

ITALIAN LABELS REIGN

By Federico Fiorentini



Italy has made its place in the world business market. Like all other developed economies the country is also entering the Indian sub-continent market. At present, the most relevant sectors for Italian exports are those related to manufacturing, fashion, gastronomy and technology.



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ITALIAN brands that constitute fashion, luxury and food sectors are leading in the diffusion of the brands abroad and providing expansion systems that are agile and flexible as franchising.

The historical survey by the Study Centre Luigi Einaudi and Sisim underlines how amongst the top global brands there are Max Mara, operating in 61 countries, 3rd behind the French Yves Rocher, in 68 countries, and Lacoste. The first business model for internationalisation of franchising has been implemented by the fashion brands: from simple stylists to multifunctional complex structures, which are able to integrate the in-house know-how with the distributors and advertisers' ones.

The best outcome achieved by the Italian brands has been to convert the notoriety of the trade names into models, banners and distributive formats recognisable worldwide. Globalisation has removed the gap existing amongst

the national differences of the consumers addressed.

In fact, starting from the western countries and spreading to East Asia, Eastern Europe and the emerging economies, the generalised rise in purchasing power and the wider offer of branded goods at low prices allowed the vast majority of buyers to access the golden world of fashion brands.

Besides, there are production and distribution firms that manage their own commercial network, exploiting an organisational and logistical know-how based on strategies completely different from the ones implemented by large fashion enterprises like Coin, Benetton, Stefanel and Calzedonia/Intimissimi. The main penetration strength and the competitive lever have been represented by the knowledge of a specific market.

At present the most interesting sectors are fashion, gastronomy and high-tech ones.

For the franchising enterprises under scrutiny, highly vulnerable towards changes in consumers' tastes, the protection of the distributive function has been successful in the acceleration of the textile/clothing cycle, the knowledge of the main market and the good outcome of the brand policy. For the fashion franchising enterprises it is necessary to evaluate the 'results' of their choices 'in the location' in direct contact with the consumer, reducing to the minimum any image related issue along the ideational-productive-distributive path.

The Restorative-gastronomy Franchising is still at an early stage of development, however Italian labels and food products are becoming increasingly visible.

Through franchising and the relative commercial agreements, entering an international market brings competitive advantages in terms of 'Brands' and company's image and as many benefits implying a market penetration at lower costs.

Franchising is different from other forms of agreements given its capability to enter into force for the joint pursuit of a common mission, employing the knowledge and experience transferred by the franchisor enterprise, such as:

- Securing pre- and post-sale services complying with the local needs but, above all, attaining growth rates in shorter time spans and transferring part of the investment burden to their own partners;
- Attaining economies of scale;
- Creating entry barriers;
- Accessing IT resources;
- Overcoming entry barriers;
- Sharing the work and the risks splitting the turnover amongst several markets with different characteristics and rhythms.

Micro enterprise plays a leading role, at 45 per cent, on Italian exports, compared with an average level of 10 per cent.

Regarding exports, the most important sectors are wood and wood products, textiles, clothing, leather and footwear. The strong propensity to internationalisation, then, seems to confirm the commitment of small businesses in maintaining the competitiveness of its areas of specialisation.

Italian companies in India

Franchising in India is growing at the rate of 30-35 per cent per year. With a stable economy, India represents a significant potential for foreign franchisors who want to develop a local partnership.

According to information available from the European Union (EU), the EU as a whole represents the largest investor in India. Among the member countries no longer present in the order include: the United Kingdom, the

Netherlands, Cyprus, followed by Germany, France and Italy.

Italian companies, especially the large ones, are, today, investing in India. Small and medium businesses are also beginning to appear in the Indian market. There is now an exponential increase in requests for Italian companies wishing to invest in India. The obstacles to an Italian company which wants to invest in India are today far less than what they were earlier. However, there are limitations in certain areas. For example, the Italian export must deal, in some cases, with the persistence of relatively high tariffs.

Currently, there are 400 Italian companies present in India. The leading sectors for the 'Made in Italy' expansion are the textile and automotive industries. Following is an economic analysis by the Pantheon group of Italian companies working in India:

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- 13 % are in textiles and clothing,
- 8% in automotive and professional services,
- 7% in electronics or associations and economic institutional
- 6% in logistics or the provision of business services.
- More than half are concentrated in the south-west of the country:
 - 35 % in Maharashtra,
 - 14% in Tamil Nadu
- 11 % in Karnataka

In New Delhi, the Italian companies account for 19 per cent of their presence in India. Among the Italian investments in India are representatives from:

- the joint-venture between Fiat Auto and Tata
- Carraro India (joint venture of Carraro SpA with Escorts Ltd.)
- New Holland (Fiat group), in collaboration with Mahindra & Mahindra
- Mahindra (leader local in the field of tractors)
- Perfetti Van Melle
- Italcementi Group
- Piaggio Vehicles Pvt. ltd.
- Tecnimont ICB Pvt Ltd.
- Investment of the ENI Group

● Luxottica Group, which has gained in India the eyewear division of Bausch & Lomb, thereby providing the RayBan Sun Optics India Ltd.

- ST Microelectronics India
- Merloni Termosanitari (India) ltd.
- De Longhi
- Pirelli
- the Prysmian (formerly Pirelli Cables)
- Ferrero
- Danieli

In addition, there are several companies in the fashion and clothing sectors, such as: Benetton, Gruppo Coin, Zegna, Liberti, La Perla, Monnalisa and more recently, Armani, Tod's and Cavalli.

