it offers high visibility all over the world. There are two options from which to choose: to target on key words - in this way the notices that contain them are

visualized when they are searched on Google but also when they are pertinent with the content from the page of one of the websites belonging to Google Network, and to target by location – so the announcements are visualized on the websites which are part of Google Network and Display Network (Google's partner sites like NYTimes.com, Families.com, etc.) on the base of specified criteria like for example location.

This targeting methods allow to reach only surfers on the net who are really interested in those products and services and the announcement can be modified anytime. The only “negative” thing with this tool is that it requires an investment as each Adword has a price which is bided on a technique called “maximum cost per click” (is the maximum price that a firm is willing to pay for each click on the ad; usually the final amount to pay per click results lower than the maximum one) (Google, “How Adwords works”. (11/11/2014) <https://support.google.com/adwords/answer/2497976?hl=en>).

- Blogs - which is a sort of online journal that allows firms to promote their business and products, to give all type of information to its readers which can be already customers or might become in the future and also communicate with them. Blogs are free, easy to use and accessible to everyone.

The advantages of having a blog are: it gives the firm an identity and a voice and it increases its visibility on the Net, it humanizes the business as it is less informal than other websites, it allows to tell the story behind the work and involves them in the work through comments and this might convince many readers to become buyers, it builds a firm's credibility so visitors will feel much more serene to buy from it, raises the traffic on the main website as people interested will want more information about the firm and its products and they can be redirected to the website through links, it helps in spreading a different type of advertising (less invasive), improves the customer service as it allows customers to make questions and the firm can answer them, through a feature permits to send updates to other websites regarding new posts or changes on the posts and as a whole it tends to increase the level of sales. For all these reasons, blogs can help firms in their internationalization process (Gehl, D. (2006), “How to Harness the Marketing Power of Blogs”. (12/11/2014). <http://www.entrepreneur.com/article/84232>).

- Email marketing - used to maintain relationships with existing customers and also to attract new ones and to inform customers about promotions and news regarding the

products. This strategy consists in sending out weekly or monthly mass emails at a low cost. Some companies put on their websites sign-up forms and so users subscribe to newsletters.

An important aspect that firms should consider and prepare to take advantage of it is the increasing number of people that use mobiles and tablets to navigate and to buy online, not only at a national level but also at an international one.

According to a research made by Casaleggio Associati, in 2013 the number of people that connected to a retail site through a mobile increased in Italy by more than 60%. Furthermore one of six mobile owners ended up buying things through this channel. So becomes vital the decision of investing in this tool by creating a mobile versions of the firms' website, special applications and ad hoc services and functionalities for the users. The development of apps allows to increase brand awareness and strengthen the brand loyalty but also to make differentiated communication in the various phases of the purchasing process and to easily spread advertisements and promotions.

Big firms already use it, for example Diesel created an app that allows the customer to memorize the products they like by scanning their barcode and people can also share them on social media increasing in this way the brand awareness. Other firm use apps much more complex that besides memorizing the customers favorite products they also store information about them (Casaleggio Associati, (2014), "E-commerce in Italia 2014". http://www.primaonline.it/wp-content/uploads/2014/05/Casalegio_Focus-E-commerce-2014-Web.pdf).

Even if the mobile commerce involves all sectors, currently the ones that have more success are: leisure, tourism, health and beauty and food.

According to Osservatorio eCommerce B2C Netcomm – Politecnico di Milano, the mobile commerce is one of the main factors that pulls up the e-commerce in Italy and it is forecasted to reach a value of € 1.2 billion in 2015 (Dilorgi, C. (2014), "eCommerce Netcomm Forum 2014: il Mobile a +289% nel 2013 e per il 2014 sopra quota 1 miliardo". (13/11/2014). <http://iab.blogosfere.it/post/526961/e-commerce-netcomm-forum-2014-il-mobile-a-289-nel-2013-e-per-il-2014-sopra-quota-1-miliardo>).

An interesting and at the same time very useful tool that gives information about the Smartphone adoption and usage across 48 countries is Our Mobile Planet. This instrument is the result of a research commissioned by Google to Ipsos MediaCT, Mobile Marketing Association and

Interactive Advertising Bureau with the aim of finding more about consumers mobile search and purchase intentions but also about their video, social and email behavior.

It allows to create customized charts about mobile consumers by selecting between different criteria like for example: one or more countries, the mobile behavior, a specific year, age and gender of consumers. This tool can be used by firms who intend to develop their business on this channel in order to better define the strategy to follow (Our Mobile Planet website, <https://think.withgoogle.com/mobileplanet/en/>).

The picture below shows the display of Our Mobile Planet and the results of a simple selection (two countries Italy and Germany and the mobile behavior as Mobile Shopping). The result is that in 2013 in Italy the percentage of users that made mobile purchases via Smartphone was 30% while in Germany was 32%. This is just a simple example but there are many other criteria that can be inserted in order to obtain more specific information.

Figure 7: Our Mobile Planet example



Source: elaboration and input data on Our Mobile Planet website

In conclusion the fact that all these social media tools are affordable and permit immediate interaction with people make them very suitable for small businesses in order to create awareness and to attract domestic and foreign customers which could mean an increase in domestic sales and a successful internationalization process.

As reported in the research called “The e-commerce in Italy – 2014” made by Casaleggio Associati, firm already tend to invest less in offline media (television, radio, etc.) only 4% of their resources in 2014 and to increase the budget dedicated to the online marketing tools like for example: Google Adwords (28%), e-mail marketing (15%), social media (15%), being on a shopping website (11%) (Casaleggio Associati, (2014), “E-commerce in Italia 2014”. http://www.primaonline.it/wp-content/uploads/2014/05/Casalegio_Focus-E-commerce-2014-Web.pdf).

In order to analyze which channel of communication had more success and it was more efficient, firms can use Google Analytics that is known as one of the best data analysis tools used to analyze the activity of a firm’s website and social media. It is free and very easy to use: just need to set up a Google Analytics account and then to configure the tracking code for the website and for the social media tools used and it will start collecting data regarding visitors number, the length of each visit, how they arrived to a certain page, the most visualized content, from where they visualize it, etc which will be visualized on a dashboard or downloaded as pdf files.

Regarding the website, it allows to measure and analyze the behavior of the website visitors (different periods of time can be selected) in order to understand how to improve the website and achieve the firm’s goals (Alton, L. (2013), “ Set up Google Analytics for your Website in 5 easy steps”. (14/11/2014). <http://www.businessbee.com/resources/marketing/search-engine-marketing/set-up-google-analytics-for-your-website-in-5-easy-steps/>).

The options of what to see about website visitors are numerous and the results are very easy to understand as we can see in the picture below.

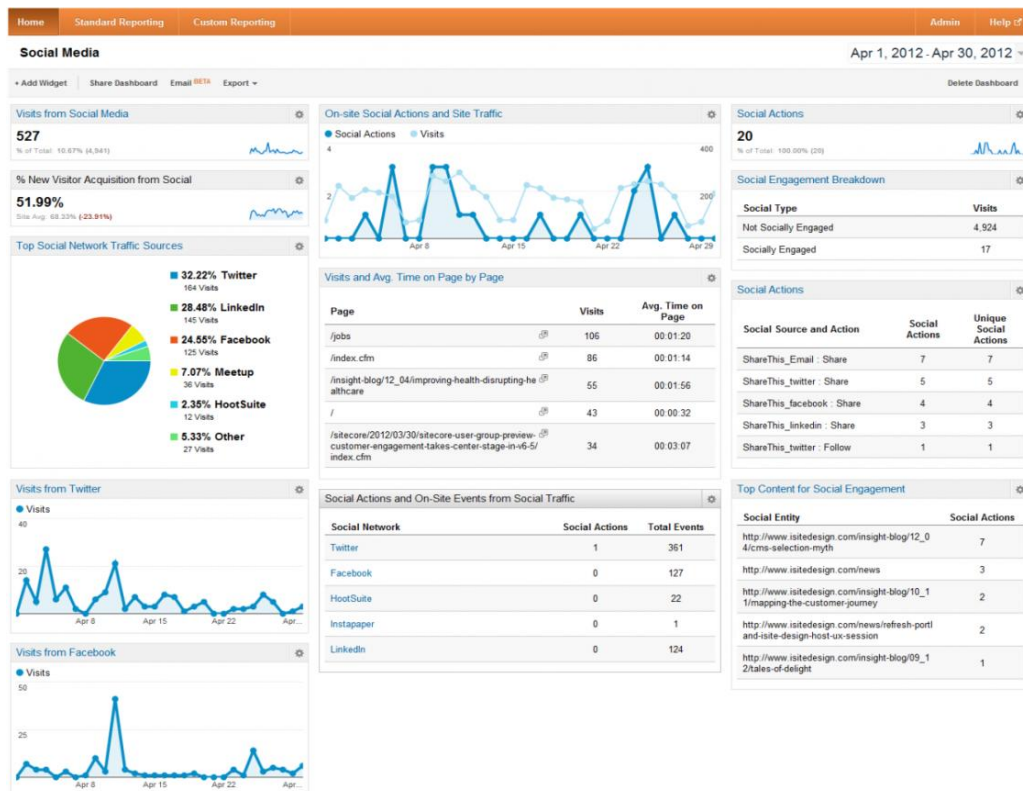
Figure 8: Google Analytics' options for a website



Source: elaboration from businessbee.com

As regards to information about the efficiency of a firm's activity on social media, also this one can be seen through Google Analytics. Firms can observe in a certain period of time which social media has had more visits and for which reason but also other information. The figure below shows how a typical dashboard regarding social media activity looks like (Tyler, A. (2012), "Amalgamated Analytics: Bridging the Data Divide in Google Analytics with Dashboards". (14/11/2014). http://www.isitedesign.com/insight-blog/12_05/amalgamated-analytics-bridging-data-divide-google-analytics-dashboards).

Figure 9: Google Analytics for social media activity

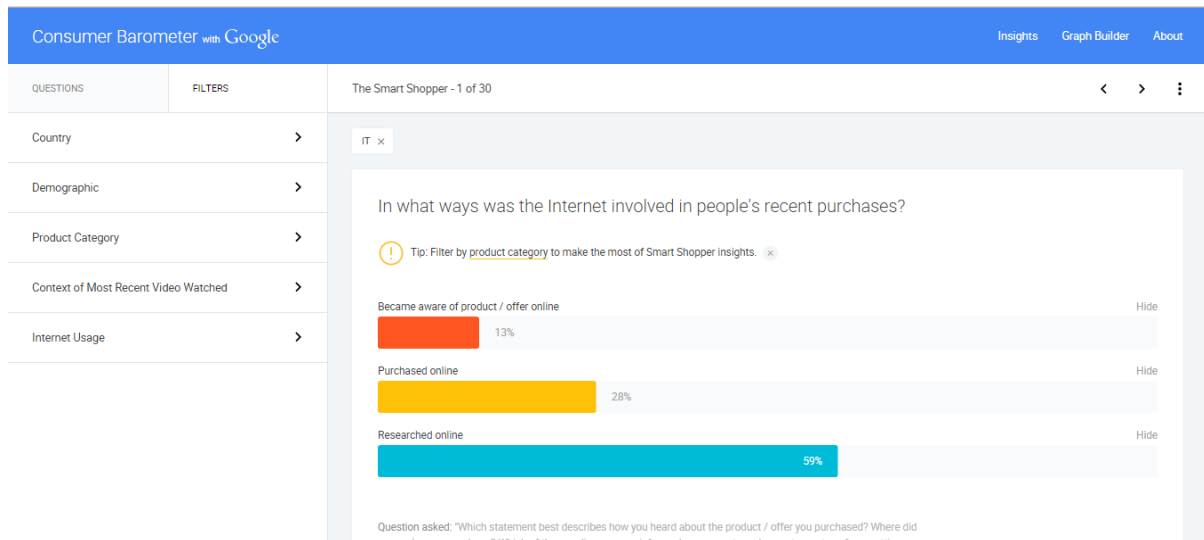


Source: elaboration from ISITE Design, Digital Experience Agency

Another interesting tool proposed by Google is the Consumer Barometer which gives the possibility to anyone to have information about how consumers use the Internet when they purchase goods or services. These information were collected through Google sponsored surveys made all over the world and are shown in graphs. After choosing one survey questions, different other criteria can be selected (like for example a specific country, a demographic filter by age, gender, income level, parental status, product category, etc.) This tool can be used by firms to plan their digital marketing strategy for the internationalization process (Harrold, A. (2014), “New Consumer Barometer Tool”. (14/11/2014). <http://online-sales-marketing.com/new-consumer-barometer-tool>).

The picture below shows how Consumer Barometer looks like after selecting a survey question and on the left side we can see all the filters that can be used in order to have more specific information (Consumer Barometer Website, www.consumerbarometer.eu).

Figure 10: Example of Consumer Barometer display

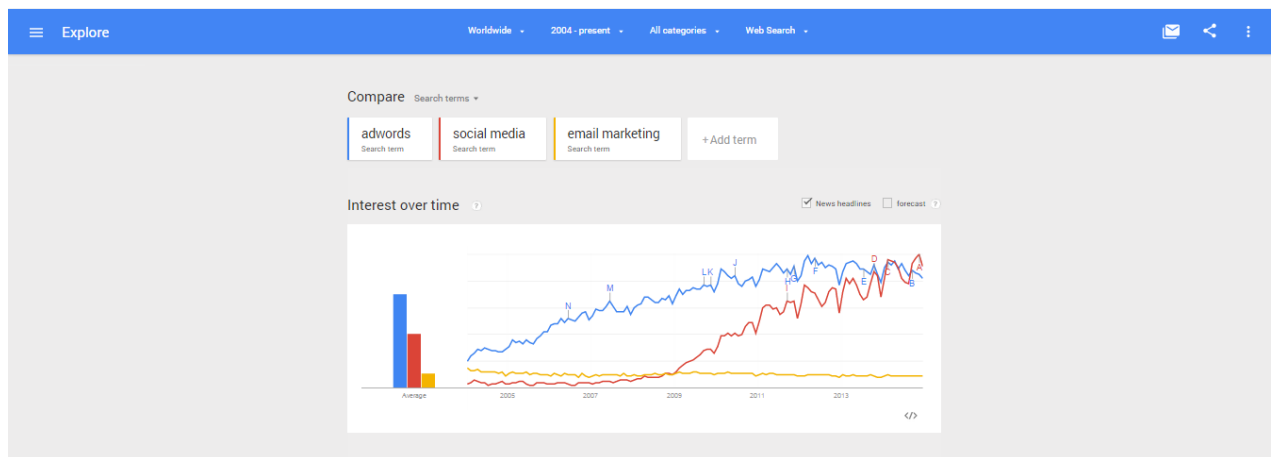


Source: elaboration from consumer barometer website

One more useful tool is Google Trends that can be used by firms to find out the moment trends and the most popular researches in a specific country or region. It gives also the possibility to understand the public opinion in relation to an industry and how this opinion changed over time, to monitor the firm's popularity and the one of its competitors in relation with good and bad news stories (by choosing the option "News Headlines") and many other things.

If for example we want to compare the trend of: adwords, social media and email marketing during time, it is enough to insert these words into the "Search terms" option and we will obtain a graph that shows us the search trends of these words over time and compared to each other. This can be observed in the figure below.

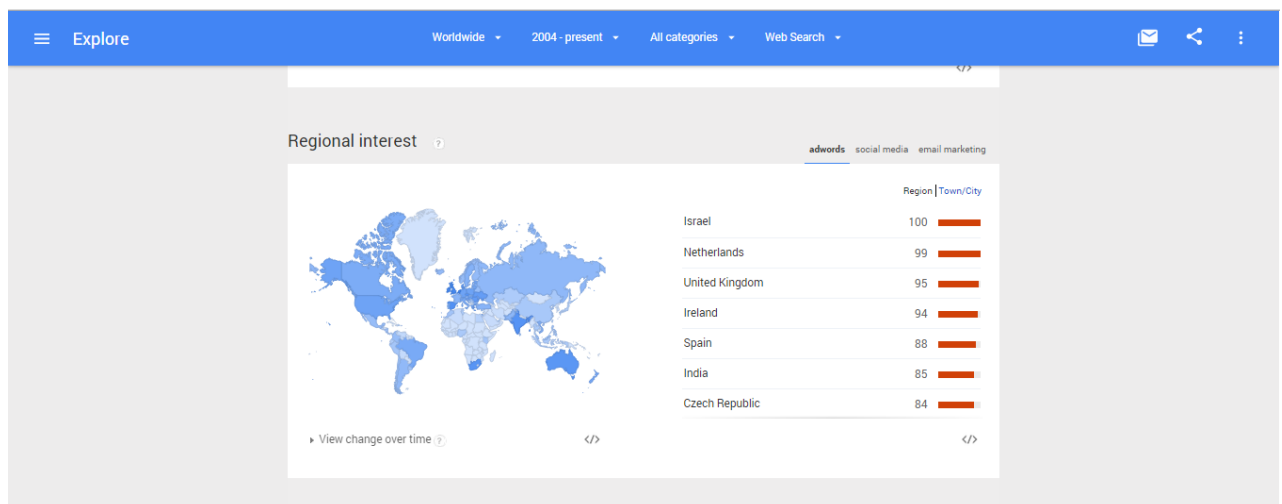
Figure 11: Google Trends display example: Interest over time



Source: elaboration from Google trends explore website

We can also see in which countries these words were searched more and how their view changed over time. If we choose one country we will see in more detail the trends in the regions or in towns or cities.

Figure 12: Google trends display example: Regional Interest



Source: elaboration from Google trends explore website

It is also given information about related researches for those words and many other things (Google Trends Website, <http://www.google.com/trends/>).

Now that all the internet tools have been explained it is important to see which could be the reasons behind their slow or not at all adoption by SMEs. This is the topic of the following paragraph.

2.2.3 Possible reasons behind the slow digital tools adoption

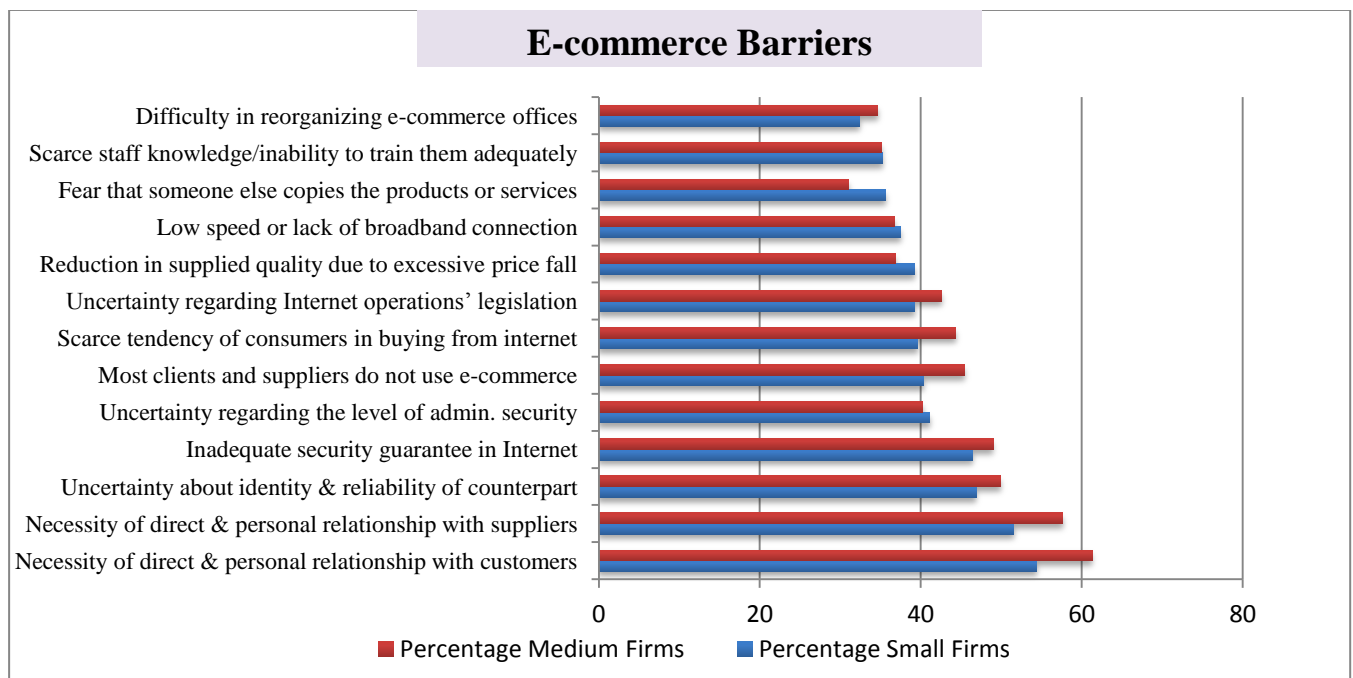
As mentioned before internet and social media tools are accessible from both an economical and technical point of view but this does not mean that their implementation by SMEs is an easy process. Most SMEs would like to be more technological in their business but there are some reasons that stop them, like for example: the investments required, the protection of their privacy and intellectual property, the degree of security in the transactions, the fact of not having face to face meetings, etc.

Besides these, another problem that small companies have is the lack of knowledge their entrepreneurs or staff have regarding internet and business digital tools. Furthermore most business man are afraid of changing their traditional way of doing business for something new. A solution to the first issue would be that of hiring people with knowledge and experience in this field or by providing digital training to the employees or by addressing to specialized agencies.

Another fear that entrepreneurs of SMEs have as regards to the adoption of e-commerce channels is that of cannibalization of the sales made through traditional channels.

Over and above this issues, from a research made by Doxa Digital in 2013, concerning “The role of Internet in the internationalization process of SMEs” in which 5.360 SMEs were interviewed, it resulted that the most relevant barriers to e-commerce are: the necessity of direct and personal relationship with the customers and suppliers, the uncertainty regarding the identity and reliability of the counterpart, the inadequate security guarantee in Internet and many others, as we can see in the table below. For each barrier the importance is indicated by a percentage (Doxa Digital, 2013).

Figure 13: E-commerce barriers and their relevance for Small and Medium Firms



Source: elaboration on Doxa Digital Data

As we can see the barriers for SMEs to be present and sell online are many and each firm will have its own but they should also consider all the advantages that the usage of digital tools will bring. If a good evaluation is made between what they have to risk and invest and what the possible results will be, many firms will decide to start or to increase their digital involvement.

2.3 Export and the Internet

According to a study commissioned by Google and carried out in 2013 by Doxa Digital (an Italian statistical and opinion research company) on 5.360 SMEs export is the most common way of entering foreign markets and it is preferred by 62% of small companies and by 80% of the medium ones. After export the most chosen entry modes are: Greenfield Venture, Contract manufacturing and Acquisition (Doxa Digital, (2013), “Internet & Export. http://www.doxa.it/wp-content/uploads/Rapporto_PMI_2013_Google_Doxa_Digital.pdf).

The export performance of a SME will depend a lot on its plan for the international market expansion. Aaby and Slater (1989, p. 8) through empirical evidence proved that “the

implementation of a process for systematically exploring, analyzing and planning for exports is a very powerful discriminator between successful and unsuccessful exporters". Also Cavusgil and Zou (1994) sustained the importance of the export strategy type and its positive correlation with export performance.

Some authors like Tapscott (1996), Hammond (1996), Hagel and Armstrong (1997), Martin (1996, 1997) stressed the need of an integration of the traditional approaches to export strategy development with Internet based support strategies in order to have all the elements that today's environment requires, i.e. speed, agility and flexibility.

A critical point part of the export strategy is the market research and the effective management of information as international markets are very different one from another and sometimes rapid and unexpected changes can happen. The Department of Trade and Industry (1993a) sustains that: *"the key to success in entering new markets is to systematically gather and analyze accurate and timely information. Intelligent decisions cannot be made until you are able to find, collect and evaluate relevant information about the idiosyncrasies of the market, the needs and tastes of consumers etc."*

The importance of this aspect has been recognized by researchers and firms nevertheless evidence shows that just a minority of SMEs takes measures and uses procedures regarding it because this operation is seen as too complex and difficult and at the same time too expensive (Cavusgil, 1984).

Internet can be the right solution for SMEs as it allows them to find and gather a lot of information about foreign markets and foreign consumers but also about other countries legislation, about competitors, suppliers, distributors, agents, etc. all for free or at a very accessible price.

Styles and Ambler (1996) individuated other factors that are critical for a firm in the export process and these are: having international awareness, finding and choosing the right agents, distributors and partners, choosing the right market for the products, identifying those foreign markets which have the most attractive growth potential, having effective marketing mix policies and fast communication, etc.

Also in this case Internet gives SMEs the right tools to reach all the above goals and at the same time to improve and increase exports.

Now let's see what some researchers found out regarding the relation between Internet and exports.

In 1998 Daly and Miller (1998) through a survey on enterprises in 15 low and middle-income countries discovered that a lot of firms in developing countries used search engines to look for market opportunities and to search information regarding buyers and marketing. They concluded that Internet access increases exports as its use allows to reduce fixed costs of finding markets and buyers.

Also Freund and Weinhold (2004, p. 173) arrived to similar conclusions i.e. *“The relevant innovation of the Internet is that it lowers entry costs into a new market through organized exchanges with numerous buyers and sellers, and through powerful search engines, which enable sellers and buyers to find each other at a low cost.”* Moreover in their research they also prove that exports are higher in countries with greater internet use.

Ricci and Trionfetti (2012, p.554) found that: *“firms are more likely to export if they benefit from foreign networks (ownership and financial linkages), domestic networks (chamber of commerce, links to regulation), communication networks (E-mail, internet).”* They saw informational barriers (i.e. collecting information about foreign consumers and suppliers but also about regulation practices, etc.) as an important obstacle to international trade and considered them as a form of fixed costs that firms have to bear. According to their research foreign network connection allows to reduce these fixed costs and to increase the firms probability of exporting.

Another important contribution was given by Clarke and Wallsten (2006, p. 468) who sustain that: *“If access to the Internet makes it less costly to find and communicate with potential customers in other markets, then, all else equal, exports could be higher in countries where Internet penetration is greater.”* In their research they made a distinction between developing and developed countries and found out that aggregate exports from developing countries only towards developed, not towards developing ones is positively correlated with the internet penetration, so when the latter grows also the exports increase. This is due to the relatively low international communication costs that firms from developing countries sustain but also to the fact that in developed countries internet is accessed by a lot of people so the possibilities of finding customers are higher.

Furthermore Clarke (2008, p. 35) in another paper analyzed how Internet usage influences a firm's export performance arriving at the following conclusion: *“Internet access might improve export performance by making it easier for enterprises to communicate with foreign buyers, by*

improving access and information on markets, consumers and standards in developed countries, by linking the enterprise directly to consumers in developed countries, or by allowing enterprises to bid for contracts over the internet or to participate in business-to-business exchanges.”

More recent research shows how internet affects exports. According to Doxa's Digital (2013) study investing in the Net acts as a driver for internationalization and increases the export of Made in Italy products all over the world. A positive relation between digital maturity and internationalization through export is individuated and this relation is slightly different in small companies and medium ones.

Regarding small companies, it is proven that an increase in the level of digital maturity raises the propensity to internationalization and in particular to export. In effect, in 2013 the percentage of small firms that have business relations in foreign countries thanks to the use of digital tools is four times higher (32%) than the percentage of those that do not use them (8%). The percentage of export for firms that use the Net is 67% while for those that do not use it is 55%. Another important thing is the turnover of the companies that export using e-commerce: on average 24% of the export turnover is realized through this channel.

While in the case of medium sized firms the percentage of firms that have foreign business relations is 54% for the ones active on the Net and 35% for those that are not. At the same time exports of the first ones are 87% while the exports of the second ones are 74%. As regards to the percentage of the export turnover realized through e-commerce this is equal to 39%. This percentage is pretty high and has a growth propensity so this shows the potential the web has as an alternative channel for access foreign markets.

In these last years Italian companies that reached foreign markets managed to hold positive their profitability indicators because Italian firms have a competitive advantage given by the fact that foreign customers associate Made In Italy products with high quality, attractive design and good functionality. So SMEs should focus more on this aspect and try to increase exports by using digital tools. Most of them instead for export prefer to use traditional commercial channels and one or more distributors.

In the following paragraph the evolution of exports in the last years will be described in order to give a better idea of how the importance of this phenomenon increased in time.

2.3.1 Analysis of Exports: past and future

Exports during the last decade have increased more than one-third, reaching today the amount of € 370 billion as total value of Italian products sold in foreign markets.

According to ISTAT data, from 2009 till today the export has had a growing tendency compared to the domestic sales which were pretty static till 2011 and then they started to decrease.

In September 2014 a 1.5% increase has been registered. In 2014 the sales towards extra European Union (EU) markets (USA, Singapore, South Korea, Taiwan, Hong Kong, Thailand) grew by 4.1% while those towards EU markets (Germany, Belgium, the Netherlands) decreased by 0.7%. This reduction is a consequence of a low private demand generated by the distrust created by the crisis and by the restrictive fiscal policies imposed inside European countries.

Despite this distinction a 2.1% annual increase has been noticed in the total amount of export (ISTAT, “Rapporto annuale 2014 La situazione del paese”. <http://www.istat.it/it/files/2014/05/Rapporto-annuale-2014.pdf>).

The high level of exports contributed positively to the Gross Domestic Product (GDP) in 2014.

Regarding the situation of imports and investments during 2014 they both decreased, the first ones by 2.8% and the second ones by 4.7% due to the high level of uncertainty and to conditions of insufficient liquidity, both are effects of the economic and financial crisis.

The exports volume is different for each sector of the Italian economy and the sectors that had the most significant exports volume growth from 2008 to 2013 are: Products from other manufacturing activities which went from 33.7% to more than 40%, Textiles, clothing, leather and accessories went from 40.8% to 48.8%, Pharmaceutical products went from 49% to 74.3%, Means of transport that went from 57.7% to 72.9% and Machinery and equipment went from 62 % to 77%. (ISTAT, 2014)

An increase in exports was noticed also in other sectors with low percentages though. This increase in all the sectors indicated above is due to two factors. First: as during the crisis the domestic demand has been weak and stagnant, in order to compensate this loss firms raised as much as they could their export volume. Second: the destination for these products was extra UE markets where Italian products are perceived as high quality products and the crisis has not damaged the consumer demand.

As we all know the Italian entrepreneurial structure is composed by approximately 95% of small medium sized firms and this fact is often used as an excuse to justify the low penetration into the

foreign markets. If from one side it is true that small companies encounter more difficulties than big ones in going abroad, from the other side we can notice that this is a problem that small firms from all over the world run into, not only the Italian firms. Moreover a study made by SACE (Special Insurance and Credit for Exports) shows that foreign SMEs have an export propensity higher than that of Italian ones. In comparing the export propensity of different sized firms (small, medium and big) in Italy, Germany and Spain (these countries are similar to Italy) it resulted that foreign firms export much more than Italian ones.

While in Germany 15.2% of the total firms is represented by small enterprises in Spain the percentage is 5.2%. If we consider how many of these firms sell their products abroad we have the following situation: Spain has 47%, Germany has 48% and Italy has 29%.

If we look at the exports of medium sized firms we have that: Spain is first with 85%, Germany is second with 68% and Italy is third with only 49%.

The same order is followed also for big companies: 95% of Spain firms are on foreign markets, followed by German ones with 80% and by Italian ones with only 54% (SACE (2014), “Alla ricerca della crescita perduta. Opportunità e ritorni di un’Italia più internazionale.” <http://www.sace.it/studi-e-formazione/pubblicazioni/dettaglio/alla-ricerca-della-crescita-perduta>).

The reason why Italian enterprises are not on the first position is that many of them still focus on the national market instead of considering the whole world as a possible market where to sell their products. They tend to do that because they do not think they can deal with all the challenges that this action requires.

The problems that SMEs have to face when going international have been recognized also by the European Central Bank (BCE) in its biannual report about European SMEs. The most challenging issues for European SMEs are: on the first place finding customers, then to access finance followed by: cost of production or labor, competition, availability of skilled staff or experienced managers and regulation (European Central Bank Report (2013/2014), “Survey on the Access to Finance of Small and Medium-sized Enterprises in the Euro Area”. <http://www.ecb.europa.eu/pub/pdf/other/accesstofinancesmallmediumsizedenterprises201404en.pdf>).

Well if the most challenging problem is finding customers, there is an accessible solution that can help to overcome it, it is that of relying upon the internet and its tools.

For Italian firms it would be very useful to know which foreign markets are more open for their products. A research made by SACE shows as the most potential markets: China, Poland, Algeria, Turkey and India, followed by other countries in the Middle East (Arab Emirates, Saudi Arabia, Kuwait), in South America (Mexico, Brazil) and in Asia (South Korea, Vietnam).

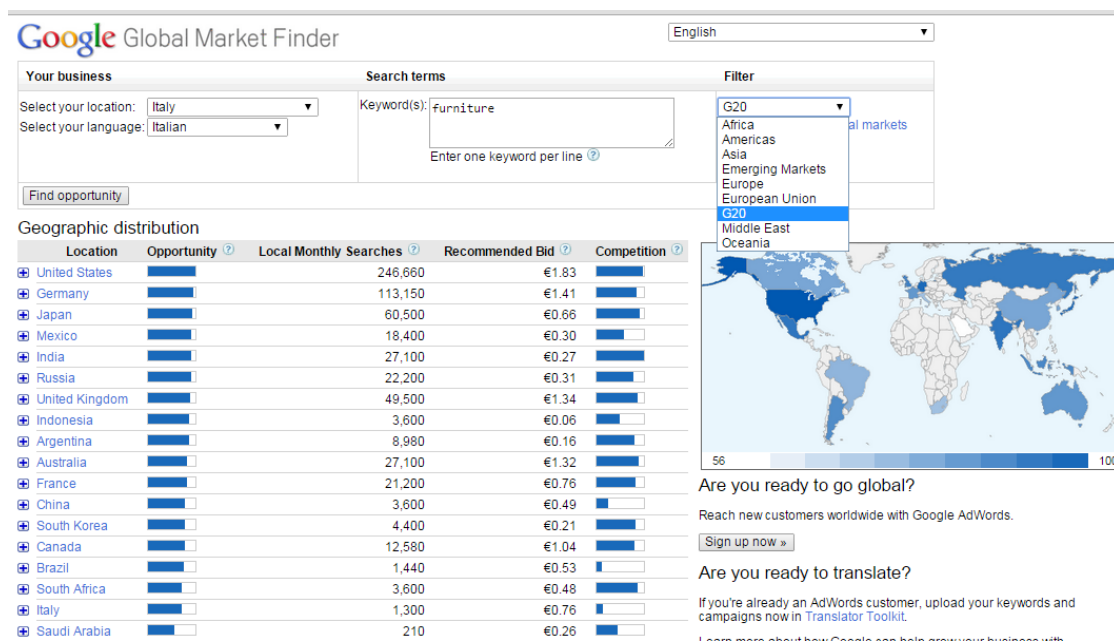
The export to these emerging and developing countries is called “the new export” and even if involves a lot of risks regarding for example: the currency, regulations, politics, etc., it represents the best opportunity for Italian SMEs as they have a growing middle-class that according to economists’ forecast will increase the demand for Made in Italy products in the future.

Furthermore the same report predicts an acceleration of the global trade due to an increase in the export towards emerging countries but also to the recovery of the developed markets (SACE (2014), “Rapporto export 2014-2017. Evoluzioni e prospettive dell’export italiano”.<http://www.sace.it/docs/default-source/ufficio-studi/pubblicazioni/rapporto-export-2014e869347b4a41668a8de2ff00004b384f.pdf?sfvrsn=2>).

Besides these forecasts there is an internet tool called Google Global Market finder which allows firms to identify in which countries the sale of their product or service would be more successful. It is free and very easy to use, it is enough to select some criteria like: firm’s location and language, a keyword which could be the sector in which the firm is or its product and a continent or a group of countries like for example the European Union or Emerging Countries.

In the figure below, we can see how the main page of this tool looks like and as some criteria were inserted (like furniture in the keyword) we also have the results in terms of opportunity for different countries, the local monthly searches and the degree of competition in that country (Google Global Market Finder Website, <http://translate.google.com/globalmarketfinder/g/index.html>).

Figure 14: Google Global Market Finder tool



Source: elaboration from Global Market Finder website

SMEs should certainly consider the use of this tool alongside with others when deciding where to export their products and services.

2.3.2 The effects of the crisis on exporting firms

It is interesting to see how the financial crisis affected SMEs and their exports.

The worst crisis consequence that Italian SMEs have had to deal with, was and still is the access to finance because the lending institutions increased considerably the charges on loans and became more reluctant in giving loans to small firms as they were losing profitability and their credit worthiness was decreasing.

Other important problems that small firms had to face were: a loss of competitiveness in comparison with for example the German firms because of the low rating that Italy and the banks received, a loss in productivity due to a higher cost of production and labor and foreign competition which was stronger because firms from other countries were in a better economic situation.

Consequently small-medium companies had to look for alternative financing forms and at the same time to review their administrative procedure, the production processes and their internationalization strategy.

All the problems originated by the crisis that firms have had to face, provoked a sort of Darwin process of selection in which survived only those that were able to make concrete and fast decisions and to adopt significant measures. For some firms, the crisis was a sort of opportunity as it pushed them to overcome their existing limits in order to remain on the market.

This selection weighted on the real economy in terms of employment, consumption, growth but at the same time brought an improvement regarding the companies standards and it created a productive model much more resistant to the market tensions and more able to satisfy the international demand.

2.4 Initiatives taken to help SMEs in the digitalization process

The opportunities of internet and its tools have been seen also by the Italian government, by the Regions and by other entities like Microsoft and Google which have started to take some actions in order to help SMEs in this process.

One of the things that the Italian Government did, was a Ministerial decree published in Gazzetta Ufficiale (article 6, subsection 1 of the law decree 145/2013) with which it establishes to give a Voucher IT of a value up to € 10.000 for PMI digitalization. These money have to be used to purchase software and hardware, to turn to an expert advice, for improvements of digital infrastructures (broadband), for staff's training courses, etc. The purpose of this initiative is to help SMEs to improve their business efficiency, to develop e-commerce solutions, to modernize work through the use of technological tools, to improve their broadband connection, etc.

Firms that want to benefit from this opportunity have to make a request to the Ministry of Economic Development and meet some requirements like for example: to be a micro, small or medium firm, have its headquarters in Italy, have not received other public subsidy, etc. The total amount of money available is € 100 million and it will be distributed until all the amount will be given (Weisz, B. (2014), "Voucher IT da 10mila euro per PMI: bando in Gazzetta". (09/12/2014). <http://www.pmi.it/economia/finanziamenti/approfondimenti/89190/voucher-it-10mila-euro-per-pmi-bando-in-gazzetta.html>; Gazzetta Ufficiale Website, 2014.

http://www.gazzettaufficiale.it/atto/serie_generale/caricaDettaglioAtto/originario?atto.dataPubblicazioneGazzetta=2014-11-19&atto.codiceRedazionale=14A08845&elenco30giorni=true).

Also the regions in Italy are starting to take some actions in order to support firms in the digital process. For example the Commerce Chambers of three Regions Forlì-Cesena, Ravenna and Rimini with the collaboration of Studio Giaccardi & Associati and Gruppo Il sole 24 Ore created a Web Economy Forum (WEF) which consists in a system of promotion of actions, research and participation with the aim of developing trade and innovation combining competencies and firm's relation with the new opportunities of the web.

At the base of the model lays the awareness that the web is an important growing lever for firms from all sectors that can allow them to innovate, improve and return to grow.

The activity of the WEF consists in publishing on its website studies, stories and cases to prove the relevance of using the Web for the firm's growth and to organize different types of events involving firms. The plan for the future is to create a collaborative platform that all firms from a specific territory can freely access and use to promote their brand and products on the Web, and the creation of a participation foundation for the fundraising in order to sustain innovative startups. Moreover the biggest wish of its creators would be that of promoting this idea in all the Italian Regions (Web Economy Forum, <http://www.webeconomyforum.it/portale/wef-blog/>).

Another useful initiative is provided by the Digital European Agenda and consists in offering facilitations (a credit of 50% of the expenses) to firms that take the responsibility for the realization of broadband networks. This has the aim of pushing small and big operators to invest where digital technologies are missing, and this is damaging local SMEs. Different amounts are given in relation to the size of the municipality where the broadband will be installed (Pmi.it (2014), "Banda Larga: incentivi imprese e investimenti 2015". (15/12/2014). <http://www.pmi.it/tecnologia/infrastrutture-it/approfondimenti/90188/incentivi-banda-larga-nel-decreto-sblocca-italia.html>).

Also Microsoft Italia wants to contribute to the improvement of digital use by SMEs, so it created a Technology center in Milan offices which should help firms (especially SMEs) to understand how technology can sustain them in simplifying, accelerating, valuing and implementing the business. The aim of this center is to train and give digital advice to firms which are invited to test new technologies, to choose the ones that better fit their needs and to see

how these can be applied to the business. The center has different environments which are dedicated to specific functions like for example: Briefing suite – which is equipped with technology of any type and where meetings with groups of firms are organized in order to give them focused advices, Immersion suite – is where technologies are tested through practical sessions and Envisioning Center – which has two stages where real scenarios from the office are represented and it is explained which technologies and how they can be used to manage the scenarios.

The best thing of this initiative is that entrepreneurs, managers and professionals can become familiar with tools and technologies from Microsoft and partners, meet digital experts that can help them to identify innovation projects for their own reality in a space thought to offer a personalized and experiential path.

The Technology Center in Milan is part of a system composed by 36 similar structures in Microsoft offices all over the world with the goal of involving more than 500 firms and 2000 business man per year (Weisz, B. (2014), “Microsoft Technology Center per il Digitale nelle PMI”. (15/12/2014). <http://www.pmi.it/tecnologia/prodotti-e-servizi-ict/approfondimenti/85556/microsoft-technology-center-per-digitale-nelle-pmi.html>).

Another important initiative was taken by Google in collaboration with Unioncamere and Ministry of Agriculture and Forestry with the aim of supporting artisans and their Made in Italy products in the digital space. In order to do this a particular website was created and here firms can learn through a free guided path how to look for interesting foreign markets in relation to their activity, how to develop an export strategy and allow their business to grow, to read the story of many artisan firms and to see short video and listen to other entrepreneurs how they reached new customers in Italy and in other countries thanks to the Web.

Furthermore Google together with Unioncamere and Ministry of Economic Development promoted an action involving 105 young people who were selected and inserted into SMEs with the purpose of helping them to take advantage of the opportunities offered by the Net and to make themselves known in the local and international market.

Besides these, Google in collaboration with Symbola Foundation and Ca’Foscari University of Venice and in partnership with CNA and Coldiretti, organizes a tour of Italian excellences through all the Peninsula to meet SMEs and tell them about how the Web can help them grow and how it opens the doors towards the global market (Eccellenze in Digitale Website, <https://www.eccellenzeindigitale.it/home>).

In conclusion Made in Italy products are very appreciated by foreign markets but there is the need to improve the communication and connection with them and so to become part of the international environment. As we can see SMEs are not alone in this process and the sooner they understand the importance of the Web and its tools and decide to use them, the better is.

In the next chapter a case study of a firm called “Berto - From Italy with Love” will be presented in order to see how the usage of Internet and its tools helped it to access foreign markets and to be successful.

3. Case Study analysis: “Berto – from Italy with love”

3.1 The furniture industry

The world furniture trade concerns around 70 countries, most of them from Western and Central Eastern Europe. The major furniture exporters are China, Germany, Italy and Poland, while the major importers are the United States, Germany, France and United Kingdom.

In terms of design and innovation usually European manufacturers set the trend at a global level even if differences in the products can still be noticed as every country has its own comparative advantages in terms of: labor cost, presence of raw materials and of technologies, capabilities of using new technologies, investments made and long tradition.

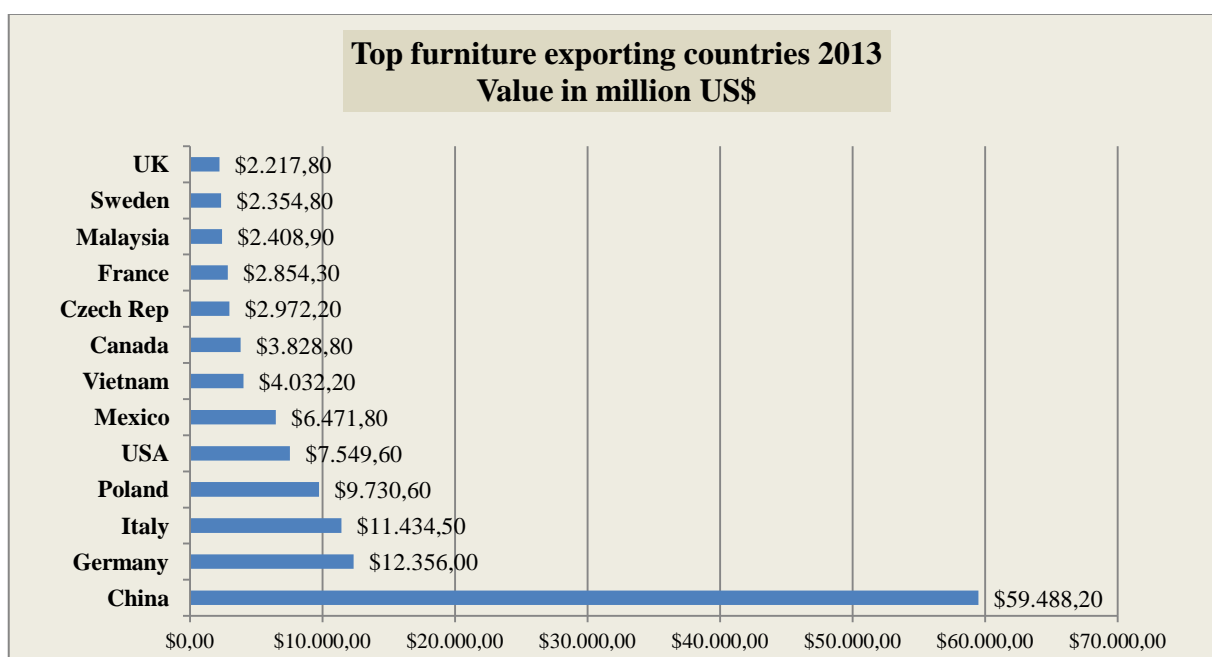
According to CSIL (Centre for Industrial Studies) the world furniture consumption (at production prices) considering as an aggregate the 70 most important countries had a value of US\$ 273 billion in 2004, then it reached a peak of US\$ 386 billion in 2008 and from 2009 it started to decrease because of the financial crisis. In 2010 furniture consumption restarted to grow and had this trend also in 2011 reaching a value of US\$ 419 billion in 2012. Growth continued also in 2013 so in 2014 it arrived at a value of almost US\$ 440 billion (CSIL, (2014), “World Furniture Outlook 2014/2015”, <http://www.csilmilano.it>).

Till 2004 Italy was the first country for furniture production in Europe and had also the highest export value in the world. Its furniture exports represented around 35-37% of the total national production. But in the following years the situation changed. Germany overcame Italy in terms of furniture production and exports at the European level, while at a global level China surpassed both Germany and Italy. While Italy had a minus 22% and a loss of almost € 10 million on its turnover between 2007 and 2011, China has increased its furniture exports in that period.

In the following two graphs, we will see which countries exported and which imported more furniture in 2013.

Regarding furniture exports, China is on the first position with a value of \$ 59.488,20 million, followed by Germany with \$ 12.356 million and by Italy with \$ 11.434,50 million. The other countries that follow Italy are: Poland, USA, Mexico, Vietnam, Canada, Czech Republic, France, Malaysia, Sweden and United Kingdom.

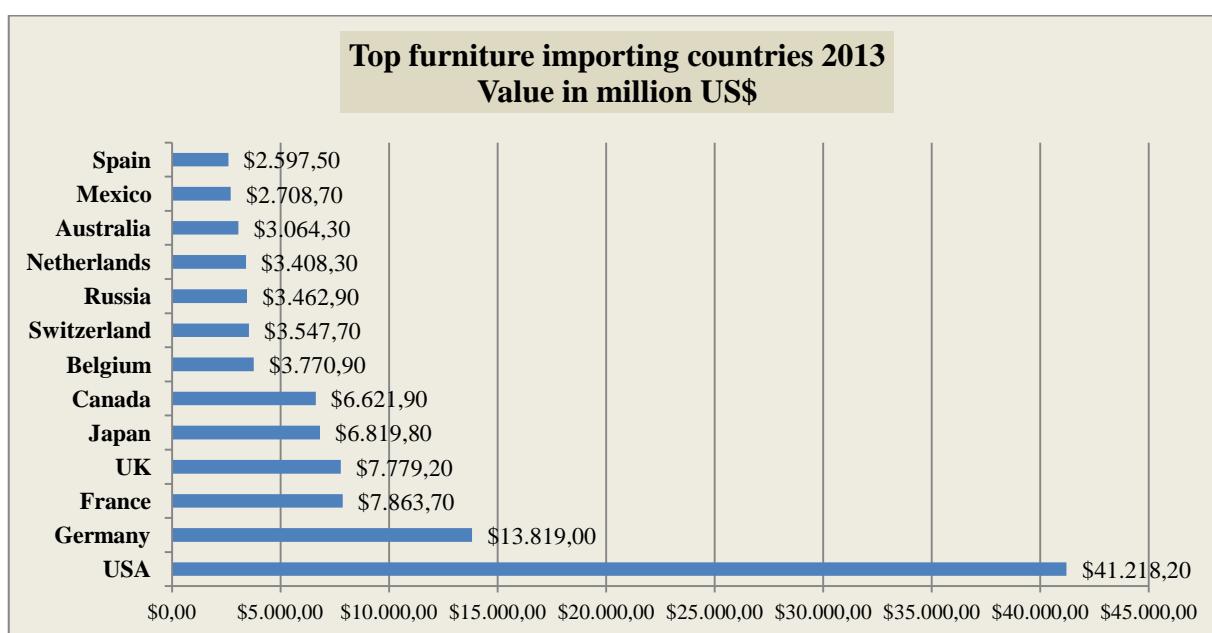
Figure 15: Countries rank by furniture exports value in 2013



Source: elaboration on Comtrade data 2013, (Furniture and parts thereof; stuffed furnishings 821)

As regards to furniture imports, USA is the first furniture importer with a value of \$ 41.218,20 million followed by Germany with \$ 13.819 million and by France with \$ 7.863,70 million. Then we have: UK, Japan, Canada, Belgium, Switzerland, Russia, Netherlands, Australia, Mexico and Spain.

Figure 16: Countries rank by furniture imports value in 2013



Source: elaboration on Comtrade data 2013, (Furniture and parts thereof; stuffed furnishings 821)

The trend of Italian furniture exports fluctuated during the years and we can see it in the table below. This variation was mainly because of the economic and financial crisis.

Figure 17: Trend of Italian furniture exports towards the world



Source: Elaboration of ISTAT data, Interscambio commerciale in valore per area e paese del prodotto: Classi Ateco 2007 'CM3109' [Altri mobili]

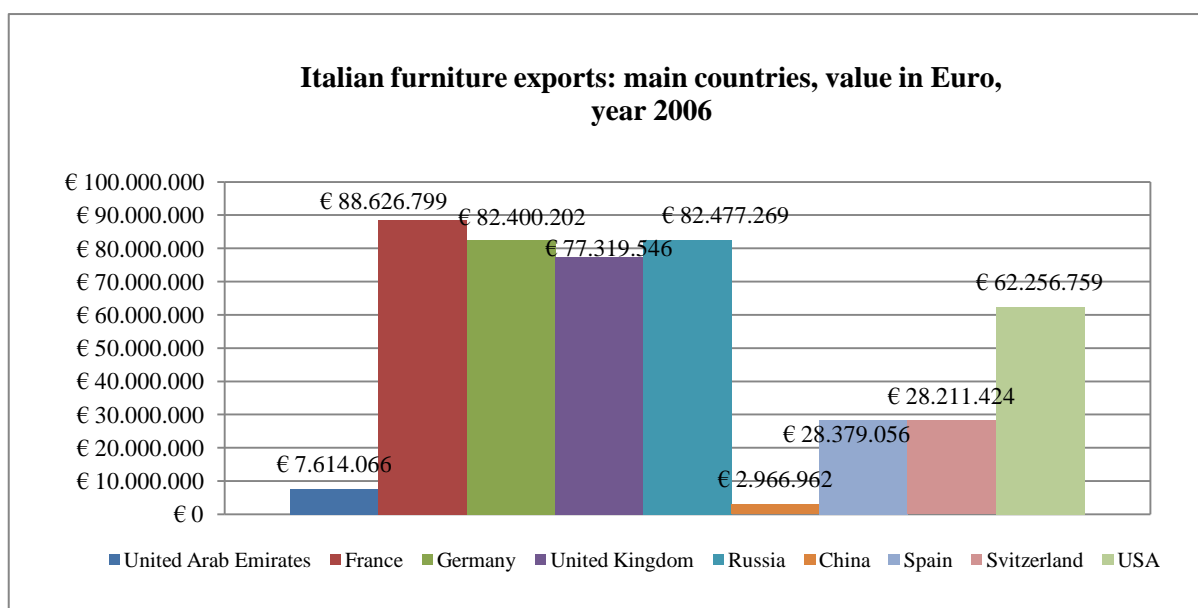
The value of Italian furniture exports was very high till 2006, then in 2007 exports started to decrease and stayed on low levels until 2011. In 2012 they had a recovery and a tendency to grow in the next years.

Since Italian firms that produce furniture are typically small or small-medium sized companies and they had to face a low internal demand due to the economic crisis, those that did not or could not canalize their production towards foreign markets were not able to cover the costs. In fact, an elaboration of ISTAT data made by CSIL, shows that from 2001 to 2012 the number of active firms in this sector has decreased by 40% (from 31.000 to 18.000) and also the number of personnel working in this field decreased by 27% (from 200.000 to 149.000).

It is interesting to see the countries in which Italy exports most of its furniture and how the export value changed in the years before (2006), during (2009) and after the crisis (2014).

In the first table we have the situation in 2006. As we can see from the table below France was the country that imported more Italian furniture with a value of € 88.626.799, followed by Russia (€ 82.477.269), Germany (€ 82.400.202), United Kingdom (€ 77.319.546), USA (€ 62.256.759) and other countries.

Figure 18: Italian furniture exports: main countries, value in Euro, year 2006

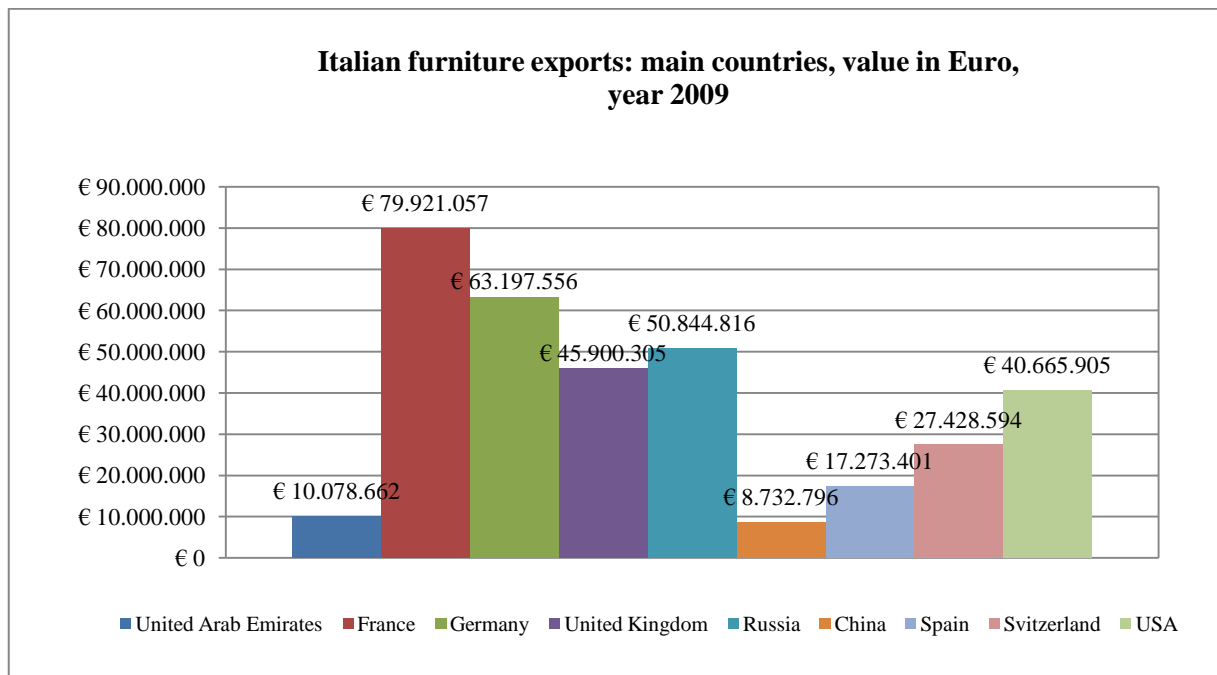


Source: elaboration on ISTAT data, (Interscambio commerciale in valore per area e paese del prodotto: Classi Ateco 2007 'CM3109' [Altri mobili] - Dicembre 2006)

In 2009, the situation is slightly different: France is still the main importer of Italian furniture but the value of its imports decreased to € 79.921.057, Germany is the second now with an import value of € 63.197.556 (much lower than in 2006), followed by Russia (€ 50.844.816), United Kingdom (€ 45.900.305), USA (€ 40.665.905) and others. As we can see the crisis influenced all these countries' imports by diminishing them. There are two exceptions though: the United Arab Emirates which increased their imports going from a value of € 7.614.066 in 2006 to € 10.078.662 and China which increased its imports from € 2.966.962 to € 8.732.796.

The graph below illustrates the situation.

Figure 19: Italian furniture exports: main countries, value in Euro, year 2009



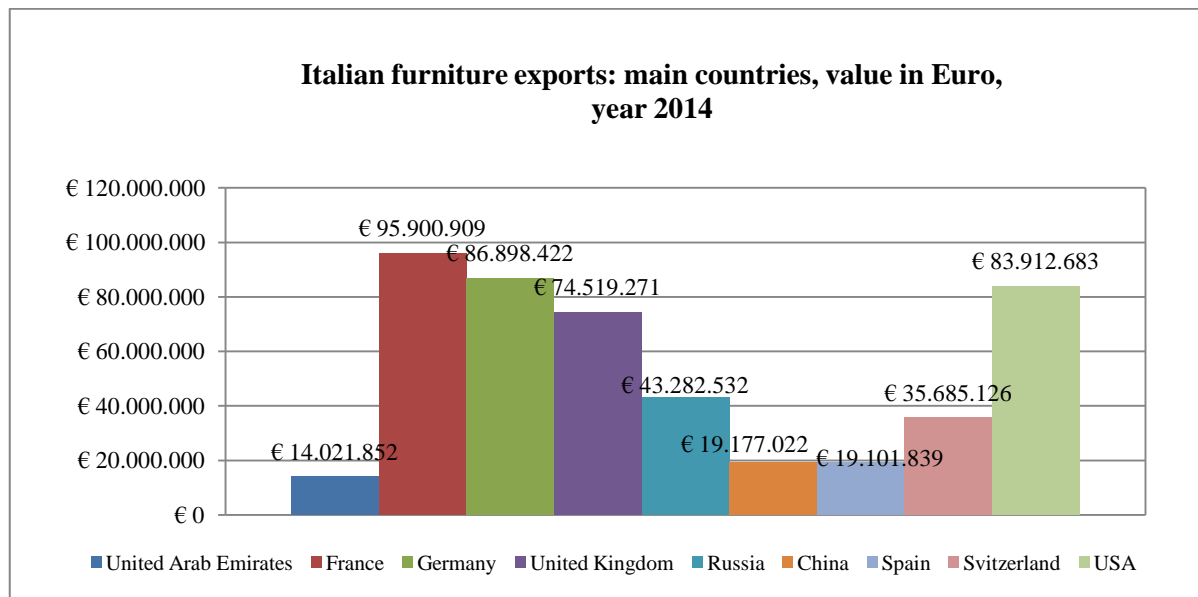
Source: elaboration on ISTAT data, (Interscambio commerciale in valore per area e paese del prodotto: Classi Ateco 2007 'CM3109' [Altri mobili] - Dicembre 2009)

As we can see from the graph, Italian furniture exports were very affected by the crisis as almost all the countries diminished their acquisitions. Considering the fact that also the internal demand was stagnant in this period, many furniture SMEs had to deal with very serious financial problems. The ones that were able to sell to countries in which the crisis didn't affect too much the consumers' purchase power (like for example: China or United Arab Emirates), managed to survive and even have a profit while the others struggled to go on.

In 2014 we have the following situation: France is still on the first position and the value of its Italian imports increased with respect to 2009 reaching a value of € 95.900.909. Germany remained on the second place and also the value of its imports increased reaching € 86.898.422, the third place is occupied by the USA with an imports value of € 83.912.683 followed by United Kingdom (€ 74.519.271). Russia decreased its imports of Italian furniture arriving at a value of € 43.282.532 while United Arab Emirates and China's imports increased reaching € 14.021.852 respectively € 19.177.022.

The graph below shows the situation.

Figure 20: Italian furniture exports: main countries, value in Euro, year 2014



Source: elaboration on ISTAT data, (Interscambio commerciale in valore per area e paese del prodotto:
Classi Ateco 2007 'CM3109' [Altri mobili] - Ottobre 2014)

From to 2014 we have a recovery in the furniture exports and it is important to point how Russia which was one of the most relevant importers for many years, has lost its position while other countries like the USA, Switzerland, China, United Arab Emirates are becoming more and more important for Italian furniture exports.

Italian firms in this sector should not focus only on the main importer countries as the situation changes from year to year, but should also try to reach other countries especially those where the offer of this type of products is still low, like for example fast growing emerging markets.

Forecasts made by CSIL for 2015, highlight a low demand from the internal market and a growing demand from external markets, especially from fast growing emerging markets like for example United Arab Emirates, India, South America countries and Africa. An increase of 3,1% in exports (at constant prices) is expected this year. In 2016, the internal demand will start to recover slowly while the external one will keep growing expecting an increase in the production of 1,3% (at constant prices). In 2017, the Italian economy will restart growing (+1,2%), the available income of the consumer will increase so an rise of the furniture consumption is expected (+2% at constant prices) (CSIL, 2014).

The reason why exports will increase in the next years is because local markets from emerging countries will be more open to foreign products and also because the purchase power of consumers from medium-high classes is predicted to grow. At the same time also the diffusion of new technologies like the internet allows to make Italian products more visible and easier to buy for consumers from all around the world.

Anyway, even if Italy is not the main furniture exporter in the world, the Made in Italy furniture has always been associated with high quality and well designed products but also with innovation and customization.

This is because during the years Italy managed to create a competitive advantage in this sector. The elements that distinguish the Italian furniture production and make it inimitable are: (1) the specialized competences of the manpower, (2) the creativity of entrepreneurs and designers, (3) the geographic concentration of the firms, (4) the companies' flexibility, (5) the presence and interaction with support and connected sectors, (6) the development of a specialized distribution structure and (7) the sophisticated intern demand (Lojacono, 2003).

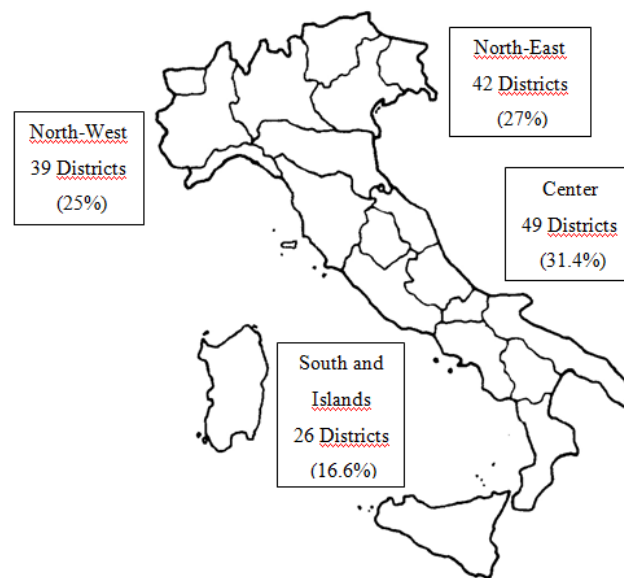
This industry is very important at a national level, because of the high number of people it involves and of the turnover it creates but also because it contributes to the creation of Gross Domestic Product (GDP) and increases the total exports value.

A very important role in the Italian economy which influenced a lot on the development of the furniture industry, was played by the Industrial Districts. *"The districts are geographically defined productive systems, characterized by a large number of firms that are involved at various stages, and in various ways, in the production of a homogeneous product."* (Pyke, Becattini and Sengenberger, 1990, p. 2). One of the most important characteristic of an industrial district is that is perceived as a social and economic whole where firms have close inter-relationships.

Most of Italian districts started their activity during the Fifties and Sixties when the economy was growing at high levels. They developed during the Seventies and Eighties in the North-East and Center while during the Eighties and Nineties the first districts started to appear also in the South. The most interesting thing in this process is the fact that the initiative of the districts creation came from the entrepreneurs which during the years developed specialized competencies in certain sectors and founded their grown on the informal relations with other companies from the territory (Pyke et al., 1990).

Industrial districts are present all over the Italian territory. The last census made by ISTAT (2005) regarding the year 2001 registered 156 districts (with 12.5 millions of inhabitants representing 22,2% of the population) with the following distribution: 42 in the North-East, 49 in the Center, 39 in the North-West and 26 in the South and Islands. The figure below shows how the Italian industrial districts are distributed.

Figure 21: Industrial districts per geographic area



Source: elaboration on ISTAT Data (Censimento 2001)

These districts are typically composed by small and small-medium sized firms and are very important for the national economy. For example in 2001 the districts involved 215.000 firms and around 2 million workers, they managed to realize 27,2% of the GDP and 37,2% of the total exports (Ricciardi, 2013).

In terms of sectorial composition, each district is specialized in a specific industry like for example: textiles-clothing, traditional mechanical engineering, furniture, leather, footwear, household appliances, food, etc. The most famous ones are: Prato in Tuscany specialized in the woolen fabric, Sassuolo in Emilia Romagna, specialized in ceramic tiles, Montegranaro in Marche, specialized in shoes, Cento in Emilia Romagna specialized in mechanical engineering, Nogara in Veneto specialized in wooden furniture, Monza Brianza in Lombardia specialized in furniture production, etc.

An industrial district is the reflection of a territory and its relevance is not just economic but also social, cultural and historical. It is composed by independent firms where each company is specialized in a particular stage of production or service complements and collaborate with the others sharing knowledge and capital equipment and at the same time developing technological innovations.

Currently some districts are facing crisis situations and what emerges from the export data is that the crisis or the success of districts does not depend nor on the geographical localization nor on the sector to which they belong but it depends on the implementation of strategic decisions.

In the next paragraph the district of Brianza famous for the furniture production will be described.

3.1.1 The furniture district of Brianza

The district of Brianza is known for its wood and furniture production. It is located in Lombardy, between the region of Como and Monza and Brianza and it comprehends 36 municipalities in which we have around 35.000 local units and 130.000 workers. Of these units, 80% work in the furniture production while the remaining 20% produce carpentry and wood products (ISTAT, 2005).

The birth of the furniture district in Brianza dates from the early twentieth century. At the beginning it was just production of furniture by artisan firms that supplied the local market so it was not an industrial type organization. Later the first industrial initiatives rose and so the products were exported throughout Italy and this contributed significantly in raising awareness of the Brianza products outside of its territory. Gradually the product was consolidated and started to be sold also in many foreign countries. During this process the complexity of the production process increased thus created highly specialized professionals - such as cutters, polishers, lacquerers, decorators, upholsterers etc. – decisive even today for the quality and therefore for the stable success of Brianza furniture in the world.

The research for quality, process innovation and the tailor made products are, in fact, stable characteristics of Brianza's furniture, which today is produced in close collaboration with architects, designers and stylists. The combination of these factors by an energetic

entrepreneurship highly inclined to continuously invest in their own companies along with the interrelations among firms and between them and the territory are the basis of the furniture district. This Italian model has been the subject – in these decades - of observation and were even made attempts to reproduce its features in other areas of the world (Camera di Commercio Milano, 2003).

The district is specialized in the production of furniture and wood items but also in metal furniture and furnishings, products that traditionally distinguish themselves for the material quality and finishing but also for their particular design and style. In the district there are firms that realize finished products (like for example furniture, chairs, sofas, tables, bedrooms, fixtures and flooring) while other produce components (paints, adhesives, plastic materials, small metal parts and hardware, manufacturers of machines for wood processing, fabric manufacturers, etc.). The main goal of the district was to create the production chain of the wooden furniture industry having both the upstream sectors (the timber industry for furniture and construction, semi-finished products and components of furniture, etc.) and the downstream sectors (furniture for domestic use and not, the lighting fixtures and furnishings, etc.) passing in various production processes: the assembly of furniture, carving, inlay, polishing, lacquering, gilding, fillings, processing of glass, metal, plastics, foam, etc.

Having to deal with a strongly differentiated market from a qualitative point of view, businesses from Brianza operate mostly in medium-high segments pointing on the qualitative differentiation of the products. This peculiarity is due to the high creative potential of the production system and to the strong technical and professional skills present in the territory: the main competitive asset of the district relies in the planning and designing activity, which gives aesthetic and technical content to the products.

Firms in the district are generally very small and the craft size is dominant but at the same time the system is highly polarized, with the presence of several large companies, often leaders at a national and international level, and a large group of medium-sized businesses.

The collaboration-competition relationship that characterizes the links between firms tends to favor a process of continuous innovation and an extensive and fast diffusion of the innovation and design. Through collaborative relations of various kinds (from simple contact to the most complex joint design of products and processes) can be generated flows of information and knowledge which give more incentives to firms. The actors of the disseminating information process are manifold: from the products representatives, to the equipment manufacturers and to

designers (Osservatorio Nazionale Distretti Italiani, 2013, “Distretto del mobile della Brianza”, (consulted on 15/01/2015), <http://www.osservatoriodistretti.org/node/240/distretto-del-mobile-della-brianza>).

In the district a key role has been played by the external designers and in this sense also the fact of being close to Milan has always been a critical success factor. In addition, an important role is played by the “Salone del Mobile” in Milan, which gives important opportunities for the updating of the technologies but also of materials and design.

Finally, it is also relevant the turnover of technical personnel among producers in the process of dissemination of knowledge and skills. The sharing of human capital is a very important value.

The district has therefore developed a virtuous circle of innovation and design that allows businesses in the district to achieve excellent levels of quality. This circle can be described as follows: large design investments activate many professional resources from the internal and external district environment, the most innovative companies create external economies for the entire sector because: a) they feed the demand for great designers; b) they set trends; c) form designers in their offices design / development that often set up their own businesses or transfer into companies that aspire to improve the quality of their design; d) set new standards for suppliers of raw materials, semi-finished products, components and prototype developers that they use all businesses.

Many small businesses rely on external consultants not only for the initial development of the idea, but also for management services and project development, which is the role played by the planning / development offices in more structural companies.

The District has always been defined by its desire for continuous improvement, a research that has transformed it over the years in one of the most productive areas of success in the international scene. The product research, training of personnel, production processes, logistics, management and commercial, are just some of the areas of intervention on which are focused the investments of the firms in the sector, however, there are some limits because of the particular entrepreneurial structure of the district, characterized by a large number of companies of small size and with limited financial resources.

The weakest ring of the district involves the producers (mostly based crafts) of traditional furniture and in style. Despite the high skills and the intrinsic quality of many products, the small

size of most firms, the lower projection on the international markets and the changing tastes of the domestic market led, and more and more will in the future, to particularly reduced growth areas for this type of producers.

The scenario seems less compromised regarding the producers of modern furniture, which include both the leaders and smaller companies, which base their revenues mainly on the domestic and foreign markets production orders (Osservatorio Nazionale Distretti Italiani, 2013).

The furniture district has had many problems during the last years. The number of the municipalities part of the district has decreased to 20 and many small companies and some large have closed and those that remained have to deal with a lot of difficulties like for example the lack of financial liquidity and a low internal demand.

Some of the major brands that have remained are: Boffi, Giorgetti, Cassina, Flou, Flexiform, Molteni, Lema, Three P, Techno, T70, Ivm., Berto Salotti, etc.

Already in 2011 the production of the district was estimated at approximately € 2.9 billion, decreasing by 2.8% in respect to 2010. The decrease was mainly due to the sharp slowdown of the domestic market demand by -7.9%, while exports, which accounted for about 40% of the production value, show for the second consecutive year a growing trend (+7.1%). To grow is especially the export of furniture in the province of Monza Brianza, which represent about 55% of the total exports of the district, and is primarily directed to France, Germany, USA, and Russia while Russia, Switzerland, France and the USA are the main export markets of furniture for the province of Como.

In the same year also imports increased (+ 14.1%) which, however, still account for a remarkably little share of domestic consumption (about 4%). Imports of furniture district concern for about 40% the province of Monza Brianza and 60% the province of Como. For both the provinces flows come mainly from China and Germany (Cerved Databank, 2012).

More recent data reveal that although wood furniture remains a sector of excellence in the Brianza area (the weight percentage of the total active businesses in Monza and Brianza is 3.7%, compared with 1.3% of the Lombardy regional average), continues to be affected by the economic crisis that is gripping the country's economy. In the last quarter of 2013 the companies in the sector were 2.303, significantly less compared to the same quarter of a year ago (-2.9%),

while compared to three months ago the decrease is of -0.5%. The demand from the domestic market recorded a -7.1% compared to 2012.

In the same year the value of furniture exports from Lombardy was of € 2 billion and 232 million, with an increase of 4.4% compared to the same period of last year and higher by 2 points compared to the increase registered at the national level (+ 2.3%). This sales growth of furniture versus foreign markets registered in the region was mostly due to the increase in exports towards markets outside the European Union. Sales of furniture fall by 2.5% in Europe while those towards countries outside EU rose by 10.8%. The main foreign markets are France (14%), Germany (9.4%), Switzerland (9.3%), the USA (7.4%), Russia (7.2%), UK (4.6%), China (3%), Belgium (2.8%) and Spain (2.8%). Among these top markets, the export of furniture has registered an increase in Russia (+ 16.6%), China (+ 16.2%), Switzerland (+ 9.6%) and in the USA (+ 7.2%). (Piano Del Lavoro CGIL Monza e Brianza, 2014; Lombardi F, 2014)

The diversification of the type and range of products has become, for companies Brianza, not only an effective tool for market penetration, but a necessity, induced by the increasingly complex and diverse needs of demand, led by a request increasing customization of products. Today, in relative terms, the district of Brianza managed to regain competitiveness thanks to a pushed export model and to a policy of brand enhancement.

In an interview, Giovanni Anzani, president of Assarredo (which is the national association of industries producing furniture, upholstered furniture, kitchens, sleeping systems, urban furniture and for outdoor, furniture, commercial furniture, moldings and frames, contract, etc.) and of Poliform (which is an important furniture firm in Brianza which sells in international markets) sustains that going abroad was a forced path for Brianza's firms but at the same time they can not improvise. They had invested on product quality and innovation but not enough on the communication of this quality or either on the supply chain and logistics. Especially in emerging markets, but also in the most distant ones like China, India and Southeast Asia in general.

This is his original declaration in Italian: “Andare all'estero è una strada obbligata ma non ci si può improvvisare. Abbiamo investito sulla qualità del prodotto e sull'innovazione. Ma non abbastanza sulla comunicazione di questa qualità né sulla catena di distribuzione e sulla logistica. Soprattutto nei mercati emergenti, ma anche i più lontani: Cina, India, Sudest asiatico in generale” (Cavestri, L., 2013, “Il mobile cerca una sponda all'estero”, (consulted on

16/01/2015), <http://www.ilsole24ore.com/art/impresa-e-territori/2013-04-05/mobile-cerca-sponda-estero-150727.shtml?uuid=Ab28uakH>).

Another interesting affirmation was made by Claudio Luti, President of Cosmit (which is a corporation controlled by Ferderlegno Arredo that organizes the “Salone del Mobile” in Milan - a big furniture exposition held in Milan visited by millions of people from all over the world) and Kartell (which is one of the top Italian furnishing design companies) regarding the firm’s internationalization. He said that Germans have great relationships with contractors, thanks to a country system that links together banks, insurance companies and local chambers of commerce to support entrepreneurs; French have strong brands and distribution while British have great architecture and design. So the “Salone del Mobile” exhibition should be the first instrument of Italian entrepreneurs to improve penetration of not all emerging markets, but of those in which they have a structured investment. Internationalize, whether in China or in France, means planning. That is why abroad, firms must concentrate their efforts in innovating the products with the distribution, marketing and communication as in order to survive in the future companies will have to create international brands with which to conquer markets foreigners.

This is the original declaration in Italian: *“I tedeschi hanno ottimi rapporti coi contractors, grazie a un sistema Paese che tra banche, assicurazioni e camere di commercio locali sostiene gli imprenditori; i francesi hanno forti marchi della distribuzione; gli inglesi hanno i grandi studi di architettura e progettazione. Il Salone deve essere il primo strumento dei nostri imprenditori per migliorare la penetrazione non su tutti i mercati emergenti, ma su quelli nei quali hanno un progetto strutturato di investimento. Internazionalizzarsi, che sia in Cina o in Francia, significa pianificare”*. *“Proprio in quest’ottica, il Salone del Mobile ha anche lo scopo di internazionalizzare le piccole e medie imprese. All’estero dobbiamo capitalizzare i nostri sforzi nell’innovazione dei prodotti con la distribuzione, il marketing e la comunicazione. Tutti abbiamo chiaro che per sopravvivere in futuro dovremo creare brand internazionali con i quali andare alla conquista dei mercati stranieri.”* (Cavestri, L., 2013, “Il mobile cerca una sponda all’estero”, (consulted on 16/01/2015), <http://www.ilsole24ore.com/art/impresa-e-territori/2013-04-05/mobile-cerca-sponda-estero-150727.shtml?uuid=Ab28uakH>; PAMBIANCO Design – Numeri, fatti e protagonisti della casa e del design, 2013, p. 5, http://magazine.pambianconews.com/wp-content/uploads/sites/8/2014/04/DESIGN_N1.pdf).

These times of crisis are also impacting trends. After the “Salone del Mobile 2014” the conclusions were that the products need to be focused on functionality and quality of materials which ensure affordability without forgetting the made in Italy design. The most significant change, reported by entrepreneurs, is related to the way in which consumers (and therefore demand) are influenced. In the purchase phase intervenes a 'social' aspect, the confirmation and gratification from their 'peers' that the product purchased is the 'right' one. These are the factors that make the difference today, along with access to information. What once was the word of mouth, today was boosted thanks to social networks that allow everybody to share experiences and exchange opinions on most channels. This is the real change of the last years in the approach to the consumers so it is very important for firms to consider this aspect (PAMBIANCO Design, 2013).

Technologies have started to change the business models and forms of customer relationships but also the production systems, the value chain and the distribution process, of firms from all the industries. These changes challenge the companies, even the most traditional and classic made in Italy ones to take actions in order to get acquainted to these technologies and to adopt them in their activities in order to offer innovative products and services, to promote the offering and to improve the market positioning.

Italian companies have certainly a lot to communicate considering the quality of the products recognized throughout the world but many firms tend to commit too much on their catalogs and remain constantly connected to them in every aspect of communication and this choice does not help them much. Internet and social media can be used by companies to communicate better their identity, to explain the company's vision and also to show how the product is made by hand and the role of the craftsman in the production process. Here are some interesting points: (1) 50% of the population uses different channels to choose a product and the main source of research is the Internet; (2) the tools used by Internet users are: search engines 93%, portals 87%, social networks 85%, video 70%, email 65%. Among these data certainly stands out the percentage of Internet users who use social networks, especially considering that until a few years ago their number did not reach rates of over 10%; (3) Internet usage in Italian companies for commercial purposes is still scarce, although there is a 6% increase of online businesses; (4) investments in the advertising market in Italy are down by 7%, in particular there is a reduction of 9% in the daily newspapers, of 14% for periodicals and of 6% for the TV. Internet is one of the few media in which firms increased their investments with 10% more than a year ago

(Milledue, 2013, “Social Network opportunità per il settore arredamento”, (consulted on 20/01/2015), <http://www.milledue.com/salone-giorno-4-social-network-opportunita-per-il-settore-arredamento/>; Pagani, A., 2015, “La Tecnologia che contamina settori del fashion e dell’arredo”, (consulted on 20/01/2014), <http://www.cefriel.com/la-tecnologia-che-contamina-settori-del-fashion-e-dellarredo/>).

Also e-commerce represents an opportunity for Italian furniture companies as it allows to reach far away countries like for example China where the possession of computers is widespread (an urban family of four has one) and the same for the internet connection that in 2013 reached 538 million users (more than 40% of the population). The growth potential is still huge, considering that the rate of broadband penetration is only 30% which is still relatively low and below respect to other countries like Germany (59%) and USA (68%). In this context, the e-commerce in China has now become a reality reaching impressive numbers: more than 240 million Chinese make regular purchases online with a counter for e-commerce in 2012 estimated between €148 and 163 billion, an increase of 60% compared to € 93 billion in 2011. Furthermore there is an increase in spending for the purchasing of smartphones which is among the highest in the world: + 18% only in 2012. The predictions for the future are even more promising: within 2020 online commerce will be between 327 and 506 billion euro, with a positive effect on consumption potential private between 4% and 7%.

Some furniture firms are already taking advantage of the internet to expand their distribution network and to enrich their business channels traditional. In a heterogeneous world the distribution needs to develop marketing strategies which meet the needs of markets highly differentiated by language, power purchase and preferences. A network of direct communication with consumers through dialogue on social networks or blogs are a important tools to enhance the value brand involving the customer directly in the development process of the product. The only difficult thing about this network is that it has to be built and maintained. Also the support of online retailers (Ebay, Taobao Mall – for the Chinese market), can be a solution to search for new business opportunities as allows time and cost saving (Confindustria Centro Studi, 2013, “Esportare la dolce vita - Il bello e ben fatto italiano nei nuovi mercati - Ostacoli, punti di forza e focus Cina”).

In the following paragraph a company part of Brianza’s furniture district will be described and analyzed through a questionnaire.

3.2 The company: “Berto – From Italy with love”

3.2.1 Company’s story, organization and strategy

Berto – from Italy with love or Berto Salotti is an artisan furniture company located in Meda (Monza Brianza) founded in 1974 by two brothers Carlo and Fioravante Berto (both upholsterers). The company starts producing leather sofas for third parties and through this experience it manages to perfection its production techniques and by working in collaboration with architects and designers it specializes in prototyping. Later the firm decides to produce sofas, armchairs and beds in fabric and leather directly for the final market.

From the beginning and until today the design of selective models Berto Salotti favors elegant lines and highlights the details of the typical artisan production. All models contain the quality, comfort and care in tailoring, unique characteristics of all the company’s production.

The leathers used for the coating of the sofas and armchairs of its production are guaranteed regarding their origin and also for the processes of tanning and dyeing. The wide selection of leather for the furniture includes items that differ in the depth and range of finishing: nappa leather or shiny effect, antiqued leathers effect, hand leather dabled and leather with stain finishing. There is also a complete range of color from which to choose, from shades of classic natural to strong colors and vivid suggested by the current fashion and design (Berto Salotti website, 2015, www.bertosalotti.it).

Giving all this options regarding the products characteristics allows the firm to customize each product according to the aesthetic requirements of each consumer.

Since the '90s, the high competitive pressure from major brands luxury and from big chain of upholstered furniture manufacturers, made it necessary for Berto Salotti to develop a communication campaign aimed at achieving the niche potential customers really “sensitive” and interested in purchasing sofas and armchairs craft and therefore of high quality. “*Today, producing a sofa in Meda makes sense only if you are able to market it to a selected target*” says the company owner Filippo Berto (Google Adwords, 2011, https://www.google.com/intl/it_it/adwords/select/success/bertosalotti.html).

In 2000, Filippo Berto, the son of one of the two founders, began to use the Web and the online tools to promote the company’s products. He started by creating an institutional site which included only the firm’s commercial offer and the business contacts. As he is a staunch supporter of the Web, over the years he intensified the use of online tools in a particularly innovative way.

Later on, the Website has been completely renovated with a dual purpose: on the one hand to allow, thanks to a more efficient organization of the content, a better ranking on Google, on the other to provide new interactive services to visitors. The website contains all the commercial offers, news and promotions, but also some videos realized through You Tube (in some of them promotional films of the sofas and armchairs are shown while in others the process of manufacturing a product is shown and explained) and the connection to many social platforms (like for example Facebook, Linkedin, Pinterest, etc.) where the firm is present, and a connection to a blog (written by Filippo Berto (CEO) – which is the first example of corporate blog in the furniture industry).

During the years the firm's products have not changed and in the great laboratory of Meda, armchairs, upholstered sofas and beds custom built according to the highest quality and first choice fabrics are still produced. What has changed is the target audience that these products address. Deeply convinced of the Net potential, Filippo saw in the new communication strategy based on multimedia the opportunity to tell the story of a company and especially of a product in order to be known by a greater audience. This was a gamble because at that time, very few companies were betting on the Internet but if we look at where the company is now we can affirm that Filippo was right.

Through the various resources available on its website, Filippo Berto has built a brand that is an excellence of design and furniture and at the same time has managed to give value to something that until that moment no one has, that is the size of the job and the people behind a quality product. In this sense a great tool is Bertostory, the blog of storytelling, opened in 2004 and edited by Filippo, which allows people to learn about the Berto universe at 360°: pride craftsman, the background of each individual product, customer testimonials and then videos, photos and social networking that show and explain the various stages of the product processing. A sort of testimony diary to date about the activities of what has remained during the years, an artisan workshop (Gelardini, M., 2014, "Berto Salotti, l'artigianato brianzolo pioniere dell'e-commerce", http://www.repubblica.it/next/eccellenze-in-digitale/2014/05/01/news/berto_salotti_eccellenza_dell_artigianato_brianzolo_e_pioniere_dell_e-commerce-84083302/).

In 2002 he started using Google AdWords campaigns alongside with editorial banners and sponsorships on the major "vertical" portals (like for example the channel of Corriere della Sera, the arredamento.it porta, etc.) addressed to high quality furniture enthusiasts.

Overall, for the investment in online promotion and in the restructuration of the website, was invested in 2006 a share of approximately 10% of turnover (which that year mounted approximately to € 2.5 million).

The introduction of digital technologies have represented a turning point in the firm's strategy and gave it the opportunity to connect Brianza to the rest of the world by offering a channel through which it is possible to make available all over the world handmade and tailor-made products realized by upholsterers craftsmen, as if there was a workshop under the house of each customer.

This way of showing not only the firm's activity and products but also the people who are part of it using the internet channels, has increased the prestige of the brand Berto on the market and has pushed other small and medium entrepreneurs in the furniture industry to do likewise.

Of fundamental importance, of course, also the e-commerce part started in 2005, which through the six languages in which the site is translated, allowed to export the concept of Italian craftsmanship abroad, first in Europe and then around the world (Russia, India and Far East are the major markets). It is enough to think that 20% of total revenue now comes from online orders. Thanks to the Internet, customers have various opportunities: to buy from the catalog, to ask for a customized design product or to design step by step, together with the experts of Berto, the desired sofa or chair (Gelardini, M., 2014). Regarding the transport of the furniture, the company has an agreement with couriers of renowned professionalism and experience which can guarantee the delivery almost anywhere in the world (www.bertosalotti.it).

But the process of internationalization of a company that has maintained a small-medium size (by six employees at the beginning to the twenty-five of today) does not stop there as the next step is to the USA.

An important initiative taken in Italy was that of a sofa's crowd crafting. The first project of this type was done in 2013 and was called "DivanoXmanagua". It was the first artisan co-creation and solidarity project in Italy and was made in partnership with Terre des Hommes Italy and Training Centre Afol Meda. It consisted in manufacturing a sofa of high craftsmanship collectively with the participation of students, friends, clients and craftsmen in the course of six sessions open to all, from January to April 2013. The project DivanoXmanagua rose from the

desire of the company to value the craftsmanship work, especially towards young people, often inadequately informed about the real value of Italian manufacturing in the global economy.

The project was narrated and shared on all social networks and has received many attention and also compliments from journalists and managers and is now intended to raise funds to finance a school for carpenters inside the Mercado Mayoreo of Managua, Nicaragua (www.bertosalotti.it).

As this project had a lot of success in Italy, Berto Salotti in collaboration with Design-Apart (a project created by Diego Paccagnella and Stefano Micelli with the purpose of bringing to the center of the world the value of Italian manufacture by involving important artisan firms in different initiatives) decided to do something similar in the USA, more precisely in New York, Manhattan. This time the idea was to co-create the “ideal sofa for Manhattan”.

It was called “Sofa4manhattan” and was born from the vision of the company as an open ecosystem, where to think, design and build a custom-made sofa can be different people, even external to its workshop. The main purpose was to open the company to new ways of interpreting the design, the production and the distribution, looking through the eyes of the cosmopolitan artisan beyond the borders of the Italian territory and to compare with other realities of work and thought.

In the first phase of the project related to the design, ten designers of international level were involved in a workshop in the loft of Design-Apart based in New York. They presented three ideas and Filippo Berto selected the winning one. Then the winning project was taken back to Italy, where the best craftsmen from Berto’s workshop developed it and studied the prototype. Finally the creation of the sofa was made in a crowd crafting session open to all from citizens to makers and designers in the Design-Apart’s living-showroom in New York, giving them the possibility to work close to Italian master craftsmen.

According to the company the advantages of crowd crafting are: (1) advantage for the company, which learns to recognize the ecosystem around it, made not only of customers and suppliers, but also of a territory full of values, experiences, people, all aspects that can enrich immensely the firm’s vision; (2) advantage for the territory, which in turn identifies in the company a partner with whom to do projects; (3) advantage for young people as artisan companies are always looking for fresh craftsmen talents; (4) advantage for communication, which in these operations tends to be defined in a virtuous mode thanks to the reality of the social networks which give multiple

news streams; (5) from a more general point of view, the benefit derived from the exhibition of the Italian manufacturing work (www.bertosalotti.it).

In a couple of months the firm will be involved in a project created by Design-Apart which consists in a “living” show-room in which a craftsman and his family will live for a few months. This home-showcase was designed and furnished only with Italian products. This project involves nineteen designers who have created products for the American market, to be implemented on site, among them also those of Berto Salotti. This is an absolute novelty in the field of the promotion of the Made in Italy products in the world and it is a new way to look for original visibility and of impact spaces.

In order to better understand the firm’s internationalization process and how the usage of internet and of social networks help it to become a successful SMEs, a questionnaire was made and in the following paragraph the answers will be analyzed.

3.2.2 Questionnaire analysis

Before starting with the questionnaire analysis, these are some general information regarding the firm that should be said like for example: (1) Company Name: Berto Salotti; (2) Foundation year: 1974; (3) Sector: Furniture; (4) Number of employees: 25; (5) Name of the interviewee: Filippo Berto; (6) Position held by the interviewee: Owner and CEO.

The first group of questions from the questionnaire are focused on the firm’s process of internationalization and on how internet has contributed to it.

According to the firm’s owner declaration, internationalization represented an opportunity for his firm and this is what he declared during the interview: *“Since 2009 the number of Italian companies in the furniture industry has decreased by 30% (about 10,000 units) as a consequence of the fact that domestic consumption in this sector has been halved. I think that the decision to internationalize is essential especially if a firm is not able to keep its shares on the domestic market. This choice, however, implies also a change in distribution facilities since the traditional*

structures have not been able to keep the shares, and also a change in tastes because obviously the product must be adapted according to the target market.

The world loves the "Made in Italy" products therefore the opportunities for Italian companies are many but at the same time selling in foreign markets requires a certain quality in the service. Furthermore going abroad enables entrepreneurs to learn many new things and expand their visions."

The main reasons that pushed the company to take the decision of internationalization were: the need to seek for new markets in which to sell products and to meet the demand coming from abroad. In this decision external factors (like for example: the high level of competition in the domestic market, favorable regulations in foreign markets, exports incentives, information about the opportunities in foreign markets, etc.) were more important than internal ones (like for example: large production capacity, the need to reduce the stock, to achieve economies of scale, the presence of differential advantages, etc.). Furthermore Filippo Berto, recognized that at the beginning for its company it was easier to invest in foreign markets with a similar culture and only later, it turned to markets with different culture. So the model of internationalization called "Uppsala Model" defined by Johanson and Vahlne (1977) was confirmed.

As a Small-Medium Enterprise, Berto Salotti found as the most difficult obstacles to face in the internationalization process the limited financial resource and the difficulty of building an experience in foreign markets.

Regarding the entry modes, the company has used strategic alliances (that with Design Apart) and Internet and E-commerce which were used to replicate abroad the business model implemented in Italy. Strategic alliances were chosen because of the confidence in the team and in the project vision while Internet and E-commerce were chosen because of their positive results obtained in Italy. The advantage that this choice gave are: a low cost in the case of Internet and the possibility to count on someone abroad in the case of the strategic alliance.

When asked how important was the use of digital tools (Internet) in the process of internationalization the entrepreneur gave a percentage that goes from 50% to 80%, adding that: *"Given the success on social media we had in Italy we decided to use them also in foreign markets and they helped us a lot in the internationalization process. They allowed us to understand what it really means to communicate and share a story or a product on the network. For us going abroad was a conscious choice because we knew what efforts we had to do. Of course we must not abandon the traditional channels of distribution and sales."*

So going international gave new opportunities to this firm, that is why other companies should follow its example. The path is not easy and the positive results are not guaranteed but for firms like Berto Salotti, which produce high-quality and high-design products and manage to get themselves known through Internet tools, the chances to succeed are high.

The second group of questions regarded the importance of Internet as a tool to promote the firm's activity and products in national and international markets.

When asked if the Internet is changing the way business is made, Filippo Berto answered like this: *"Yes, the Internet is definitely changing the way we do business, as it affects the way we communicate with consumers and how we sell. This change for our company has been continuous and constant."*

The company has been using Internet and digital tools for over 15 year now, with the purpose of understanding better and at the same time to analyze foreign markets but also to communicate with potential customers.

When asked to give a value from 1 (which means not at all) to 10 (which means very much) in order to evaluate the importance of some web marketing tools, the speaker gave: to the company website the highest value (9) which means that for the firm it is a fundamental tool, to social media like Facebook, Twitter a value of 6 and the following comment: *"Today it is essential to be present on social media but the results of this presence are not immediate. It is a commitment that requires time as it is something that you build day by day. We use Social media for storytelling and to build our reputation, credibility and authority. But if we have to give them an economic value this would be 6."*, to Google Adwords and the Blog a value of 7 meaning that they are pretty important, the same value was given also for the Email Marketing tool and the following comment: *"This tool is useful for keeping up to date those who voluntarily signed up to our database and for us it is where do the communication, where we cuddle the customer, follow him in time, give him information and we also use it to make cross-selling (it is the activity of proposing new products to customers relying on their past purchases)."*, other tools like Videos and You Tube received a value of 7 as well because it is through these channels that the company shows how the products are made and this action attracted half million views.

For Berto Salotti, using web marketing tools is important in the communication with the domestic customers but also in the communication with the foreign ones. The main advantages

that derive from using these tools are: the possibility to do storytelling and in this way to increase the product value perceived by the customer which automatically has an impact on sales and the opportunity to create a relationship with the potential customer. While a disadvantage is the difficulty and little experience in handling crises (like for example when on social media is published something critical for the reputation, this can have serious effects on the firm's activity).

Berto Salotti divided its marketing budget in the following way: 75% of it was dedicated to online activities (advertising through the website, social media, etc.) while the other 25% was dedicated to the offline activities (advertising on TV, radio, newspapers, etc.). After an overall evaluation the most efficient marketing tool resulted to be the online one.

The third group of questions had the aim to discover which tools the firm uses in order to do market research.

The entrepreneur individuated as the most useful tools research the following: Google Analytics, Google Trends, Google Global Market Finder and Twitter and Instagram. The last two are important as they allow to have an immediate feedback on a topic or a product.

With the fourth group of questions the purpose was to find out which are the preconditions of using effectively Internet and the web marketing tools and how much the firm invested in them in terms of money and people.

In the management of the web marketing tools, Filippo Berto is helped by other three employees which together do this activity besides other activities. The investments in these tools represent more than 5% of the company's revenue but are worthed as they allowed to access consumers from all around the world and to improve communication with them and at the same time to access other market segments: *"Having a high visibility gives access not only to the target in which we are interested but also to other targets like for example architects, builders, etc."*

The entrepreneur recommends to other Small-Medium Enterprises to use the internet and its tools to promote their business internationally, he also added that: *"Behind every firms there is a treasure that lies in its history and if this could be shown and communicated on the network, this would create a bridge that connects the firm to the world in a very effective way."* Furthermore he sustains that Internet tools can be used by any type of company, there are no special requirements to do it. He commented the following: *"These instruments can be useful for all*

companies but before using them they must do an analysis to see if their customers and their competitors are online. If one or both are, this is a signal that they too need to be present online. If a business is not an excellence, then it must commit to become one and should always show its best products on the internet.”

The only precondition for firms in order to make an effective use of these tools is *“to be part of the digital world, or to have people who love and "live the network" and also the entrepreneur should be one of these people. However using these tools does not automatically mean that you are good at it, but if you do not do it you are a little “out of the game.”*

I think that the involvement and the commitment of the entrepreneur, Filippo Berto in all the activities carried out on the Internet was and still is fundamental for the firm’s success. That is why, I would recommend SMEs’ entrepreneurs to take part to their firm digitalization process by participating actively at it.

According to Filippo Berto, the main reason that slows down the adoption of these tools by Italian SMEs is related at the beginning to the cultural field as even small firms with low financial resources can adopt these tools if they have the desire to explore and to do new things, and only in a second moment the level of investments required is a drawback. One of the main difficulty the Berto Salotti has encountered was that of finding the balance between the time to devote to them and the time for doing other business activities. Filippo Berto adds also that: *“This is definitely a problem for small businesses because their staff has to work and does not have much time to spend on other things but they should also consider the fact that that tomorrow their principal client could not be there anymore. So spending half hour a day to make communication would allow to avoid this type of problem by finding other clients before losing the actual ones.”*

The fifth group of questions analyzes the export situation of the company and the weight Internet had on it.

Filippo Berto sustains that since his company uses the Internet and the web marketing tools its exports have increased from 0 to 30% as a percentage on the total revenue. According to him a company's success in international markets depends on the following factors in a different manner, for example: internal factors (such as: the knowledge and skills of the staff, financial resources of the company, the comparative and competitive advantages of the company, the

international orientation of the entrepreneur, etc.) and external factors (such as: market conditions, technological developments, changes in monetary policy, the crisis, etc.) have a weight of 40%, while structural factors (such as: government support, low interest rates, the context from which comes the company, dissemination and application of technologies such as the Internet, etc.) and congenital factors (such as: the absence of tariffs on imported goods, the absence of restrictions on firms activity by foreign governments, lack of cultural differences, etc.) have a weight of 10%.

At the moment, Berto Salotti is present in 40 countries around the world as sales network while as a physical presence (showrooms) it is present only in Italy, Russia and in the United States. Thanks to the use of the web as a mean of promotion and communication, the firm managed to access and to sell in all the 40 countries. When asked what criteria the firm used to select these countries, an interesting answer was given i.e.: *“As regards to Germany, France, Switzerland and Spain, we have chosen them because they are big importers of Italian furniture so here we make direct selling (which consists of online advertising through social media and Google Adwords) while the other countries we have not chosen them, but they have chosen us.”*

In the future the firm would like to penetrate more in the United States.

The sixth and last group of questions analyzed the involvement of the company in the e-commerce field.

Berto Salotti is using e-commerce through the company website. Not all the firm's products are there but just the main models in order to leave space for the customer's customization.

According to the entrepreneur doing e-commerce is accessible for all SMEs but he added: *“it depends on how they do it and in which measure they want to do it.”* For the firm the main advantage of e-commerce is that it allows to reach customers even in places where the firm does not have showrooms while a drawback is the fact that customers can not touch the products and have no personal contact with the staff which could guide them better in the purchase.

At the question of what are the company's goals for the future at the international level, Filippo Berto answered: *“Our main goal for the future is to become the international brand of upholstery tailoring.”*

This interview was very useful for my research as it proves how an Italian small-medium managed to grew and to become known at a national and international level thanks to the

adoption of the Internet and its tools. This example should be followed also by other Italian SMEs.

The interview can be find after the bibliography.

Conclusions

The goal of this thesis was to show how the Internet and its tools can help Italian SMEs in the internationalization process.

After a detailed description of the internationalization theories and foreign market entry modes, the opportunities that Internet and web marketing tools give to firms in order to access foreign markets were illustrated.

The interview made to Filippo Berto, owner of the small artisan firm “Berto – from Italy with love” was very useful for this thesis and allowed me to show that the modernity of the Internet and the typical tradition of craft work are two worlds not necessarily in conflict but, if dosed in the right way, they can make a positive impact.

The success of Berto Salotti in the national and international market is due to the following factors: the possession of specific competencies which allow to manufacture high-quality and high-design products, the fact of being part of a district specialized in the furniture production and the most important thing the involvement and commitment of its management team especially of Filippo Berto in all the steps that the firm took in the internationalization process using digital tools. I consider this last factor fundamental and think that the main obstacle for firms’ internationalization is not the financial investment required but a cultural factor that holds back many entrepreneurs from using Internet tools for this purpose.

In the management of its business online Berto Salotti had a specific mission: to develop a modern distribution for a traditional product and make accessible productions tailored to the general public, with the aim of becoming a quality brand in the field of upholstered furniture. This seemed an impossible challenge, without being able to rely on large investments. Except that the Internet provided the context and tools that allowed Berto Salotti to be found and known without having to resort to the mainstream media (TV, radio and print).

Filippo Berto used the web marketing tools mostly to do “story telling” i.e. to tell the story of the firm and the one behind the products’ manufacturing, and this was not very common when he started doing it, but in the last years has acquired a lot of relevance as customers like to see how and who makes the products they buy. This is a different type of advertising, more powerful than the traditional one as the customers are involved in the firm’s business activity and interact with it through comments. All this creates a connection between the firm and its potential customers that in a lot of cases it ends up with a purchase.

Berto Salotti has become the factory sofas most social of Italy and thanks to the traffic to his blog and website and the quality content it gained credibility and reputation online. The firm's turnover increased during the years and in 2013, 70% of it derived from sales in Italy while 30% from sales in foreign markets. From this 30%, 80% was made through online channels, selling the products in more than 40 countries and undertaking trade relations with different partners throughout the world. Furthermore, this firm has been defined by newspapers as a case history worthy of note so its experience can be useful for those artisans who want to invest in digital tools in order to launch or improve their business.

Made in Italy products are very appreciated by foreign markets and as Filippo Berto said, behind every firm there is a treasure that lies in the history and knowledge of each. The firms that are able to show and communicate all this to the world will have more opportunities and a higher probability to succeed than those that are not able to do it. The web and its tools allow firms not only to show their products but also their history and all the work behind their finished products, and so, it can be seen as a bridge that connects SMEs with the rest of the world in a very effective way.

SMEs are not alone in this process and the sooner they understand the importance of the Web and its tools and decide to use them, the better will be for them.

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Questionnaire "Case Study Berto - From Italy with love"

1) General Information

Company Name: Berto Salotti

Foundation year: 1974

Sector: Furniture

Number of employees: 25

Name of the interviewee: Filippo Berto

Position held by the interviewee: Owner and CEO

2) Taking into account the difficult situation that the Italian Small-Medium Enterprises are facing, do you think that internationalization could be an opportunity for them?

☒ a) Yes

b) No

c) I don't know

d) Other (please specify)

Personal comment: *Since 2009 the number of Italian companies in the furniture industry has decreased by 30% (about 10,000 units) as a consequence of the fact that domestic consumption in this sector has been halved. I think that the decision to internationalize is essential especially if a firm is not able to keep its shares on the domestic market. This choice, however, implies also a change in distribution facilities since the traditional structures have not been able to keep the shares, and also a change in tastes because obviously the product must be adapted according to the target market.*

The world loves the "Made in Italy" products therefore the opportunities for Italian companies are many but at the same time selling in foreign markets requires a certain quality in the service. Furthermore going abroad enables entrepreneurs to learn many new things and expand their visions.

3) Was internationalization an opportunity for your firm?

☒ a) Yes

b) No

c) In part

d) Other (please specify)

Personal comment: *Yes, going abroad was a great opportunity for the company even if at the beginning it required high investments. The intention however is that of remaining in Italy as well since at the moment, here we do most of the turnover.*

4) Which were the main reasons that led your company to take the decision of internationalization?

☒ a) To seek for new markets in which to sell products

☒ b) To meet the demand coming from abroad

c) To increase profits

d) To reduce the production costs

e) Other (please specify)

5) In this decision were more important:

a) The internal factors such as: large production capacity, the need to reduce the stock, to achieve economies of scale, the presence of differential advantages, etc.

☒ b) External factors such as: high level of competition in the domestic market, favorable regulations in foreign markets, exports incentives, information about the opportunities in foreign markets, etc.

c) Other (please specify): *The desire to offer our products abroad and to meet the foreign demand.*

6) According to the model of internationalization called "Uppsala Model" defined by Johanson and Vahlne (1977), initially for a company it is easier to invest in foreign markets that have a culture similar to that of the domestic market. Was this theory true in the case of your company?

Yes, it was. Initially investing in markets with culture similar to the Italian one helped us a lot. Later, we turned also to markets with different culture but this choice required us to do more research regarding the consumers of these markets and also to adapt our products to the foreign markets requirements.

7) Since your firm is a Small-Medium Enterprise, which were the most difficult obstacles that it had to face in the internationalization process?

- a) The lack or limited knowledge of international markets
- ☒ b) The limited financial resources
- c) The absence of links with international networks such as local contacts or local channels of distribution
- d) Few international experience of the team
- e) The difficulty in protecting property rights
- f) Other (specify): *Another difficulty has been that of building an experience in foreign markets.*

Personal comment: *Addressing to the world certainly requires a lot of financial resources.*

8) What was the entry mode used to access international markets?

- a) Direct Exports
- b) Indirect Exports
- ☒ c) Strategic Alliances (Joint Venture, Franchising, Licensing, etc.)
- d) Direct investment (acquisitions, mergers, Greenfield
- ☒ e) The Internet and E-commerce
- f) Other (specify)

Personal comment: *A strategic alliance is that with Design Apart while internet and e-commerce were used to replicate abroad the business model used in Italy.*

9) What pushed your company to choose this entry mode?

As for strategic alliances the motivation was the confidence in the team and in the vision of the project while regards the Internet and E-commerce, the motivation has been the positive experience observed in Italy.

10) What are the advantages and disadvantages that you encountered after your choice?

The advantages and disadvantages of these two entry modes are a mix. As regards to the Internet the best advantage is the low cost while I can not find any disadvantage. With respect to strategic alliances an advantage is to count on someone abroad while a disadvantage is in some cases the different vision of the partners.

11) How the fact of selling in foreign markets has influenced your company?

- a) It has increased the demand for goods
- ☒ b) Sales and profits have increased
- ☒ c) It has allowed a better management of the low domestic demand

- ☒ d) It required high investments
- e) Did not bring significant benefits
- f) Other (specify)

12) In your opinion is Internet changing the way we do business? Justify your answer.

Yes, the Internet is definitely changing the way we do business, as it affects the way we communicate with consumers and how we sell. This change for our company has been continuous and constant.

13) How important was the use of digital tools (Internet) in the process of internationalization of your business?

- a) Modest (less than 30%)
- b) Enough (from 30% to 50%)
- ☒ c) Much (from 50% to 80%)
- d) Extremely (more than 80%)
- e) Other (please specify)

Personal comment: Given the success on social media we had in Italy we decided to use them also in foreign markets and they helped us a lot in the internationalization process. They allowed us to understand what it really means to communicate and share a story or a product on the network. For us going abroad was a conscious choice because we knew what efforts we had to do. Of course we must not abandon the traditional channels of distribution and sales.

14) For how long has your company been using digital tools?

- a) For less than a year
- b) From 1 to 5 years
- c) For more than five years
- ☒ d) Other (specify): *for 15 years*

15) We know that one of the main barriers for entry into foreign markets is the lack of information and knowledge of the foreign consumer. In the case of your company, has the Internet helped to learn more about foreign markets or increased even further the distances? Justify your answer.

Yes, the Internet has helped us to understand better and at the same time to analyze foreign markets, for example using the tools that Google provides. Also social media allowed us to communicate with people and therefore to discover their tastes.

- 16) On a scale from one to ten (where one means not at all and 10 very much), how important do you think the use of the web is in the communication with the customer?

1	2	3	4	5	6	7	8	9	10
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Personal comment: *For our company using the web in the communication with the customer was very important.*

- 17) How important are for your company the following web marketing tools on a scale from one to ten (where 1 means not at all and 10 very much)?

a) The company website

1	2	3	4	5	6	7	8	9	10
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b) Social media (Facebook, Twitter, Google Plus, etc.)

1	2	3	4	5	6	7	8	9	10
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Personal comment: *Today it is essential to be present on social media but the results of this presence are not immediate. It is a commitment that requires time as it is something that you build day by day. We use Social media for storytelling and to build our reputation, credibility and authority. But if we have to give them an economic value this would be 6.*

c) Google Adwords

1	2	3	4	5	6	7	8	9	10
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d) The blog

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	--------------	---	---	----

Personal comment: *The company has been having a blog for 11 years now.*

e) Email Marketing

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	--------------	---	---	----

Personal Comment: *This tool is useful for keeping up to date those who voluntarily signed up to our database and for us it is where do the communication, where we cuddle the customer, follow him in time, give him information and we also use it to make cross-selling (it is the activity of proposing new products to customers relying on their past purchases).*

f) Other (specify): Videos and You Tube

1	2	3	4	5	6	7	8	9	10
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Personal Comment: *This channel is very important for our company, especially in showing how the products are made. We have a half million views on our videos.*

18) What are the main advantages that derive from using these tools?

As regards the blog the main advantage is the ability to do story telling, while the advantage of the videos on You Tube is that they increase the value perceived by the customer for our products and also that they have a direct impact on sales. Regarding the advantage of social media, this relies in the relationship / conversation that we can create with the customer.

19) What are the disadvantages that derive from using them?

The disadvantages of using them are the difficulties and little experience in handling crises like for example when on social media is published something critical for the reputation, this can have serious effects on the firm's activity.

20) How was the marketing budget (as a percentage) divided between offline activities (advertising on TV, radio, newspapers) and online activities (through the website, social media, etc.)?

a) 50% - 50%

b) 100% offline

c) 100% online

~~d)~~ Other (specify): *We dedicated 75% to online activities and 25% for those offline*

21) For your company was more efficient offline marketing or online marketing?

The online marketing.

22) Does your company use any particular application to reach Smartphone users?

- a) Yes
- ☒ b) No
- c) We never thought about that
- ☒ d) It is part of the plans for the future
- e) Other (please specify)

23) Always on a scale from 1 to 10 (where 1 means not at all and 10 means very much), how useful were the web marketing tools to reach and interact with:

- Consumers from the domestic market

1	2	3	4	5	6	<input checked="" type="checkbox"/>	8	9	10
---	---	---	---	---	---	-------------------------------------	---	---	----

- Consumers form international market

1	2	3	4	5	6	<input checked="" type="checkbox"/>	8	9	10
---	---	---	---	---	---	-------------------------------------	---	---	----

Personal Comment: *The importance of using them is equal for both consumers in the domestic market and for those in international markets.*

24) Have you ever used Google Analytics as an analysis tool for your website and social media?

- ☒ a) Yes and I found it very useful
- b) Yes but I did not find it very useful
- c) No, I never used it
- d) No, I do not think it is useful
- e) Other (please specify)

25) Which of the following tools did you used and consider useful for doing research on the national and international market?

- a) Consumer barometer
- ☒ b) Goole Trends
- ☒ c) Google Global Market Finder
- ☒ d) Other (please specify): Twitter and Instagram

26) How many employees are involved in the management of the web marketing tools?

- a) From 1 to 3
- ☒ b) From 3 to 6
- c) From 6 to 10
- d) More than 10

Personal Comment: *There are 4 people involved in the management of these tools, three employees and I.*

27) What percentage of the company's revenue is dedicated to the investments in these tools?

- a) Less than 1%
- b) From 1% to 5%
- ☒ c) More than 5%
- d) Other (please specify)

28) How the use of these tools has contributed to the process of internationalization of your business?

- ☒ a) It increased the brand awareness and thus made it easier to get into foreign markets
- ☒ b) It allowed to access consumers from all around the world and to improve communication with them
- ☒ c) It has provided access to other market segments
- d) It did not bring any contribution
- e) Other (please specify)

Personal Comment: *Having a high visibility gives access not only to the target in which we are interested but also to other targets like for example architects, builders, etc.*

29) Would you recommend to other Small-Medium Enterprises to use the internet and its tools to promote their business internationally?

- ☒ a) Yes
- b) No
- c) Other (please specify)

Personal Comment: *Behind every firms there is a treasure that lies in its history and if this could be shown and communicated on the network, this would create a bridge that connects*

the firm to the world in a very effective way. So yes, I would recommend SMEs to use the internet and its tools.

- 30) Do you think these tools can be useful to all companies or only to certain types such as those operating in specific industries, companies with special skills or previous experience, etc.?

These instruments can be useful for all companies but before using them they must do an analysis to see if their customers and their competitors are online. If one or both are, this is a signal that they too need to be present online. If a business is not an excellence, then it must commit to become one and should always show its best products on the internet.

- 31) What do think the preconditions for an effective use of these tools?

The precondition is to be part of the digital world, or to have people who love and "live the network" and also the entrepreneur should be one of these people. However using these tools does not automatically mean that you are good at it, but if you do not do it you are a little "out of the game".

- 32) In your opinion what are the main reasons that slow down the adoption of these tools by the Small-Medium Italian Enterprises?

- a) Very little acquaintance with digital tools
- ☒ b) Because of the high investment required
- c) For the fear that someone else could copy the product or service
- d) For the fact of not meeting in person the counterpart
- ☒ e) Other (please specify): *it is a cultural thing*

Personal Comment: I think at the beginning the slow down is due to a cultural thing as every firm even those with low financial resources may adopt these tools if they have curiosity, ambition and desire to do new things and explore. Later it also requires investments and time to do it.

- 33) What were the main difficulties that your company has encountered in adopting the web marketing tools?

One difficulty has been and still is that of finding the balance between the time to devote to this activity and the time to devote to other things. This is definitely a problem for small businesses because their staff has to work and does not have much time to spend on other things but they should also consider the fact that that tomorrow their principal client could not be there anymore. So spending half hour a day to make communication would allow to avoid this type of problem by finding other clients before losing the actual ones.

34) Have the exports increased since the company uses these communication tools?

☒ a) Yes

b) No

c) Other (please specify)

Personal Comment: *Yes, exports have increased a lot since we start using these tools.*

35) If the answer to the previous question was yes, please indicate how much exports on average increased as a percentage of total revenue.

Exports increased from 0 to 30% as a percentage on the total revenue.

36) According to your opinion and experience, how much a company's success in international markets depends on the following factors? (indicate in percentage)

Internal factors such as: the knowledge and skills of the staff, financial resources of the company, the comparative and competitive advantages of the company, the international orientation of the entrepreneur, etc.

- 40%

External factors such as: market conditions, technological developments, changes in monetary policy, the crisis, etc.

- 40% - *these are very important, for example in the case of Russia which was one of our main markets for exports, since its monetary policy has changed our profits have sharply decreased.*

Structural factors such as: government support, low interest rates, the context from which comes the company, dissemination and application of technologies such as the Internet, etc.

- 10%

Congenital factors such as: the absence of tariffs on imported goods, the absence of restrictions on firms activity by foreign governments, lack of cultural differences, etc.

- 10%

37) In how many and which countries is your company present?

As sales network we are present in 40 countries around the world while as a physical presence (showrooms) we are only in Italy, Russia and the United States.

38) What criteria did you use for the foreign countries' selection?

As regards to Germany, France, Switzerland and Spain, we have chosen them because they are big importers of Italian furniture so here we make direct selling (which consists of online advertising through social media and Google Adwords) while the other countries we have not chosen them, but they have chosen us.

39) In how many of these countries you managed to enter thanks to the use of the web as a mean of promotion and communication?

In all countries.

40) What are the markets in which your company would like to access in the future?

We would like to penetrate more in the United States.

41) Is your company using e-commerce? In what way?

Yes, we do e-commerce through the company website. Of course we did not put there all the products and models we manufacture because our goal is to show some of our main models and then leave space for the customer's customization.

42) Doing e-commerce is accessible for all SMEs?

☒ a) Yes

b) No

c) Not too much

d) Not at all

Personal Comment: *Yes, doing e-commerce is accessible for all firms but it depends on how they do it and in which measure they want to do it.*

43) Which are in your opinion the advantages and disadvantages of e-commerce?

The main advantage of e-commerce is that it allows us to reach customers even in places where we do not have showrooms. As a drawback is the fact that customers can not touch the products and have no personal contact with the staff which could guide them better in the purchase.

44) What are the goals that your company would like to achieve in the future at the international level?

Our main goal for the future is to become the international brand of upholstery tailoring.