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Made in Italy products perception and on site internship experience

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THE MEETING BETWEEN SALESMAN AND CUSTOMER IN LUXURY GOODS: A NEW VIEW

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HONG KONG: CHINESE CONSUMER'S CULTURE AND BEHAVIOUR

Made in Italy products perception and on site
internship experience

Luxury brand, Leather goods, Consumer behavior, Chinese
consumer, Marketing strategies

The aim of this paper is to analyze and to understand Chinese consumer's behavior, in particular Hong Kong citizen, towards Made in Italy brands. I would like to deepen the connection between cultural roots and consumers' purchasing behavior and to analyze how the cultural background affects purchasing choices.

This research comes mainly from my internship experience done in Hong Kong for the Italian company Foglizzo, a luxury brand which sells high-quality leather products worldwide. The company's main purpose inside the Asian market has been to strengthen its presence in a complex and changing commercial environment. In fact, defining its identity and placement has allowed the company to catch new commercial opportunities, linked to a completely different cultural background.

Hong Kong & il Made in Italy

The *Made in Italy* brand is the 3rd well-known brand in the world after *Visa* and *Coca-Cola* and represents an abstract infrastructure that could allow Italian companies to enter new markets. Foreigners perceive *Made in Italy* products as synonym of aesthetics, beauty, luxury, welfare and passion, while technology and innovation are still far from Italian products perception.

Fashion, food and design sectors are considered representative and play an important role in Italian exports. Inside the contemporary economy of perception, where brands count more than ever, Italian companies must be aware of the strength of Made in Italy logo, not only as production location, but also from the quality point of view.

The composition of Italy's exports reflects the Italian excellences. The main features of Italian competitive advantages are:

- Easy brand identification;
- Excellent quality;
- Aesthetics (sophisticated style);
- Ability to reach global leadership in market niches.

Marketing

The main tools used in Hong Kong to promote *Made in Italy* products are:

- **Participation in trade fairs**

The fair represents one of the best benefit/cost ratio, in particular in Hong Kong, where meetings are mainly international and exclusively addressed to buyers and professionals. Italian products are chosen by foreigners for their intrinsic content of “Italianism”, perceived as synonym of history, culture and quality.

- **Promotion through Mass Market Retailers**

Many collaboration agreements have been signed with the major discounts and supermarkets chains for the promotion of wine and agri-food products (*Televen, Il BelPaese, City Super, Market Place, Park 'n Shop, Wellcome, 759..*)

- **Promotional activities**

These activities are a bit expensive but they are recommended for those Italian brands that, although producing high-quality *Made in Italy* products, are still not popular.

As a matter of fact, Hong Kong consumers are more likely to be driven in purchasing by advertising than other consumers in the world, especially by magazines (*Lifestyle Asia, The Hong Kong Tatler, Home Journal, Elle..*)

Fashion & clothes

China holds the largest imported clothes market share, thanks to many factors, such as its geographical location and its low labour costs, moreover, they can easily check products quality and control logistic processes. Italy is the 2nd major supplier behind China, with 7,8% market share and there are lots of mono-brand Italian shops inside the most prestigious malls in Hong Kong, such as The *Landmark* and *Ifc*.

Hong Kong represents an excellent showcase and a strategic market for Italian global fashion brands sold in many shops in the city, such as *Gucci, Prada, Valentino, Zegna, Armani, Dolce e Gabbana, Cucinelli, Bottega Veneta, etc.*

The selling points are visited not only by locals, really attracted by the latest products, but also by Chinese tourists from the Mainland that have a high purchasing power and are willing to spend lots of money for *status symbol* products.

Taking advantage of the popularity of *Made in Italy* brand, lots of Italian still unknown companies could get more market shares, keeping the traditional average of high-quality products and design with lower prices than global brands. In this way, they could gain the middle-class consumers of Hong Kong.

Food & beverage

Hong Kong consumers are willing to try new foodstuffs unrelated to Chinese food tradition. The opening of lots of new grocery stores selling foreigner specialties is the proof of the receptivity and potentiality of Hong Kong market, with 7,2 million inhabitants, together with millions of tourists that each year visit the metropolis in order to do shopping.

The city hosts almost 200 Italian restaurants and this reflects the positive perception of Italian food and culture: Italy is one of the best Hong Kong supplier of foodstuffs such as olive oil, chocolate, tomatoes, truffles, pasta, vinegar and ham.

One of the main purposes of Hong Kong government is to become a strategic selling and distribution center for the entire Asia-Pacific area, in particular for China.

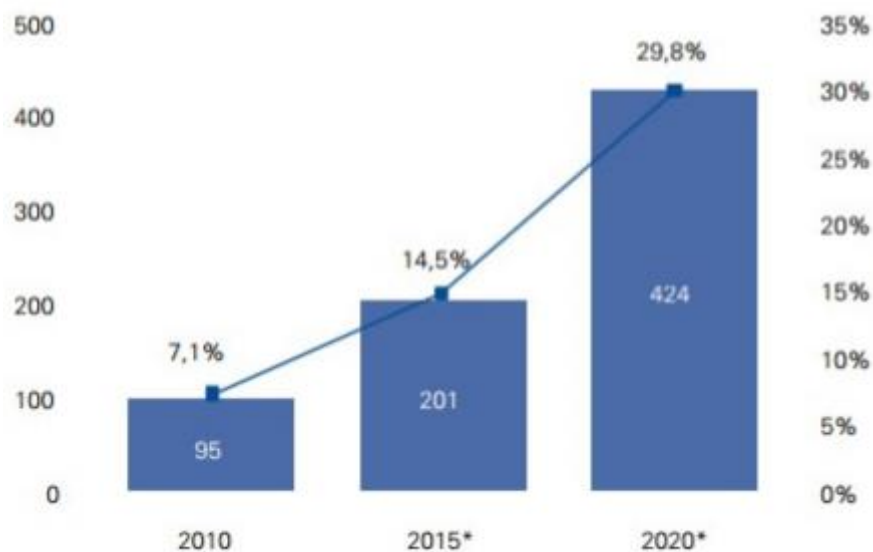
In fact, Hong Kong has become a free port for wine market, among the most powerful countries of the world, establishing itself as one of the most powerful market of wine trade.

Among Hong Kong market shares, Italy is strong in jewelry market, eyewear sector and footwear market, in medium-high target.

Even the sector of electric cars in Hong Kong has recently recorded a great increase, even because the government has introduced tax breaks to stimulate the sales, to contrast the high level of pollution. The American brand Tesla sells to Hong Kong the largest number in the world of electric cars per inhabitant and possesses 80% of market shares.

Risks and opportunities for Made in Italy exports

Chinese middle class evolution



— Wealthy class (millions of inhabitants)

Chinese population percentage

In a world that is more and more globalized, we assist today to a progressive outsourcing. The recession of 2008-2009 and the financial crisis have quicken the economic and political redistribution worldwide: China has become the first industrialized Country in the world.

Risks and opportunities are linked to the changes of the purchasing power of the Italian companies customers, resulting from the growth of new markets in the emerging Countries and the simultaneous slowing consumption trends in “Euro” area. The new challenges linked to the growth of the emerging countries (Central and Eastern Europe, ex-URSS, Asia, South America and Caribbeans, Africa, Middle East) are also connected to new opportunities, resulting from the enlargement of the middle class.

The present development phase is characterized by the transition from a capitalist manufacturing model to a tertiary one. In the advanced Countries, services incidence on GDP reaches an average between 70% and 80%, equal to 93% in Hong Kong.

Services role must be seen as a competitive lever for Italy, without being opposed or separated from the manufacturing sector. Italian companies will run value chains more and more innovative, in which *theservice* will be the key factor to innovate one's business. In fact, the *service* can make the difference in the value proposition and it can represent a barrier to entry new markets;the progressive conversion from *product* to *service* it's a process called *servitization*. Services role can be split in 3 dimensions,that represent 3 different kind of offering: *commodity*, *medium products* and *high value-perceived products*.

Each product is represented by different purchasing behaviors and each one requires companies' specific approaches, both strategic and organizational.



The principal kind of products offered and related services are:

- **Commodity**: focus on trade/distributive dimension;

- ***Mediumproducts***: focus on services related to products. Products are sold according to their utilization or to a specific production goal/customization;
- ***Highvalue-perceivedproducts***: focus on the ability to grow the value perception, the customization and the exclusivity of a product.

Regarding *commodity*, products are undifferentiated and the price is the main driver: today in our industrial system It's really hard to gain competitiveness on these products. The highest profits are in commercial mark-up instead of the production itself.

So, the best competitive lever for every company in this area has become the *customer care*, focusing on trade/distributive dimension, providing itself with an adequate and efficient service network. Attention must be paid to the *price* through proper strategies, such as the relocation of production and the trading of products imported from low-cost countries.

Medium products sector could assure to Countries like Italy a substantial employment rate and sales volumes, if they will pursue their offer conversion, combining it with additional customer care services. In this way, the *service* associate to the *product* can replace the product itself. Innovation, for medium products sector, means conceiving innovative service-product combinations able to create competitive advantage. The marketing of products through services are, for example, *investment goods*, such as machinery and means of travel hour-rental and the selling of manufacturing services instead of machineries. Another example are *consumer goods*, such as *customized products*, the use of a product *on demand* and the *experience* associated to the product, especially in fashion.

To conclude with, concerning *high-value perceived products*, the key-factors depend on the ability to offer luxury products that are customized and innovative, and the competitive lever is here represented by the perceived value of product-service ratio offered.

As for luxury goods, the value perception can be determined by the brand or by the chance to customize the product, or even by the unique additional services offered, able to ensure exclusive emotional experiences. A possible strategy for *Made in Italy* companies could be penetrating several niche markets, specialized, differentiated and innovative.

Each of the three sceneries described must be faced with different approaches, and differentiated offerings, according to different strategic and organizational plans.

Italian companies must pick the opportunities coming from globalization and from international challenges. They must focus on their excellences and the innovation of their products, through the services offered, customer care and improving their businesses.

Chinese consumer's culture and behavior (Hong Kong)

What is *culture*? Culture is the full range of learned human behavior patterns. Sciences have provided more than 300 definitions. The term was first used in this way by the pioneer English Anthropologist Edward B. Tylor in his book, *Primitive Culture*, published in 1871. Tylor said that culture is "that complex whole which includes knowledge, belief, art, law, morals, custom, and any other capabilities and habits acquired by man as a member of society." Culture is a powerful human tool for survival, It is constantly changing and easily lost because it exists only in our minds. Written languages, governments, buildings, and other man-made things are merely the products of culture. Another subjective definition describes it as a process of men *humanization*, an intrinsic characteristic which reflects itself externally. It derives from the latin verb *colere*, which means *to grow crops*, culture is seen as the fruit picked consequently its faculties development through education, arts and philosophy. There are also other definitions, more objectivist, which see culture existing independently from the individual and so lasting longer than individuals' lives, universally recognized and objective.

The definition of *culture* given by Johnson is more abstract and defines it not as a cultural model but as the consequence of a socialization process. In this perspective, it is the development of notions and experiences from generation to generation, a learning model which is not automatic as the biological one is.

The culture defined in this way, as a set of notions learned through an educational process, consists of 3 models: the *cognitive model*, the *valuation model* and the *operative model*.

The cultural dimensions

Culture changes depending on the changes connected to the collectivity of reference. Many researches have identified each culture features that, after being established and studied, have become *cultural dimensions*.

Geert Hofstede, who is a dutchsocial psychologist and anthropologist, has studied the interactions that occur between different cultures and he has received several awards for the interculturalism of his global researches.

Professor Geert Hofstede conducted one of the most comprehensive studies of how values in the workplace are influenced by culture. He defines culture as “the collective programming of the mind distinguishing the members of one group or category of people from others”. The model of national culture consists of six dimensions. The cultural dimensions represent independent preferences for one state of affairs over another that distinguish countries (rather than individuals) from each other. The country scores on the dimensions are relative, as we are all human and simultaneously we are all unique. In other words, culture can be only used meaningfully by comparison. The model consists of the following dimensions:

- **Power distance:** this dimension expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally. The fundamental issue here is how a society handles inequalities among people. People in societies exhibiting a large degree of Power Distance accept a hierarchical order in which everybody has a place and which needs no further justification. In societies with low Power Distance, people strive to equalise the distribution of power and demand justification for inequalities of power. Asian Countries have a high
- **Individualism Vs Collectivism:** The high side of this dimension, called individualism, can be defined as a preference for a loosely-knit social framework in which individuals are expected to take care of only themselves and their immediate families. Its opposite, collectivism, represents a preference for a tightly-knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty. A society's position on this dimension is reflected in whether people's self-image is defined in terms of “I” or “we”;
- **Masculinity Vs Femininity:** the Masculinity side of this dimension represents a preference in society for achievement, heroism, assertiveness and material rewards for success. Society at large is more competitive. Its opposite, femininity, stands for a preference for cooperation, modesty, caring for the weak and quality of life. Society at large is more consensus-oriented. In the business context

Masculinity versus Femininity is sometimes also related to as "tough versus tender" cultures;

- **Uncertainty Avoidance:** this dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. The fundamental issue here is how a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? Countries exhibiting strong UA maintain rigid codes of belief and behaviour and are intolerant of unorthodox behaviour and ideas. Weak UA societies maintain a more relaxed attitude in which practice counts more than principles;
- **Long term orientation Vs Short term orientation:** societies who score low on this dimension, for example, prefer to maintain time-honoured traditions and norms while viewing societal change with suspicion. Those with a culture which scores high, on the other hand, take a more pragmatic approach: they encourage thrift and efforts in modern education as a way to prepare for the future;
- **Indulgence Vs Restraint:** Indulgence stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun. Restraint stands for a society that suppresses gratification of needs and regulates it by means of strict social norms.

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