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**"Italian food internationalisation process: the case of Beretta and Senfter  
in China"**

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A handwritten signature in black ink, appearing to read "Eleonora Mesi", written over a horizontal line.



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## Abstract

“Italian food internationalisation process: the case of Beretta and Senfter in China” aims to understand how to be successful in China with Made in Italy and Italian traditional food. The main goal of the dissertation is to analyse the internationalisation process of Italian food companies and to identify the best practices needed to plan a direct presence in Mainland China. The value of this research is on the usage of the Uppsala model – an “old” theory made in 1997 – which makes the analysis replicable and comparable to other industries, but also points out criticism on the usage of other models and theories. Moreover in the literature there is a lack of case studies related to internationalisation process of multidomestic industries, like food industry. Neither country far from host country have been deeply analysed both by theoretical and empirical literature available now.

Before starting this case study analysis, an investigation of the Chinese market and of the opportunities within it has been developed. The main trends are social, economic, technological, political, and regulatory changes.

Later internationalisation strategies and structure will be taken into consideration, trying to discover which is the most suitable FDI structure in China for a food company and then Uppsala model for the internationalisation process will be studied.

With all the theoretical framework designed the case study analysis can be done. Why choosing a case study and case study structure will be explained and with all data on hands they will be analysed and interpreted through the Uppsala model and its critiques.





## Introduction

**“Italian food internationalisation process: the case of Beretta and Senfter in China”** aims to understand how to be in China with Made in Italy and Italian traditional food.

The national agri-food is worth 205 billion and represents 12% of Italian GDP, but it is above all the driving force for the entire economy abroad, where it is the true symbol of Made in Italy (Brizzo, 2019).

In 2019 there was a record jump in Made in Italy food in China that marked a 20% increase in exports. This is what emerges from an analysis by Coldiretti on the basis of ISTAT data relating to the month of January, disclosed during the visit of Chinese President Xi Jinping in Italy. This trend has been growing for years, with exports of Made in Italy agri-food products to China that reached the historical record of 439 million euros in 2018. This value has more than tripled in the last 10 years (+254%) with the progressive opening of the Asian giant to Western lifestyles (Coldiretti, 2019). It is therefore interesting to know about Italian stories overseas.

The thesis will focus on understanding why an Italian food company should invest in Mainland China, how to invest in that country and which are the drivers of the internationalisation process.

Having this mission in mind, it has been decided to develop a multiple case study by interviewing companies that have already invested in the country, i.e. **Fratelli Beretta and ISU (Independent Salumi Union)**, also considering recent changes and developments.

For this reason at the beginning it has been done Chinese market analysis, studying social trends; cultural trends and Hofstede cultural dimension; economic trends and political changes, among which reasons for investing in one country rather than another one and what does it mean investing in a developing country; technological trends, studying online channels like Alibaba, WeChat, Baidu, Tencent and Jingdong (JD).

Later internationalisation strategies and structure have been taken into consideration, trying to discover which is the most suitable FDI (Foreign direct investment) in China with a food company. Data have been studied through the Uppsala Model, in order to be able to analyse the whole internationalisation process and not one step only.

The value of this research is on the usage of the **Uppsala model** – an “old” theory made in 1997 – which makes the analysis replicable and comparable to other industries, but also points out criticism on the usage of other models and theories. Moreover in the literature there is a lack of case studies related to internationalisation process of multidomestic industries, like food

industry. Neither country far from host country have been deeply analysed both by theoretical and empirical literature available now.

**In the first chapter** opportunities have been analysed by observing trends and studying how they create favourable circumstances for entrepreneurs to pursue (Barringer, 2012, p. 44), an analysis of the Chinese market and of the opportunities within it has been developed. The main trends are social, economic, technological, political, and regulatory changes.

Social trends might be predicted but macroeconomic shocks might happen and change them consequently. In 2020, the appreciation of safe and healthy food has increased, and the value of Made in Italy remains way higher, in particular PDO and CDO products are a good weapon in the internationalisation strategy. However, teaching the value of an Italian product is not that easy in China, and, apart from expatriates, the market has all to be built.

Macroeconomic factors have been studied: trade costs are lowering thanks to considerable economic policies and alliances among governments that are in place, in particular Belt and Road initiative related agreements. Moreover, Chinese giants, in collaboration with the government, are fighting counterfeit, increasing Italian products value, knowing that Chinese customers are willing to pay when quality is well communicated and ensured.

Speaking of technological trends, it might be said that online channels can overcome commercial and financial barriers when going abroad, avoiding settling in the Chinese mainland from the beginning, besides saving money through customers optimisation and supply chain adaptation.

For now, the best platform to approach the new market without having a presence in mainland China is T-mall global (Alibaba.com), although in this case an overseas entity can sell products on T-mall only through a cooperation with a Chinese entity/partner (Third-party). Unfortunately given fees and barriers on cured meats and Italian meat, even using international platforms would not help entrance into China.

**The second chapter** is about internationalisation strategies, for what concern the governance first and then the process itself by using the Uppsala Model.

It has been studied which might be the most suitable FDI structure in China for a food company and it turned out to be International Joint Venture (JV), considering that the Chinese government forces multinational companies to use independent JV firms for entering China and to enhance the development of Chinese infrastructure. JV makes it easier to enter the market, considering that shares risk, knowledge, distribution network and expertise, making it easier to overcome the liability of foreignness. Both Senfter and Beretta have used this structure to gain

market knowledge and exploit distribution channels of the partner. However, JV is not a once-for-all relation; it is a dynamic relationship which evolves over time, as it does the internationalisation process.

On the other hand, to study the internationalisation process Uppsala theoretical model has been used. This is based on two main criteria, the network view of the business context and the establishment chain.

According to the network view of the business context, firms expand predominantly in markets similar to or adjacent to their home market. However, we will see how relationships have an impact on foreign market selection as well as on the mode of entry in the context of ongoing network processes (Coviello and Munro 1997; see Johanson & Vahlne, 2009, p.1413).

Moreover, the evolution of the company's foreign presence is progressive (establishment chain), but when assuming this, institutional reasons, for instance commercial barriers, were not considered by the model. Reading Bråmã, Andersson and Solid (2006, p. 10), it seems clear that contextual differences between different countries and institutions make it difficult to use international studies to generalize the Swedish conditions to other countries in the Uppsala model. The theory also ignores company strategy and the local adaptation of companies, which is very important in a multidomestic industry. We will see how Chinese customers need to be educated to increase sales of Italian food in the mainland.

**In the third chapter**, with all the theoretical framework done, Fratelli Beretta and ISU (Independent Salumi Union) have been interviewed considering recent changes and developments, and their data analysed through the Uppsala Model.

The core of doing a case study is to investigate a contemporary phenomenon in depth and within its real-world context, especially when the boundaries between phenomenon and context may not be evident enough to find out which elements have influenced company success and which not. Doing a questionnaire would have not been significative, given the small number of companies with a direct FDI in Mainland China, while sample size in a case study is irrelevant (Lipsey, 1990) and it gives the possibility to understand each case more in-depth.

Having even more complete information than you need, you always give rise to further reflections, and go beyond the starting model from which the analysis begins, is both the richness, and the difficulties of the case study.

After the interview similarities and differences between the two cases with respect to the following topics have been analysed: entrance mode, human resources management, financial and economic data and plants location.

ISU Shanghai Yi Hua Food has never done export, it entered in China through a JV with completely different product compared to the domestic one and then, when it gained enough market knowledge, it decided to go alone, building a wholly owned subsidiary focused on traditional Italian food.

Differently Beretta, which tried to enter in China for the first time in 2007, approached the market at first by exporting PDO products, the only approved by Chinese government, which have been admitted in that year. Then Beretta opened a JV, at the beginning in a brownfield investment and consequently building up a new plant, making a greenfield investment.

The different plants are located all around China, actually all their factories are or were distributed in the richest cities in the mainland.

For what concern company strategy, from the analysis it can be deduced that the two strategies are similar both in terms of channels and in terms of products, with the only difference that a company, the Senfter's one, started with cost focus before arriving at the differentiation, also because it entered the country in a different historical period than its competitor, Beretta.

The last part of the analysis is focused on the Uppsala model, which is made of four variables, state and change ones. All the four state and change variables have been taken into consideration, giving the forecasted effect, generating gradually commitment - the two companies build gradually their position in the market -, trust relationship - it is a long process of customers education- and good performances – capabilities.

Entering China is about **relationships and opportunities**. Uppsala Model has been little used today for multi-household industries, which for definition require adaptation, in developing countries or in any case in countries distant from home, probably because the gradual internationalization in such cases is not the rule. It is difficult to generalize from one country to all the others, given cultural, social and macroeconomic differences among them all.

The kind of relationship seems actually relevant in discriminating successful companies from not or less successful ones. When the relationship is driven by trust and collaboration it may also help in accelerating the learning process and knowledge development. It is not given that a company's knowledge must be built on its own, this may be taken from outside partners or competitors. On the other hand if the relationship is pure network and not based on previous collaboration and trust, this may not give any additional value rather than the possibility to enter in the country.

Senfter Family (ISU Shanghai Yi Hua Food) approached China without having any other presence in the international market, and without being China a country neighbouring Italy,

since it is 7,562 km distant. Besides Beretta had previous investments across Europe and in USA (**network view of the business context**).

Beretta entered in the country with export but has still not completed the internationalisation process of the Uppsala Model, while Senfter is building his second plant on his own, showing, according to Uppsala and his model , higher commitment, which should be related and proportional to higher success (**establishment chain**).

However Beretta, has seen a growth of 20% in the last 5 years, compared to Senfter 5%, not precisely what one should expect if basing forecasts on the Uppsala Model.

According to the literature joint venture structure is not a once for all relationship, it is a dynamic relationship as internationalisation process is. Once the partner has gained enough market knowledge, he will be able to have a business alone. The issue here is whether Senfter in 2001 had enough knowledge to do a company on his own without any Chinese partner.

Actually, although Senfter is in China from more time, and although this has been helpful for learning Chinese culture, he has changed company strategy once, in 2001 when it was taken the decision of producing Italian sounding products and no more Chinese cured meats. This change in the products selections completely changed the distribution channels, targeted customers and need for marketing activities, meaning that previous knowledge were useful as foreseen. Moreover changing trademark in 2018, after 17 years of sales, contributed to creating more confusion to the management and to customers, requiring still more effort for creating trust and reputation in the market.

On the other hand Beretta has always been linear in the strategy, promoting standardised Italian sounding cured meats, besides being in a multidomestic industry which for definition requires adaptation, building knowledge of the market and an excellent reputation in it.

Changing strategy may have decreased Senfter knowledge advantage compared to Beretta. It does not matter from how long a company is investing in a country, if it changes its strategy it will be almost like starting again from the beginning in building knowledge and experience, but internationalisation should be a continuous **process of learning and knowledge development**.



## Ch.1 Why should an Italian food company be interested in the Chinese market? Chinese market analysis

The thesis will focus on understanding why an Italian food company should invest in Mainland China, how to invest in that country and which are the drivers of the internationalisation process. However, before doing that, it is crucial to understand why China can be an interesting country for Italian food companies in particular, highlighting trends and changes of the last periods in this market, which is so far from Italy. These insights should give a clue to companies whether they are or they are not able to satisfy customers' needs and whether their product might be suitable for that country or needs some changes and development, or even whether there is enough space to build an entirely new market.

An investigation of the Chinese market and of the opportunities within it has been developed. Actually, according to Barringer (2012, p. 44), opportunities may be identified by observing trends and studying how they create favourable circumstances for entrepreneurs. The main trends are social, economic, technological, political, and regulatory changes.

### 1.1. Social and cultural trends

In the following chapter both Chinese social and cultural trends will be taken into consideration. Social trends are relevant to understand which directions are taking Chinese customers' tastes and preferences. On the other hand cultural trends are important to understand because having a deep knowledge of the host country culture will surely help in doing conscious business. This assumption gains far more relevance linked to the fact that food is a multidomestic industry and most of the strategy of food companies is based on geographical decentralisation, with different commercial subsidiaries in different countries, with their own marketing strategy and product development, according to different market tastes.

#### 1.1.1. Social trends

2020 has been the year of the biggest pandemic ever due to the **virus Covid-19**. The huge impact has been caused by globalisation, although it started in China.

A part from the economic impact of the pandemic, the virus Covid-19 has had also an impact on consumers preferences, which is clearly the main social trend for the year 2020 and, surprise, it is still in line with the trends observed in the previous years.

Starting from March 2020, while the whole world was dealing with the virus, with Italy as the most affected, China was going out of the crisis. McKinsey & Company (2020) has done a webinar about how the behaviour of Chinese consumers has changed after the virus.

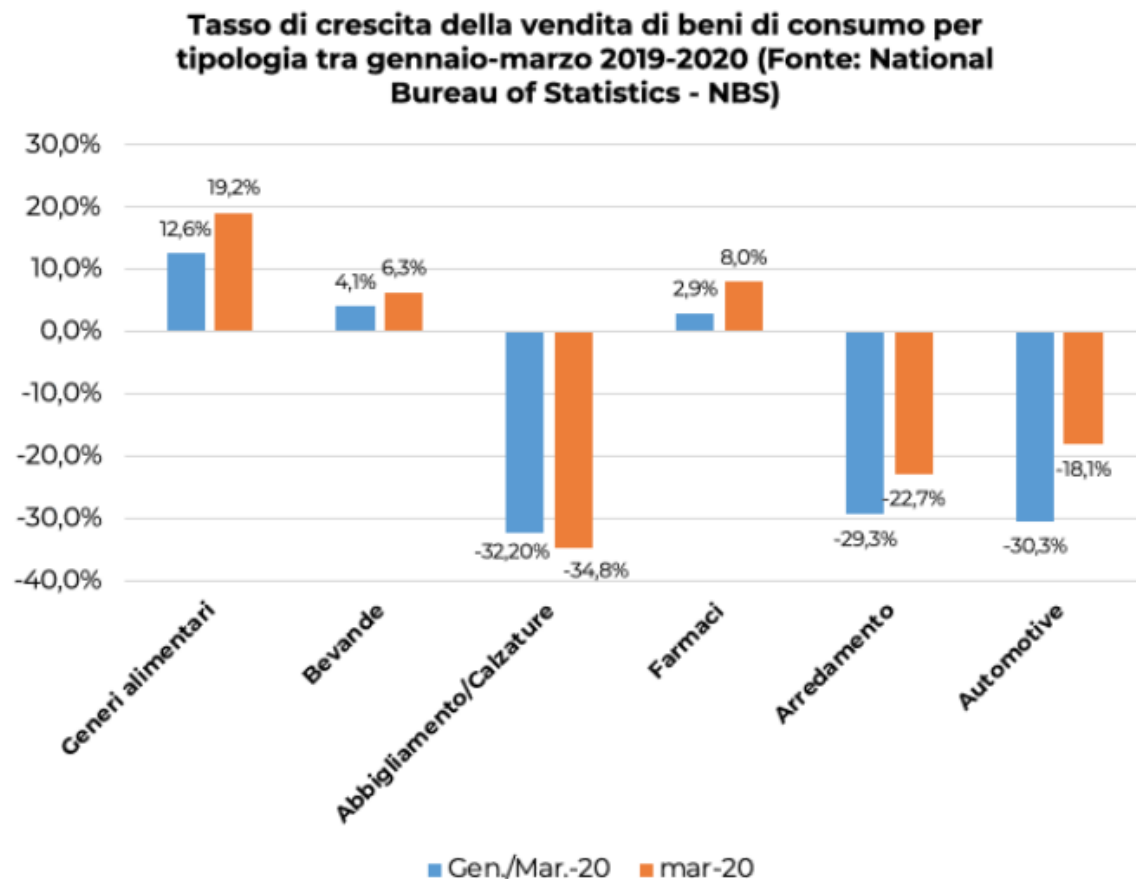
From these data emerged that the penetration of ecommerce has soared. Despite a general fall in discretionary consumption, during the pandemic the tendency to buy mainly online has been consolidated, both in already strong categories such as skincare and make-up and in categories that previously were purchased little online. In alcohol, for example, the propensity to purchase online has grown from 39% to 63%. If it is in some sense assumed that those who cannot go out purchases more online, it is interesting to understand what happens next. The analysis estimates that in the post-crisis period a part of this growth will be consolidated and that online will increase its penetration by an average of 3-6 percentage points. This is a huge jump in just few weeks.

The growth of e-commerce is driven by the approach to this distribution channel by those who previously did not buy online, and the profile of the online shopper has therefore drastically changed: if before 51% of buyers were less than 30 years old, now the impact on the total under 30 has fallen to 41%, with the over forty passed from a weight of 19% to 25%. Online shopping has become an adult game.

Although the data related to online purchases are compelling, it is not necessary that the demand will restart. In many categories' consumers show a propensity to buy less in the future than before. Both online and offline, 21% of consumers will buy less snacks (against 8% who will buy a little more or much more), 17% will buy less make-up (10% will buy more) and 16% will drink less alcohol (9% will buy more). The implications of these trends for companies are clear: the pandemic is a point of no return for ecommerce and it is needed a jump on the omnichannel strategy, also the companies that had moved more timidly in this direction. This is also true for those who thought they had more time available because they turned to a more mature customer who until yesterday was less interested in online purchases.



Romano Cappellari in his article "E dopo? Spunti dalla Cina per il marketing" of 20th March 2020, suggests not to panic and resist the temptation to make the most classic of the mistakes of the recession periods, the one of cutting investments in communication. Without the stimulation of communication there is the risk that the consumer will maintain the "bad habits" acquired during the pandemic. Of course, here too the communication mix must be in line with a digitalized consumer.



Graph. 1 – China growth rates of sales of consumer goods by type between January-March 2019-2020 (National Bureau of Statistics – NBS)

In Graph. 1 there are represented China growth rates of sales of consumer goods by type between January-March 2019-2020, highlighting that people started to purchase mainly essential goods rather than furniture, clothing, cars and more.

Consistently with this trend, at the beginning of April, when the first reopening in China began, Mintel carried out an analysis of the reaction of Chinese consumers to the various phases of the Covid-19 pandemic. From this analysis three main trends emerged, continuing even in the post-

emergency, such as the preference for fresh food and the tendency to cook at home; exponential increase in online spending in China, even by the most reluctant consumers to use new technologies, starting with the older ones, especially for the grocery; the renewed interest in local products and nearby shops. The latest trends can certainly be disadvantageous to exports and, in this sense, the advice of Mintel to companies and retailers is to consider long-term policies: those who succeed in ensuring more adequate and rapid responses to the needs of communities will emerge reinforced by the crisis (Foodweb, 2020).

Coherently with the suggestion of Mintel, an article from Food.net in May, written in collaboration with ICE, highlights that food consumption in China has remained resilient and a promotional plan adapted to the new scenario will also support import products in the medium term. Last year, imports of agri-food products into China reached USD 570 million. Particularly popular are the basic products of the Mediterranean diet such as wine, pasta, and extra virgin olive oil, but also chocolate, coffee, mineral water and cheese. As regards the final demand for both packaged and frozen products and fresh products, a positive dynamic has been observed, in particular for fruit and vegetables, dairy products, meat and fish, while for sauces, seasonings and vegetable oils a decrease in volumes consumed has been seen, due to the strong contraction recorded by the channel HO.RE.CA. (Food.Net – Maggio 2020).

This statements have been confirmed by Filippo Fasulo during the Webinar “La Cina post Covid: scenari e prospettive per affrontare la ripresa economica”. There has been a turnaround of the trends in the change of the “basket of goods” of Chinese customers (Tab.1) which was seeing a decrease in the food and beverage expenses among 2002 and 2017. This trend is strictly connected with the attention to the quality of product, giving high potentiality and margin to our agri-food sector (Filippo Fasulo).

**Total Retail Sales of Consumer Goods In April 2020**

Item	April		Jan-Apr	
	Absolute Value (100 million yuan)	Y/Y (%)	Absolute Value (100 million yuan)	Y/Y (%)
<b>Total Retail Sales of Consumer Goods</b>	28178	-7.5	106758	-16.2
Of Which: Retail Sales of the Enterprises (units) excluding automobiles	25095	-8.3	97357	-15.5
Of Which: Retail Sales of the Enterprises (units) above Designated Size	10588	-3.2	37608	-16.3
Of Which: Online Retail Sales of Physical Goods	-	-	25751	8.6
Grouped by Different Areas				
City	24558	-7.5	92413	-16.3
At and Below County Level	3620	-7.7	14345	-15.4
Grouped by Consumption Patterns				
Catering Services	2307	-31.1	8333	-41.2
Of which: Income of Catering Services of the Enterprises (units) above Designated Size	505	-27.9	1786	-38.6
Retail Sales of Goods	25871	-4.6	98425	-13.1
Of which: Income of Retail Sales of Goods of the Enterprises (units) above Designated Size	10083	-1.5	35822	-14.7
Of which: Grain, Oil, Foodstuff	1154	18.2	4996	13.8
Beverages,	166	12.9	635	6.3
Tobacco and Liquor	261	7.1	1109	-9.8
Garments, Footwear, Hats, Knitwear	799	-18.5	3057	-29.0
Cosmetics	224	3.5	876	-9.4
Gold, Silver and Jewelry	155	-12.1	583	-32.5
Commodities	471	8.3	1787	-1.2
Household Appliances and AV Equipment	607	-8.5	2002	-24.5
Traditional Chinese and Western Medicines	433	8.6	1644	4.3
Cultural and Office Appliances	261	6.5	923	-0.8
Furniture	115	-5.4	359	-23.1
Communication Appliances	386	12.2	1451	0.1
Petroleum and Related Products	1386	-14.1	4998	-21.1
Automobile	3083	0.0	9400	-22.6
Building and Decoration Materials	129	-5.8	405	-18.9

Tab. 1 – Total retail sales of consumer goods in April 2020 (Fasulo, 2020)

**Which were the trends before coronavirus?**

According to Peter Pivelli of Justfood.com, yet in 2019 the trends forecasted for 2020 in the food market where: do it yourself food, heating products on-the-go, goody boxes, light eating, singles people. Also Tmall has revealed seven trends in China F&B consumer market, which are small packaging, diet replacement meals, low sugar, international brands, internet sensations, inter-industry cooperation and revival of cultural elements, which might seem contradictory to the increasing interest in international brands. The truth is that what matters most is the path in which consumers preferences are going, and the fil rouge of that path is healthy lifestyle and sustainability, matched with increased curiosity for cultures.

However, it remains true that going abroad requires an understanding of local tastes. Chinese consumers are changing their preferences, there is a strong demand for simple and healthy food, whichever must be convenient.

Rosie Lintott (2019), basing on Global Data’s report, found that Chinese consumers are being influenced by the global trend towards healthy eating; consumers are becoming more conscious about their overall health and pay more attention to the nutritional value of dishes and food. Be

careful that Organic restaurants are growing in popularity and Veganism has also become more popular among the Chinese food industry. According to statistics from the South China Morning post the vegan market is expected to rise by more than 17% from 2015 to 2020.

Chinese consumers, especially those in the growing middle class, are very concerned about food safety, and safe supply chain.

“If you don’t have safety, it is going to backlash on every other trend that we talk about, be it health or sustainability”, Stephane Alpern, managing partner of Kantar Consulting for Southeast Asia, told to the recent Food Industry Asia (FIA) Food for Future Summit in Singapore (WARC, 2019).

According to Luisa Burwood-Taylor (2019) in any country, a fragmented, opaque, and inefficient supply chain is at the heart of the problem, particularly when it comes to perishables like meat and vegetables. In early-stage deals, several companies raised funding for blockchain-enabled traceability technologies. PDO (Protected Designation of Origin), COD (Controlled Designation of Origin) and PGI (Protected geographical indication) are clear signals of a safe supply chain and there are actually relevant data reflecting the preferences of middle-class Chinese customers for these kinds of products. Ecommerce giants and Chinese government are making several deals with Italy in order to protect them.

Food safety is the assurance that food will not cause harm to the consumer when it is prepared and consumed according to its intended use (World Health Organization, 2017). It is a global issue that affects the health of populations in both industrialised and developing countries (DeWaal & Robert, 2005) and is day after day gathering more relevance for Chinese customers, mainly in the emerging middle class.

Recent progress on food safety legislation and regulation, however, has been limited by the huge scale of China’s food industry, which makes it difficult to uphold high safety standards across the vast diversity of food products. As it is the case with other large developing countries such as India (Umali-Deininger & Sur, 2007), China’s regulatory approaches are complicated by the sheer size of the food sector: more than 450 000 food production and processing companies are active in China, 350 000 of which are small enterprises with fewer than ten employees. For these small food companies, the wide array of required safety tests can be a significant burden, particularly in the absence of cheap and standardised testing protocols. One important way forward is to aid and training to these small enterprises, particularly by teaming them with private sector developers of standardised food safety tests. With support from

regulators, these developers might play a part in training food industry personnel to comply with government standards, while providing safety tests and certifications for the wide range of food products covered (Lam, Remais, Fung, Xu, & Sun, 2013). Knowing that health and safety is one of the main trends in the food industry it is relevant to communicate values and quality of Made in Italy products, highly above of Chinese ones in terms of safety, also according to what was reported right before.

**What about Made in Italy products?** Italian cuisine is very popular in the Asia-Pacific region; products, such as Prosciutto di Parma (Parma ham) and Parmigiano Reggiano are already very well known. It is a simple cuisine, made with healthy ingredients that Millennials appreciate. On ItalianFood.net (2018b) it is claimed that Chinese consumers, especially those who have travelled beyond the Great Wall, are increasingly aware of Western food, which they have come to appreciate and, in some cases, know very well. Some have become true ambassadors of Italian dinner table lifestyle.

To confirm this assumption, on the same online journal ItalianFood.net (2019d) it is declared that “This year, for the first time, the Mediterranean Diet ranked as first in the Best Diet Overall. The world renown Italian typical diet got the first place by decision of a panel of health experts at the U.S. News and World Report. Every year, journalists and editors research 41 different eating programs, consulting medical journal entries and government reports, before assembling the list and writing a brief profile of each one. Among the panel of experts are nutritionists, doctors, researchers, and professors from some of the country’s top universities”.

Social trends might be forecasted but macroeconomic shocks might happen and change them consequently. In this case what might not be true anymore are the do it yourself food, heating products on-the-go, goody boxes, light eating, singles people, but on the other hand safety and healthy food has increased its appreciation and the value of Made in Italy remains way higher, in particular PDO and CDO products, and are a good weapon in the internationalisation strategy. What can be interesting is to understand how Italian companies have thought the value of their product to Chinese customers and how they have created their own market, to keep them as example. The case study will help in doing such analysis.

### 1.1.2. Cultural trends and Hofstede cultural dimension

All the previous social trends underline a changing culture. **Culture** is the acquired knowledge that people use to interpret experience and generate social behaviour. Every culture has its own

values that may influence international management (Luthans & Doh, 2012) and should be analysed and then taken into consideration when deciding which product to offer and how to do it.

When entering China, keep in mind that it is significantly different from home country. It may happen that geographic differences make the product useless. Similarly, while a company has been successful in the home market, it might be too early or too late for China. The secret to success is to test early, test cheap, be open and adapt to culture (Luzikova & Krivoshey, 2020).

Of all the ideologies that influenced the thinking and life of traditional and agricultural China, Confucianism should account for the most (Fu, Wu, Yang & Ye, 2008, p.878). Smith (1894, p. 295; see Fu, Wu, Yang & Ye, 2008, p.878) stated that “Confucianism is the base, and all Chinese are Confucianists, as all English are Saxons”.

According to Confucius (1992, 2:3): “Lead the people with governmental measures and regulate them with laws and punishment, and they will avoid wrongdoing but will have no sense of honor and shame. Lead them with virtue and regulate them by the rules of propriety, and they will have a sense of shame and, moreover, set themselves right”.

Chinese economic system had the following main characteristics. All major industrial enterprises were owned by the state, as required by state socialism (state ownership). There were many privately owned small businesses, but they were all eliminated during the 3-year “Socialist Transformation” movement launched in 1956. The economic system was highly centralized and planned (central planning); and there was the dominance of the Chinese Communist Party (Fu, Wu, Yang & Ye, 2008, p.881). It will be clear, when analysing culture, how these three variables directly affected people's mindset and point of view.

With the goal of analysing Chinese culture completely, without losing any detail, it has been used Hofstede's model of cultural dimensions, which explains how culture can be affected. Many variables have to be taken into consideration when approaching HRM in a new market, and culture affects them all (Hofstede, 2003).

It will also be taken into consideration GLOBE project, which is the acronym for “Global Leadership and Organizational Behaviour Effectiveness”, a 62-nation, 11-year study involving 170 researchers worldwide, which has many parallelism with Hofstede model and might be jointly analysed.

Hofstede's cultural dimensions are power distance, uncertainty avoidance, individualism vs collectivism, masculinity vs femininity, time orientation and indulgence versus restraint. All

these variables will be analysed and in the following case study only the relevant ones will be taken in consideration.

**Power distance** is the extent to which less powerful members accept that power is distributed unequally (Hofstede, 2003).

According to Chinese culture a person's social status, no matter how high or low, is given at birth (Yang, 1993; see Farh & Cheng, 1999, p. 99). Moreover the virtue of obedience is the cultural root of paternalistic leadership and can be found in many overseas Chinese enterprises (Farh & Cheng, 2000; see Fu, Wu, Yang & Ye, 2008, p. 879).

The analysis of the actual Chinese culture underlined how people have a common desire for more equality than they currently have, while Chinese managers demonstrate a higher level of tolerance for inequality of power in society. This is the result of two opposing forces: while the internal forces from the still highly-respected traditional values are pulling the Chinese business leaders away from becoming competitive, the external pressures form an opposite force, is pushing these leaders toward becoming increasingly competitive (Fu, Wu, Yang & Ye, 2008, p. 891). Young people now can quit their jobs for better opportunities, they can look for jobs themselves instead of having to be assigned by the government, they no longer have to work in places where they were born, but can work thousands of miles away from home without being punished. They are becoming more independent.

**Uncertainty avoidance** indicates the extent to which people seek order, consistency and structure to cover situations in their daily lives; try to avoid uncertain and ambiguous situations by reliance on social norms and procedures; and belief in absolute truths and the attainment of expertise (House, 2002).

In China, when conflicts occur, doctrine of the mean (avoiding extremes, also translated as moderation) is the principle to handle them. Confucius believed that any extreme ideas would lead people astray and create disorder in society, and therefore urged people to control their emotions and refrain from desires in order not to lose insightfulness and the ability to remain obedient to one's superiors under all circumstances (Fu, Wu, Yang & Ye, 2008, p. 879). This can be seen looking at 60s and 70s business practices. During those years people wanted "unity and order" to such a degree that they would run their businesses the same way year after year without change, maintaining the same structure, the same products, the same everything (Fu, Wu, Yang & Ye, 2008, p. 891). Now that unprecedented changes are going on in China, although people enjoy a better living, many of them are worried about the loss of "order", therefore longing for more rules and regulations to reduce uncertainties.

**Individualism** is the tendency of people to look after themselves and immediate family only, while **collectivism** is the tendency of people to belong to groups and to look after each other in exchange for loyalty (Hofstede, 2003).

In the GLOBE project collectivism has been divided into institutional and in-group collectivism. Institutional collectivism measures the degree to which individuals are encouraged by societal institutions to be integrated into broader entities, such as the extended family, the firm, or the village (Fu, Wu, Yang & Ye, 2008, p.889). “Chinese think of themselves using more group-related concepts and they see their ideal ‘self’ as being closer to their social self” as shown by Michael Bond (1991, p. 34; see Fu, Wu, Yang & Ye, 2008, p. 889). This happened 20 years ago, but now the changes taking place in China, especially within the business context, are challenging the collectivistic orientation and individual contributions are now being acknowledged and rewarded (Fu, Wu, Yang & Ye, 2008, p.889).

In-group collectivism is the degree to which members of a society take pride in membership in small groups such as their family and circle of close friends, and the organizations and units in which they are employed (Fu, Wu, Yang & Ye, 2008, p.890). In China, the pursuit of individual interests at the sacrifice of families has always been discouraged; altruism and loyalty, to parents at home and to bosses at work, are values that the society tries very hard to instil in children. However young people are becoming increasingly independent, they move away from their parents as soon as they can and at work they are no longer constrained to the organization (Fu, Wu, Yang & Ye, 2008, p.890).

Anyway young people are becoming more and more competitive, consequence also of the school teaching methods for which only the best may graduate and go to the best colleges. This trend is also confirmed by what is said about the power distance issue, young people may independently choose their preferred job and can constantly look for the best option. Competition and proactiveness however are not at all a synonym of collectivism but of individualism.

**Masculinity** societies give great importance on earnings, recognition, advancement, and challenge. Individuals are encouraged to be independent decision makers, and achievement is defined in terms of recognition and wealth. The workplace is often characterized by high job stress, and many managers believe that their employees dislike work and must be kept under some degree of control. On the other hand **femininity** is characterised by cooperation, a friendly atmosphere, and employment security. Individuals are encouraged to be group decision makers, and achievement is defined in terms of contacts and living environment. The workplace tends



to be characterized by low stress, managers give their employees more credit for being responsible and allow them more freedom (Hofstede, 2003).

In China there was a strong belief that the eldest male possessed absolute authority, and all others were expected to be absolutely obedient and loyal to the family head (Fu, Wu, Yang & Ye, 2008).

Traditional masculinity ideology is still endorsed highly as shown in Levant et al. (1996; see Fu, Wu, Yang & Ye, 2008, p. 889) study. Masculine behaviours such as assertiveness, dominance, and aggression are therefore be highly acceptable in China.

In GLOBE assertiveness was seen as a measure of the degree to which individuals in a society are dominant and aggressive in social relationships and Chinese managers have a much stronger desire for the society to value assertive behaviour in comparison to others. This fact may be due to rapid changes in society, which consequence is an extremely high level of uncertainty, urging Chinese people to become increasingly aggressive to protect themselves.

On the other hand unique Chinese cultural concepts such as mianzi, renqing (which refers to being kind, benevolent, righteous, or respecting the feelings of other people (Fu, Wu, Yang & Ye, 2008)) and guanxi strongly indicate otherwise, coherently with a femininity society.

**Long term oriented** societies focus on the future and on achieving long term results, are able to adapt traditions when conditions change, and tend to save and invest, while short term oriented societies focus on quick results, do not tend to save, and value stability and leisure (Hofstede, 2003). Hofstede (1993) pointed out that Chinese culture is long-term oriented. China is a farming country, and for farmers, planning long-term meant to save the most possible and thriftiness was a virtue cherished in the traditional agricultural society that now forms the backbone of China (Cheung et al., 1996; see Fu, Wu, Yang & Ye, 2008, p. 892). But the GLOBE items on this dimension, which actually have the same meaning as in Hofstede (1993), do not capture thrift or saving. One possible reason according to Fu, Wu, Yang & Ye (2008) is that nowadays there are high levels of uncertainties caused by the too many changes happening in China. Once Chinese people used to put into the bank every single penny they could spare, but now that the government has dropped the interest rate to such a low level in order to stimulate expenditure there is no incentive to save anymore.

While people may be discouraged to think long-term, the political route is highly characterised by a long term orientation, take for instance The Belt and Road Initiative (Wikipedia, 2020), a global development strategy adopted by the Chinese government which includes the development of infrastructure and investment in 152 countries and international organizations

in Asia, Europe, Africa, Middle East, and the Americas, which aspires to be completed by 2049, (more than 40 years from the beginning) 100th anniversary of the People's Republic of China.

These ongoing changes in the Chinese culture allow us to analyse the relationship among industry type and culture's consequences on innovation, using a study done by Allred & Swan (2004). Following Ghoshal & Nohria (1993), construction and mining machinery, industrial chemicals, nonferrous metals, and scientific instruments are categorized as global industries. Beverages, food, household appliances, and rubber are categorized as multidomestic industries.

Focusing on the **multidomestic industry**, it emerges that high-power distance is more negatively related to firm innovation. Multidomestic industries generally have greater informality, non-standardization, and environmental complexity (Ghoshal & Nohria, 1993). Thus, firms in multidomestic industries are more likely to be negatively affected by high uncertainty avoidance in the pursuit of innovation. Multidomestic industries are better suited for individualistic cultures, while global industries are better matched with collectivist cultures. In a multidomestic industry the approach is to maximize the number and range of options. This individualistic behaviour is accomplished through a loose structure in the initiation stage (Johns, 1984). Masculinity will be more negatively related to firm innovation in multidomestic industries than in global industries but there is no significant moderation effect of industry type on the relationship between masculinity/femininity and innovation. Multidomestic industries are more likely to be tradition bound and protectionist for short-term gain (Allred, Brent & Scott, 2004).

Comparing what has been said about Chinese cultural changes and what are the successful cultural aspects when operating in a multidomestic industry, it seems that China and Chinese people are day after day more suitable for multidomestic industry internationalisation strategy. Power distance is preferred low, in China it is lowering and consequently people can be more innovative and autonomous. High uncertainty avoidance is discouraged, but young people's proactiveness goes with entrepreneurship and tolerance for ambiguity, although eldest and less educated people still highly dislike changes. Multidomestic industries are better suited for individualistic cultures and Chinese are detaching from collectivism, becoming more independent. Anyway Chinese, young and old, are still strictly loving their culture and that is why a multidomestic approach, adapting to the market tastes, is highly needed.

The relevance of this analysis is related to the high influence that the right collaborators and employees have on being successful abroad.

Beyond exporting product, when a corporation wants to settle a permanent establishment in Mainland China, it has to keep in mind that it is significantly different from home country. Different people in different countries have different culture and conception on organization behaviour. The diversity and complexity of cross-nation and cross-culture may result in strategy conflicts for multinational companies when they implemented international standardized human resource management (Daft, 2007; see Wu, 2008).

However changes in culture are taking place and the young generation is way more similar to western culture than the oldest one. Young people are competitive and high achievers, meaning that they can give additional value to the company they work for but still they need relevant rewards, extra incentive, and a variety of compensation and benefits to keep working hard (Wu, 2008). Unfortunately, the Chinese Ministry of Education claimed that the ratio of science graduates and arts graduates is unbalanced in the past five years. More and more young people major in arts rather than science with certain reasons (Ministry of Education PRC, 2006; see Wu, 2008). Despite the change masculine behaviours such as assertiveness, dominance, and aggression should therefore be highly acceptable in China. If the company struggle to keep and transfer its Italian values the best solutions is to get expatriates, someone who has chosen to live in a country other than the one in which he or she legally resides (Noe, Hollenbeck, Gerhart and Wright, 2006; see Wu, 2008) at top management, but never as HR Manager.

Another relevant aspect with Chinese is that they are long term oriented, so when making a deal do not give rush, be patient, do not put too much emphasis and stress the dealer. Actually when doing business negotiation with Chinese, foreigners may discover Chinese are a group of “gentlemen” (Ghauri & Fang, 2001; see Wu, 2008). So if foreign multinationals want to do business in Chinese market, they need to take a people-oriented approach and establish a high level of trust relationship with Chinese partners.

## 1.2 Economic trends and political changes

Not only social trends and cultures are relevant when choosing a country where to invest. Macroeconomic figures and regulatory changes are crucial when understanding whether the country where you may have found an opportunity is suitable to the company and which eventual changes might be made. In this chapter it has been analysed whether China is a suitable country for Italian food companies and for which reasons.

### 1.2.1. Reasons for investing in one country rather than another one

In choosing FDI it is fundamental to observe country characteristics and economic and political trends.

**Trade costs**, for instance transport costs, are crucial variables for explaining the pattern of FDI, being one of the motivations for establishing new plants in other countries rather than exporting. Trade costs and barriers are both industry and country specific and therefore they vary both across industries and across country pairs. A study made by Ekholm (1998) found out that foreign affiliates are more likely to be set up if presence in the market through exports has already been established. However once this decision has been made, the more costly it is to supply a foreign market through exports, the greater the relative importance of affiliate sales. Trade costs induce firms to undertake FDI to serve foreign markets through local production rather than through exports (Hanson, 2001).

Considerable economic policies and alliances are in place to lower the cost of trade towards China. The most relevant project is the *Belt and Road initiative* (Wikipedia): In March 2019 China signed an infrastructure plan with Italy, becoming the first European country to join the Initiative. In any case, the agreement is not entirely binding and does not prejudice the Western political and security alliances of Italy. The project is often described as a 21st century silk road, consisting of a "belt" of land corridors and a maritime "road" of sea routes.

The "Belt" refers to land routes for road and rail transport, called "the Economic Belt of the Silk Road"; while the "road" refers to maritime routes, or the Thirst Marine Road of the 21st century, which will end in the port of Venice. The Chinese government calls the initiative "an attempt to improve regional connectivity and embrace a brighter future". Some observers see it as a push for Chinese dominance in global affairs with a China-centred commercial network. The objectives of the project are: "building a large unified market and making full use of international and national markets, through cultural exchange and integration, to improve the mutual understanding and trust of member nations, leading to an innovative model with capital inflows, pool of talent, and technology databases." The initial emphasis was on infrastructure

investment, education, building materials, railways and motorways, the automobile, real estate, electricity and iron and steel.

As stated by China, “the focus on connectivity within the BRI is both about facilitating trade and investment, and thereby development of neighbouring countries, as well as strategically shoring up its own security of energy, resources and food by taking a regional leadership role with its most important neighbours.” OECD (2018) revealed that huge infrastructure would be built to encourage trade and free trade zones along Belt and Road will be established. Pros and cons have emerged since the announcement of the BRI project, focusing on political goals and equilibrium, further analysis may be required, although not the focus of this thesis.

On this trend of economic collaboration among Italy and China, yet in 2016 Alibaba, the B2C e-commerce website visited by hundreds of millions of buyers every year, introduced 500 Italian labels on Tmall. In the article ItalianFood.net (2016) claimed that “Alibaba has also committed to fighting counterfeit Italian products within its platforms. This represents a great test of faith in the potential for growth of Italian exports through e-commerce, which, in China, is very important to prevail over competitors. China has become the largest consumer of red wine in the world, and Italian quality has all it takes to close the gap and be up there with these countries.”

In 2018, ItalianFood.net (2018a) disclose the three years renewal of the agreement among Alibaba and the Italian Ministry of Agriculture, under the supervision of Italy’s Central Inspectorate for Quality Protection and Fraud Prevention of Agri-Food Products (Icqrf). Online sales are a great opportunity for Italian products both generally abroad and in China, but consumers and businesses still need to be protected from counterfeits.

Not only Alibaba is playing the game. According to ItalianFood.net (2019b) “At the side-lines of the EU-China agreement about Geographical Indications, and during the 2nd China International Import Expo (CIIE), Suning International retail chain started a partnership with Italian Trade Agency (ITA-ICE) to provide ‘Authentic Italian’ products for Chinese consumers. The goal is to raise awareness among Chinese customers about the quality of Italian products and to leverage upon the concept of authenticity in order to increase the offering and the sales of Made in Italy products, as well as the exports of such products to China. Suning will conduct a series of online and offline marketing campaigns to increase the consumption of authentic Italian products in China, promoting better understanding of Italian products among Chinese consumers. In addition, ITA will support Suning to facilitate the sourcing of Authentic Italian products with marketing investment and to establish the Suning-Italy Retail Academy, a training program that aims to cultivate professional overseas buyers.

As concern economic policy, with regard to the protection of Made in Italy, as it is relevant under the change in the preferences of Chinese consumers, the 6th November 2019 was signed a bilateral agreement by the European Commissioner for Agriculture Phil Hogan and the Chinese Minister of Commerce Zhong Shan (ItalianFood.net, 2017). This agreement would protect 100 European Protected Geographical Indications in China (26 of which are Italian) and as many Chinese PGIs in Europe. Why is that crucial? “Geographical indications, and certified productions, therefore, continue to be a key factor in the growth of Italian products in the world. Their exports add up to 7.8 billion euros, accounting for 21% of agri-food exports: a positive trend that almost reaches double-digits (+9.6). The food sector – consisting of more than 80,000 operators – is worth 6.35 billion euros (-1.5% per year) in terms of production, and currently enjoys a +1.7% consumer growth, which reaches +5% in retail. The wine sector, whose production of certified bottles reached 2.84 billion (worth 7.4 billion euros in terms of production for a 5.8% growth). In Italy, the PDO, PGI and CDO systems guarantee quality and safety.” (ItalianFood.net, 2017)

These latest policies and agreements are clear evidence of how e-commerce giants and Chinese government is paying attention to people's new habits and preferences, in order to make deals and create additional commercial value. Different entities and institutions have been demonstrating their interests across the last few years, signing agreements, believing in the relevance of Made in Italy export in China.

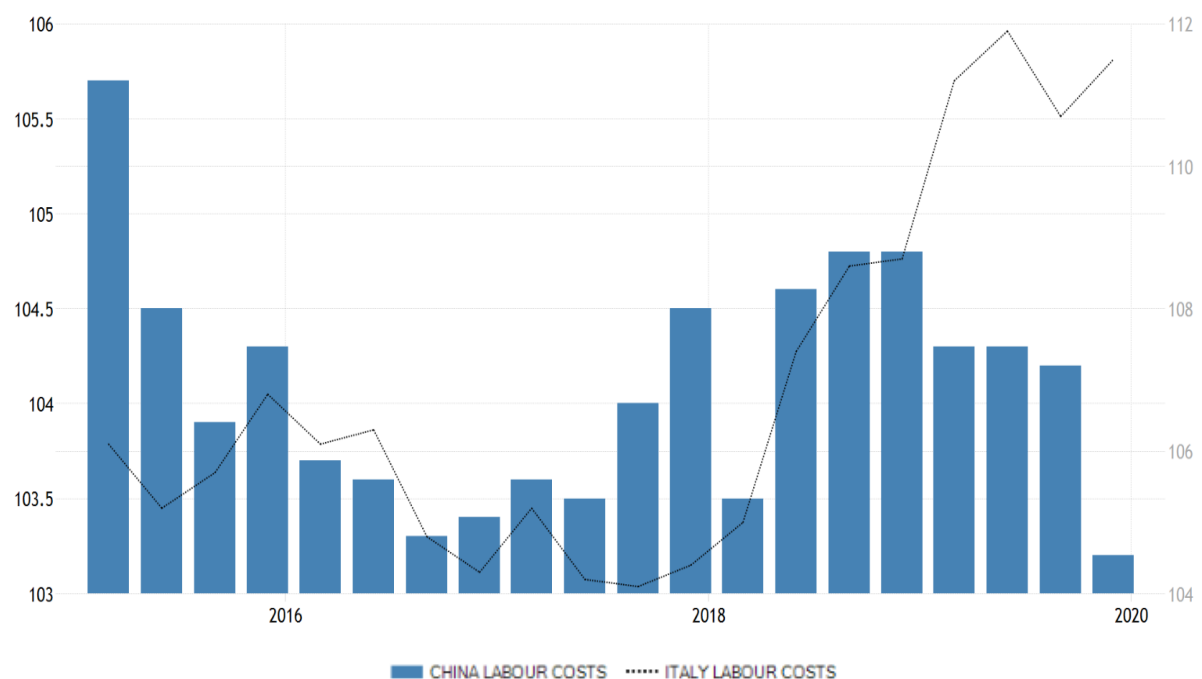
An indicator of the path is the trend of Italian export to China from January to August 2019 (James Ferguson, 2020). The volume of sales has been 140 tonnes, + 48,7% than 2018, for a value of 1,7 million € (+38%) and the estimated exports of meat and cured meats in 2019 was about 50 millions. 2019 has seen an increase in the pork meat price of 40% compared to the previous year. Chinese customers are willing to pay when quality is well communicated and ensured. Top exported products have been PDO Parma Ham and PDO San Daniele Ham, meaning that Protected origin is a clear index of quality and safety.

Moreover the **size of the market** is one of the fundamental factors for attracting FDI; increasing market size, measured as the total income (GDP) of the host country increases affiliate production: investing in a given foreign country implies large fixed costs, firms are willing to afford these costs if prospective sales are large (Navaretti & Venables, 2006). The affiliate production for the local market is more sensitive to the size of the local market than affiliate production for exports; also, the relative market size of home and host countries matters for FDI; theory predicts that when national markets are of similar size this should have a

positive effect on HFDI. In 2017 Chinese population was about 1,386 billion people (United States Census Bureau, 2017), compared to the European population which was 741,4 million people.

While market size is conducive to economic transactions, **geographical distance** discourages it (Ekholm, 1998). ItalianFood.net (2018b) stated that “The greatest hurdle for Italian companies is of a logistical nature. As it takes days to receive shipments from Italy, some distributors are turning to Australia (which is much closer), which provides them with cheaper non-authentic ‘Italian’ products.”

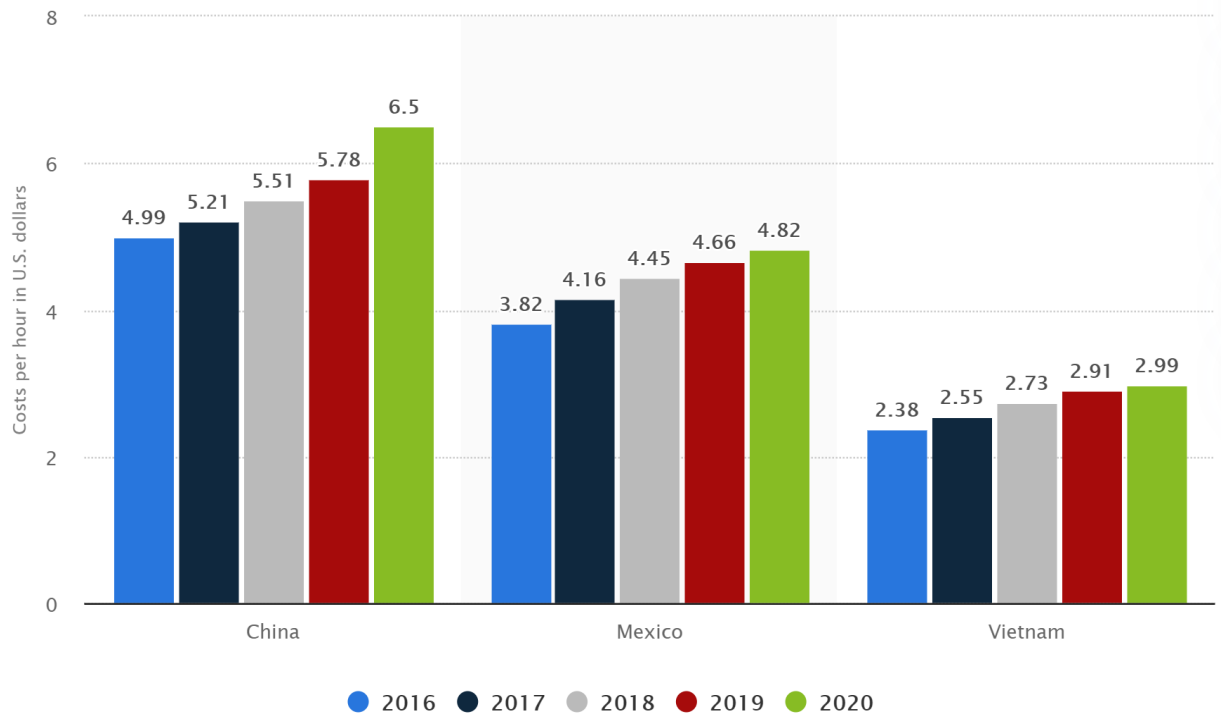
**Production costs** play a mixed role in choosing the FDI country because, although labour cost differentials should be an incentive in investing abroad, there is the possibility that this difference is related with lower productivity, whose consequence is the so called back shoring effect: after having brought the production abroad the company takes it back to the home country (Navaretti & Venables, 2006).



Graph. 2 - Chinese vs Italian labour costs (Trading Economics, 2020)

In Graph. 2 both Chinese and Italian labour cost are counted in points to avoid exchange rate and differences in currency turmoil, and it is clear that China labour costs are considerably lower than Italian. However in Graph. 3 it is shown how China labour cost is growing and for

this reason lots of companies are now moving their production in other developing countries of South-East Asia, like Vietnam.



Graph. 3- Manufacturing labor costs per hour for China, Vietnam, Mexico from 2016 to 2020 (Statista, 2020)

Now China is a leading economy and production costs are no more the main drivers of internationalisation and localisation. Moreover, as regards the food industry, what it has been tried to show is that the success factor is product quality and safety. To be consistent with this message and to properly communicate it, it is relevant to still produce in the home country and then be present in the host with a different establishment than pure production.

**Tax differentials and policies** may attract FDI. A potential benefit from being a multinational is the ability to shift profits through transfer pricing strategy from countries where the taxation is high to countries with low corporate taxes (Navaretti & Venables, 2006). Therefore countries may reduce corporate taxation to attract more FDI and their actions may lead to tax competition between countries, thus influencing the tax rates in different countries. Tax rate may influence the location decision by the firm: low corporate tax rates attract investment by foreign firms. Anyway, as with transfer costs, differences in taxation mainly influence the choice of where to locate the FDI, once the decision to undertake an investment has already been taken (Hines, 1999).



As regards China and Italy relationship, on 23rd March 2019, it has been signed a new Double taxation agreement (DTA), giving Chinese and Italian investors more favourable terms when doing business with each other. According to Belt & Road News (2019) “The tax breaks and incentives introduced in the updated China-Italy DTA are designed to encourage more cross-border trade and investment between the two countries while making doing business easier”. This economic policy can be compared with USA one. While China is opening doors to Made in Italy products, the USA is closing them. The United States can impose tariffs on EU goods worth a total of 7.5 billion dollars per year (6.8 billion euros), as claimed by ItalianFood.net (2019e).

Despite the threat of additional duties, exports of Italian food in the USA in June 2019 were flying, with a jump of +9.4% in the same period of 2018 (ItalianFood.net, 2019a).

**Proximity to other firms** and clients may play a role for the location of FDI. According to Marshall (1920) industrial clusters and industrial districts have at least three main reasons for which firms benefit from locating close to each other: knowledge spillover, labour pooling and input-sharing, forward and backward linkages between customer and supplier firms. There is a positive relationship among product specialisation and level of inward FDI (Braunerhjelm et al., 2000). Technological knowledge externalities/spillover have many channels through which they can get diffused: direct personal contact, workers movement among different companies or by being predictable consequences of explicit contracts.

Quality of infrastructure and of institutions and degree of industrialization are also factors determining FDI (Wheeler & Mody, 1992), with macroeconomic and political stability, corruption, and criminality.

### 1.2.2. Investing in a developing country

A side of the economic trends is the definition of developing vs developed or advanced countries. In this chapter it will be understood which kind of country China is and how this influences the fact of being in a multidomestic industry.

The share of **developing countries** has been rising. In these countries FDI are generally made through a greenfield direct investment because host country firms are often not developed enough, and it is more profitable for MNE to create new ones. The increase of FDI flows to developing countries reflects the growing importance of FDI as a source of financing of these economies. It is not surprising that developing countries lack sufficient domestic resources and they need foreign capital to finance their investments (Navaretti & Venables, 2006).

Some trends about developing countries (China, India, Indonesia) show that they had increased their share of outward flows through the 1970s and 1980s to a peak of 15.3% of world flows in the mid-1990s, to see it declining again in the late 1990s (Navaretti & Venables, 2006). FDI flows into China in 1993–2000 constitute over 30 per cent of total FDI in the developing world. By 2000, the total FDI received in China reached \$347 billion (Navaretti & Venables, 2006).

Within the developing world, only the Asian countries (especially China, Hong Kong, Taiwan, South Korea and Singapore) supply a significant share of world flows by the mid-1990s; most of these investments took place within Asia and therefore declined drastically in the aftermath of the Asian crisis in 1997.

Nowadays it is still not clear whether China, who has exploited a great growth in the last decades, is still a developing country or a developed one. Clara Weinhardt (2020) in her article “Emerging Powers in the World Trading System: Contestation of the Developing Country Status and the Reproduction of Inequalities” tried to strategically reframe the boundaries of the developing country categorisation in the World Trade Organization (WTO). WTO grants special and differential treatment (S&D) to its developing country members. S&D comprises measures such as exemptions from tariff cuts for developing countries and longer transition periods when implementing new liberalisation obligations or financial aid. According to these special and differential treatment principles, developing country members are granted certain exemptions and flexibilities, while developed country members are asked to improve market access conditions for developing countries or to provide financial or technical assistance. Although China is not only an emerging country but yet a world power, they still defend their self-declared developing country status, given the low levels of per capita income within their countries, consequently producing inequalities among groups. Pascal Lamy, former Director General of the WTO assessed that the rule of the game for emerging countries is still not clear and WTO members have not made up their mind whether China is a rich country with many poor people, or a poor country with many rich people. Actually China is not the only country whose taking advantage of this informality and lack of clear criteria for defining boundaries, also India, Qatar or the United Arab Emirates continue to claim developing country status in the WTO. However just because China claims to hold developing country status, this does not mean that this framing takes hold in the WTO.

Although China classification is still uncertain, let us consider it as a developing country. Thanks to globalization, developing countries have been able to increase their share of global trade, investment and production. A large number of developing countries have also seen the

positive effects of the IT revolution in the acceleration of their respective socioeconomic and political reforms. However, some developing countries have been incapable of making use of, and coping with, the effects of globalization (Hirono, 2001). Mass poverty has not been eradicated from many developing countries, and new types of “poverty pockets” have emerged according to Louis Emmerji, (1997). Although economic growth in developing countries has grown much faster than in industrialized countries, the level of poverty in developing countries is still consistently high, because of economic stagnation; high population rates; high unemployment; greater income discrepancies; and the rapid destruction of the family (Hirono, 2001).

In China, the difference among richer and poorer might be geolocalized in rural and developed regions, so called regional inequality. A study of Zhang & Zhang ( 2003) analysed the contribution of two major driving forces of globalisation, foreign trade and foreign direct investment (FDI), on regional inequality applied to China. Theoretically globalisation would make a developing country more egalitarian through raising wages of its abundant low-income unskilled labour, because the country has comparative advantage in producing unskilled labour-intensive goods and services (Deardorff & Stern, 1994; see Zhang & Zhang 2003). Being the largest trading nation and the largest recipient of FDI in the developing world, China has obviously been a major participant in the process of globalisation for the past two decades. Perhaps China’s economic integration with the world has been accompanied with growing regional inequality. Especially the income gap between coastal and inland areas has risen dramatically since the mid-1980s (Zhang & Kanbur, 2001; see Zhang & Zhang, 2003).

Also according to Mark Hedley of B2B International the first realisation that foreign companies often need to make is that China is in no way a uniform and homogenous market. Although China is unified in the geo-political sense, socially and economically the picture is much more disparate and fragmented. Uneven rates of economic growth in different parts of China over recent years have served to exacerbate many of the economic and social differences that already existed between different provinces. For example, there are huge variations between different provinces in terms of population levels, per capita GDP, average income levels, consumer spending habits, education levels, literacy rates, lifestyles and so on. As such, it is certainly no exaggeration to state that rather than representing a single, unified market, China is actually a collection of individual sub-markets defined by vastly differing demographic, economic and cultural characteristics.

The nature and make-up of markets in different parts of China also varies considerably, which means that foreign companies should think carefully about which geographical location offers

the best vantage point to target the broader China market. It is not only a matter of population size, but also a matter of customers potential expenditures.



Fig. 1 - Map of China's 33 Provinces and Administrative Regions (Mark Hedley, 2019)

According to Forbes one of 4 key trends driving Foodtech Innovation in China is the fragmented market. Although regional inequality and poverty, in China it is exploding the middle class, which represents an opportunity to develop new products and services that they want and can afford. Obvious examples in the food industry are premium branded foods and restaurants, including higher-end food products and experiences. Start-ups in this category raised \$770 million in investment in 2018, up 172% on 2017 levels.

However there is a rise of technology targeting China's lower-income population. Emerging innovators are targeting low-income consumers looking for bargain food options and services, in areas where data can be leveraged, technology can be scaled and are finding success in lower-tier cities. An example is given by Pinduoduo, a fast-growing group buy app for discount products, is a key example of a successful start-up that went on to list on the NASDAQ stock exchange. Another example of a successful company that also completed one of the five IPOs

in the sector last year is Six Walnuts, a plant beverage company that has built strong sales in lower-tier cities.

Anyway, Made in Italy products are high quality products and not suitable for the low-price market. One possibility could be the extra food market to avoid wastage of products. But that could be only after the establishment in China and not a first best strategy (Louisa Burwood-Taylor, 2019). In many cases the impetus for entry into a new country is precisely the fact that local competitors are weak or non-existent.

Having done this deep analysis on economic trends and market features, lets summarize it in few points. Trade costs are lowering thanks to considerable economic policies and alliances that are in place, in particular Belt and Road initiative related agreements. Moreover Chinese giants, in collaboration with the government, are fighting to counterfeit, increasing Italian products value, since Chinese customers are willing to pay when quality is well communicated and ensured. Of course the size of the market is favourable, although it is necessary to consider that only some regions (Fig. 1) have improved enough their quality of life thanks to a strong industrial orientation (regional inequality). However thanks to the digital channels also inland regions might be reached, although it should be taken in mind that Italian food are high quality product and poor regions are not the matching target (Filippo Fasulo, 2020) .

### 1.3 Technological trends

Technological innovation is closely linked to socio-cultural changes and it is important to understand which tools can be exploited to adapt and emerge, crossing economic barriers. In this chapter it will be analysed the development of online tools and the effect on commerce they might have.

According to a PWC China Study driven by Brian Marter (2020), innovation is not an option in the age of new retail. 59% of Chinese consumers are likely to buy groceries online, compared to a global average of 22%.

When going abroad a company needs to be ready to face technical difficulties. Depending on how the product is built, it might already not work in China. Some websites are blocked in China and it would be better to switch to local platforms and ecosystems. Whether the product is a mobile application or an online store selling a physical product, any company is required to adopt the format that people are used to. Indeed many services that enter China, possibly being a native mobile application in their home market, will need to create a WeChat application as their main engagement channel (Luzikova & Krivoshey, 2020).

According to a recent report by online venture capital firm AgFunder and Chinese food tech VC Bits x Bites in 2018 the funding to start-ups operating across the food and agriculture supply chain reached \$5.8 billion, with an increase of 222% compared to 2017.

Evidence of agri-food sector growth is clear but Matilda Ho, founder of Bits x Bites suggests “My advice for interpreting these developments is that trends in China can rise just as rapidly as they fall. Some of the models will be refined and improved, others will disappear within a year. China has no shortage of companies that raise eyebrows with their lightning-fast expansion and massive funding rounds. In most cases, what ultimately will achieve sustainable impact are those companies that are addressing real pain points in the food supply chain and are taking a long-term view in creating value.”

Having a long-term view in creating value means looking to market trends and develop a business to satisfy them all or at least most of them. All the technological trends arising are solutions to needs and new habits of Chinese consumers.

According to Forbes in “4 key trends driving Foodtech Innovation In China”, consumers are hyper connected and expect hyper convenience: whether it’s groceries, coffee deliveries, or just

waiting in lines for restaurant tables, customers expect everything to come to them quickly and cheaply. Moreover 97.5% of its online population uses mobile phones, in addition to the penetration of platforms like WeChat. Internet giants like Alibaba, Baidu and Tencent are investing billions in e-grocery, restaurant marketplaces, food services, in-store restaurant tech, supply chain logistics and more, through organic and inorganic expansions. They have a common successful strategy related to the capability to access data about consumer habits, and to play a role in every aspect of Chinese lives, plus promoting more traffic to their sites.

This is the reason why several of the largest deals in 2018 were concentrated in innovations about hyper convenience.

**Tencent's** is an Internet-based platform company using technology to enrich the lives of Internet users and assist the digital upgrade of enterprises, whose purpose is to promote technology innovation and cultural vitality; to help industries digitally upgrade; and to collaborate for the sustainable development of the society. In 2018 Tencent's invested \$1.5 billion in restaurant delivery group Meituan Dianping, indisputable leader in food delivery in China serving 310 million people, which got a 60% increase in the number of deals, confirming the sector's growth. It has also invested \$450 million in the top e-grocery Miss Fresh's.

On the other hand, as denoted by Louisa Burwood-Taylor (2019), Alibaba, a Chinese multinational technology company specializing in e-commerce, retail, Internet and technology, has invested \$280 million in the alcohol delivery group 1919.cn; for \$9.5 billion it has acquired ele.me, a restaurant marketplace; and it has purchased Meiweibuyongdeng, a mobile app that allows diners to reduce restaurant waiting time and at the same time helps restaurants better manage customer traffic. Now the company encompasses e-grocery, restaurant marketplaces, food services, in-store restaurant tech, supply chain logistics, to name a few.

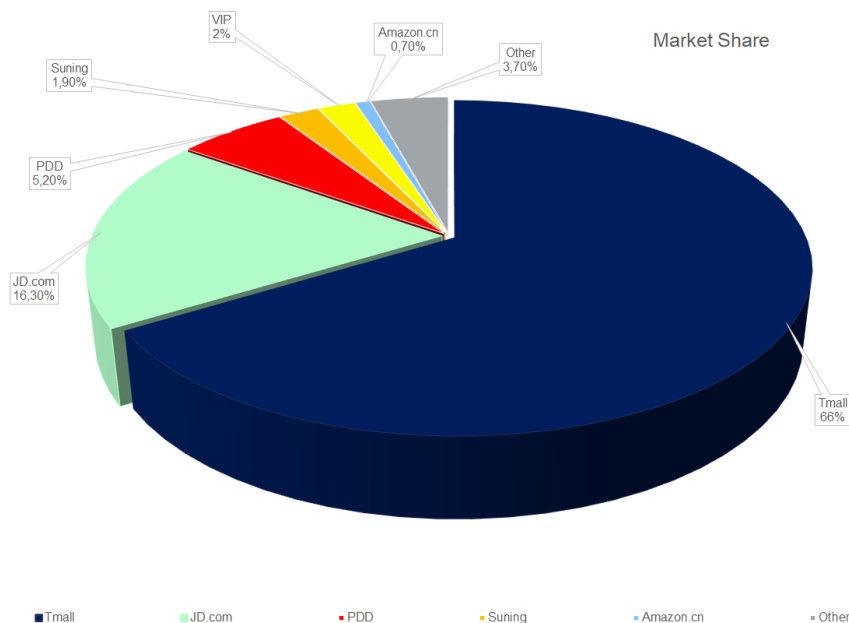
New retail puts customers at the centre and their feedback is required in each key value chain stage gate. Although manufacturing is continuously trying to optimise costs structure it is also focusing on product differentiation and tailor-made solutions. Consequently the supply chain adjusts on real-time frontline sales results and on more accurate estimates. This will be possible thanks to retailers that collect real-time data for transaction and customer journey, to provide feedback not only to the supply chain but also to R&D, that is focusing on optimising design and planning based on real time customer behaviour. Brands understand consumers and enhance their experience through "co-creation" while maximizing productivity.

In this direction emerging trends are shop online and pick up in-store, face recognition payment and AR Experience (Hawksford, 2019).

There are several new internationalisation methods, mainly online, that Italian food companies should exploit to be successful in going to China.



Fig. 2 – E-commerce players in China (Hawksford, 2019)



Graph. 4 – E-commerce players in China (Hawksford, 2019)

### 1.3.1 Alibaba

In China, the first B2B e-operator in the market is Alibaba.com, a platform born in 1999 with the purpose of connecting the Chinese market offer with the worldwide demand.

Nowadays, the development of Chinese online sales market has developed into *B2C*, *C2C* and *cross-border e-commerce*.



Alibaba Group and its competitors have been indeed investing in these sales channels to create platforms and become market leaders. Talking about data in January 2019 Alibaba had a market share of 66%, with 601 million Chinese users. It sold over 1 billion products.

Alibaba now has two different platforms for international retailers and B2C customers. Respectively, TMall Global and TMall.com.

**TMall global**, the platform for International Retailers, has overseas entities as entity jurisdiction, which manages local operations and international orders. To access the platform it is not necessary to be present in Mainland China since operations might be done both in China or overseas and stock can be kept abroad as the tax residency. Also the bank account might be overseas, but it must support Alipay. Italian bank accounts that support Alipay are BNP Paribas with the Acepta service, UniCredit and Banca Intesa.

However an overseas entity can sell products on T-mall only through a cooperation with a Chinese entity/partner (Third party) that becomes the authorized seller for such a trademark.

In **TMall.com**, the Business to Customer (B2C) platform, there are local entities who manage different operations, consequently presence for at least 3+ years in Mainland China is required, and the stock capital and assets must be in China as the tax residency and the bank account.

The presence in the platform is not given for free, there is a sale commission that goes from 2% to 7% plus 1% on payments done with Alipay. It is also required a security deposit, 25,000 USD for T-mall global and from 10,000 RMB to 300,000 RMB for T-mall, which correspond to 1,400 USD to 40,000 USD. Of course these fees are for reference only and may be subject to changes (Hawksford, 2019).

Both in Tmall and Tmall Global there are different store types. One is the **flagship store** in which the products shall have the trademark registrations in Hong Kong. If merchant is a brand owner, they shall provide the trade mark registration certificate for their products; if merchant is an exclusive authorized dealer, he shall provide the trademark registration certificate for the products and the letter of authorization for selling those products.

A second type of store is the **authorized store**, in which the product shall have its trademark registration in Hong Kong. If merchant is not the owner of the trademark of its products, he shall also provide evidence of his authorization to operate a store on the Tmall.hk platform. The trademark owner is a different entity than the company.

The last option is the **specialty store** in which the company sells products of 2 or more trademarks under the same product category, and up to 2 product categories; consequently it has to give evidence of product source, and invoice of the products purchased. The name of the shop shall not infringe the legitimate rights of others.

In all these cases the platform gives overseas and local logistic support (Alibaba, 2020).

On the other hand the trademark registration can be done in any country. Thanks to the trademark protection law effective from January 1, 2019 which guarantees verification on trademark property by e-commerce platforms.

Although it is not compulsory to have a Chinese trademark certificate and despite the different deals it has done to fight counterfeit Italian products within its platform, trademarks that are not effectively registered in China are not protected by Chinese laws according to the principles of regional protections of trademarks. Because China's trademark law applies the principle of prior application, and in practice there are many infringement risk cases, it is recommended that the sellers who have cooperated with or are about to cooperate with platforms such as Tmall International and Tmall for domestic trade transactions to conduct research on brand intellectual property risks in advance, and formulate targeted prevention programs to ensure normal operation in the Chinese market. In addition, the sellers should apply for Chinese trademarks as far in advance as possible.

### 1.3.2 WeChat

**WeChat** was born as an instant messaging platform, however now thanks to a huge number of users, it has become one of the most used channels for marketing by merchants. There are 2 main types of communication channels: subscription accounts where followers receive a marketing message every day, although these are in folder together with all the other; service account where followers receive messages directly from the company account but only one message a week can be sent.

If an official account is created outside of China it can be seen only by users who are not in China, while accounts created in China are visible worldwide (inside and outside of China).

WeChat offers different payment methods for both B2B and B2C and between private individuals as well. All these payment methods can be simply done with a smartphone. Stores can use the POS to scan the barcode generated by the customer's WeChat account to receive the payment. Stores may have QR codes that can be scanned by the customers to make the payment. The QR code can also be used to share information about products. Another way is that merchants send promotional messages to the users with a direct link to purchase such products, integrating WeChat payment also inside their applications. Customers can then pay online with WeChat while they are using the merchant's app. Unlike Alipay, WeChat to date presents major problems for foreign users and those who do not hold a Chinese bank account.

### 1.3.3 Baidu

**Baidu**, Inc. operates as an internet search provider, which offers internet search solutions and online marketing solutions. The firm operates as an e-commerce platform with an online payment tool, develops and markets web application software, and provides human resource related services (Forbes, 2020).

While in the United States there is Google, in China 90% of online search queries are done through Baidu. Since Google is banned in Mainland China, most Chinese people use Baidu as their chosen search engine.

By March 2019, Baidu had 1.1 billion mobile users; its DuerOS voice assistant generated 2.37 billion voice queries per month; Baidu Analytics Is Used by More Than 7 Million Websites. Baidu Is the 4th Most Popular Website in the World; it currently ranks at #4 on Alexa, above both Facebook and Wikipedia (Julia McCoy, 2019).

According to GMA Baidu is a successful digital solution for doing SEO campaigns, working on content and backlinks. It ranks sites based on their homepage, giving priority to websites hosted in China, but if a company wants to get a 100% Chinese website, it first needs to register the company in the country.

Baidu helps in managing lead generation, attracting potential customers through online e self-promotion to convert them into real customers; PPC & SEM, campaign management & reporting; e-PR where building brand image, writing online publications; and e-Reputation, controlling the company brand name and discussing the brand (Gentlemen in China, 2019).

Baidu operates through the following segments: Search Services, Transaction Services and iQiyi. The Search Services segment includes the traditional search engine related businesses such as auction-based P4P services and display-based online advertising services. The Transaction Services segment includes the newly developed internet businesses such as services provided by Baidu Nuomi, takeout delivery services and other online-to-offline services. The iQiyi segment engages in the online video business.

Baidu Launched AI-Powered Cameras That Can Spot Ocular Fundus. Baidu is not all about giving internet users the best way to find what they are looking for. In fact, the company is concerned about the general health and welfare of the Chinese people as well. In 2018, Baidu revealed high-tech AI-powered cameras that did the work of ophthalmologists in spotting eye conditions that lead to blindness. These include glaucoma, macular degeneration, and diabetic retinopathy. In 2019, hospitals began using Baidu's cameras to run eye screenings on patients. Baidu Launched a Chatbot for Doctors and Patients Baidu is a huge player in China's health market. In fact, two years before it launched the AI cameras for spotting ocular fundus, it introduced Melody to hospitals.

Melody is a chatbot that allows patients to give their health information to doctors. With it, doctors and patients can communicate in a faster, simpler way (Julia McCoy, 2019).

#### 1.3.4 Tencent

**Tencent** is a Chinese multinational conglomerate holding company founded in 1998, whose subsidiaries specialise in various Internet-related services and products, entertainment, artificial intelligence and technology both in China and globally (Wikipedia, 2020).

Tencent uses technology to enrich the lives of Internet users. Company communications and social platforms Weixin and QQ connect users with each other, with digital content and daily life services in just a few clicks.

Tencent manage high performance advertising platform to help brands and marketers reach out to hundreds of millions of consumers in China.

Tencent services are communications and social. Actually connecting people is the core of what they do. They develop and provide a wide range of easy to use instant messaging and social networks, to make communications and sharing more convenient, lively and personal, enriching the lives of users. WeChat is a communication service developed by the company.

Tencent produces digital content too. They are continually exploring the next generation of social and content integration, trying to provide Internet users with diversified and multi-dimensional content, to satisfy all of users' entertainment needs. They are really concerned with copyright. At present their digital content products include: Online Games, Video, Live Streaming, News, Music, Literature.

Another service Tencent provides is FinTech Services, which leverage WeChat Pay and QQ Wallet to connect people with financial products and solutions, build an open ecosystem for the financial sector, collaborate with partners to provide innovative financial services such as mobile payment, wealth management, loans and securities trading to users around the globe.

Moreover Tencent offers a variety of utility software designed to help users quickly and directly address issues such as network security management, fast browsing, navigation, application management, email and much more (Tencent corporate website, 2020).

#### 1.3.5 Jingdong (JD)

**Jingdong (JD)**, another e-commerce platform allowing customers to buy products online, has not been presented because, although it allows both Chinese companies to open e-stores and overseas companies to open e-stores, cross border e-commerce, in JD Worldwide (Joybuy), It is mainly focused on apparel and textiles, watches, jewelry & accessories and home products, not in food and beverages, industry in which this study is focused.

In China is clear the increasing trend on online grocery purchase. However a western company approaching to this new market might face technical difficulties in entering through online channels. What it is crucial for being successful is to understand and address real pain points in the food supply chain and creating long term value, looking to social and cultural trends seen before.

Chinese internet giants are investing huge part of their budget in restaurant delivery and grocery online, following the market requests.

For now the best platform to approach the new market without the need of having a presence in Mainland China is Tmall global (Alibaba.com), although also in this case an overseas entity can sell products on T-mall only through a cooperation with a Chinese entity/partner (Third party).

Online can overcome commercial and financial barriers when going abroad, avoiding establishing a presence in Mainland China at the beginning, and saving money through customers optimisation and supply chain adaptation.



## Ch.2 Theories about going international

### 2.1 Different internationalisation structures and strategies

There are different **internationalisation strategies** a company can undertake. Export (direct or indirect), licensing, franchising, contract manufacturing, turnkey operations, management contracts, international JV, wholly owned subsidiaries (greenfield or brownfield). In this chapter it will be understood which the most suitable legal entity is to make FDI in China according to regulations and characteristics of the different forms. All these will be further analysed considering the food industry, which is a multidomestic sector.

A company has three different choices, it can be domestic, it can be an exporter and the share of the production is sold in a foreign market or it can enter in a foreign country by M&A or greenfield investment, becoming a multinational company (Navaretti & Venables, 2006). A firm has different reasons to internationalise, which might depend also on the country where the company comes from. Market seeking, to identify what are the more relevant markets and try to reach customers abroad as a way to enlarge the share and create connection with local markets. Resource seeking, like raw material and natural resources. Efficiency seeking, lower labour costs, taxation, lower environmental and social regulations, lower manufacturing costs. And finally innovation seeking, to learn and provide key knowledge and inputs for innovation activities, that can be done through technology, marketing tools, analysing product insights, universities (Di Maria, 2019). Internationalisation is a grey process, both in terms of manufacturing but also for commercialisation. The idea is that overtime companies change their organisation in the international environment due to development in many fields such as technology, market and regulations.

Going abroad seriously means becoming a Multinational Enterprise (MNE), a firm that owns a significant equity share of another company (subsidiary/affiliate) operating in a foreign country (Navaretti & Venables, 2006, p.2). FDI (Foreign direct investment) is an investment in a foreign company where the foreign investor owns at least 10% of the ordinary shares. The investor can be both large corporations and small firms. The aim is to establish a significant influence on the management of the firm and thus to establish a long-lasting interest in the foreign country (Navaretti & Venables, 2006, p.2). FDI concept is strictly related with the definition of multinational enterprise (MNE); when a multinational decides to open (build or acquire) a new productive plant outside the home country and to invest money in the foreign country there is a foreign investment.

Firm and industry characteristics affect the extent of multinational activities. **FDI drivers** can be identified as primarily plant scale economies, which are related to fixed costs at plant level, and then as firm scale economies, associated with fixed costs at firm or firm-specific assets level. These last factors are likely to promote FDI thanks to the non-tangible assets that can be used also outside the home country, which might be for instance knowledge about product design or production processes, trademarks and brand, reputation for high quality products. Possible measures of intangible assets are advertising intensity (Brainard, 1997), with which there is a positive relation for the share of affiliate sales in total foreign sales and R&D intensity (technological knowledge created by R&D activities): several studies find a positive relation between R&D intensity and the propensity to carry out FDI.

Firm heterogeneity in productivity is the most important factor (Helpmann, 2004): more productive is a company, higher is the probability that this company becomes a multinational. Firms with a low level of productivity will remain domestic; firms with a medium level of productivity will become only exporters; firms with high levels of productivity will become multinationals. The reason for this relation is related to the fact that when firms decide to go abroad, they have to face fixed costs and consequently only if they are productive, they will be able to pay them off. Keep in mind that foreign firms have to pay higher wages, on average, than privately-owned local firms (Lipse, 2002, p. 20). This is due to the fact that they employ higher skilled labour, but also that they want to minimize labour turnover and by increasing wages they hope to retain more workers. Foreign owned companies are perceived as more volatile employers and consequently employees demand a risk premium. According to Luzikova & Krivoshey (2020) local hiring is crucial for cultural fit. China has its own culture and local people are the only experts about that and about the market. However it is also relevant to maintain standards and rules that reflect corporate values and mission. It may be difficult, but being coherent ensures that people stay committed, which is important in a country where there is an extensive employee turnover rate.

The first and most common equity form in an international environment is **the wholly owned subsidiary**, the most capital-intensive structure, with the highest level of political, environmental, legal and financial risks. A company may establish a subsidiary by M&A, acquiring an already existing firm in a foreign country, buying existing assets in a foreign country, or merging with a foreign firm in a brownfield FDI. Another way to establish a subsidiary is by greenfield FDI, more typical for developing countries, by building a new firm (subsidiary) in a foreign country, investing in new physical plants and productive assets, and building new facilities. FDI might be horizontal, setting up a foreign plant in addition to a home



plant for some part of the production process, which replicates the activities of the home plant; vertical, setting up a foreign plant for some part of the production process that in the home country does not exist, exploiting host country specific knowledge and competences, when home and host countries have different relative endowments of skilled labour (Navaretti & Venables, 2006).

A novel form of equity internationalisation is the **international joint ventures** (Marshall Hargrave, 2020), a form of foreign direct investment where two or more companies share ownership of a third commercial entity. From a legal point of view a joint venture (JV) is a business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task. These tasks can be a new project or any other business activity. In a joint venture (JV), each of the participants is responsible for profits, losses, and costs associated with it. However, the venture is its own entity, separate from the participants' other business interests. Joint ventures, although they are a partnership in the colloquial sense of the word, can take on any legal structure. The objectives of the JV, the initial contributions of the partners, the day-to-day operations, and the right to the profits and/or the responsibility for losses of the JV are all set out in the JV agreement. It is important to draft it with care, to avoid litigation down the road. Studying internationalisation mechanisms it will be understood how relevant relationships are in going international. A study by Moskalev & Swensen (2007, p. 51) has analysed JV presence in different countries and industries. They found out that the food industry participates with the 6,4 % in manufacturing agreement JVs, cluster in the following industries outside the “top-ten” which do not experience many other types of JVs.

For what concerns the Chinese country it accounts for 6,9 % of all JV transactions, 2nd in the world after the US. While for independent JV firms, China accounts for 13.7% (Moskalev, S.A. & Swensen, 2007, p. 56).

According to Moskalev & Swensen (2007, p. 56) the difference between the U.S. and China in terms of the frequency of strategic alliances and independent JVs can again be attributed to differences in economic development. China is foreign production oriented, has substantial state involvement, and imposes significant restrictions on foreign investment; it is reasonable to conclude that the Chinese government forces MNCs to use independent JV firms for entering China in order to enhance development of Chinese infrastructure.

International joint ventures can be regarded as an institution for risk sharing. A properly designed joint venture between the foreign firm and a local partner makes foreign investment more likely (Broll & Marjit, 2005). For the foreign investor using the JV makes entering the

market easier because it may share risk, knowledge, distribution network and expertise with the partners and there is a huge potential for synergy and competitive advantage. Companies use Joint Venture (JV) to enter foreign markets and to partner up with a local business. On the other hand the local firms can get the benefit of up-to-date technologies and global market access (Kabiraj, Lee & Marjit, 2005, p.1).

Moreover joint ventures (JVs) and alliances are vital to multinational corporations (MNCs) because these are all very large companies and mergers and acquisitions would be extremely expensive (Moskalev & Swensen, 2007, p 29).

Although there is a growing interest in JVs, these companies have been observed unstable and often short-lived. This trend is due to the fact that after forming a JV and operating for a few years, partners break up their ties; thereafter either they compete independently in the market, or one sells out its shares to the other or to a third party, or they liquidate their assets completely (Franko, 1971; see Kabiraj, Lee & Marjit, 2005, p.2). Reasons for litigation are, among others, ownership and control; introduction of new product or technology, extension and modernization, advertisement, dividend and investment policy; resource use, source of supply, government tax and trade policy (Miller et al.,1996; see Kabiraj, Lee & Marjit, 2005, p.5).

It is evident that JV is not a once-for-all relation; it is a dynamic relation which evolves over time, as it does the internationalisation process (Kabiraj, Lee & Marjit, 2005, p.4).

Actually renegotiation will definitely occur at the end of the first period because beliefs are updated by the outcome and the foreign firm can always do better by offering a new contract (Kabiraj, Lee & Marjit, 2005, p 16).

According to Sinha (2001) the joint venture is formed in response to government restriction on foreign equity holdings in the first period. However, the joint venture becomes unstable in the second period, when the government removes the foreign equity restriction. Therefore once liberalisation period occurs multinationals enter through fully owned subsidiaries that compete with their own joint ventures, unless local partners permit them to raise their stakes (Mukherjee, & Sengupta, 2001, p.163).

Another issue that has emerged as a litigation reason is cultural compatibility of partners.

When foreign firms acquire local knowledge, the probability of JV instability increases substantially, because, according to Kabiraj, Lee & Marjit (2005, p. 5) “learning from another partner’s knowledge reduces the synergy gain. So sustaining comparative advantages or organizational complementarity between the partners is the key factor to keep the relation alive for a long time”.

Evidence indicates that inter-partner learning of each other's competencies is an important reason of JV instability. Kabiraj & Sengupta (2018) showed that the JV is likely to break up if the learning effect is stronger than the synergy effect.

Although it has been demonstrated that most JVs are characterized by instability, in developing countries it is much larger than that in developed ones (Kabiraj, Lee & Marjit, 2005., p. 3).

Usually, the governments in the developing countries liberalise their economy in stages. Thus, in the initial stage, the foreign firms are allowed to hold equity up to a certain limit, and in the subsequent stages, this equity restriction is withdrawn to allow for the wholly owned subsidiaries of the foreign firms (Sinha, 2008, p. 752).

Moreover developed and developing countries represent different external environments; developing countries are considered a more complex and difficult environment to manage joint ventures than in developed countries. Differences among developed and developing countries JVs include reasons for creating the venture, autonomy, stability, performance, frequency of government partners and ownership (Beamish, 1988).

**Non-equity forms** are forms of collaboration and it is interesting to understand where the value of these activities is and who really gains from the trade process. When choosing an internationalisation strategy the company needs to mix and balance control and risk, reason why contract-based modes is now the standard internationalisation structure.

**International Licensing** is identified as the process of transferring the rights to a firm's products for the purpose of local production and/or sales. The licensor allows the licensee to use intellectual property to gain presence in the markets, covered by the licensee in exchange of a fee. In this way the licensee deals with small upfront cost and risk, while the licensor gets direct profits through royalties. This form of market entry is ideal for countries that impose imports and mature products with standardized production. The main challenges of Licensing are that licensing firms can find themselves competing against former licensees and firms can guard against this risk with strident attention to detailed legal contracts.

Some other companies might organise themselves in **international franchising** (Alon et al., 2016) and the main driver is the willingness to open up a new business with a minimum market risk failure. Franchising gives more control to the franchisor company over the franchisee, who has licensed the company's trademarks, products and/or services, production and/or operation processes. Control is exerted through the franchise fee which can be expropriated if contracts are not adhered to, and elaborate contracts that govern the relationship between the franchisor and the franchisees. Franchisee gets proven brand, marketing exposure, established client base

and management expertise. When choosing this internationalisation form the entrepreneur has to consider the level of country economic development, the economic growth rate and the market governance policies.

Some other companies could also decide to undertake **management contracts**, by using the expertise, technology, or specialized services of a company from another country to run its business for a set time and fee or percentage of sales; the management company is responsible for day-to-day operations while other decisions stay with the owner. This form is most widely used by the hotels and airline industry.

**Contract manufacturing** is the main form for using cheaper overseas labor for the production of finished goods or parts by following an established production process, allowing lower production costs and to enter a new market with small amounts of capital.

Finally, **strategic alliance** is a formal, contractual relationship between two or more firms that share resources to pursue a common goal. It is a non-equity agreement, where firms from different or from the same industries cooperate.

Although all the different internationalisation forms have been presented, International JV is the most suitable form of FDI in China, considering that the Chinese government forces MNCs to use independent JV firms for entering China in order to enhance development of Chinese infrastructure. Moreover JV makes it easier to enter in the market, considering that it shares risk, knowledge, distribution network and expertise, making it easier to overcome the liability of foreignness. As already stated, JV is not a once-for-all relation; it is a dynamic relation which evolves over time, as it does the internationalisation process.

## 2.2. Uppsala model for the internationalisation process

Not only macroeconomic factors and social trends are relevant when internationalising. The dynamic relation established with the JV is strictly connected with the Uppsala model, according to which the internationalisation process is an evolving one. The model is analysed and discussed in this chapter.

Internationalising may have some rules, better practices, pros and cons, and also some rationalisation behind, but when going abroad it is important to pay attention to the host country culture. Further than what it has already explained, one really important Chinese cultural characteristic is “Guanxi”, the Chinese term is used instead of the word relationship. “Guanxi ties people together according to the specific relationship between these people” (Hui & Green, 1997, p. 454). Foreign businesspeople who have done some business with China also know that companies wanting to get on the ground floor in China need guanxi in addition to planning, funding, and a good product (Murphy, 1996). This aspect of Chinese culture is really consistent with the Uppsala model and with the relevance given to the network in the internationalisation process.

The evolution of the internationalisation process and which are its main characteristics are explained by the Uppsala model.

Johanson & Vahlne (1977) have observed a database of Swedish-owned subsidiaries abroad and have studied a number of industry research of Swedish companies in international markets, discovering that Swedish companies frequently began internationalizing with ad hoc exporting (Carlson, 1975; see Johanson & Vahlne, 2009, p.1412). Then firms would subsequently formalize their entries through deals with intermediaries, often agents who represented the focal companies in the foreign market. Usually, as sales grew, they replaced their agents with their own sales organization, and as growth continued, they began manufacturing in the foreign market to overcome the trade barriers that were still in place in the post- II World War era. The researchers labelled this dimension of the internationalization pattern the **establishment chain**, based on the opinion that experience builds a firm’s knowledge of the market. That process is consistent with the assumption that going abroad is a grey process and companies change their organisation in the international environment due to development in many fields such as technology, market and regulations, and now also due to a more sophisticated market knowledge.

The international environment has changed and consequently company behaviours have adapted to that. Lately in 2017 Johanson & Vahlne defined key features of a modern

international firm as the process, the network, business exchange and being entrepreneurial and proactive.

The **process of knowledge development and resource commitment** is the most distinctive feature of the Uppsala model.

To incorporate the potential for capability building in the model, the process of knowledge development has been considered as the basis from which learning, creating, and trust-building stem (Johanson & Vahlne, 2017).

Internationalisation can be seen as a learning process. Knowledge related to the market itself, to flows of decisions and foreign activities and to stock of experience on international markets. Learning how to manage international markets and to interact requires practice and time to learn.

The knowledge development and the resource commitment processes affect the characteristics of the firm and its context, which in turn affect the processes in the next time period. (Giddens, 1984; see Johanson & Vahlne, 2017, p.1089).

As states by de Rond & Thietart (2007; see Johanson & Vahlne, 2017, p.1088) “strategy is likely to emerge from multiple, complex, interacting processes, only some of which are under management control”. It cannot be known what will come out of a process. Firms are “continually in a state of becoming” (Langley et al., 2013; see Johanson & Vahlne, 2017, p.1088).

More over the underlying processes are partly deliberate, meaning that they are affected not only by environmental change, but also by managerial intent (Augier & Teece, 2008; see Johanson & Vahlne, 2017, p.1089), consequently generating tension between intra-firm path dependency mechanisms and sometimes revolutionary environmental changes (Johanson & Vahlne, 2017).

However the creative ability of managers more than offsets (Sarasvathy, 2001; see Johanson & Vahlne, 2017, p.1089) path-dependence as described by Sydow et al. (2009; see Johanson & Vahlne, 2017, p.1089). This argument can be represented by the concept of “history-dependence” (Cyert & March, 1963; see Johanson & Vahlne, 2017, p.1089), which encompasses both the evolutionary nature of the firm and its potential for revolutionary adaptation to its changing environment.

On the other hand path dependence and problemistic search tend to make managers prefer certain specific alternatives to other ones, reason why also managerial discretion and strategic intentions might be related with the process. (Johanson & Vahlne, 2009).

For what concerns the **network view of the business context**, the regionalization thesis (Verbeke & Asmussen, 2016; see Johanson & Vahlne, 2017, p.1090) suggests that the managerial capacity is typically the bottleneck in achieving growth, with that firms expand predominantly in markets similar or adjacent to their home market, using technologies close to those they already hold in order to save on costs of search and change (Kay, 2005; see Johanson & Vahlne, 2017, p.1090).

Contrary to what has been stated by Teece (2014; see Johanson & Vahlne, 2017, p.1091) the business firm is not an island of (non-market) resource allocation and not even the focal point in a greater ecosystem, and the process in the Uppsala model involves not only the focal firm but also the organisations in the network.

The dimension of the “organizational advantage” might be extended to a “network advantage.” This is because evolution is really co-evolution: to some extent the network, whether internal or external, develops as a unit, although its characteristics may vary over time, as does its membership (Johanson & Vahlne, 2013; see Johanson & Vahlne, 2017, p.1091).

Coviello and Munro (1997; see Johanson & Vahlne, 2009, p.1413) found out that relationships have an impact on foreign market selection as well as on the mode of entry in the context of ongoing network processes. Jan Johanson and Jan-Erik Vahlne yet in 2009 supported this theory. Markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns. Hence insidership in relevant networks, which is also related with psychic distance, but it does not necessarily refer to a specific country, indeed to a network, is necessary for successful internationalization. If a firm attempts to enter a foreign market where it has no relevant network position, it will suffer from the liability of outsidership and foreignness, and foreignness presumably complicates the process of becoming an insider. Cultural trends and the right HRM might decrease this risk, which in China is high. Indeed a firm may suffer little or no liability of foreignness when its existing operations, either in the home country or in other countries, are in institutional environments that are similar to the one in the new host country (Barkema and Vermeulen, 1998; see Cuervo et al, 2007 ), and that is clearly not the case of China.

**Business exchange** indeed is not only related with goods and money, since in relationship knowledge is exchanged as well: knowledge of opportunities is discovered, or jointly constructed, by the parties (Johanson & Vahlne, 1977). Knowledge about entrepreneurial opportunities is by no means a public good but is private and shared between the parties involved. Thus, relationships give partners access to an extended knowledge base (Hohenthal, Johanson & Johanson, 2014; see Johanson & Vahlne, 2017, p.1091), that can also be related

with technological development (Håkansson, 1989; see Johanson & Vahlne, 2017, p.1090). In the meanwhile Coviello (2006; see Johanson & Vahlne, 2017, p.1090), among others, found that relationships are crucial for internationalizing firms. The borders between firms involved in relationships are therefore fuzzy rather than clearly delineated. External actors may therefore behave as they would if they were located inside the firm's formal borders (Johanson & Vahlne, 2011; see Johanson & Vahlne, 2017, p.1090), if they are in the same network. General market knowledge may be transferred between organizational units and more general internationalization knowledge, that is knowledge that reflects a firm's resources and its capabilities for engaging in international business, is also important (Ericksson et al., 1997; see Johanson & Vahlne, 2009, p.1416).

**Entrepreneurship** is strictly related with risk and uncertainty. Entrepreneurs are willing to take risks; they actually measure it and minimize it through the start-up process. There might be some cognitive bias in the risk evaluation, like over optimism, self-efficacy, which is the capability of self-empowerment when higher or different skills and competences are required to meet the final outcome, failure to know your own limits, illusion of control over the final outcome, while not everything can be managed by entrepreneur personal actions and behaviour, and the fact of taking decisions basing on small number of information. Anyway there is a u-shaped relation among risk level and performance, and what is successful is a moderate risk, nor too high or too low. Risk cannot be reduced to zero – if decisions are not made, opportunities may be missed.

Moreover entrepreneurs, as well as an entrepreneurial firm, like uncertainty more than certainty and have a high tolerance for ambiguity (Barringer, 2012, p. 16).

A successful firm does not just passively adjust to a changing environment and so risk and uncertainty, it reacts to it and actively attempts to transform it with entrepreneurial action, be it with technological innovations, efforts to increase the effectiveness of the value chain, or changes in relationships with partners (Nightingale, 2008; see Johanson & Vahlne, 2017, p.1091).

Yet these four key variables are still not enough to explain how a company develops its FDI and its international status, through the establishment chain. In doing so the Uppsala model could be used. **There are two types of variables: state and change.** As it is a model of dynamic processes, the change variables are the crucial ones. The change variables are the crucial elements of the model: they are where the action takes place. These processes change the characteristics of the focal firm and its environment, and then trigger further changes



(Johanson & Vahlne, 2017). The decision of taking in consideration the 2017 Uppsala model is related to the higher contemporaneity it has, but still all the relevant variables and assumptions of the previous ones have been considered and studied in this analysis.

#### STATE VARIABLES

#### CHANGE VARIABLES

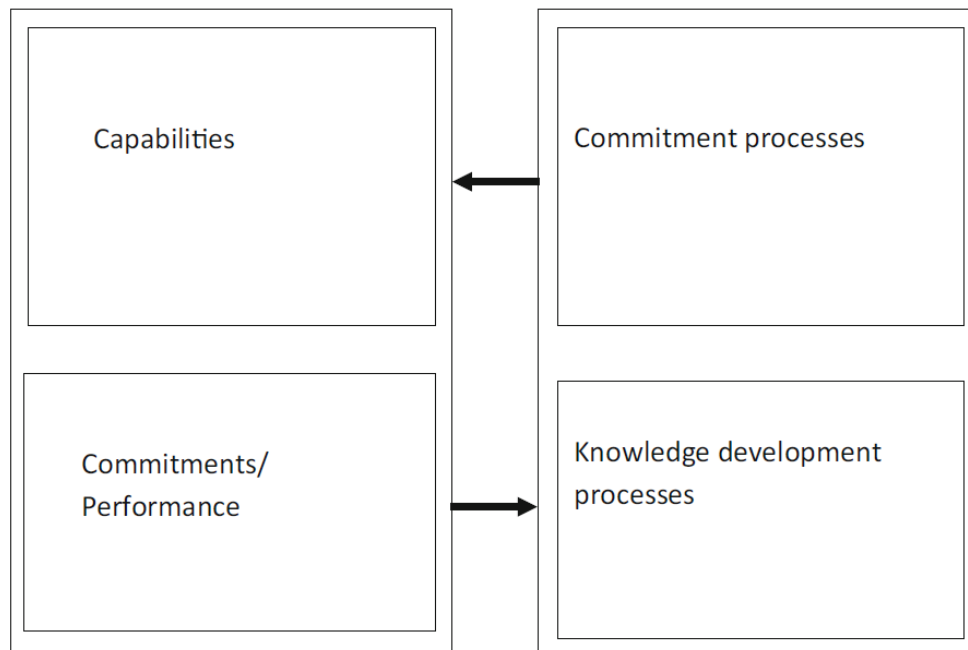


Fig. 3 - Uppsala Model (Johanson & Vahlne, 2017)

**Developing knowledge** is fundamental to a firm's internationalization, and in particular that knowledge that grows out of experience in current activities is crucial to the learning process. An increased level of knowledge may thus have a positive or a negative impact on building trust and commitment (Johanson & Vahlne, 2009).

The entrepreneurial knowledge development process includes at least three subprocesses, relationship-building, flexibility in strategy implementation, and adaptation to the organization's task environment.

*Relationship building* involves learning about each other and building trust by committing to the relationship. Trust-building on the other hand is not only a prerequisite to learning and creating, but to business exchanges in general (Johanson & Vahlne, 2009). Trust can also substitute for knowledge, for instance when a firm lacks the necessary market knowledge and so lets a trusted middleman run its foreign business (Arenius, 2005; see Johanson & Vahlne, 2009, p.1417). Trust may develop into commitment if there is willingness and positive intentions. The speed, intensity, and efficiency of the processes of learning, creating knowledge,

and building trust depend on the extent to which the partners find given opportunities appealing. Furthermore, high levels of knowledge, trust, and commitment in a relationship result in a more efficient creative process (Johanson & Vahlne, 2009).

Moreover knowledge does not accrue only from the firm's own activities, but also from the activities of its partners (Kogut, 2000; see Johanson & Vahlne, 2009, p.1415) and exchange within a network allows a firm to acquire knowledge about its relationship partners, including their resources, needs, capabilities, strategies, and other relationships. Relationship partners are therefore indirectly a source of relevant business information about their own partners and more distant actors in the network (Barney, 1986; see Johanson & Vahlne, 2009, p.1419).

*Flexibility in strategy* implementation is an incremental process for which only selected parts of the "intended strategy" will be translated into "realized strategy" (Mintzberg & Waters, 1985; see Johanson & Vahlne, 2017, p.1093).

What matters most in organizational adaptation for the Uppsala model approach is how adaptation affects entrepreneurial attitudes, since these will directly affect the resource commitment process previously discussed (Van de Ven & Hargrave, 2004; see Johanson & Vahlne, 2017, p.1095).

However, dynamic capabilities approach for a successful **knowledge development process learning** plays a crucial role because the success comes from continuous reconfiguration and development of company resources (Teece, 2014; see Johanson & Vahlne, 2017, p.1095). What managers learn and their interpretations depends heavily on previously acquired knowledge, that is, learning is affected by prior experiences (Cohen & Levinthal, 1990; see Johanson & Vahlne, 2017, p.1094). Market-specific knowledge is the critical kind of knowledge.

Experiential learning is a central factor in firm's internationalisation, it is a process that unfolds over time, because learning not only has to be consolidated in the minds of individuals, but also in organizational routines, structural arrangements, and ultimately in capabilities, via the resource commitment process (Johanson & Vahlne, 2017).

In truth learning can also be not experiential, this non experiential learning is related to the acquisition of other firms, imitation, and search and it may also speed up the internationalization process (Forsgren, 2002; see Johanson & Vahlne, 2017, p.1095). This is one of the critiques of the model: it is not given that the internationalisation process will be gradual and linear.

Knowledge development process is the input to **commitment process**, a continually flowing process, whose main mechanism is built upon reconfiguring resources and coordinating assets. The novelty in the 2017 Uppsala Model is the inclusion of opportunity development in the commitment process, which refers both to opportunity identification and opportunity

exploitation (Foss & Klein, 2012; see Johanson & Vahlne, 2017, p.1093). Implementing decisions involves an additional bundle of risks and uncertainties. (Mintzberg & Waters, 1985; see Johanson & Vahlne, 2017, p.1093). According to the effectuation model of Sarasvathy (2001; see Johanson & Vahlne, 2017, p.1093), expert entrepreneurs keep risks, uncertainty, and partial ignorance at bay by working with available means, accepting the possibility of affordable loss, building partnerships, and leveraging contingency (Sarasvathy, Kumar, York, & Bhagavatula, 2013; see Johanson & Vahlne, 2017, p.1093). Market commitment and market knowledge affect “perceived opportunities and risks which in turn influence commitment decisions and current activities” (Johanson & Vahlne, 1977).

Opportunities are a favourable set of circumstances that generates the need for a product, service, or process (Barringer, 2012, p. 43). The reported circumstances arise from the fact that the markets are never in equilibrium (Kirzner, 1973; see Johanson & Vahlne, 2009, p.1421). This view implies that opportunity recognition is associated with ongoing business activities rather than with specific opportunity-seeking activities. Actually opportunities may be discovered by observing trends, economic, social, technological, political and regulation ones; but also by solving problems of finding gaps in the marketplace. (Barringer, 2012, p. 53) Opportunity findings are anyway strictly related with entrepreneur characteristics because personal market knowledge may help in finding growing niches that others might not see. Denrell, Fang, and Winter (2003; see Johanson & Vahlne, 2009, p.1419) conclude, as Barney (1986; see Johanson & Vahlne, 2009, p.1419) argued, that the firm, or entrepreneur, does not have any privileged knowledge about external resources required for identifying an opportunity. Therefore, as Shane (2000; see Johanson & Vahlne, 2009, p.1419) suggests, the firm should focus its opportunity analysis on its own internal resources, where it presumably has privileged knowledge rather than external resources.

Also cognitive characteristics like entrepreneurial alertness let the entrepreneur discover opportunities, indeed without engaging in a deliberate research, the entrepreneurial discovery can be both an outcome of intuition and serendipity. Kirzner (1997; see Johanson & Vahlne, 2009, p.1419) concluded that identifying opportunities is likely to be the result of a serendipitous strategy characterized by effort and luck, combined with alertness and flexibility. Connecting to what has already been said about network relations, this can be also related with opportunity discovery because the interaction between partners who build knowledge together and come to trust each other as they commit themselves further to the relationship is the source of opportunities as the consequence of the privileged knowledge that the two partners develop during their interaction. Summing up opportunity can constitute a subset of knowledge, as the

most important element of the body of knowledge that drives the process. (Johanson & Vahlne, 2009).

Commitment matches with the resource allocation process and it is made when there is a “reasonably positive” trade-off between expected benefits and downside outcomes (Johanson & Vahlne, 1977). Expectations and future perception are made on past experiences, together with network members. Also potential risk and value of the resources that could potentially be lost if expectations would not be met, which depends on the ease with which the focal resources could be redeployed for an alternative purpose (Hill, Hwang, & Kim, 1990; see Johanson & Vahlne, 2017, p.1093), contribute to the downside outcomes forecast.

In the **dynamic capabilities approach**, the successful development of firms is the result of continuous reconfiguration and development of resource bundles (Teece, 2014; see Johanson & Vahlne, 2017, p.1095). In general, a capability, whether dynamic or operational, reflects the ability to use resources for a particular purpose.

Firm’s portfolio of core competences and capabilities reflects the high order FSA (Firm specific advantage), discussed in the mainstream international business literature (Verbeke, 2013; see Johanson & Vahlne, 2017, p.1096). High-order FSAs are identified with the firm's routines and recombination capabilities, company shared knowledge and ability to generate new knowledge, and company capability of integrating multiple technologies. Actually the “advantage package” makes sense as a means of augmenting the value of individual capabilities through interaction. (Johanson & Vahlne, 2017). Originally FSA (Dunning & Lundan, 2008; see Johanson & Vahlne, 2017, p.1096) included asset-based elements, such as privileged access to raw materials, capital, technology, brands, and distribution channels; while transactional advantages include superior governance systems and the management skills to operate an internal, multinational network, relationships and organizational culture.

Indeed internationalisation requires sufficiently strong FSAs to establish a sustainable business in foreign markets and to overcome liabilities of foreignness and outsidership (Hymer, 1976; see Johanson & Vahlne, 2017, p.1095).

While operational capabilities exploit extant FSAs, dynamic capabilities allow further development of those operational capabilities with the intent of adding to their strength (Teece, 2014; see Johanson & Vahlne, 2017, p.1097), integrating, building and reconfiguring internal and external competences to address rapidly changing environments, therefore suitable in an internationalisation strategy.

**Commitment** describes the distribution of resources over the company's functions but has also a forward-looking connotation: positions reflect commitments to particular courses of action. Performance on the other hand refers to what has been achieved already (Johanson & Vahlne, 2017).

**Commitment and performances** are reflected in the company status within its network. The network structure outside the firm's own business network and the specific business relationship are crucial in a firm's internationalisation (Johanson and Mattsson, 1988; see Johanson & Vahlne, 2009, p.1415). On the other hand the internationalization process has a positive impact on performances (Delios & Beamish, 2001; see Johanson & Vahlne, 2017, p.1413).

Axelsson and Johanson (1992; see Johanson & Vahlne, 2009, p.1415) showed that foreign market entry should not be studied as a decision about modes of entry, but should instead be studied as a position-building process in a foreign market network, also with the firm's partner. Indeed the focal firm is likely to follow a partner abroad if that partner firm has a valuable network position in one or more foreign countries. By following the partner abroad, the firm demonstrates its commitment to the relationship (Johanson & Vahlne, 2009). Morgan and Hunt (1994; see Johanson & Vahlne, 2009, p.1418) stated that "when both commitment and trust are present, they produce outcomes that promote efficiency, productivity and effectiveness."

It will be interesting to analyse real cases and see whether relationships and network or economics evaluation mostly affect FDI.

The internationalisation process according to the Upsala model is a learning process and firms are continually in a state of becoming. In truth learning can also be not experiential, it is not given that the internationalisation process will be gradual and linear.

Knowledge about entrepreneurial international opportunities may be transferred between organizational units. Indeed when going abroad firms expand predominantly in markets similar to their home market and relationships have an impact on foreign market selection as on the mode of entry. Market entry should not be studied as a decision about modes of entry but should instead be studied as a position-building process in a foreign market network, also with the firm's partner, which is crucial particularly in China Mainland. Opportunity findings is the result of a serendipitous strategy characterized by effort and luck, combined with alertness and flexibility. However internationalisation requires sufficiently strong ability to generate new knowledge and routines management to establish a sustainable business in foreign markets and to overcome liabilities of foreignness and outsidership.

### 2.3. Food as multidomestic industry

Most FDI is concentrated in skill and technology-intensive industries, in manufacturing and in services. Within manufacturing, the largest shares are in chemicals, electrical and electronic equipment, transport equipment, generally knowledge intensive companies (KIBs). Sectors in which the presence of MNEs is greatest are characterized by large investments in R&D and by a large share of professional and technical workers specialised in the production of technically complex or differentiated goods. However it is easy to find a quite relevant FDI in luxury and fashion because of the importance of the brand name (Navaretti & Venables, 2006), and food, high quality Made in Italy food, is part of the luxury sector, as reported by 2020 Social Luxury Index by Altagamma and Accenture.

Companies, when going abroad, may approach different strategies, depending on configuration and level of coordination of activities (Allred & Swan, 2004). According to these variables a company might engage in a global strategy with a high coordination of distributed activities, without looking for exploiting different countries characteristics. This could be pursued through geographical decentralization, a transnational corporation strategy, in which different countries' marketing strategy and product development are managed together, or geographical centralization, in a homogeneous global strategy. The second approach is engaging in a multinational strategy, where different countries cultural differences are exploited and companies in different countries are managed separately. In case the strategy is based on export different channels and sales method are pursued for different countries, with a low level of coordination since there are no office abroad; while if the strategy is based on geographical decentralisation, there are different commercial subsidiaries in many different countries, with their own marketing strategy and product development, according to different market tastes (**multidomestic approach**).

According to Ghoshal & Nohria (1993) food is categorized as multidomestic industry. For instance some big names such as Ferrero, Budweiser, Hoegaarden, Heineken, Coca-Cola, Pepsi, Nestle, are making huge changes in Asian plants and products, to be suitable to each country's needs and preferences (Guan Yu Lim, 2019).

Let us better understand what undertaking a multidomestic strategy implies. Firms within multidomestic industries are relatively autonomous across countries and focus on the needs of the local market (Porter, 1986). A multidomestic company adapts to each market based on differences in resource availability, cultural values, product usage and marketing opportunities. Primary strengths of a multidomestic approach include customized offerings since the company

can tailor its activities and products to the interests and needs of each market. For instance, a business may offer high-end goods in a more affluent market but scaled-down and lower-priced goods in a market with lower per-capita income. Another advantage the multidomestic approach can give is concentrated effort because business activities are concentrated on success in a single market, allowing optimized production, marketing and services. Last but not least, a multidomestic company can give quick response to the changing needs of the marketplace, each local headquarters or business unit is close to the action and to customers and can identify evolving trends sooner than a distant central headquarters (Makhija et al, 1997). Firms in multidomestic industries allow their foreign subsidiaries to be relatively autonomous in order to better respond to local markets.

According to Park, Jong-Hun, & Kwangsoo Kim (1999) in a multidomestic industry as a nationwide geographic scope of competition, competitive forces are mostly constrained by national boundaries, due to the differences in customer needs and industry structures across nations. It has relatively low number of competitors and rivalry, due to the fact that competitors compete against each other on a country-by-country basis, it has low dynamism, complexity, and uncertainty. Across nations industry structure, customer needs and tastes and rules of competition are relatively different. On the other hand barriers to entry into foreign national markets are relatively high, because of the significant difference in markets and industries across nations (Porter, 1986), and because of the need for learning about foreign national markets and foreign business operations for newcomers. Consequently establishing favourable partnerships and engaging in the knowledge development and learning process explained in the Uppsala model is crucial to be successful when investing in foreign markets in multidomestic industry.

In support of what said above, the degree of industry globalization, measured as trade levels, plays an important role in explaining which type of international alliance is likely to be chosen by partner firms. Park, Jong-Hun, and Kwangsoo Kim yet in 1999 stated that joint venture alliances take place relatively more frequently in multidomestic industries.

The host country focus is an appropriate strategic choice for a multidomestic industry, the need to respond quickly to local standards and changes necessitates the responsiveness, peculiar of a host country focus strategy (Fatehi, 2008).

Being in a multidomestic industry also means adapting the way in which the company communicates to customers. Nowadays in China the key is to adapt the social media strategy

to the local channels and to the different ways in which they are used, as explained in technological trends for instance, Incorporating WeChat into playbook is a must, given that the consumer-facing service is also widely used as a platform for corporate marketing. Before deciding on a marketing strategy it is also worth observing how other companies use the local social media platforms for marketing, another reason why having a local partner might accelerate foreign company presence in the market (Luzikova & Krivoshey, 2020).

When in a multidomestic industry subsidiaries in different countries are managed separately. Each one has its own marketing strategy and product development, according to different market tastes. Multidomestic industries are relatively autonomous across countries and focus on the needs of local market, being able to quickly respond to local standards.



## CH. 3 – The case study analysis of Beretta and Senfter

The aim of this dissertation is to understand why an Italian food company should invest in China Mainland, how to invest in that country and which are the drivers of the internationalisation process. Having this mission in mind it has been developed a multiple case study interviewing companies that have already invested in the country, also considering recent changes and developments, and analysing data through the Uppsala Model.

### 3.1 The case study

#### 3.1.1. Why choosing a case study?

The case study's unique strength is its ability to deal with a full variety of evidence and allows to understand why a set of decisions were taken, how they were implemented and with what results (Shramm, 1971), core of our case study.

To settle and manage this case study it has been followed Yin (2017) publication, "Case study research and applications: Design and methods". According to him the scope of a case study is to investigate a contemporary phenomenon in depth and within its real-world context, especially when the boundaries between phenomenon and context may not be clearly evident, to find out which elements have influenced company process and which not.

A case study benefits from the prior development of the theoretical propositions to guide design, data collection and analysis. It relies on multiple source of evidence.

Case study may require unmanageable level of effort, however engaging in a survey would have required higher effort, since there were only 23 Italian food company with at least a subsidiary in China and the sample would have not been meaningful. It should be interviewed all the companies in the food & beverage industry, trying to find out whether there was some exporting in China and the differences among exporters, real presence and no deals with China. Moreover trying to engage with a summary would have meant look for 25.571 companies' email, with the risk of not finding them and of not having a meaningful number of respondents. On the other hand with the case study it is possible to choose few companies, since sample size in case study is irrelevant (Lipsey, 1990), that had already done direct investments in the country, trying to give useful answers to our research questions.

### 3.1.2 Case study structure

When choosing multiple case study, which is therefore seen as more robust, each case must be carefully selected so that the individual case studies either predict similar results or contrasting results but for anticipatable reasons (replication logic).

The reason why it has been decided to develop a multiple case study is to analyse companies which produce cured meats, typical Italians and not integrated within the Chinese culture. Companies with that kind of product had to create and establish a new market and their own space in the foreign culture.

Although this case study will be mainly developed around an interview, there still is the need to follow systematic procedures.

Literature review has been crucial in designing and define the case study's research questions. Defining the research question(s) is the most important step to be taken in a research study. They need to have both substance and form. Literature has also given substance to the mission and goals of both the whole dissertation and study. Each proposition directs attention to something that should be examined within the scope of the study. (Attachment 1 – Interview questions)

Not all the 23 Italian food companies that have a subsidiary in China could have been interviewed and analysed. Reason why cases and definition of who is inside the group (phenomenon) and who is outside (context) has been integrated with data collection procedure to make a better screening of the candidate cases for the case study.

Data collection procedures started for Aida data base, where 23 companies resulted in the food and beverage sector with at least one subsidiary in China. From this data base different kind of data could be found, doing a preliminary analysis of all the companies:

- a. Legal and administrative data
- b. Financial data like income statement and balance sheet indicators
- c. Main business field and principal product and services
- d. Subsidiaries location, participation % and number of employees there

Looking at this number and according to what previously said about product characteristics it has been decided to analyse two companies, in the meat field, Shanghai Yihua Food Co., Ltd. and Fratelli Beretta Spa. These companies consequently have been analysed before the interview and the contact (Attachment 2 – Company profiles).

Case study protocol is essential because research design and topics help to remind you the data to be collected and why. The protocol is intended to data collection of a single case and not to serve the entire project. A tentative outline can appear in the case study protocol.

There are different ways of collecting case study evidence, however the main focus has been put on:

- Documentation, which is stable and can be reviewed separately, is not created as the result of a case study, it is specific and can contain the exact names, references and details of an event, being also able to cover a long time span, many events and many settings. However it may be difficult to find and suffer from selection bias if collection of document is incomplete and reporting bias of the document's author. Moreover Chinese documents, mainly the administrative and financial ones, are completely different from the Italian structure and have not an accessible database.
- Interviews on the other hand are targeted, focusing directly on case study topics and are insightful, providing explanation as well as personal views. They however might be biased due to poorly articulated questions and to response bias, moreover interview might say what interviewer wants to hear. To avoid this bias it has been followed the rule of "Interviewer desired skills and values":
  - be a good listener, being able to assimilate large amount of new information without bias
  - stay adaptive, remember the original purpose of the study but then must be willing to adapt procedures or plans if unanticipated events occur
  - have a firm grasp of the issues being studied.
  - Asking good questions is related with checking the ideas in the light of new information, dealing with inevitable discrepancies between what was expected and what was found by rethinking the possibilities of getting more data (Becker, 1998, p. 66)

Interviews can help by suggesting explanations of key events and insights. Audio recording provide a more accurate rendition of any interview than taking your own notes. The interviews have been then transcript, summarised and codified according to different topics, to help understanding the company and giving clearer conclusions to our study (Attachment 3\_Senfter interview and coding; Attachment 4\_Beretta interview and coding).

Summing up what is relevant when managing a case study is to have a thoughtful, balanced, and transparent tone; methodical but also attractively written. The research question should suit the case study research, being dominated by "how" and "why" questions. The design of the interview is crucial: cases definitions and selection, logical connection between the research

question and the data to be collected, rival's consideration. Data must then be scientifically collected, using at least a protocol which has to be presented, in our case the transcription and codification method. Moreover sources and interviewed people must be always cited.

### 3.2 Case study analysis

After telling the history of internationalization of the two companies analysed, we will try to better frame them in the competitive scenario and contextualize them over time.

Competitive scenario and strategic choices are the result of an internationalization process, which will be analysed through the Uppsala model according to which the evolution of the company foreign presence is progressive and based on the establishment chain (Johanson & Vahlne, 2009). Firms should expand predominantly in markets similar or adjacent to their home market, using technologies close to those they already hold in order to save on costs of search and change (Kay, 2005; see Johanson & Vahlne, 2017, p.1090).

On the other hand Coviello and Munro (1997; see Johanson & Vahlne, 2009, p.1413) found out that relationships have an impact on foreign market selection as well as on the mode of entry in the context of ongoing network processes. Markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns.

The inconsistencies and differences will then be evaluated through additional parameters, such as social and cultural trends, which can undermine the progressive process of entry into a country, generating significant changes of direction. Finally, there may also be macroeconomic variables to influence FDI and corporate governance.

<b>ISU Independent Salumi Union</b>	
Interview	04/08/2020
Length	52 Min
Participants	
Name	Role
Helmuth Senfter (HS)	Company CEO

Tab. 2 – Senfter Interview

Fratelli Beretta Spa	
Interview	21/08/2020
Length	80 Min
Participants	
Name	Role
Simone Donadoni (SD)	Production manager
Francesca Brusa (FB)	Marketing member
Andrea Beretta (AB)	Family member

Tab. 3 – Beretta Interview

### 3.2.1 Senfter family case study

More than the history of ISU, Independent Salumi Union, brand of Italian cured meats in China, this is the history of the internationalisation process of Senfter family. Indeed ISU is the last-born brand of Shanghai Yi Hua Food, 100% controlled by Senfter family.

The Senfter SPA yet in 1994 was a cured meats producer located in San Candido, with its main products as Speck, Wurstel and Praga Ham. The need of growth met the risk of falling in the price war and the Senfter family was looking at a way to overcome it. According to Helmuth Senfter, the actual Vice Chairman of The Board of Senfter Holding Spa and Chairman of The Board and Founder of Shanghai Yi Hua Food Co. Ltd:

*“For my father as a classic entrepreneur, born entrepreneur (he studied neither university nor higher), expanding the company was not a variable, the only variable was the how.*

*Staying in Italy would have been a bit too risky”.*

In '94 the company met an Italian journalist correspondent for Asia with a huge love for the Chinese country and with a great business network there. The journalist offered to Senfter Spa to make a partnership with an already build cured meats plant in Xianyang, north-east China. This plant was on sale because of the country project of privatization of all the state-owned companies. This historical period can be seen as the symbol of the loss of power of the socialism, with a highly centralized and planned economic system (Fu, Wu, Yang & Ye, 2008, p.881). The plant was in awful conditions, but the deal was interesting for the lack of offer in the market of Chinese cured meats, despite the constant demand from the customers. This, for the supply and demand rule, would have allowed the imposition of high prices in the market. However in 1994 the Chinese law required at least 25% of Chinese shares for opening a company. The question Senfter Senior asked himself was not whether to invest, but with whom to do it, because the previous owner was not efficient enough to make a deal with. Moreover the old company plant and land evaluation would not have been fair enough. The Senfter family

asked for some help to ICE office to find out other potential partners. Out of 25 candidates only one was good enough to make a deal with. Henan Shuanghui Group had a general manager with a military background. In 1994 people of age 40/50 would have had an education only if they were military, otherwise for them schools and university would have been closed. In 1995 the Senfter family made the first JV with a state-owned company. Helmuth Senfter told us that:

*“We departed in the '95 with a first plant in JV with the state. The state, however, had no interest in making traditional Italian sausages, but obviously had more of a vocation as a state company whose goal was to feed a population of 1.2 billion people. So they wanted to make cheap products, mix vegetable and animal proteins, which were basically half-vegetable and half-animal emulsifiers that were cheap and could be transported by train all over China. Anyway, the population was still not prepared for raw products like prosciutto crudo or salami. For about 10 years we have therefore only made emulsified, always with the same partner, arriving to have more than 2000 employees, 4 factories and to produce more in China than in Italy.”*

Helmuth Senfter contributed as General Manager to the building of 4 Joint Venture meat processing companies with Henan Shuanghui Group. The first Equity Joint Venture was a brown field manufacturing plant in Luohe city, Henan Province, and launched the Marco Polo brand in the Chinese cooked ham market using the JV platform. Marco Polo brand in China became a famous and notorious brand, an Italian sounding reference adjusted to typical Chinese preferences. In 1999 they established the second Equity Joint Venture manufacturing green field plant in Luohe city, Henan Province, China, for meat processing operations. In 2001 they established the third Equity Joint Venture green field manufacturing plant in Fuxin city, Liaoning Province, China with Chinese partners company Henan Shuanghui and a local partners company Fuxin Food for meat processing operations. In 2003 established the fourth Equity Joint Venture partly green field manufacturing plant in Jinhua city, Zhejiang Province, China with Chinese partners company Henan Shuanghui and a local Mingzhu Food company for meat processing operations especially in the traditional Chinese raw ham segment (Helmuth Senfter LinkedIn Profile).

After 10 years the partnership with Henan Shuanghui Group was over, and the Senfter Spa decided to go on with its own resources without a Chinese partner anymore. In 2005 they opened the first wholly owned green field manufacturing plant in Shanghai Minhang District, China, Shanghai Yi Hua Food, 100% controlled, 100% owned and part of the Italian Senfter Holding Spa/AG company, for the specific purpose of a local production and domestic distribution of traditional Italian style cured meats in Chinese market, with the vision of locally producing and locally distributing traditional Italian style cured meat products in a sustainable

way. They focus on sustainability: fresh meat cuts, natural ingredients, and animal welfare. In 2008 they successfully disinvest and sell all of their four China Joint Venture equity participations to WH Group, also listed in HK stock exchange.

The choice of opening up a plant for the production of Italian cured meats came from the market knowledge. Helmuth said:

*“I started with this project in '95 and I stayed all the time. I lived in China as a child, I could speak and read Chinese, I could afford to make an Italian sausage factory without partners.”*

Being in China as an insider helped the Senfter Spa in understanding the market needs. 5-star hotels, western restaurants and specialty markets needed these products, mainly because their import is forbidden. This is because in foreign policy and in the management of duties there is a kind of mutuality. If Italy or the EU does not accept Chinese products, then China opposes the importation of European cold cuts/products into China. Chinese cured meats are still banned in Europe. There are the contraband products (via HK), but the 5-star hotels and high-quality restaurants did not want to risk high fines. Moreover, it has now become a criminal offence punishable not only on a civil level but also as a criminal offence. There is therefore an even greater incentive not to buy contraband products. For what concern the PDO products, in particular Prosciutto di Parma and Prosciutto San Daniele, in 2007 there has been an opening because the contraband was not manageable anymore. There was the new possibility of importing these products but with a fee of 25%, way too high according to Helmuth Senfter. The size of the newest plant in 2005 (10 mln potential turnover), was the minimum possible, according to Helmuth Senfter:

*“ It was then a question of expanding and going beyond the demand of Western expatriates. China’s consumer demand grew more slowly than hoped, as it was a hope, there was no market survey that could predict future demand for cold cuts. We had not done any research through questionnaires to consumers. If we went back, we would not do it anyway. It was a manageable dimension even in case of lack of demand, even if it had gone completely wrong.”*

The demand used to come only from western customers expatriate in China, while for the remaining population there was a huge work to be made in order to generate the needed market demand. To reach the target turnover they needed 15 years despite 5 years planned, 3 times slower.

In 2018, after almost two decades of collaboration, Senfter sold its GSI shares to Unibon, who became its sole owner, (Foodweb, 2018).

With these shares sales revenues the Senfter Spa has decided to build within 24 months a new manufacturing plant of 15 thousand square meters, located in China Mainland, next to the first

plant, with a potential turnover of 40 mln, planned to be reach in 15 years. The main hurdle for this project is, as with the previous built plant, customers' education, which has to be done almost individually, tasting, and teaching the different products.

With the sale of GSI shares, the Senfter family needed also to change the brand with which products were sold and in 2018 ISU, Independent Salumi Union, was created. On January 2019 Shanghai Yi Hua Food started to exclusively manufacture ISU branded cured meat products, credibility and reputation needed to be reached and gained in the market.

The company has developed over the years and is currently selling approximately 100 different SKUs in the Chinese market. Main product categories include Prosciutto ham, Salami, Cotto ham, Pancetta bacon and Sausages, all Italian sounding products but adapted to Chinese tastes. Major sales channels in China are Food Service, Retail and E-commerce (Helmuth Senfter LinkedIn Profile).

According to Helmuth Senfter their success factors are:

*“Knowledge of culture and market: having learned not only to speak Chinese but also to write and read it I managed to run a Chinese company from insider, not like the multinationals which have all the first line of Western managers, who can't even understand the news in local newspapers (language barrier) and want to impose their taste/ style. In small companies like ours if we had only western managers, we would have been short-sighted in management. All this would make an investment even more risky than it is. Moreover, in my company all managers are Chinese and know where to go, know and live the Chinese market.”*

### 3.2.2 Beretta family case study

Beretta has a great story of merges and acquisitions since 1987, when it began its expansion focused on companies specializing in PDO and PGI (Protected geographical indication) productions. Then in 1997 he landed in the United States, acquiring a production business in New Jersey, in South Hackensack: because of American laws, cured meats and cups could not be exported from Italy.

Between 2005 and 2007 a joint venture with the Chinese giant Yurun for the production of Italian cured meats near Nanjing was also carried out (Fratelli Beretta Website).

It all started in 2004, when a Beretta plant supplier put them in contact with the Chinese company that is still their partner (Yurun). The founder and chairman of China Yurun Food Group Limited ("Yurun Food") Zhu Yicai believed that "With their income rising and Western



culture getting popular here, Chinese people would love these high-end processed meat products" (Lu Haoting, 2007). Andrea Beretta told us that:

*"It was all born in 2004, when one of our plant suppliers put us in contact with a Chinese company, which is still our partner (Yuber food). They had started independently to produce Western cured meats, but they realized that there was a lack of know-how and asked for support to find a partner to their plant supplier. We have started progressively. We sent them an industrial/food technician to implement a small production and show them how to make Italian cured meats".*

In 2006 they made the first real agreement, a trade agreement, on the distribution of Prosciutto di Parma in China, constituting a JV only for exporting. But immediately in the following months, between 2006 and 2007, Yurun asked for more support, giving Beretta space, facilities and more. As a result, the first transfer of an Italian commercial/finance employee to China took place, plus a production technician, and the following year in 2008 this small Beretta company was born in China, a commercial reality which dealt with the sale of both imported and directly produced products.

Yurun still controls 70 percent of the venture, with Beretta holding the rest of the shares (30%). The positive feedback from the Chinese market motivated them to turn the partnership into a formal joint venture and expand into more product lines. "Beretta has the technology. We know the market and have the sales channels. It is a perfect match," says Zhu, who supplies sausages and hams to nearly 70 percent of China's four- and five-star hotels (Lu Haoting, 2007).

Zhu is the emblem of the Chinese changing society, where individual contributions are now being acknowledged and rewarded (Fu, Wu, Yang & Ye, 2008, p. 889). However it also represents the masculine society, where assertiveness, dominance and aggression are highly acceptable in China.

Consequently in February 2012, thus celebrating the bicentenary of society, there have been the inauguration of a second factory, in Ma'anshan, 300 km from Shanghai and 60 km from Nanjing.

The new production centre has replaced the historical one of Nanjing, that Beretta Group had opened in 2007, and has strengthened the joint venture with the Chinese food group Yurun.

With an area of 9 thousand square meters, a production capacity of over 3 thousand tons per year and a workforce of 150 employees, the new plant is focused on the production of all the main cured meats allowing an increase in production volumes. With the investment in even more efficient machinery and equipment and in larger areas to be used for maturing, the aim has been to further improve the quality of the products and to diversify the offer with the production of raw bone hams and cooked cured meats.

The works for the construction of the new plant in Ma'anshan, between design and construction, lasted little more than a year and employed materials and manpower both Chinese and from Italy, under the direction of Andrea Beretta, one of the representatives of the new generation of the Beretta family. The new factory also represents the best of Italian and European production technology and is able to combine the tradition of Italian salumeria with the increasingly stringent Chinese food safety parameters (Lu Haoting, 2007).

The intention was to produce products for the Chinese market, made with native meat that will be as similar as possible, for taste, to the Italian ones thanks to the use of spices and recipes from our country. As Chinese people's incomes rise with the nation's economy growing at more than 9 percent a year, consumer awareness of food safety is growing fast. Especially in large cities, many consumers have gradually abandoned the old way of buying fresh meat from butcher's booths in wet markets and now prefer shopping in better-regulated supermarkets. The top three meat producers, including Yurun Group, slaughter less than 5 percent of the total, while in the United States the three largest companies butcher more than 50 percent of the pigs. Initially it was used Chinese raw material, but then there have been two pivotal moments that changed the purchasing policy. Four years ago, Chinese commodity prices skyrocketed, then there was a further spike with swine fever. As a result, mainly for the quality and price mix of meat they decided to import from outside frozen meat. So today they buy 100% of the meat they use in the factory, from Germany, Holland, Spain, or South America (Foodweb, 2012).

According to Francesca Brusa, marketing team member in Fratelli Beretta:

*“If you want to offer a complete basket of products to the Chinese customer the only solution is to produce directly there. It must be considered that the plant in China produces only for the Chinese market. What is found in the rest of Asia are products Made in Italy and exported”.*

Only San Daniele and Parma ham have the authorisation to be exported in China from Italy, the remaining products are banned. Only with a plant in the mainland you would be able to sell in China. Now Beretta, after 10 years of work, has obtained the permission for a little range of Wuber products, cooked products. What is made in China is sold in China only, while in the other Asian countries where Beretta sells its products, these arrive directly from Italy.

According to Francesca Brusa, marketing team member in Fratelli Beretta, when speaking about China:

*“ We have been there for many years, so we have a background and a knowledge of the market that is remarkable. A potential new cured meats actor entering China would have many difficulties as it is not easy. The years of the past are precious years for the knowledge and experience we have gathered.”*

### 3.2.3 Data analysis

We are now proceeding the two companies' analysis starting from their descriptive data, going then through the strategic indicators.

In this section we will examine the similarities and differences between the two cases with respect to the following topics: entrance mode, human resources management, financial and economic data, and plants location.

Industry	Meat processing	Meat processing
Name	<b>ISU Shanghai Yi Hua Food – Senfter Holding</b>	<b>Yuber food – Fratelli Beretta</b>
Current mode	Wholly owned by Senfter	JV with Yurun food
Years of establishment	1995	2007
Number of employees	102 Chinese 1 Italian: R&D - Master Chef 1 Italian: Founder	150 1 Italian: R&D 1 Italian: Production Manager 1 Italian: Marketing 1 Italian: Sales and financial
Revenues (in millions Euro)	2019: 7.914.621 € 2020 (2 quarters): 3.543.100 €	2019: 15.635.693 € 2020 (2 quarters): 14.500.331 €
Agreements and Structure	1995: Brownfield Equity Joint Venture with Henan Shuanghui Group: manufacturing plant in Luohe city 1999: Greenfield Equity Joint Venture with Henan Shuanghui Group: meat processing operations in Luohe city 2001: Greenfield Equity Joint Venture with Henan Shuanghui Group: manufacturing plant in Fuxin city 2003: Greenfield Equity Joint Venture with Henan Shuanghui and a local Mingzhu Food: manufacturing plant in Jinhua city 2005: Greenfield wholly owned manufacturing plant in Shanghai Minhang District 100% controlled 2008: Disinvestment and sale all of their four China Joint Venture equity participations to WH Group 2020: Greenfield wholly owned manufacturing plant work in progress	2007: Brownfield Equity Joint Venture with China Yurun Food Group Limited ("Yurun Food"): manufacturing plant in Nanjing 2012: Greenfield Equity Joint Venture with China Yurun Food Group Limited ("Yurun Food"): manufacturing plant in Ma'anshan replacing the old plant

Tab. 4 – Descriptive information of the cases in China

#### 3.2.3.1. Entrance mode

ISU Shanghai Yi Hua Food has never done export, it entered in China through a JV with a completely different production compared to the domestic one and then, when it gained enough market knowledge, it decided to go alone, building a wholly owned subsidiary. The main reason that did not allowed Senfter to enter in the market by exporting the product is that in 1994 when they first approached China Italian product import was not permitted.

Differently Beretta, which tried to enter in China for the first time in 2007, approached the market at first by exporting PDO products, the only approved by Chinese government, which have been admitted in that year. Then Beretta opened a JV, at the beginning in a brownfield investment and consequently building up a new plant, making a greenfield investment.

Both the companies entered the country with a brown field Joint Venture, unpredictable if basing the analysis on the belief that China is a developing country, in which FDI are generally made through greenfield direct investments because host country firms are often not developed enough. Of course the two purchased manufacturing plants were not as technological as Italian ones, but enough to start the business in the country. It might be underlined that China as a matter of fact is not a developing country anymore, but in 1994 and 2005 its conditions were different from now and was hundred percent a developing country.

### 3.2.3.2. Human resource management

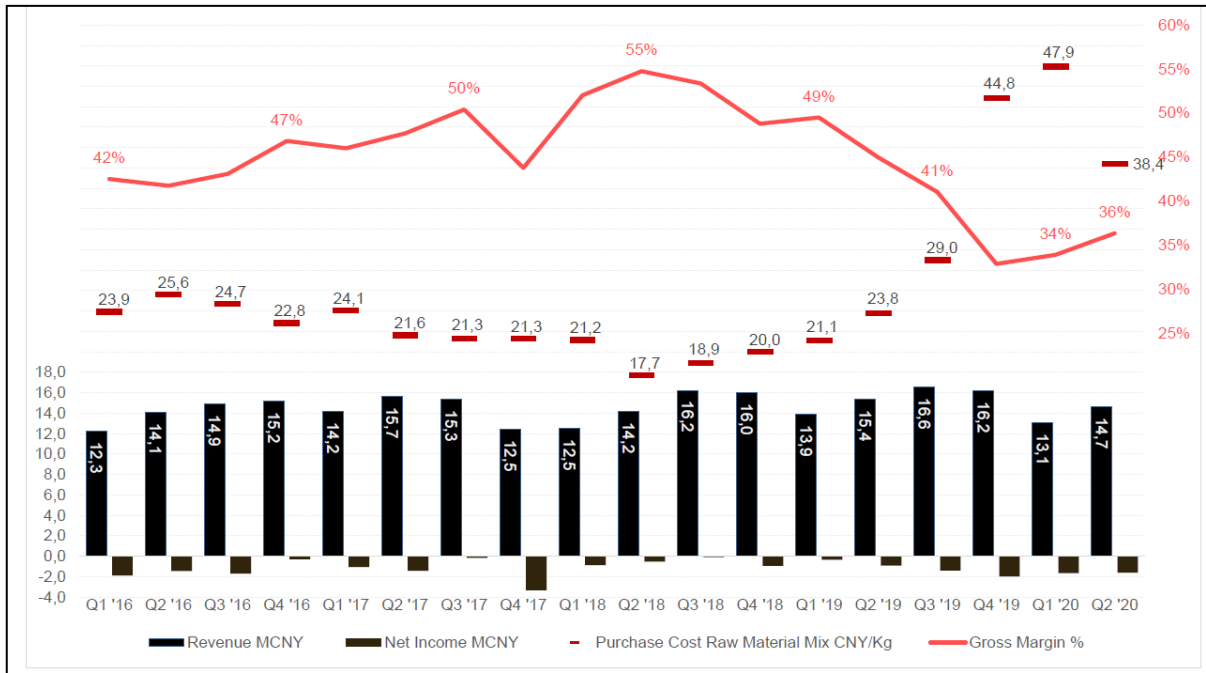
People management of the two companies is pretty similar: hundreds of Chinese employees for the production, with Italian people for the staff functions.

We were able to gain some more information from Beretta. Each of the Italian people in Yurun has a different background, it depends also on the position they have in the company. This choice is consistent with what Noe, et al. (2006; see Wu, 2008) stated: “if the company struggle to keep and transfer its Italian values the best solutions is to get expatriates, someone who has chosen to live in a country other than the one in which he or she legally resides at top management, but never as HR Manager.” For sure marketing and salespeople have studied language and knew Chinese culture before. While production people were keener on company values and products characteristics. According to them the main difficulty is to have stable operations staff to teach over time. Especially men in the 20/30/35 range change job very frequently, looking for a salary even slightly higher, coherently with the society switching to an individualist one, with competition and proactiveness (Fu, Wu, Yang & Ye, 2008). They absolutely do not want to increase their salary, unless in the case of a key person. Although people culture is changing, since Beretta is in China the dynamics have always been the same, by the way as Simone Donadoni, production manager in Fratelli Beretta, said

*“The only thing is that we have understood what is the type of worker that remains more in time, that is the local woman, between 25/40 years, with already one or two children and therefore has no particular ambitions.”*

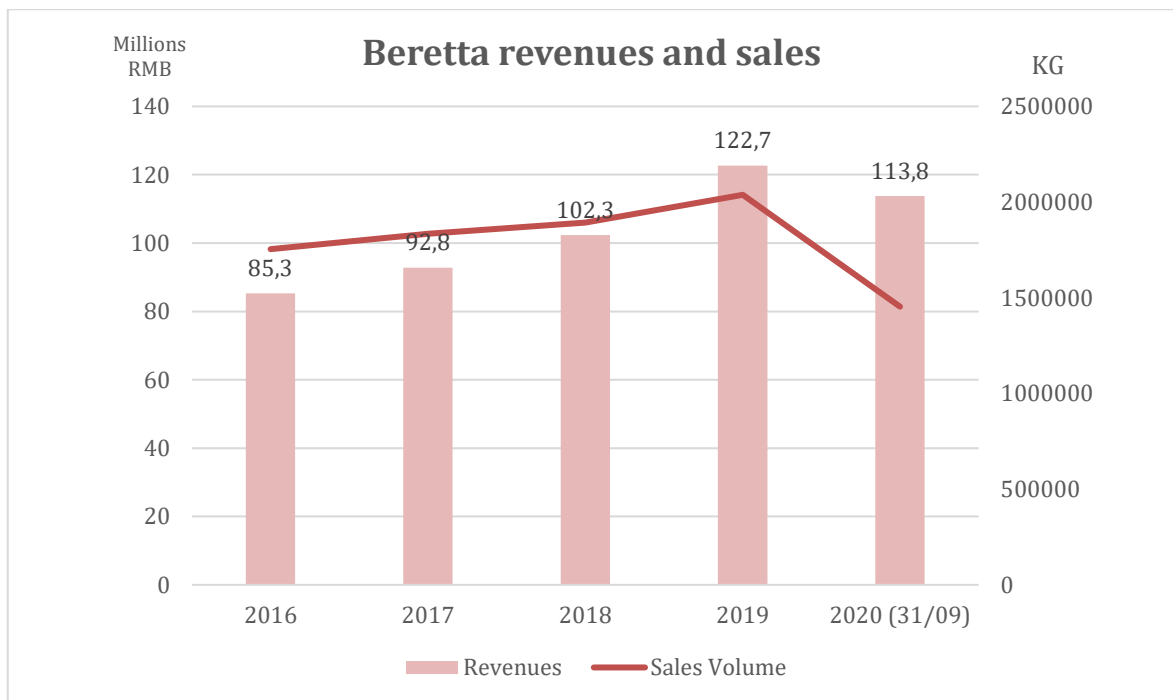
### 3.2.3.3. Financial and economic data

The two companies gave us two slightly different sources to make a brief financial analysis about their performances in China. We got Shanghai Yi Hua Food Quarterly Income Statement, with net income and gross margin indicated (Graph. 5).



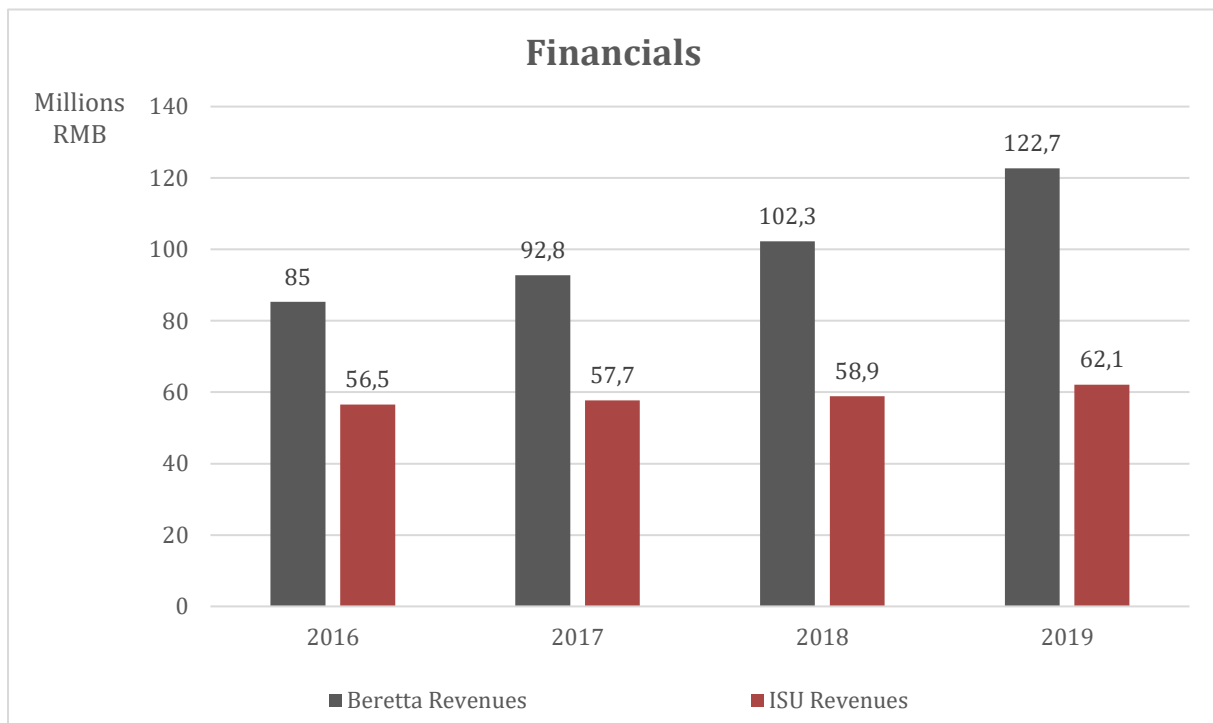
Graph. 5 - Shanghai Yi Hua Food Quarterly Income Statement (2020, ISU - Shanghai Yi Hua Food)

From Beretta came only some numbers related with revenues and volumes sold in the last 5 years, reported below:



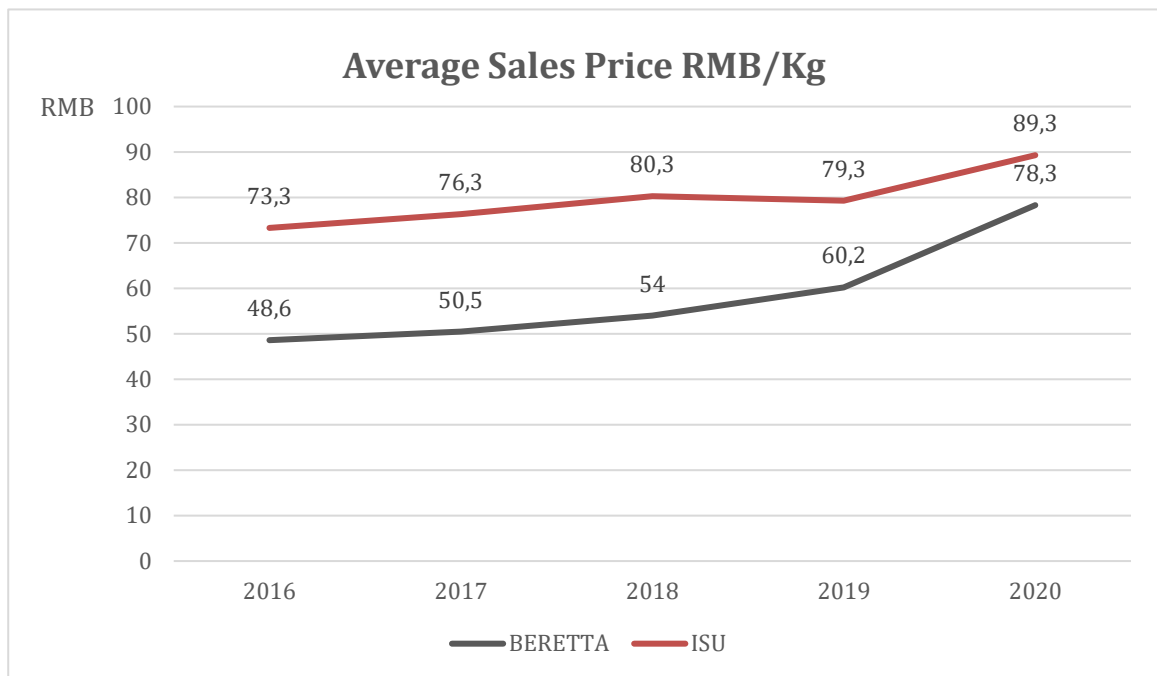
Graph. 6 – Beretta revenues and sales

In these last five years no new plant or joint ventures have been made in China. The trend is increasing for both the company, with percentage of growth up to 20% for Beretta and only 5% for ISU Shanghai Yi Hua Food. While Beretta trend in in line with Italian food export growth of 20% from 2018 to 2019, ISU Shanghai Yi Hua Food is way below the average. Indeed Senfter have never ended the year with a positive net profit, which in the last year have negatively increase of 100%, while Beretta sales volume is now almost 10% higher than five years ago.



Graph 7 – Case studies revenues

Despite we do not have ISU Shanghai Yi Hua Food sales volume we can use the one of Beretta (Info Dati, 2020) to evaluate their average price positioning (Revenues / Sales volume) and compare it with the one given us by ISU Shanghai Yi Hua Food Income Statement 2016 to Q2 2020 (Graph. 5). It is possible to compare this two companies in their average price given the fact that they sell the same products.



Graph 8 – Price positioning

Beretta has a slightly lower price positioning compared with ISU Shanghai Yi Hua Food, and given the higher revenues Beretta has we can deduct that Beretta selling volumes are way higher than ISU Shanghai Yi Hua Food. However we might be careful when doing this evaluation because the evaluated price is an average of all the products sold.

The most expensive product when we talk about Italian cured meats is Prosciutto Crudo, and that one is directly sold from Italy in the case of Beretta and these revenues goes in the Italian balance sheets, differently from ISU Shanghai Yi Hua Food which sells only Made in China Prosciutto Crudo. Therefore the lower price positioning might depend also on this fact.

#### 3.2.3.4. Plant location

After the financial analysis it has been examined where the different companies have been located across Mainland China from the establishment in the country.

The different plants are located all around China, but, if we make a comparison with Mark Hedley of B2B International Map of China’s 33 Provinces and Administrative Regions, from which it emerges that there are huge variations between different provinces in terms of population levels, per capita GDP, average income levels, consumer spending habits, education levels, literacy rates, lifestyles and so on, we can see that all their factories are or were distributed in the richest cities in the mainland (Fig. 4).



Fig. 4 – Factories location

After having done a general data analysis of the two Chinese-Italian companies we now need to analyse their strategy. Basing on what Porter says we can analyse each company strategic positioning. Porter called the generic strategies "Cost Leadership" (no frills), "Differentiation" (creating uniquely desirable products and services) and "Focus" (offering a specialized service in a niche market). He then subdivided the Focus strategy into two parts: "Cost Focus" and "Differentiation Focus." The terms "Cost Focus" and "Differentiation Focus" can be a little confusing, as they could be interpreted as meaning "a focus on cost" or "a focus on differentiation." Remember that Cost Focus means emphasizing cost-minimization within a focused market, and Differentiation Focus means pursuing strategic differentiation within a focused market.





Fig. 5 – Porter’s competitive strategies

	ISU Shanghai Yi Hua Food	BERETTA
PRODUCTS	1995: Emulsion and Chinese cooked products. Birth of Marco Polo Cooked Ham 1999: Emulsion and Chinese cooked products 2001: Emulsion and Chinese cooked products 2003: Emulsion and Chinese cooked products 2005: Italian sounding products, cured meats assortment	2007: Italian sounding products, cured meats assortment 2012: Italian sounding products, cured meats assortment
SALES CHANNELS	40% Food Service 40% Retail 10% E-commerce	30% High-end Food Service 45% Italian and western high-end Retail 15% E-commerce (shop both in JD and Tmall) <sup>1</sup>
STRATEGY	1995 to 2005: Cost leadership From 2005: Differentiation Local production Standard Italian products Slight adaptation to Chinese tastes (more strong and intense tastes)	From 2007: Differentiation Local production Standard Italian products Slight adaptation to Chinese tastes (more strong and intense tastes)

Tab. 5 – Companies strategic positioning

Looking at Tab. 5 we can say that the two strategies are similar both in terms of channels and in terms of products, with the only difference that a company, the Senfter’ s one, started with cost focus before arriving at the differentiation, also because it entered the country in a different historical period than its competitor, Beretta. According to what Porter says and to the data we were able to get it can be concluded that both the productions are based on the **differentiation**, creating uniquely desirable products and services, using the Made in Italy power. The main difference among them is that Beretta has a wider range of products, without the fear of falling

<sup>1</sup> these percentages were deduced from what the respondents said, but are not revealed data

into a niche market, too small to get profit, since it tries to standardise the product in each market, being loyal to the Italian tradition. As Francesca Brusa (Fratelli Beretta) stated,

*“It’s just a corporate philosophy, to be an ambassador of the world of Italian food in particular in the world of cured meats.”*

Simone Donadoni (Fratelli Beretta) told us that:

*“We did not voluntarily want to differentiate or adapt the Italian product to the Chinese market. On some products, such as cooked products, we have chosen to adapt something to less traditional products, such as smoked ham. Tendentially they are accustomed to strong flavours, so in the market they go for the greatest cooked products with an intense taste”.*

On the other hand ISU Shanghai Yi Hua Food, although in the field since years, is a new brand and needs time and it sells a short range of products to gain reputation from the customers.

### 3.2.4. Companies analysis through the Uppsala Model

Now that we have analysed the overall strategy of the two companies, let us go and analyse in depth the variables that most affected the internationalisation process using the Uppsala model, which have been explained in the previous chapter.

	<b>ISU Shanghai Yi Hua Food</b>	<b>BERETTA</b>
<b>Commitment/ Performance:</b>	Variety of modes: 1995 - 2005: JV with private Chinese company, from the purchase of a state-owned company, for the production of Chinese cured meats 2005: Wholly owned manufacturing plant with a different product focus 2020: Wholly owned manufacturing plant in the same region for the increase of the production  Horizontal FDI	Variety of modes: 2005: Export through Yurun 2007: JV with Chinese company in a brownfield investment 2012: Second greenfield investment with the same partner merging in a JV  Horizontal FDI
<b>Commitment processes</b>	Entry order in foreign markets: <ul style="list-style-type: none"> <li>• no gradual psychic sequence</li> <li>• foreign markets selection based on network and opportunities actualized in a journalist knowledge</li> <li>• The expansion abroad takes place in a market before having acquired the leadership in Italy and before being in neighbouring markets.</li> </ul>	Entry order in foreign markets: <ul style="list-style-type: none"> <li>• gradual psychic sequence</li> <li>• foreign markets selection based on network and opportunities actualized in a supplier</li> <li>• although they had huge experience in the internationalization the relevant differences with the already known countries did not allow to use the experience already gained</li> </ul>
	Sequence modes of operation: <ul style="list-style-type: none"> <li>• equity JV without any prior export experience in Chinese market</li> <li>• wholly owned manufacturing plants in China after having gain a deep knowledge of the market</li> </ul>	Sequence modes of operation: <ul style="list-style-type: none"> <li>• initial export of only PDO products</li> <li>• equity JV with the same export partner, with an increasing trust building</li> </ul>

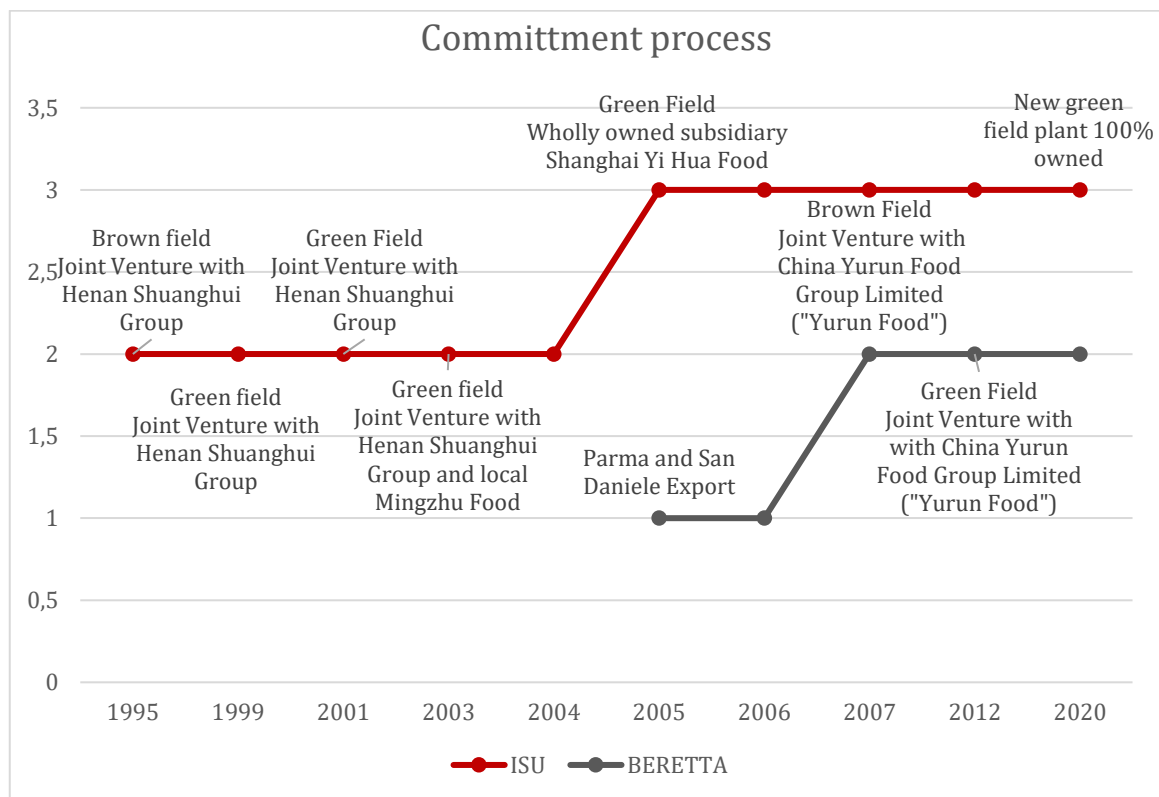
	<b>ISU Shanghai Yi Hua Food</b>	<b>BERETTA</b>
<b>Knowledge development processes</b>	Learning and creating: <ul style="list-style-type: none"> <li>• Experiential learning in foreign markets through the JV allowed developing the capabilities needed to set up a wholly owned manufacturing plant</li> <li>• Experiential learning through wholly owned subsidiaries highlighted the importance of being a market insider</li> </ul>	Learning and creating: <ul style="list-style-type: none"> <li>• Experiential learning in foreign markets through the JV for the market knowledge</li> <li>• The Chinese partner itself was able to get Italian know how, both for the production and for the technology</li> </ul>
	Trust-building relationships: <ul style="list-style-type: none"> <li>• Unknown brand needs time to gain credibility</li> <li>• Trust-building relationships with customers through in store promotion</li> <li>• Trust-building relationships with customers seen as a long process of customers education. New approach of digital to accelerate the process</li> </ul>	Trust-building relationships: <ul style="list-style-type: none"> <li>• Historical brand with a consolidate reputation and credibility</li> <li>• Trust-building relationships with customers by participating to local exhibitions</li> <li>• Trust-building relationships with customers by training activities mainly for supermarket employees, who should translate their knowledge to the customers.</li> <li>• Trust-building relationships with customers through in store promotion and cooking classes with retail loyal customers</li> </ul>
<b>Capabilities</b>	Operational capabilities: <ul style="list-style-type: none"> <li>• Chinese HRM</li> <li>• Italian R&amp;D</li> </ul>	Operational capabilities: <ul style="list-style-type: none"> <li>• Manufacturing excellence for highly technological machinery and Italian raw materials (curing)</li> <li>• Marketing</li> <li>• JV partner distribution chain</li> </ul>
	Dynamic capabilities of sensing: <ul style="list-style-type: none"> <li>• Owner-CEO, senior and junior, detected opportunities and threats of foreign market expansion</li> <li>• Entrepreneurial attitude</li> </ul>	Dynamic capabilities of sensing: <ul style="list-style-type: none"> <li>• Owner-CEO, senior and junior, detected opportunities and threats of foreign market expansion</li> <li>• Cautious process for the lack of trust in the different market</li> </ul>
	Dynamic capabilities of seizing: <ul style="list-style-type: none"> <li>• JV agreement with Chinese partner to overcome liability of foreignness</li> </ul>	Dynamic capabilities of seizing: <ul style="list-style-type: none"> <li>• JV agreement with Chinese partner to overcome liability of foreignness and exploit partner distribution channel</li> </ul>
	Dynamic capabilities of transforming: <ul style="list-style-type: none"> <li>• When the company changed product offering and customer target used the acquired knowledge to build its own Chinese company</li> </ul>	

Tab. 6 – Uppsala model for the analysed case studies

According to the Uppsala model the evolution of the internationalisation process is progressive and based on the establishment chain (Johanson & Vahlne, 2009), which ranges from no regular

export activities to offshore manufacturing, bringing a gradual increase in market experience at each step (Depelteau 1985 see Steen and Liesch, 2007.).

In reality, according to the companies stories, we have elaborated a time-commitment graph were to highlight companies' main differences and similarities in the process, and the result is that although the evolution is progressive for both, not all previewed steps have been followed (Graph. 9).



Graph. 9 – Time commitment process

Both the companies started with international joint ventures, only Beretta did export for few months before opening up the new company. **In a country like China JV can be regarded as an institution for risk sharing** and a faster way to understand and know the market. Although there is a growing interest in JVs, these companies have been observed unstable and often short-lived. This trend is due to the fact that after forming a JV and operating for a few years, partners break up their ties; thereafter they compete independently in the market (Franko, 1971; see Kabiraj, Lee & Marjit, 2005, p.2). Beretta is still in the JV phases, but Andrea Beretta asserts that:

*“If they had not been there, we probably wouldn’t be in China today. In the same way, however, if we were in China alone today, it would be a little easier. Anyway, when you’re the one being searched for the know-how you need to export to a country, it’s very difficult for the partner*

*who welcomes you to put the stakes between your wheels and tell you how to do things. When a partner looks for you to do pure business as in the case of the Chinese, they rely entirely on you. We started with the JV that we had to do only the production, the reality of the facts is that, even if it is not contractualized, we deal with production, commercial, financial and brand.”*

The process of **knowledge development and resource commitment** is the most distinctive feature of the Uppsala model because they affect the characteristics of the firm and its context, which in turn affect the processes in the next time period. (Giddens, 1984; see Johanson & Vahlne, 2017, p.1089). The possibility to explore and exploit the market itself gave to Helmuth Senfter the possibility to gradually learn Chinese culture, both from commercial and personal point of view and with higher knowledge the resource commitment increased simultaneously. **Entrepreneurial** attitude is however one of the common characteristics of the two companies. As Helmuth Senfter said:

*“We had an opportunity in '94. For my father as a classic entrepreneur, born entrepreneur (he studied neither university nor higher), expanding the company was not a variable, the only variable was the how. Staying in Italy would have been a bit too risky”.*

In both Owner-CEO, senior and junior, detected opportunities and threats of foreign market expansion. It has been evident the characteristics of entrepreneurs, willingness to take risks and cognitive bias like over optimism and illusion of control, without whom all this would not have been done.

As already known the Uppsala model is made of four variable, state and change ones. Let us sum them up briefly to make a better company analysis.

Among the STATE VARIABLES we find:

- **Commitment and performances** are reflected in the company status within its network. Axelsson and Johanson (1992; see Johanson & Vahlne, 2009, p.1415) showed that foreign market entry should not be studied as a decision about modes of entry, but should instead be studied as a position-building process in a foreign market network, also with the firm's partner. Actually the two companies build gradually their position in the market. As we know Senfter made a JV with private Chinese company, from the purchase of a state-owned company, for the production of Chinese cured meats. Consequently, having gained enough knowledge and credibility in the market, it invested in a wholly owned manufacturing plant with a different product focus, and now that the old plant is saturated, he is building a new manufacturing plant in the same region to increase the production.

On the other hand Beretta first exported through Yurun, then made a JV with the Chinese company in a brownfield investment and finally he made a second greenfield investment with the same partner merging in a JV.

- **Commitment processes** matches with the resource allocation process and it is made when there is a “reasonably positive” trade-off between expected benefits and downside outcomes (Johanson & Vahlne, 1977). Both companies’ investments have been made with a network partner. None of them could forecast the expected benefits being in a new country where the market was pretty unknown. Senfter did not have any previous international experience, for Beretta any knowledge was useless, but being in partnership with a local company halved the risk and the experience began. Senfter entered without any gradual psychic sequence. It selected the foreign markets based on network and opportunities actualized in a journalist knowledge, with the expansion abroad taking place in a market before having acquired the leadership in Italy and before being in neighbouring markets. Differently Beretta had previous experience in foreign market and started with a gradual psychic sequence, but this experience was not useful given the completely different culture and characteristics China has.

According to Andrea Beretta the reason why American experience was not useful in China were three:

*“ The identity of the market: despite being a nation of 1 billion people, the culture of delicatessen is not very mature. While in America this is much more intrinsic and has allowed us to make investments very different from those made in China. Both as type of products and as plants. The volumes of each reference were much larger in America, so the investment assessment was to say we make new technologies to produce large quantities of volumes in a short time. In America we are alone and not in JV.”*

Therefore among the CHANGE VARIABLES we have:

- **Knowledge development process** is fundamental to a firm’s internationalization, and in particular knowledge that grows out of experience in current activities is crucial to the learning process. The entrepreneurial knowledge development process includes at least three subprocesses, relationship-building, flexibility in strategy implementation, and adaptation to the organization’s task environment. *Relationship building* involves learning about each other and building trust by committing to the relationship. Actually none of the interviewed enjoyed talking about the relationship with the JV partner. What we understood from both is that doing business with another partner is always difficult and most of the time goals are different. When doing business abroad with a partner the

risk is lower, but the attention is really high, and the strategy is most of the time more cautious than at home or in similar market when the company is alone.

- Capabilities might be both dynamic and operational. **Operational capabilities** exploit extant FSAs (Firms specific assets), identified with the firm's routines and recombination capabilities, company shared knowledge and ability to generate new knowledge, and company capability of integrating multiple technologies. Indeed internationalisation requires sufficiently strong FSAs to establish a sustainable business in foreign markets and to overcome liabilities of foreignness and outsidership (Hymer, 1976; see Johanson & Vahlne, 2017, p.1095).

For Senfter the main FSA are having all Chinese employee, insiders in the market, with the only exception of the R&D manager who is 100% Italian, and this allowed ISU Shanghai Yi Hua Food to establish a sustainable business in foreign markets and to overcome liabilities of foreignness.

**Dynamic capabilities** approach plays a crucial role for a successful knowledge development process learning because the success comes from continuous reconfiguration and development of company resources (Teece, 2014; see Johanson & Vahlne, 2017, p.1095).

Dynamic capabilities might be analytically disaggregated into sensing opportunities (or threats), seizing (or neutralizing) them via expedient investments, and transforming the firm and its resources and capabilities accordingly. (Matysiak et al., 2018).

In the Senfter case the owner-CEO, senior and junior, *detected* opportunities and threats of foreign market expansion, everything with an entrepreneurial attitude, taking decisions basing on small number of information. Indeed they did everything without any feasibility study, both in 1994 and 2001, in a completely structureless approach falling in a no replication capability (dynamic capabilities of sensing).

When in 1994 they entered in the market they made it through a JV agreement with Chinese partner to overcome liability of foreignness (dynamic capabilities of *seizing*) and then in 2001 when the company changed product offering and customer target used the acquired knowledge to build its own Chinese company (dynamic capabilities of *transforming*).

For what concern the Beretta case, the company was and still is considered a manufacturing excellence for highly technological machinery and Italian raw materials (curing), and this immediately put them in a position of insidership.

Also Beretta had the owner-CEO, senior and junior, who *detected* opportunities and threats of foreign market expansion, but it engaged in a cautious process for the lack of

trust in a market, China, completely different from the home country and from countries where the company had previously invested. Although they had huge experience in the internationalization the huge differences with the already known countries did not allow to use the experience already gained (dynamic capabilities of *sensing*). To overcome this barrier they made a JV agreement with Chinese partner and consequently they were able to exploit partner distribution channel (dynamic capabilities of *seizing*).

All the four state and change variables have given the forecasted effect, generating gradually commitment, trust relationship and good performances.

### 3.2.5 Theoretical implications

From the theoretical analysis of the two companies, made through the Uppsala Model, some differences emerged.

First, according to the literature, for what concerns **the network view of the business context**, firms expand predominantly in markets similar or adjacent to their home market, using technologies close to those they already hold in order to save on costs of search and change (Kay, 2005; see Johanson & Vahlne, 2017, p.1090).

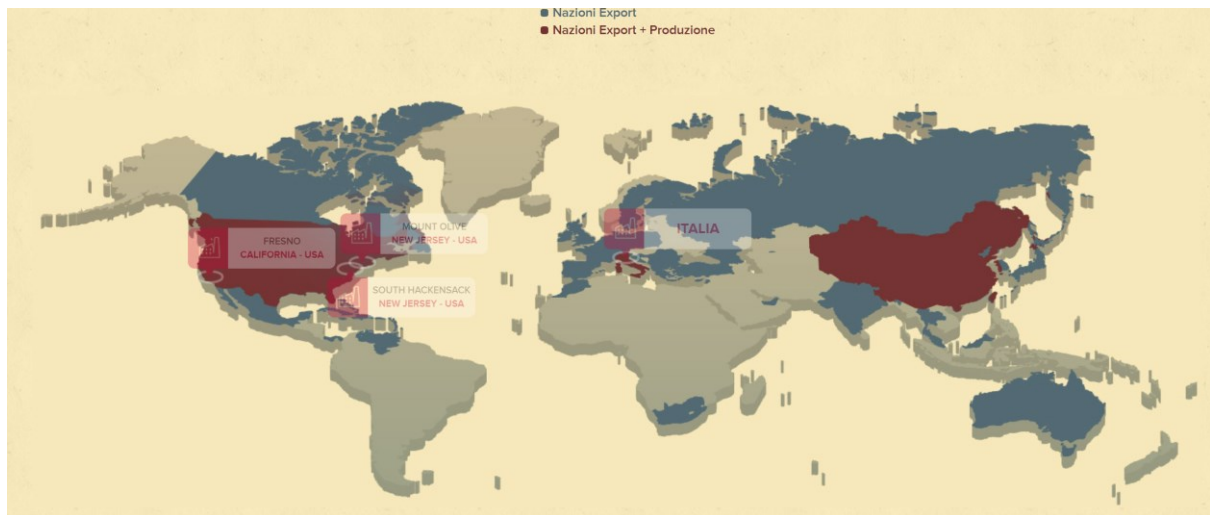


Fig. 6 – Beretta in the world

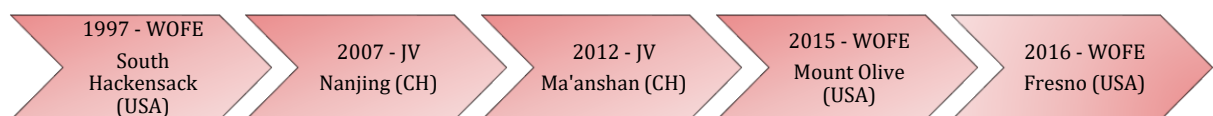


Fig. 7 – Beretta FDI Timeline



The Senfter Family (ISU Shanghai Yi Hua Food) approached China without having any other presence and experience in the international market, and without being China a country neighbouring Italy. Besides Beretta had previous investments across Europe and in USA (Fig. 6 – Fig. 7) and consequently accumulated experience.

However Andrea Beretta stated that all the knowledge and the skills they previously developed were not useful, being China a country completely different compared to the Western one, even if they are evolving. Chinese culture is highly complicated, as we have analysed before, and it brings everything in specific directions.

Proposition 1 follows:

**Proposition 1:** In the food industry, the value of past internationalization experience is limited when companies enter China.

Second, once entered in the country the Uppsala model expects a process named **establishment chain**, which ranges from no regular export activities to offshore manufacturing, bringing a gradual increase in market experience at each step (Denis 1985 see Steen and Liesch, 2007).

Beretta entered in the country with export but has still not completed the process, while Senfter is building his second plant on his own, showing, according to Uppsala and his model, higher commitment, which should be related and proportional to higher success.

However Beretta has seen a growth of 20% in the last 5 years, compared to Senfter 5%, not precisely what one should expect if basing his forecasts on the Uppsala Model.

For what concerns the entrance mode, differences among the two cases in the establishment process are mainly given by **institutional reasons**, not considered by the Uppsala model used. Reading Bråmås, Andersson and Solid (2006, p. 10) it seems clear that contextual differences between different countries and institutions make it difficult to use international studies to generalize to Swedish conditions to other countries in the Uppsala model. Structure and institutions both constrain and enable change that might be undertaken by individuals and organizational units (Vahlne, J.E. and Johanson, J., 2017).

THEORY	ISU Shanghai Yi Hua Food	BERETTA
<b>ECONOMIC TRENDS</b>		
Trade cost and duties:	<ul style="list-style-type: none"> <li>• China does not allow import of Italian cured meats</li> <li>• High-end retail and food services do not use contraband product (via HK)</li> </ul>	<ul style="list-style-type: none"> <li>• Only with a plant in the mainland it is possible to sell in China.</li> <li>• New permission of Wuber products import</li> </ul>
PDO export	<ul style="list-style-type: none"> <li>• Opening in 2007 for Prosciutto Parma PDO and Prosciutto San Daniele PDO but with a fee of 25%</li> </ul>	<ul style="list-style-type: none"> <li>• They started through Parma export in 2007</li> <li>• Parma has invested more than San Daniele in marketing activities in China mainland</li> <li>• San Daniele has a higher price and a lower number of hams (2 mln vs 10 mln)</li> </ul>
Production cost	<ul style="list-style-type: none"> <li>• Raw materials are purchased directly from China</li> </ul>	<ul style="list-style-type: none"> <li>• Initially it was used Chinese raw material</li> <li>• today they buy 100% of the meat we use in the factory, from Germany, Holland, Spain or South America</li> </ul>

Tab. 7 – Companies economic trends comparison

When in 1994 Senfter entered in China the market was completely different from 2007 when Beretta started and from now. It did not start from export since it was not allowed yet, indeed it was authorised for the first time only for Prosciutto di Parma and San Daniele at the end of 2006. Chinese people, both customers and business, had still the communist mindset, no frills and high volume to feed the population. Globalisation had not started yet and there was not any mixture with the western culture; for sure people were not ready for Italian taste products. Beretta entered in 2007 when Chinese country was forced to allowed San Daniele and Parma PDO import to stem the black-market trend. The import authorization for Senfter was still not enough since the new possibility of importing these products but with a fee of 25%, which for them was too high. Duties and fees have a strong influence in international strategy choices. Interesting is that now Beretta, after 10 years of work, has obtained the permission for a little range of Wuber products, cooked products.

Proposition 2 follows:

**Proposition 2:** The establishment chain of a firm's internationalization process is affected by the institutional characteristics of the country of destination.

Third, Coviello and Munro (1997; see Johanson & Vahlne, 2009, p.1413) found out that **relationships** have an impact on foreign market selection as well as on the mode of entry in the context of ongoing network processes. This theory explains the importance of relationships and networks without specifying which kind of partner it might be.

Beretta entered in the Chinese market thanks to one of its machinery suppliers, using technology, and once they made the newest plant in 2012 they decided to use all the product they already have in Italy, which by the way are mainly Italian equipment and few Europeans. Senfter was contacted by an Italian journalist who had the honor of finding an Italian investor in a Chinese meat processing industry, not in use since years. Beretta was called because one of their supplier used to work also with who is their partner now in China, who had the need of having Italian knowledge of making cured meats transferred.

Relationships have also an influence on the **internationalisation starting time**, which is missing in the Uppsala Model. When in 2009 Johanson and Vahlne revisited their model assessed that “ there are two possible reasons for such foreign expansion. One is the likelihood of finding interesting business opportunities. Relying on a related knowledge base, the focal firm may thus enter networks abroad, where it may be able to identify and exploit opportunities. A second reason to go abroad occurs when a relationship partner who is going abroad, or already is abroad, wants the focal firm to follow. By following the partner abroad, the firm demonstrates its commitment to the relationship.”

Moreover, according to the literature joint venture structure is not a once for all relationship, it is a dynamic relationship as internationalisation process is. Once the partner has gained enough market knowledge, he will be able to have a business alone. The issue here is whether Senfter in 2001 had enough knowledge to do a company on his own without any Chinese partner.

The kind of relationship seems actually relevant in discriminating successful companies from not or less successful ones. When the relationship is driven by trust and collaboration it may also help in accelerating the learning process and knowledge development. It is not given that a company’s knowledge must be built on its own, this may be taken from outside partners or competitors. On the other hand if the relationship is pure network and not based on previous collaboration and trust, this may not give any additional value rather than the possibility to enter in the country.

Proposition 3 follows:

**Proposition 3:** Trust and previous commitment in network relationships positively affect a firm’s internationalization process.

Before analysing the two companies using the Uppsala theoretical model, it has been briefly described each of them **strategy**. This aspect and the **local adaptation** are actually ignored by the model.

However company strategy may be helpful in founding the reasons of different growth rates, higher for the Beretta, the company which actually has less commitment in the country according to Uppsala.

Although Senfter is in China from more time, and although this has been helpful for learning Chinese culture, he has changed company strategy once, in 2001 when it was taken the decision of producing Italian sounding products and no more Chinese cured meats. This change in the products selections completely changed the distribution channels, targeted customers and need for marketing activities, meaning that previous knowledge were useful as foreseen. Moreover changing trademark in 2018, after 17 years of sales, contributed to creating more confusion to the management and to customers, requiring still more effort for creating trust and reputation in the market.

On the other hand Beretta has always been linear in the strategy, promoting standardised Italian sounding cured meats, besides being in a multidomestic industry which for definition requires adaptation, building knowledge of the market and an excellent reputation in it. Changing strategy decreased Senfter knowledge advantage compared to Beretta.

It does not matter from how long a company is investing in a country, if it changes its strategy it will be almost like starting again from the beginning in building knowledge and experience, but internationalisation should be a continuous **process of learning and knowledge development**.

Proposition 4 follows:

**Proposition 4:** In a firm's internationalization process, the value of accumulated experience in a foreign market is contingent to a firm's strategy.

### 3.2.6. – Managerial implications

Theoretical implications might be translated into managerial ones, adding some practical information and suggestions, also by looking at the actual market trends.

The following suggestions are also linked to institutional aspects enumerated before. Given the fact that to sell cured meats in China a company must produce in the country, there is not the possibility of a softer entry and the internationalisation should be a continuous process of

**learning and knowledge development.** It does not matter from how long a company is investing in a country, if it changes its strategy it will be almost like starting again from the beginning in building knowledge and experience.

Moreover if in a country which is completely different from the home country the company can benefit of a trusted partner it may help in avoiding some beginner mistakes, exploiting partner previous knowledge by collaborating with him. Choosing the right partner, who may give his knowledge to you, makes the difference when investing in a developing country.

THEORY	ISU Shanghai Yi Hua Food	BERETTA
<b>MARKET – SOCIAL TRENDS</b>		
Social trends:	<ul style="list-style-type: none"> <li>attention to quality and food safety increased after Covid19</li> </ul>	<ul style="list-style-type: none"> <li>attention to quality and food safety increased after Covid19</li> </ul>
Cultural trends:	<ul style="list-style-type: none"> <li>Long process of product knowledge and liking</li> <li>Instore promotion</li> </ul>	<ul style="list-style-type: none"> <li>Long process of product knowledge and liking</li> <li>customers educational program</li> <li>instore promotion</li> <li>cooking classes</li> </ul>
Swine fever:	<ul style="list-style-type: none"> <li>fresh meat could not be used anymore: no supply plus too high prices</li> <li>look for foreign frozen meat suppliers</li> <li>150% growth in raw materials prices BUT only 20% final customers prices increase</li> <li>Company recapitalisation</li> </ul>	<ul style="list-style-type: none"> <li>Already use foreign suppliers for frozen meat</li> <li>30% final customers prices increase</li> <li>Stop the production of some references for a period</li> </ul>
Covid19	<ul style="list-style-type: none"> <li>Loss of 10%</li> <li>Increase retail sales, stop Horeca sales</li> <li>No payment of taxes on salaries allowed by the government</li> </ul>	<ul style="list-style-type: none"> <li>Increase retail sales, stop Horeca sales</li> <li>Peak in online sales which are still high</li> </ul>
<b>ECONOMIC TRENDS</b>		
Regional inequality	<ul style="list-style-type: none"> <li>With the online sales they can reach many more cities, also the second-class ones, where there are not high-end retails</li> </ul>	<ul style="list-style-type: none"> <li>With the online sales they can reach many more cities, also the second-class ones, where there are not high-end retails.</li> <li>They can do that by using the distribution chain of Yurun, with different agencies located in the whole country</li> </ul>
<b>SALES</b>		
Online sales increase	<ul style="list-style-type: none"> <li>Online platforms are managed by an external agency</li> </ul>	<ul style="list-style-type: none"> <li>Online manage in outsourcing</li> <li>Tmall, more prestige, and JD shops</li> <li>Need to have a local presence</li> <li>Local people do not use international brand platforms as the national one</li> </ul>

Tab. 8 – Companies market and social trends comparison

Entering a new market is not only a matter of relationships. Another issue linked to the network view of the internationalisation process is local knowledge and adaptation. When going far away from the home country, foreign culture changes completely. Host country culture and trends must be known, some are listed in Tab. 8.

**Chinese customers** need to be educated, Beretta is trying to teach them the story of each single product and what is behind it. Beretta has been in China from 2007 but marketing activities are being pursued since few years. Beretta is doing so with training activities mainly for supermarket employees, who should translate their knowledge to the customers. The company participates to international fairs too, to get in touch with Horeca sector customers. In store promotion and cooking classes with retail loyal customers are other activities fostered by the company. Chinese customers are now willing to pay when quality is well communicated and ensured. PDO and CDO products are clear signals of a safe supply chain and there are actually relevant data reflecting the preferences of middle-class Chinese customers (Lisa Burwood-Taylor, 2019).

Actually all these educational projects are similar to the activities promoted in the rest of Asia for export and fully different from marketing activities Made in Italy.

Relevant for completely understanding performances of the two analysed companies is explaining what happened this year with the two **main market events**.

At the beginning of the year there has been the **swine fever**. With the swine fever the prices had a huge increase also in the forex market and it was difficult to find enough raw material at an acceptable price. The prices to market had an increase of 30% at the end and now is still not normalised. This statements are sustained also from Graph. 8, Price positioning.

Senfter used to have fresh Chinese meat for their products, consequently they needed to start purchasing frozen meat coming from Brazil, USA, Spain, and Germany, but it was not possible to immediately start doing that. They are now looking for a partnership with German producers for directly purchasing meat. Meat price growth of 150% but they were able to transfer to the customer only 20%. Consequently they needed to recapitalize the company with the help of the Italian State.

Also for beretta it has been a loss and it was forced to stop producing some references but thanks to the fact that they were already using frozen meat they just had an impact on prices but not on the supply chain.

Online sales increase after **Covid19 lockdown**, by the way still consistent with the previous trends (McKinsey & Company, 2020).

For both Beretta and Senfter **online channels** are managed outside the company, an external agency is more capable of managing efficiently these platforms, since all the bureaucratic things are highly complicated and require too much time. They use platforms as Alibaba and Tencent, given that private platforms are not used by consumers. The main difference among these two online channels is that Tmall gives more prestige to the brand. Having a certified shop in Tmall increases the brand value.

Although there are the international brands platforms in both Alibaba and JD having an online shop without being in China, would have been almost impossible for the logistic and bureaucratic point of view. By the way there are no import authorisations besides Parma and San Daniele ham so it would have been equally impossible.

While Covid19 brought a loss of 10% given an increase in GDO sales and a complete loss from Horeca channel. Companies suffered for two months but then everything opened, and the Chinese government has rebated all payments of contributions and taxes on salaries recovering huge part of losses. Although Horeca has not bought for two months, retail sales have increased, as they had a peak in the online where and sales to date continue to be higher than before the lockdown.





## Conclusions: limitations and further research

From the analysis above it emerges that entering China is about **relationships and opportunities**. Uppsala Model has been little used today for multidomestic industries, which for definition require adaptation, in developing countries or in any case in countries distant from the home one probably because the gradual internationalization in such cases is not the rule. It is difficult to generalize from one country to all the others, given cultural, social and macroeconomic differences among them all.

For the World Trade Organisation, China is still considered a developing country despite being one of the world's economic powers; moreover, at the beginning of the internationalization process of the two analysed companies, in 1994 and 2001, it could still be called such. In most cases, developing countries force foreign companies to enter into partnerships with local companies in order to gain their knowledge. Similarly, these institutional constraints, which are not mentioned in Uppsala, lead to jump some steps in the establishment chain.

Proposition 3 suggests that the kind of **relationship** seems actually relevant in discriminating successful companies from not or less successful ones. When the relationship is driven by trust and collaboration it may also help in accelerating the learning process and knowledge development. It is not given that a company's knowledge must be built on its own, this may be taken from outside partners or competitors. On the other hand if the relationship is pure network and not based on previous collaboration and trust, this may not give any additional value rather than the possibility to enter in the country. An entrepreneurial and **family spirit** is needed to carry **out long-term projects** such as these. Long-term because educating a consumer to a product far from his culture requires time and commitment. See for example ISU (Independent Salumi Union), that took three times more time to reach the expected turnover in the factory built in 2001.

The Uppsala model also ignores company **strategy and the local adaptation of companies**, which Proposition 4 suggest is very important. To sell cured meats in China a company must produce in the country, there is not the possibility of a softer entry and the internationalisation should be a continuous process of learning and knowledge development. It does not matter from how long a company is investing in a country, if it changes its strategy it will be almost like starting again from the beginning in building knowledge and experience.

Customers tastes and preferences must be learned. Despite the fact that today the marketing and communication activities towards the final consumer are more and more numerous, these have only started in the last two years and the main market is still that of expatriates and of the local population that travels abroad. **Change of tastes and education of the population will**

**take many more years** and only then, if the two companies are still present in the country, we could say that they were successful cases.

These propositions might be tested by pursuing specific analysis on those and future studies should aim at expanding our comprehension of propositions above, as business relationship and incremental learning, company strategy and reasons and modes for market entry.

This study has also limitations that can provide clues for future research. The analysis is only made on two companies doing business in a specific product category of the food industry, which for definition is a multidomestic industry, in a specific country, China. Such analysis has shed light on the establishment chain and on the network view of the Uppsala Model, but also on the business relationships and on company strategy and acquired knowledge. The main limit is the specificity level of the two cases taken into considerations and deeply analysed. Further research starting from this analysis should focus on these main topics and propositions by doing a cross country analysis, considering different country cases (eg. developed vs developing) but also different industries (eg. multidomestic vs geo-centralised). However also further analysis on other kind of foods, completely different for consumptions, knowledge and reputation, might be interesting to compare.

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## Attachments

### Attachment 1 – Interview questions

#### **PRESENTAZIONE**

A partire dall'interesse verso il mercato cinese e dai trend positivi che lo caratterizzano, l'obiettivo principale della tesi è quello di analizzare il processo di internazionalizzazione delle aziende alimentari italiane e di individuare le best practices necessarie per pianificare una presenza diretta nella Cina continentale, valutando anche l'adattabilità della specifica azienda nel mercato.

Per studiare l'internazionalizzazione al meglio, oltre ad aver effettuato un'acuta ricerca in letteratura, è stato deciso di fare un'analisi di caso sulle aziende alimentari italiane di maggior successo già presenti in Cina. Dopo un'analisi preliminare di tutte le aziende rientranti nella categoria, sono state scelte quattro aziende, associate perché produttrici di prodotti tipici italiani, originariamente non integrati nella cultura cinese. Quello che può essere interessante capire è come le aziende italiane abbiano insegnato il valore dei loro prodotti per i clienti cinesi e come abbiano creato il proprio mercato, a partire dalle ragioni per cui l'azienda è entrata in Cina e dai cambiamenti organizzativi nel corso degli anni.

La Cina può essere un mercato interessante e prezioso per un'azienda alimentare italiana visti gli ultimi trend in continua evoluzione. La sicurezza alimentare e il cibo sano erano apprezzati prima del coronavirus e lo sono ora ancora di più. Di conseguenza il made in Italy, e in particolare dei prodotti DOP e DOC, ha acquisito un valore molto più alto, e di conseguenza risulta essere un ottimo strumento nella strategia di internazionalizzazione (Louisa Burwood-Taylor, 2019).

I dati macroeconomici attuali incentivano gli investimenti in Cina. I costi commerciali stanno diminuendo grazie alle considerevoli politiche economiche e alleanze che sono in atto tra stati, in l'iniziativa Belt and Road. Inoltre, i giganti cinesi in collaborazione con il governo, secondo quanto detto da Louisa Burwood-Taylor su Forbes, stanno lottando contro la contraffazione, aumentando così il valore dei prodotti italiani, consapevoli che i clienti cinesi sono disposti a pagare quando la qualità è ben comunicata e garantita (James Ferguson, 2020).

Uno sguardo verrà dato anche ai canali digitali. In Cina è evidente la propensione crescente verso l'acquisto di generi alimentari online. I giganti del web cinesi vi stanno investendo una parte sostanziosa del loro budget, assecondando le richieste del mercato. Nel 2018 Tencent ha investito 1,5 miliardi di dollari nel gruppo di delivery Meituan Dianping, indiscutibile leader

nella consegna di cibo in Cina al servizio di 310 milioni di persone, che ha ottenuto un aumento del 60% del numero di offerte, confermando la crescita del settore. Lo stesso Tencent ha anche investito 450 milioni di dollari nell'e-grocery top Miss Fresh's (Luisa Burwood-Taylor, 2019).

L'online può superare le barriere commerciali e finanziarie quando si va all'estero, evitando di instaurare una presenza fisica inizialmente, risparmiando denaro attraverso l'ottimizzazione dei clienti e l'adattamento della supply chain.

### ***DOMANDE***

1. Quando l'azienda è entrata nel mercato cinese? Quali sono stati i fattori che hanno contribuito a scegliere tale investimento? Che processo è stato seguito nell'internazionalizzazione?
2. Dai primi investimenti in Cina ad oggi cos'è cambiato? Avete riscontrato particolari ostacoli nell'entrare nel mercato? Questi ostacoli sono tutt'oggi presenti o sono cambiati?
3. Prima di scegliere di investire direttamente in Cina è stata fatta un'analisi macroeconomica di costi e benefici? Quali sono stati i fattori analizzati e i risultati relativi? (Es. Costi commerciali, tassazione e dazi, dimensioni del mercato, costi di produzione, distanza geografica, vicinanza ad altre aziende)
4. La prima volta in Cina come hanno impattato i diversi gusti e le diverse preferenze dei consumatori nella strategia di vendita? La cultura cinese ha avuto un impatto anche nel management, avendo assunto personale del luogo?
5. In un'industria multi-domestica l'azienda si deve adattare al singolo mercato. Quali difficoltà avete trovato nell'adattarsi al nuovo paese durante il processo di internazionalizzazione?
6. Quanto è stato cruciale avere prodotti made in Italy per avere successo in Cina? Avete dovuto creare un nuovo mercato o avete trovato un pubblico già pronto? Il target prescelto è stato difficile da trovare e raggiungere?
7. Avete riscontrato difficoltà per integrarvi con il mercato e l'ambiente esterno? Quali strategie avete utilizzato per oltrepassarle? (Scelta della ragione sociale come JV o assumendo personale locale).
8. Potete definire la vostra azienda imprenditoriale o manageriale? Il processo di internazionalizzazione è stato supportato da imprenditorialità o ha principalmente seguito modalità operative già ben definite?
9. Avete usato o state usando canali online come Alibaba o WeChat? Se sì, come li avete o li state gestendo?

10. Il nuovo virus Sars Covid-19, partito dalla Cina continentale, ha avuto un impatto enorme nell'economia mondiale, causato principalmente dalla globalizzazione. Le preferenze dei consumatori sono state influenzate fortemente, ma tuttavia rimangono in linea con le tendenze osservate negli anni precedenti, anche se in modalità più marcata. Il coronavirus ha avuto qualche impatto sulle vendite della vostra azienda? Quali sono stati i cambiamenti nel primo trimestre del 2020 in termini di qualità e tipo di prodotti e canale di vendita utilizzato? Com'è stata gestita la ripartenza?

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## Attachment 2 – Company profiles

<b>Nome prodotto</b>	<b>Aida</b>		
<b>Aggiornamento</b>	<b>279</b>		
<b>Versione del Software</b>	<b>103.00</b>		
<b>Aggiornamento dei dati</b>	<b>30/04/2020 (n° 27904)</b>		
<b>Username</b>	<b>armando/unipadova-13684</b>		
<b>Export date</b>	<b>01/05/2020</b>		
<b>Cut off date</b>	<b>31/03</b>		
		<b>Risultato della ricerca</b>	<b>Risultato della ricerca</b>
<b>1. NACE Rev. 2: 10 - Industrie alimentari, 11 - Produzione di bevande</b>		<b>25.571</b> ✓	<b>25.571</b>
<b>2. Shareholders with foreign subsidiaries: che si trovano in Rep. Popolare Cinese (CN) not ultimately owned but at least 1% owned; May have other shareholder in the foreign country; Definizione di Azionista di Riferimento con possesso minimo di 50.01%, azionista</b>		<b>1.963</b> ✓	<b>23</b>
<b>Ricerche Booleane : 1 E 2</b>			
		<b>Totale</b> ✓	<b>23</b>

Regione sociale	Ricavi delle vendite (Ultimo anno) milg. EUR	EBITDA (Ultimo anno) milg. EUR	Utile netto (Ultimo anno) milg. EUR	Dipendenti (Ultimo anno)	ATECO 2007 descrizione	Linea di business principale	Principali prodotti e servizi	No of companies in corporate group	Foreign subsidiaries	Nome Partecipata Cina	Partecipazioni % Totale
1. LUIGI LAVAZZA - SOCIETA' PER AZIONI ABBREVIABILE ANCHE NELLA SIGLA: LAVAZZA S.P.A.	1.526.367	129.195	57.787	1.642	Lavorazione del caffè	Engaged in processing and producing coffee under the Lavazza trade mark	Offers roasted and blended coffee according to the 57 customers' requests; Offers coffee machines for homes, food service outlets, public places, and coffee shops	57	43	LAVAZZA TRADING (SHENZHEN)/CO.LTD	100,00
2. INALCA SOCIETA' PER AZIONI	1.174.142	55.047	25.795	1.058	Lavorazione e conservazione di carne e produzione di prodotti a base di carne	Engaged in the production, processing and preserving of meat and meat products	Meat and meat products - Carne fresca	137	60	BRIGHT VIEW	100,00
3. PARMALAT S.P.A. IN FORMA ABBREVIATA PLT S.P.A.	888.318	69.629	44.361	1.782	Produzione dei derivati del latte	Engaged in the production and wholesak distribution of milk, dairy products, and fruit beverages	Pasteurized milk, UHT milk, flavored milk, condensed milk, milk powder, bulk milk, pasteurized cream, UHT cream, and bechamel; and fruit juices, soy drinks, tea (liquid), and concentrated fruit juices; Yogurt, probiotics, desserts, cheese, butter, margarine, and ice cream ingredients; and ice cream and various ingredients, as well as cream-based white sauces	451	79	PARMALAT HONG KONG LIMITED	100,00
4. DAVIDE CAMPARI-MILANO S.P.A. - O IN FORMA ABBREVIATA D.C.M. S.P.A., DCM S.P.A., O CAMPARI S.P.A.	630.464	214.423	199.590	634	Industria delle bevande	Engaged in the manufacture of spirits, wines and soft drinks	Spirits, wines and soft drinks	67	49	CAMPARI (BEIJING) TRADING CO.LTD	100,00
5. UNIGRA SRL	531.823	67.693	30.948	520	Produzione di margarina e di grassi commestibili simili	Engaged in the manufacture of margarine and similar edible fats	Shortening, table oils, margarine, baking and nut margarine, olive oil, peanut cooking and salad oil, shortenings, soybean cooking, and vegetable cooking oil	33	26	MASTER MARTINI SHANGHAI TRADE CO. LTD	100,00
6. ILLYCAFFE' S.P.A.	396.183	56.574	17.225	866	Lavorazione del caffè	Engaged in the processing, trade and distribution of tea and coffee	Tea and coffee	31	28	ILLYCAFF/ ASIA PACIFIC LIMITED	100,00
7. SALUMIFICIO FRATELLI BERETTA S.P.A. O, IN FORMA ABBREVIATA, FRATELLI BERETTA S.P.A. O F.LLI BERETTA S.P.A. O BERETTA S.P.A. O SALUMIFICIO F.LLI BERETTA S.P.A.	371.302	22.227	2.601	479	Produzione di prodotti a base di carne (inclusa la carne di volatili)	Engaged in the processing, preservation and distribution of meat and meat products	Meat and meat products	14	8	YUBER FOOD CO. LTD	n.d.

Regione sociale	Ricavi delle vendite (Ultimo anno) (migli EUR)	EBITDA (migli EUR) (Ultimo anno disp.)	Utile netto (Ultimo anno) (migli EUR) (Ultimo anno disp.)	Dipendenti (Ultimo anno) (Ultimo anno disp.)	ATECO 2007 descrizione	Linea di business principale	Principali prodotti e servizi	No of companies in corporate group	Foreign subsidiaries	Nome Partecipata Cina	Partecipazioni % Totale
8. CANTINE RIUNITE & CIV - SOCIETA' COOPERATIVA AGRICOLA	237.185	10.197	3.236	297	297 Produzione di vini da tavola e v.p.q.r.d.	Engaged in pressing, storing, processing must and wine, as well as collecting grapes from members based in Basco, Castellarano, Torno and marketing of alcoholic beverages, primarily wine	Vivante, Cuvee del Fondatori, Riunite Doc, Riunite IGT, Varietale, Canterino and Novello	16	10	SHANGHAI GIV WINE TRADING LTD	99,99
9. GRUPPO ITALIANO VINI - G.I.V. - CA' BIANCA - MACHIAVELLI - BIGI - FONTANA CANDIDA - FOLONARI - MELINI - LAMBERTI - BOLLA - SANTI - SERRISTORI - NINO NEGRI - TERRE DEGLI SVEVI - C.D.B. - S.P.A	232.992	10.525	7.186	342	342 Produzione di vini da tavola e v.p.q.r.d.	Engaged in the manufacture and marketing of alcoholic beverages, primarily wine	Wine	16	11	SHANGHAI GIV BUSINESS CONS. CO. LTD.	100,00
10. BRAZZALE SOCIETA' PER AZIONI IN FORMA ABBREVIATA BRAZZALE S.P.A.	195.530	4.766	287	269	269 Produzione dei derivati del latte	Primarily engaged in the production and distribution of dairy products	Dairy products	16	6	SHANGHAI GIV WINE TRADING LTD BEIJING JIKANG FOOD CO.,LTD	100,00
11. CASA VINICOLA ZONIN S.P.A. O IN FORMA ABBREVIATA CIVIZETA S.P.A. - C.V.Z.S.P.A. - CA VIZO S.P.A. O ZONIN1821 S.P.A.	167.455	7.632	-1.558	229	229 Produzione di vini da uve	Engaged in the production, processing and trade of IGT (Indicazione Geografica Tipica), DOC (Denominazione di Origine Controllata) and DOCG (Denominazione di Origine Controllata) wines	IGT (Indicazione Geografica Tipica), DOC (Denominazione di Origine Controllata) and DOCG (Denominazione di Origine Controllata) wines	12	5	ZONIN (SHANGHAI) WINE TRADING LTD	100,00
12. CAFFITALY SYSTEM S.P.A.	144.099	37.510	-15.391	359	Lavorazione del caffè	Engaged in the manufacture and wholesale distribution of coffee concentrates and extracts in	Offers coffee machines and accessories	99	3	ALBA INVESTMENTS LTD	n.d.
13. ILVA SARONNO S.P.A. O PIU' BREVEVENTE I.S. S.P.A.	114.414	20.487	10.112	140	Distillazione, rettifica e miscelatura degli alcoolici	Engaged in the manufacture and distribution of distilled and blended	Distilled and blended liquors	24	1	ILVA SHANGHAI COMMERCIAL CO LTD	100,00
14. OPTIMA S.P.A.	99.592	25.563	-2.195	250	Produzione di altri prodotti alimentari non	Engaged in the manufacturing of ice cream, frozen yogurts, frozen	Ice cream, frozen yogurts, frozen teas, and other frozen desserts	22	14	MEC 3 (HONG KONG) COMPANY LIMITED MEC3 FOOD PRODUCT TRADING CO LTD	100,00
15. VENCHI S.P.A.	82.729	17.363	10.284	626	Produzione di cacao in polvere, cioccolato, caramelle e confetterie			7	8	VENCHI (BEIJING) TRADING CO. LTD. VENCHI (TIANJIN) COMMERCIAL CO. LTD. VENCHI GREATER CHINA LTD VENCHI GUANGZHOU	n.d.
16. PEDON S.P.A.	80.332	5.995	357	195	Lavorazione e conservazione di frutta e ortaggi	Engaged in the manufacture of canned fruits, vegetables, preserves, jellies	Canned fruits, vegetables, preserves, jams and jellies	5	5	ACOS ASIA LTD	100,00
17. TERRE CORTESI - MONCARO SOCIETA' COOPERATIVA AGRICOLA	25.925	3.372	298	55	Produzione di vini da tavola e v.p.q.r.d.	Engaged in the manufacture of wine products in Italy	Wine products	2	3	MONCARO ALCHOOLIC BEVERAGE BEIJING LTD	n.d.

Regione sociale	Ricavi delle vendite (Ultimo anno) mgl EUR Ultimo anno disp.	EBITDA mgl EUR Ultimo anno disp.	Utile netto (Ultimo anno) mgl EUR Ultimo anno disp.	Dipendenti (Ultimo anno) Ultimo anno disp.	ATECO 2007 descrizione	Linea di business principale	Principali prodotti e servizi	No of companies in corporate group	Foreign subsidiaries	Nome Partecipata Cina	Partecipazioni % Totale
18. DONELLI VINI S.P.A. ENUNCIABILE ANCHE COME G.L. & F. S.P.A., GAVIOLI S.P.A., GAVIOLI ANTICA CANTINA S.P.A., LA MODENESE S.P.A., PRIMAD ONNA S.P.A., DEL PALJO VINEYARDS S.P.A., AZ. AGR. IL FAGIANO S.P.A., VLMO S.P.A., MOVA S.P.A., VIN	25.420	918	124	32	Produzione di vini da tavola e v.p.q.r.d.	Engaged in the processing, bottling and sale of wines, partially fermented grape musts, sparkling wines and grape juices	Lambrusco 1915; Lambrusco D.O.C. (Lambrusco D.O.C. Reggiano, Lambrusco D.O.C. Grasparossa di Castelvetro, Lambrusco D.O.C. Di Sorbara, Lambrusco D.O.C. Salamino di Santa Croce, Lambrusco D.O.C. Salamino di Santa Croce - Semi-sweet Ros); Lambrusco IGT (Lambrusco Rosso IGT Emilia, Lambrusco Ros IGT Emilia, Lambrusco Bianco IGT Emilia); Scaglietti Bottle (Lambrusco D.O.C. Di Sorbara - Scaglietti Bottle, Lambrusco D.O.C. Reggiano - Scaglietti Bottle, Prosecco spumante Scaglietti bottle, Pinot Chardonnay Spumante Scaglietti bottle, Ros Spumante Brat - Scaglietti Bottle); Grandi dell'Emilia Romagna (Sangiovese IGT Rubicone, Trebbiano IGT Rubicone); Non alcoholic sparkling grape and fruit juice (sparkling red grape juice, sparkling white sparkling wine)	8	1	QUINGDAO DONELLI WINE & CO.	n.d.
19. COMPRITAL S.P.A.	20.947	1.089	195	54	Produzione di gelati senza vendita diretta al pubblico	Engaged in the manufacture of semiprocessed foodstuff for ice-cream shops	Semiprocessed foodstuff for ice-cream shops and pastry-makers	7	2	COMPRITAL SHANGHAI	n.d.
20. S.E.M. SORGENTI EMILIANE MODENA S.P.A.	16.298	694	1.575	36	Industria delle bibite analcoliche, delle acque minerali e di altre acque in bottiglia	Engaged in the manufacture of mineral waters and soft drinks	Mineral waters and soft drinks (artificially carbonated waters)	15	2	GRUPPOSEM LIMITED	100,00
21. DOMENICO MANCA S.P.A.	12.386	1.060	26	16	Produzione di olio di oliva da olive prevalentemente non di produzione propria	Engaged in the production of olive oil	Olive oil	5	2	SEM INTERNATIONAL TRADING	100,00
22. LA COLONIALI SRL	4.775	557	19	16	Lavorazione del caffè			13	1	SAN GIULIANO SPECIALITY FOOD OF ITALY VENTURATO COFFEE BEIJING CO. LTD	100,00
23. ILLVA SARONNO HOLDING S.P.A. O PIU' BREVEMENTE I.S. HOLDING S.P.A.	6.373	-5.040	689	43	Distillazione, rettifica e miscelatura degli alcoolici	A holding firm whose subsidiaries are engaged in the manufacturing of distilled potable alcoholic	Holding firm	24	97	ILLVA SHANGHAI COMMERCIAL CO LTD	100,00

## Attachment 3 – Senfter Interview and coding

COMPANY: ISU Independent Salumi Union

INTERVIEW 04/08/2020

LENGTH: 52 MIN

With the participation:

HS Helmuth Senfter-Company CEO

EM Eleonora Milesi

Speaker	Content	Summary	Key words
HS	La nostra storia in Cina è iniziata nel 1994 quando la Senfter SPA si chiamava ancora Senfter SPA con sede a San Candido dove mi trovo adesso e produceva soprattutto Speck e Wurstel e un po' di Prosciutto Cotto Praga. Era in una situazione dove ampliarsi in Italia sarebbe stato difficile perché avrebbe avuto i tipici rischi di una posizione di sandwich dove il piccolo che vuole diventare grande deve passare dei momenti in cui viene Sandwicchato perché è troppo grande per essere piccolo ma troppo piccolo per essere grande. Questi sono momenti molto difficili per le aziende dove queste muoiono anche. Per i clienti stessi (GDO) non sei più piccolino, perciò, ti devono in qualche maniera coccolare, ma non sei nemmeno grande abbastanza per competere con i grandi e la loro struttura dei costi. Perciò il prezzo basso te lo chiedono lo stesso, addirittura tu sei l'ultimo arrivato e di conseguenza devi fare anche il prezzo più basso e li muori.	The Senfter SPA yet in 1994 was a salumi producer located in San Candido, with its main products as Speck, Wurstel and Praga Ham. The need of growth met the risk of falling in the price war and the Senfter family was looking at a way to overcome it.	Company introduction Need driven
HS	Per noi si è aperta un'opportunità nel '94. Per mio padre da classico imprenditore, nato imprenditore (non ha studiato né università né superiori), espandere l'azienda non era una variabile, l'unica variabile era il come. Stare in Italia sarebbe stato un po' troppo rischioso.	For Senfter senior was not about whether to expand the company but how to do it, as a born entrepreneur.	Entrepreneurship Opportunity
HS	Negli anni '80 l'azienda aveva visto un'espansione proficua in Germania con lo speck, che ha avuto molto successo.		
HS	Nel '94 c'è stato un contatto di un giornalista freelance veneziano (Mangano?), del Gazzettino di Venezia, corrispondente per l'Asia. Era anche un professore ed era innamorato della Cina. Ci sono molti italiani che nutrono questo amore per la Cina, più di una semplice	In '94 the company met an Italian journalist correspondent for Asia with a huge love for the Chinese country, with a great business network there. The journalist offered to Senfter Spa to make	Cultural differences Network Partnerships Economic trends

	<p>curiosità, voglia di conoscere il paese e i di vivere lì. Accettando di essere in un paese povero, ma molto colorato, con questa grande cultura del cibo, i colori, gli abiti.</p> <p>La sua presenza in Cina ha generato un network di persone che gli proponevano affari e lui ricevette la proposta di trovare un partner per fare un salumificio in Cina e veniva da Xianyang una zona a nord est della Cina dove c'era un salumificio statale che era già fermo. Negli anni '90 c'era il passaggio dall'economia di piano all'economia privata e l'80% delle aziende statali si sono fermate e non hanno fatto questo salto di qualità.</p> <p>"Despite the success and growth of the Chinese economy in the twenty years of the period, many issues remained such as the modernisation of the financial sector and the state sector. More than half of the state-owned companies in the country were inefficient and suffered losses. During the 15th National Congress of the Communist Party of China in 1997, President Jiang Zemin announced plans to sell, merge, or close a large portion of state-owned enterprises, to foster the development of a more productive and profitable private sector. The plan was accepted by the ninth National People's Assembly in 1998. (Wikipedia)"</p>	<p>a partnership with an already build Salumificio in Xianyang, north-east China.</p> <p>This Salumificio was on sale because of the project of privatization of all the state-owned companies.</p>	
HS	<p>Noi poi nel '94 siamo andati a vedere questo salumificio, primo viaggio in Cina. Era totalmente fermo, macchinari fermi da anni ed arrugginito. L'azienda proprietaria non aveva capitale da investire e per sistemarlo, poteva solo conferire lo stabilimento. Per legge un'azienda doveva però avere il 25% di quote cinese, nel '94 il socio cinese non poteva scendere sotto il 25% a prescindere. Doveva essere valutato lo stabilimento e per Senfter il deal sembrava poco interessante, in quanto erano consapevoli che i vecchi proprietari avrebbero sopravvalutato il valore del terreno e dello stabilimento. Però suo padre era interessato perché il cambio tra economia di piano e di stato stava portando ad un calo dell'offerta di salumi (NON COME LI INTENDIAMO NOI) nel mercato, mentre la domanda rimaneva costante per prodotti semplici, di stampo cinese. Di conseguenza i prezzi dei prodotti erano alti.</p>	<p>The salumificio was in awful condition but the deal was interesting for the lack of offer in the market of Chinese salumi, despite the constant demand from the customers (high prices).</p> <p>However in 1994 the Chinese law required at least 25% of Chinese shares for opening a company. The only issue was with who making the partnership because the previous owner was not efficient enough to make a deal with.</p> <p>Moreover the old company plant and land evaluation would not have been fair enough.</p>	<p>Fulfil an already existing demand Political and regulatory changes</p>

HS	<p>Abbiamo chiesto al ministero degli Esteri in Italia, che ha varie Camere di Commercio estere che chiama ICE, di aiutare a trovare un altro partner cinese che avesse competenze e capitale adeguato a formare una società insieme, in quanto espandersi in Cina sembrava più sicuro che non in Italia, dove i costi di investimento sarebbero stati molto più alti. In Cina, infatti, al tempo i costi erano davvero miseri. ICE in collaborazione con il Ministero dell'Interno Cinese ha trovato 25 potenziali investitori statali, in quanto il ministero poteva decidere solo per le aziende statali. Tra queste 25 aziende ne abbiamo trovate una disposta a fare una joint venture e già performante. Tenzialmente, infatti, le altre aziende statali erano tutte poco efficienti, come l'azienda proprietaria del salumificio.</p>	<p>The Senfter family asked for some help to ICE office to find out other potential partners. Out of 25 only one was good enough to make a deal with. Henan Shuanghui Group had a general manager with a military background. In 1994 people of age 40/50 would have had an education only if they were military, otherwise for them schools and university were closed.</p>	Cultural trends
HS	<p>Motivo dell'efficienza dell'azienda era il General Manager con back ground militare. Per quegli anni tendenzialmente chi aveva 40/50 anni era cresciuto durante la rivoluzione culturale, che significava tutte le Università chiuse e anche le scuole superiori. Perciò c'era una generazione di Cinesi, tra i 40/50 anni senza istruzione. Gli unici ad aver studiato erano i militari, che potevano continuare ad andare nelle loro scuole fino anche al titolo universitario. Le aziende statali quindi nella ripartenza con Deng Xiaoping hanno cercato di ripescare dalle leve militari cercando di mandarli come manager nelle aziende statali. Nel caso dell'azienda con cui abbiamo poi stretto l'accordo lo stato aveva trovato una persona giusta che aveva già fatto un'altra JV e che con noi sarebbe stata la seconda. La prima l'aveva stretta con una famiglia ricca di Hong Kong che aveva investito \$, puramente finanziaria. Poi siamo arrivati noi che avevamo anche le tecnologie di produzione eccetera e questi erano super gasati, non volevano far partire mio padre e gli hanno addirittura messo dei contanti sul letto.</p>		
HS	<p>Mio padre aveva anche la possibilità di fare un back ground check, contattando questo fondo d'investimento di HK, da cui è arrivato un riscontro positivo. I potenziali partner erano persone molto serie, l'azienda guadagna e i dividendi arrivavano. Allora siamo partiti nel '95 con un primo stabilimento in JV con lo</p>	<p>In 1995 the Senfter family made the first JV with a state-owned company. The main business purpose of their partner was not making Italian salumi, but to produce huge quantity of food to feed the 1,2 billion population. The only</p>	Cultural trends Food as multidomestic industry Customers preferences

	<p>stato. Lo stato però non aveva interesse a fare i salumi classici tradizionali (Italiani) ma aveva più una vocazione ovviamente da azienda statale il cui obiettivo era sfamare il popolo (regime comunista) di 1,2 miliardi di persone. Volevano fare quindi prodotti economici, mix di proteine vegetali e animali, che erano fondamentalmente degli emulsionati metà vegetali e animali che costavano poco e potevano essere trasportati con i treni per tutta la Cina. Nel '94 non c'era la vocazione per prodotti crudi e stagionati come salame e prosciutto crudo, era CULTURALMENTE IMPROPONIBILE. Il prosciutto cotto poteva andare bene, ma la linea alla fine non è mai partita e per circa 10 anni hanno fatto solo emulsionati con lo stato, arrivando ad avere più di 2000 dipendenti, 4 stabilimenti e a produrre più in Cina che in Italia.</p>	<p>way of doing so was to produce half meat and half veggie products, kind of emulsion, which was then shipped by train all across the mainland.</p> <p>Anyway, the population was still not prepared for raw products like prosciutto crudo or salami.</p> <p>After 10 years they had more than 2000 employees, 4 plants and a higher production in China rather than in Italy.</p>	
HS	<p>Dopo 10 anni, si sono divisi, in quanto il manager militare ha fatto con i suoi 300 manager un management buyout privatizzando l'azienda statale.</p>	<p>After 10 years the adventure was over, and the Senfter Spa decided to go on with its own feet without a Chinese partner anymore (main difference with Beretta).</p>	WOS
HS	<p>Noi eravamo abbastanza consolidati in Cina e abbiamo deciso di separarci senza avere più un partner. Questa è la differenza con Beretta, l'altra azienda italiana che sta investendo nel mondo dei salumi in Cina ma ancora nella prima fase di approccio al mercato, che tendenzialmente ti porta ad avere un partner visto l'approccio completamente diverso.</p>		
HS	<p>Io con questo progetto sono partito nel '95 e sono rimasto tutto il tempo. Ho vissuto in Cina da bambino, sapevo parlare e leggere in cinese, potevo permettermi di fare un salumificio italiano senza partner.</p>	<p>HS spent his childhood in China, learning how to speak, read and write in Chinese.</p>	Insidership
EM	<p>Il governo cinese ha autorizzato la fondazione di un'azienda con capitale straniero?</p>		
HS	<p>Dovevi fare un escamotage, ma che ora fanno tutti. Era necessario dichiarare tramite uno studio di fattibilità che l'azienda andava ad esportare almeno metà del fatturato (VERIFICARE). Anche</p>	<p>To have the possibility of building a completely foreign owned company in 2001 you needed an escamotage, which was about proving with a</p>	Regulatory changes



	<p>se è abbastanza improbabile esportare salumi cinesi, non ci sono protocolli sanitari sufficienti ed è difficile ottenere autorizzazioni per l'export. Era quindi palesemente una società orientata al mercato domestico. Ormai è stato superato anche questo limite.</p>	<p>feasibility an analysis that half of the turnover would have been abroad. They succeeded in doing so, although Chinese salumi are obviously not saleable abroad. Nowadays also this limit has been overcome.</p>	
EM	<p>Avete deciso di produrre salumi italiani dopo uno studio di mercato, per un'intuizione o per la domanda?</p>		
HS	<p>C'era già richiesta. Io con la JV ero già in Cina, ero a Shanghai dal '98 ed ero abbastanza esposto con la comunità straniera italiana e c'erano delle richieste. Le richieste venivano soprattutto da hotel 5 stelle, ristoranti occidentali e qualche supermercato di nicchia, specializzati per gli espatriati, specializzati nel food di importazione. Questa richiesta veniva dal fatto che i salumi italiani non possono essere importati in Cina.</p>	<p>The choice of opening up a salumificio for the production of Italian salumi came from the market knowledge. Being in China as an insider helped the Senfter Spa in understanding the market needs. 5-star hotels, western restaurants and specialty markets needed these products, mainly because their import was forbidden.</p>	<p>Political trends – duty Market needs</p>
	<p>Nella politica estera e nella gestione dei dazi c'è una specie di mutualità. Se l'Italia o l'UE non accettano salumi/prodotti cinesi allora la Cina si oppone all'importazione di salumi/prodotti europei in Cina. Tutt'ora c'è il divieto dei salumi cinesi in Europa.</p>	<p>In foreign policy and in the management of duties there is a kind of mutuality. If Italy or the EU does not accept Chinese cold cuts/products, then China opposes the importation of European cold cuts/products into China. Chinese salumi are still banned in Europe.</p>	<p>Political trends and regulatory changes</p>
	<p>C'era il prodotto di contrabbando (tramite HK) ma gli alberghi 5 stelle e ristoranti di alta qualità non volevano rischiare multe salate. Oltretutto è diventato ad oggi un reato punibile non solo a livello civile ma anche penale. C'è dunque ancora più incentivo a non acquistare prodotto di contrabbando.</p>	<p>There was the contraband product (via HK), but the 5-star hotels and high-quality restaurants did not want to risk high fines. Moreover, it has now become a criminal offence punishable not only on a civil level but also as a criminal offence. There is therefore an even greater incentive not to buy contraband products.</p>	<p>Political trends and regulatory changes</p>
	<p>Nel 2007 c'è stato il superamento del divieto per il Prosciutto di Parma e di San Daniele, in quanto il contrabbando di Prosciutto Crudo non era controllabile. È convenuto quindi fare un accordo bilaterale con l'Italia con i DOP. Stessa cosa ha fatto l'America. In realtà qualcosa hanno ottenuto sui gamberoni, una</p>	<p>For what concern the DOP products, in particular Prosciutto di Parma and Prosciutto San Daniele, in 2007 there has been an opening because the contraband was not manageable anymore. There was the new possibility</p>	<p>Political trends and regulatory changes DOP management</p>

	<p>contropartita c'è stata. Si è aperta quindi la possibilità di importare un DOP ma comunque con un dazio del 25%. Il protezionismo continua ad essere elevato.</p>	<p>of importing these products but with a fee of 25%, wat too high.</p>	
	<p>C'era una domanda già esistente che poteva essere in un certo senso quantificata. È stato quindi deciso di costruire una fabbrica molto piccola, con fatturato potenziale di 10 mln, in quanto la domanda proveniva dai canali di nicchia. Il mercato non c'era, bisognava partire da zero. Però avevi un aiuto iniziale perché gli stranieri che vivevano lì e i turisti richiedevano i prodotti e questa domanda gli ha permesso di partire. Si trattava poi di espandersi ed andare oltre la domanda degli occidentali espatriati. Sul consumatore cinese la domanda è cresciuta più lentamente di quanto sperato, in quanto era una speranza, non c'era nessuna indagine di mercato che poteva prevedere la domanda futura di salumi. Non avevamo fatto nessuna ricerca tramite questionari ai consumatori. Tornando indietro non la faremmo comunque, in quanto più piccoli di così non potevamo farlo, al massimo avremmo potuto decidere di non farlo. Era una dimensione gestibile anche in caso di mancanza di domanda, anche nel caso fosse andata completamente male.</p>	<p>The size of the newest plant (10 mln potential turnover) was the minimum possible. The demand used to come only from western customers expatriate in China, while for the remaining population there was a huge work to be made in order to generate the needed market demand.</p>	<p>Plant size Market demand</p>
	<p>Per arrivare ad 8 mln di fatturato ci abbiamo messo dal 2005 ad oggi, 15 anni. Che tutto sommato è stato un processo molto lento, avevamo ipotizzato il raggiungimento dell'obiettivo in 3/5 anni, mentre è stato 3 volte più lento rispetto alle aspettative di un normale greenfield.</p>	<p>To reach the target turnover they needed 15 years despite 5 years planned. 3 times slower than a standard greenfield.</p>	<p>Process</p>
	<p>Nel frattempo, lo stabilimento in Italia continua a produrre ed era gestito da mio padre. In Italia nel 2001 la Senfter Spa si è fusa con Unibon cooperative di Modena (Casa Modena) creando l'Italia Salumi Spa. Siamo riusciti grazie alla Cina di oltrepassare la trappola del sandwich che ci ha permesso di fonderci 50/50 con un'azienda già grande. L'unione di queste due società ha fatto che noi con una firma siamo diventati da piccoli a grandi evitando tutta la sofferenza che sta nel mezzo. Mio padre è rimasto presidente dell'azienda con le coop fino al 2018. Questa società però, senza effettiva</p>	<p>In the meanwhile the Italian plant kept the production and in 2001 the Senfter Spa merged with Unibon giving life to Italia Salumi Spa. This merge was made possible thanks to our presence in China and allowed us to overcome the medium size company step, becoming a big one with only a signature. Senfter senior has remained president of the company until his retirement, in 2018, when he sold his shares, since it would have</p>	<p>International strategy</p>

	<p>maggioranza, poteva essere gestita solo dai fondatori in maniera efficiente, in quanto il suo voto era considerato più pesante degli altri. Arrivato quindi a 75 anni mio padre ha deciso di vendere le sue quote alle coop risolvendo questa situazione di stallo.</p>	<p>been difficult for his sons to manage a company without the majority.</p>	
	<p>Con i ricavi dell'exit in Italia è stato possibile avere i mezzi finanziari per investire maggiormente in Cina, dove stiamo costruendo un nuovo stabilimento che sarà pronto l'anno prossimo e ci permetterà di portare il fatturato a 40 mln. Non sappiamo ancora rispondere alla domanda di quanto tempo ci metteremo. Potremo metterci anche altri 15 anni per arrivare a 40 mln. Mi sono confrontato con il mondo della finanza e ho parlato con un analista di questo progetto di un fondo statale di HK, il più grande per il governo cinese di Pechino secondo cui il salumificio sarà sempre lento nella crescita in quanto il consumatore deve essere educato prima e questa educazione deve essere fatta individualmente. Ad ogni consumatore deve essere fatto degustare il prodotto e insegnato il prodotto. E questo se devi farlo con 1,4 mld di persone ci vuole tempo.</p>	<p>With these shares sales revenues the Senfter Spa has decided to build a brand-new plant in China with a potential turnover of 40 mln, planned to be reach in 15 years.</p> <p>The main hurdle for this project is customers' education, which has to be done almost individually, tasting, and teaching the different products. It takes time.</p>	<p>Cultural trends</p>
EM	<p>Nonostante gli obiettivi raggiunti, ad oggi il consumatore cinese non è ancora pronto per i prodotti italiani?</p>		
HS	<p>Va educato. Ma secondo il fondo, nonostante la crescita non sarà esponenziale ma lenta, motivo per cui un fondo non investirebbe in quanto il suo obiettivo è quello di massimizzare il profitto nel breve termine, dall'altra parte essendo il primo (Beretta è il secondo), hai il vantaggio di imporre il tuo gusto, una volta che il mercato sarà creato da te, i followers e new entrant dovranno adeguarsi.</p>	<p>Being the first the Senfter are able to impose their tastes and all the next salumi producers will need to adapt to them.</p>	<p>First mover</p>
HS	<p>Il gusto dei nostri prodotti non è quello di speck/affumicato, prodotti tipici dell'Alto Adige, ma prodotti classici più rappresentativi della categoria: salame milano, napoli, prosciutto crudo e cotto. Niente prodotti particolari. Già siamo in una nicchia, ma andando nella nicchia di una nicchia non rimane più niente. Abbiamo provato a fare lo speck con la</p>	<p>They produce classic and standard products, because with typical salumi no customers would be found, it would be a niche of a niche.</p>	<p>Product</p>

	fusione con GSI nel 2001, dove c'era già tutta la gamma, dove non mancava nulla.		
EM	Il prosciutto crudo solitamente ha stabilimenti dedicati per la stagionatura. In Cina come viene realizzato?		
HS	Li è tutto un unico stabilimento, è una specie di laboratorio artigianale che fa tutti i prodotti.		
EM	La materia prima ovvero la carne la acquistate da macelli cinesi?		
HS	Si sulla carne, essendo la Cina il primo allevatore di suini, è stato meno problematico, la carne fresca c'è e come genetica funziona abbastanza bene, in quanto per la loro cucina per il loro consumo hanno bisogno di una genetica un po' grassa. Hanno una cucina abituata. Anche il suino autoctono cinese nero, che ormai non viene più allevato, era grasso. Oggi, anche se non ci sono più suini autoctoni, sono suini che rispetto allo standard di mercato sono più grassi.	Raw materials (meat mainly) are purchased directly from china, where pigs have a good genetics for producing salumi.	Product
EM	Canali di vendita e di distribuzione ad oggi.		
HS	40% Horeca – 40% GDO - 10% online	40% Horeca – 40% GDO - 10% online	Distribution channel
EM	Avete l'e-commerce o sfruttate un e-commerce di terzi?		
HS	Abbiamo dato la gestione dell'online in outsourcing ma è a nostro nome. C'è un'agenzia specializzata che gestisce il nostro shop. In Cina c'è il dominio di Alibaba, perciò, i negozi vengono aperti principalmente attraverso il suo canale. In Cina il 90% del traffico online è su Alibaba, WeChat e Baidoo e se apri un tuo negozio online con il tuo indirizzo IP non ci va nessuno. Noi sfruttiamo due piattaforme, Alibaba e JD (Tencent – la stessa di WeChat) e le facciamo gestire da un'agenzia. Da outside è quasi impossibile comprendere i meccanismi di questi canali. Noi abbiamo provato a sviluppare inhouse l'online ma dopo tre anni l'abbiamo esternalizzato.	Online channels are managed outside the company. There is no company e-commerce, but they use platforms as Alibaba and Tencent, given that private platforms are not used by consumers. An external agency is more capable of managing efficiently these platforms.	Online Alibaba – Tencent
EM	Come avete affrontato le problematiche/crisi della peste suina e del Covid19?		
HS	La peste suina è stata per noi una crisi	Swine fever has been a huge	Swine fever

	<p>esistenziale. Come GSI abbiamo ereditato l'utilizzo esclusivo di carne fresca per la realizzazione dei salumi, cosa che non tutti i salumifici italiani fanno. Con la crisi della peste suina ci è venuta a mancare il 40/50% della produzione di carne in Cina e, a parte i prezzi alle stelle che non siamo riusciti a trasferire al consumatore, abbiamo affrontato un altro problema della mancanza dei tagli. Abbiamo dovuto iniziare ad utilizzare carne congelata di importazione, ma l'abbiamo fatto abbastanza tardi. Principalmente da Brasile, America, Spagna e Germania. Adesso vorremmo trovare un partner vicino che collabora con noi. Noi adesso compriamo carne di importazione direttamente da rivenditori cinesi, ma vorremmo trovare un partner in Germania direttamente con cui potremmo saltare un passaggio.</p>	<p>crisis given that we used only fresh meat for the production. We needed to start purchasing frozen meat coming from Brazil, USA, Spain and Germany, but we could start doing that immediately. We are now looking for a partnership with German producers for directly purchasing meat. Meat price growth of 150% but we were able to transfer to the customer only 20%. We needed to recapitalize the company with the help of the Italian State.</p>	
EM	Perché non cercate un partner di carne congelata in Italia?		
HS	<p>Perché l'Italia ha un suino diverso, l'Italia alleva un suino pesante e alleva la quantità di suini necessari per fare Parma, San Daniele e DOP e i prosciutti cotti nostrani. Tutta la filiera si è improntata su un suino che pesa 160/170 kg come da disciplinare dei DOP. Con il risultato che alla fine che questa carne per i tagli diversi dalla coscia, allevando il suino 6/7 mesi al posto che 4, questo ha un costo nettamente più elevato. Se non puoi usare il nome originale e la DOP/IGP il costo elevato non ne vale la pena. Abbiamo parlato con un solo macello italiano, facente parte del gruppo Veronesi, il quale ci ha ammesso che per commercializzare con la Cina avranno bisogno di almeno un altro anno, in quanto i cinesi hanno imposto un protocollo troppo complicato, ovvero dovevano congelare la carne a fine linea, cosa che loro non avevano e che adesso devono costruire per poter esportare. Sono solo 4/5 mesi che la Cina ha approvato l'Italia per la carne congelata.</p>	<p>We do not buy meat in Italy because it costs too much.</p>	<p>Italian raw materials</p>
EM	Il Covid19 in che modo ha impattato sul fatturato e sull'operatività?		
HS	<p>Il Covid19 rispetto alla peste suina è stato meno drammatico e non fatale. Mentre sulla peste suina se non avessimo avuto l'aiuto dallo stato italiano l'azienda</p>	<p>Covid19 brought a loss of 10% given an increase in GDO sales and a complete loss from Horeca channel.</p>	<p>Covid19</p>

	<p>avrebbe chiuso. Abbiamo dovuto ricapitalizzare la società, non avendo potuto passare l'aumento del prezzo di acquisto della materia prima al consumatore finale. La materia prima ha quasi triplicato il prezzo (150%) ma noi i prezzi li abbiamo potuti aumentare solamente del 20%, in quanto oltre quel limite i prodotti non avrebbero più avuto mercato. La Cina va avanti anche senza i salumi, l'hanno fatto per 5000 anni. Tutte queste differenze le abbiamo dovute assorbire noi e abbiamo dovuto ripristinare le perdite dall'Italia.</p>	<p>The Chinese government has rebated all payments of contributions and taxes on salaries recovering huge part of losses.</p>	
	<p>Il Covid19 non ha inferto così tante perdite, le perdite sono state circa un 10% mensile da febbraio, marzo, aprile e maggio. Lo Stato cinese per 4 mesi ha abbuonato tutto il cuneo fiscale sugli stipendi (non posticipato proprio annullati) e questo ammontare ha sopperito a quasi tutte le perdite. Mentre sulla peste suina non ci sono state politiche statali di sostentamento.</p>		
EM	<p>Oltre al calo di fatturato il Covid19 ha comportato anche un cambio di preferenze nelle scelte dei consumatori?</p>		
HS	<p>Per alcuni mesi c'è stato un forte aumento di vendite in GDO, compensando in parte la chiusura degli alberghi e dei ristoranti, ottenendo un -10% complessivo.</p>		
EM	<p>Tre fattori chiave per il successo in Cina dell'azienda?</p>		
HS	<p>Conoscenza della cultura e del mercato: avendo imparato non solo a parlare cinese ma anche a scriverlo e leggerlo sono riuscito a gestire un'azienda cinese da insider, non come la multinazionale che ha tutta la prima linea di manager occidentali, che non riescono nemmeno a comprendere le news nei quotidiani locali e impongono il loro gusto/stile, ma in quanto grandi se lo possono permettere. Nelle aziende piccoline come la nostra se avessimo avuto manager solamente occidentali saremmo stati miopi nella gestione. Tutto ciò renderebbe ancora più rischioso un investimento che già di per sé lo è. Inoltre, nella mia azienda tutti i manager sono cinesi e sanno dove andare, conoscono e vivono il mercato cinese.</p>	<p>Knowledge of Chinese market and culture Western managers have a blind management of the company. If they are MNE they can impose their way, but smaller companies need to adapt themselves more.</p>	<p>Success factors Insidership</p>

EM	Quanti dipendenti italiani avete?		
HS	Un dipendente fisso che cura il prodotto, il nostro Master Chef, responsabile per le ricette ed il gusto, per gli aspetti tecnologici del prodotto. È una funzione di staff orizzontale che non gestisce i dipendenti.	The Master Chef, who is responsible for the recipes and the taste, for the technological aspects of the product, has granted all the payments of a fixed employee who takes care of the product. It is a horizontal staff function that does not manage employees.	Intercultural management

## Attachment 4 – Beretta interview and coding

COMPANY: Fratelli Beretta Spa

INTERVIEW 21/08/2020

LENGTH: 52 min

With the participation

SD Simone Donadoni – Production manager

FB Francesca Brusa – Marketing member

EM Eleonora Milesi

Speaker	Content	Summary	Key words
EM	In Cina presso lo stabilimento di Beretta-Yurun siete gli unici italiani?		
SD	Eravamo in cinque, ad oggi che seguiamo la Cina siamo in quattro. Io, come responsabile produzione, Francesca, marketing e comunicazione, a cui purtroppo è scaduto il visto e ci seguirà per un periodo dall'Italia, giù c'è Nicola che segue la manutenzione e un responsabile vendite. Prima c'era anche mia moglie che lavorava con noi nel reparto affettato. Siamo quindi 5 italiani su un totale di circa 120 dipendenti. Non ci sono colleghi provenienti da terze nazionalità. Questo perché siamo in JV con 30% quote Beretta e 70% cinese. Noi seguiamo produzione, ricerca e sviluppo, portiamo giù il know how italiano.	Beretta in China has a JV with Yurun, with a share of 30%. Italian employees present in the mainland are 5, who manage the R&D, production, marketing and sales, bringing the Italian know how in the country. While Chinese people are almost 120, production workers included. Chinese also manage HR.	JV HRM
EM	Quali sono i vostri main competitors in Cina?		
SD	ISU è il nostro competitor principale, in Cina è un brand recentissimo anche se loro sono in Cina da tantissimi anni, prima come GSI dopo solo come Senfter. Hanno creato questo brand nuovo solo per la Cina.	ISU is the main competitor of Beretta in China, being in the country for years, but with a new brand only since 2018.	Main competitor
EM	Com'è avvenuto il processo di internazionalizzazione in Cina? Quali sono stati i fattori che hanno portato Beretta ad avere successo in Cina?		
SD	Io non ho seguito direttamente l'ingresso nel mercato cinese. È difficile ed è anche uno dei motivi per cui quando le aziende occidentali vogliono entrare nel mercato scelgono di avere una partnership con un'impresa locale. C'è anche qualche vincolo legislativo, però comunque	Without having a partnership with a local company, entering in China would have been difficult, both for legal reason but also for bureaucratic, logistic and commercial reasons.	JV Entering in China



	altrimenti le difficoltà a livello burocratico e logistico sono veramente notevoli. Senza avere rapporti con enti cinesi è davvero difficile iniziare ed entrare nel mercato.		
<b>EM</b>	Per quale motivo in Cina avete uno stabilimento produttivo mentre nel resto del continente asiatico fate solo export?		
<b>FB</b>	Principalmente per motivi di origine legislativi, ovvero in Cina, appunto perché ci sono accordi particolari tra i due paesi, ad oggi gli unici prodotti che possiamo esportare dall'Italia in Cina sono Prosciutto di Parma e Prosciutto di San Daniele. Abbiamo appena ottenuto l'autorizzazione per uno stabilimento Wuber, che fa quindi prodotti cotti, per un paniere di prodotti abbastanza ridotto. Questa autorizzazione per questo stabilimento ha richiesto 10 anni, quindi molte risorse economiche. Ovviamente se al cliente cinese vuoi offrire un paniere di prodotti completo l'unica soluzione è produrre direttamente lì. Bisogna considerare che lo stabilimento in Cina produce solamente per il mercato cinese. Ciò che si trova nel resto dell'Asia sono prodotti realizzati in Italia ed esportati.	Beretta has decided to have a production plant in China while exporting directly from Italy in the rest of Asia mainly for legal reasons. Only San Daniele and Parma ham have the authorisation to be exported in China from Italy, the remaining products are banned. Only with a plant in the mainland you would be able to sell in China. Now Beretta, after 10 years of work, it has obtained the permission for a little range of Wuber products, cooked products. What is made in china is sold in China only, while in Asia products arrive directly from Italy.	Duties DOP protection
<b>EM</b>	Il prodotto realizzato in Cina è differente rispetto a quanto prodotto in Italia?		
<b>SD</b>	No, non abbiamo volontariamente voluto differenziare ovvero adattare il prodotto italiano al mercato cinese. Logicamente per questione di materia prima che riusciamo a reperire in Cina, per la parte impiantistica e per l'area in cui vengono stagionati i prodotti il salame fatto in Brianza non è come quello fatto in Cina, logicamente sono simili ma non uguali. In ogni caso non per scelta. Su altri prodotti invece, come per esempio sui cotti, abbiamo scelto di adattare qualcosa ai prodotti meno tradizionali, come per esempio un prosciutto cotto affumicato. Tendenzialmente loro sono abituati a sapori forti, quindi nel mercato vanno per la maggiore prodotti cotti dal gusto intenso.	Products are the same in Italy and in China as a company choice. Raw materials are slightly different, but it may happen that there is the same supplier for Italy and China sometimes. Machinery and place of aging are different, consequently the final result could change a little. On the other hand for cooked products they are trying to adapt more to local tastes, which are strong and intense, selling more a smoked cooked ham than a traditional cooked ham for instance.	Products Multidomestic industry
<b>EM</b>	Sentite l'influenza dei prodotti ISU nelle scelte di acquisto e nelle preferenze dei consumatori cinesi?		

<b>FB</b>	No. Non è questione di imposizione del prodotto e del consumatore. C'è tanto insegnamento da fare al Cinese, gli devi raccontare la storia del prodotto, come viene fatto e la storia che c'è dietro.	Chinese customers need to be educated, Beretta is trying to teach them the story of each single product and what is behind it.	Chinese customer education
<b>EM</b>	In che modo provvedete all'insegnamento del consumatore cinese?		
<b>FB</b>	Attraverso attività di training, soprattutto per il personale dei supermercati che va a vendere il nostro prodotto, perché spesso non sanno nemmeno loro cosa vendono. Partecipiamo anche a fiere. Per quanto riguarda il canale Horeca non vendiamo direttamente al ristoratore ma abbiamo il contatto con lui. Beretta in Cina c'è da molti anni ma le attività di comunicazione sono sempre state l'ultima ruota del carro. Non siamo arrivati lì in modo aggressivo. Facciamo soprattutto promozioni in store, cooking class con i clienti fidelizzati di retail, store stand in ristorazione. Le necessità e il mercato rispetto all'Italia sono diverse (spot in tv vs cooking class). In Cina fa tutto parte di un progetto educational, molto più simile a quello che viene fatto nel resto dell'asia.	Beretta is doing so with training activities mainly for supermarket employees, who should translate their knowledge to the customers. The company participates to international fairs too, to get in touch with Horeca sector customers. In store promotion and cooking classes with retail loyal customers are other activities fostered by the company. This educational project is similar to the activities promoted in the rest of Asia and fully different from marketing activities made in Italy. Beretta has been in China from 2004 but marketing activities are being pursued since few years.	Marketing and promotion
<b>EM</b>	Horeca per espatriati ed occidentali o tipici cinesi?		
<b>SD</b>	Solo ristoranti di fascia alta, se non italiani ma occidentali o internazionali.		
<b>EM</b>	Quali sono quindi i vostri canali di distribuzione?		
<b>FB</b>	Horeca, Retail (supermercati di fascia alta per espatriati o cinesi abbienti) ed online. Acquistare online in Cina è molto comune. Noi abbiamo due shop online sia su JD che su Tmall.	Beretta distribution channels are high-end Horeca, Italian and western, high-end retail and online. Online they have a shop both in JD and Tmall.	Distribution Channel
<b>EM</b>	Quali sono le differenze tra JD e Tmall per voi?		
<b>FB</b>	In realtà la nostra offerta dei prodotti è uguale. Forse Tmall dà più prestigio al marchio. Se un brand ha uno shop certificato su Tmall accresce comunque il suo valore.	The main difference among these two online channels is that Tmall gives more prestige to the brand. Having a certified shop in Tmall increases the brand value.	Online channel
<b>EM</b>	Questi due shop vengono gestiti internamente all'azienda oppure avete un'agenzia che vi segue?		

<b>FB</b>	Per quanto riguarda la logistica questa viene gestita internamente, però la gestione della piattaforma viene fatta da un'agenzia esterna. È molto complicata la parte burocratica e richiede un grande dispiego di tempo.	Online platforms are managed both by a web company, since all the bureaucratic things are highly complicated and requires too much time.	Online channel
<b>EM</b>	Ignorando per un momento la questione autorizzazioni all'export, sarebbe stato possibile avere un e-commerce su queste due piattaforme direttamente dall'Italia?		
<b>FB</b>	No, sarebbe stato impossibile. Anche perché hanno due piattaforme diverse per i marchi nazionali o internazionali e la piattaforma più utilizzata è quella dei brand cinesi.	Having an online shop, also without thinking about the export authorization, without being in china, would have been almost impossible since there are different platforms for national and international brands and the one for international brand is not used enough. Moreover it would have been really difficult for the logistic and bureaucratic point of view.	Online channel
<b>EM</b>	Per quanto riguarda la protezione del marchio, avete avuto problematiche di salvaguardia e di contraffazione?		
<b>SD</b>	Il marchio è stato registrato fin da subito. Qualche anno fa avevamo fatto la registrazione anche dei caratteri cinesi perché era capitato che ce lo copiassero.	Their trademark is registered also with chinese characters.	Trademark protection
<b>FB</b>	Di casi eclatanti dove ci siamo dovuti muovere con mezzi legali non ce ne sono mai stati. Certo che bisogna sempre mantenere l'attenzione molto alta. In poco tempo è facile trovare un prodotto con etichetta beretta.		
<b>EM</b>	I consumatori che acquistano online riuscite a caratterizzarli?		
<b>FB</b>	Sull'online è un po' complicato. Riusciamo a raggiungere molte più città, che sono magari città di seconda fascia, dove non ci sono shop o le principali catene che serviamo acquistano online.	With the online sales we can reach many more cities, also the second-class ones, where there are not high-end retailers.	Online sales
<b>SD</b>	Sfruttiamo la rete logistica di Yurun, che ha diverse agenzie dislocate in Cina, create appunto per seguire l'Horeca, in tutte le città cinesi.	We can do that by using the distribution chain of Yurun, with different agencies located in the whole country.	Online sales
<b>EM</b>	Differenze rispetto agli stabilimenti americani?		

<b>FB</b>	Sicuramente lì è più facile l'aspetto comunicativo ed inoltre il consumatore è già abituato al consumo di salumi. Motivo per cui in poco tempo siamo arrivati ad avere tre stabilimenti.		
<b>EM</b>	Rispetto a sei anni fa (quando SD è andato in Cina per la prima volta), i gusti dei consumatori cinesi si sono evoluti?		
<b>FB</b>	È un processo molto lento, però il consumatore cinese si sta evolvendo, è più indirizzato verso la qualità.	Although it is a slow process, Chinese customer is evolving and is more and more interested in quality of products.	Chinese customer
<b>EM</b>	Gli ultimi trend di mercato dicono che il consumatore cinese è più attento ad acquistare prodotti sani e di qualità. Vedete questa tendenza riflessa anche nelle vostre vendite?	In clear harmony with the last market trends.	Chinese customer
<b>SD</b>	Assolutamente sì.		
<b>EM</b>	Lo stabilimento ad oggi produce al massimo o potrebbe esserci un fatturato potenziale maggiore?		
<b>SD</b>	Lo stabilimento non lavora al massimo delle sue potenzialità. Siamo circa all'80%. Massima capacità produttiva è di 250 tonnellate/mese.	The plant does not work at its full potential, but at about 80%. The maximum production capacity is 250 tons/month.	Revenues
<b>EM</b>	La gestione delle risorse umane viene effettuata dall'Italia o dal partner cinese?		
<b>SD</b>	Le risorse umane sono seguite dal partner cinese. Noi seguiamo di più la parte tecnica, di prodotto e commerciale.		
<b>EM</b>	WeChat lo utilizzate?		
<b>FB</b>	È in progetto.	WeChat is work in progress.	Online sales
<b>EM</b>	Come materia prima la acquistate direttamente in Cina?		
<b>SD</b>	Inizialmente veniva utilizzata materia prima cinese. Nel corso degli anni, la svolta è stata 4 anni fa, dove i prezzi della materia prima cinese sono andati alle stelle, poi c'è stato il picco dell'anno scorso con la peste suina. Principalmente per il mix qualità e prezzo della carne abbiamo deciso di importare da fuori carne congelata. Quindi noi ad oggi compriamo il 100% della carne che usiamo nello stabilimento, da Germania, Olanda, Spagna o Sudamerica.	Initially it was used Chinese raw material. There were two pivotal moments that changed the purchase policy. Four years ago, Chinese commodity prices skyrocketed, then there was a further spike with swine fever. As a result, mainly for the quality and price mix of meat they decided to import from outside frozen meat. So today they buy 100% of the meat we use in the	Raw materials

		factory, from Germany, Holland, Spain or South America.	
<b>EM</b>	In Italia producite solamente con carne italiana?		
<b>SD</b>	No, dipende dal tipo di salumi.		
<b>FB</b>	Per esempio, qui in Italia abbiamo una linea completamente antibiotic free (puro beretta) e la materia prima di quei prodotti è principalmente danese perché sono molto attenti a quegli aspetti.		
<b>EM</b>	Voi avete solamente salumifici?		
<b>SD</b>	Non abbiamo macelli, ma solamente due tre allevamenti. Comunque, non sufficiente per il fabbisogno produttivo. La carne di suino presente in Italia penso sia solamente il 60% del fabbisogno.		
<b>EM</b>	Se in Italia usavate già carne di importazione immagino non abbiate avuto difficoltà ad utilizzare una materia prima importata e congelata.		
<b>SD</b>	Sì anzi a volte sono addirittura gli stessi fornitori che forniscono l'Italia che mandano qui la carne.	In Italy they use 40% of imported meat, reason why they did not have huge problems in importing in China. Moreover it may happen that some suppliers are the same for both countries.	Raw materials
<b>EM</b>	Mi sembra strano come voi in Cina non abbiate variato il vostro prodotto essendo nel settore food, industria multi-domestica in cui il prodotto va adattato al mercato.		
<b>FB</b>	È proprio una filosofia aziendale, di essere ambassador del mondo del cibo italiano in particolare nel mondo dei salumi.	Our company policy is to be an ambassador of the Italian culture in the food/salumi field.	Products
<b>EM</b>	Quindi riassumendo con la peste suina non avete avuto problemi dal momento che importavate già carne dall'estero.		
<b>SD</b>	Abbiamo avuto problemi perché anche nei mercati esteri si sono impennati i prezzi ed era difficile trovare materia prima, visto che qualcosa compriamo dall'estero e altro, anche se importato, direttamente dal mercato cinese. La vendita era diventata quasi un'asta giorno per giorno. Un paio di referenze per due mesi sono andate fuori produzione. Siamo stati quindi costretti	With the swine fever the prices had a huge increase also in the forex market and it was difficult to find enough raw material at an acceptable price. The prices to market had an increase of 30% at the end and now is still not normalised.	Swine fever

	ad aumentare i prezzi del 30% in più step e il consumatore ha continuato in parte ad acquistare, anche perché è stato un aumento da parte di tutti i consumatori. Ad oggi i prezzi sono leggermente calati ma non ai livelli di prima.		
<b>EM</b>	Ha avuto un impatto maggiore la peste suina o il coronavirus?		
<b>SD</b>	Il coronavirus l'abbiamo sentito molto ma per due mesi, febbraio è stato il mese peggiore di sempre, era tutto chiuso, marzo così così. Da fine aprile era quasi alla normalità, anche perché in Cina, tolto Yuan, il resto era tutto aperto, anche se il consumatore era spaventato e rimaneva più a casa. L'horeca non ha acquistato per due mesi mentre le vendite retail sono aumentate, come abbiamo avuto un picco nell'online dove le vendite ad oggi continuano ad essere maggiori rispetto a prima del lockdown. Comunque, il nostro consumatore target è dai 30 in su.	Swine fever has been worse the covid19. The coronavirus we felt a lot but for two months, February was the worst month ever, it was all closed, so March. By the end of April it was almost normal, also because in China, after Yuan, the rest was open, even if the consumer was scared and stayed more at home. The Horeca has not bought for two months while retail sales have increased, as we had a peak in the online where and sales to date continue to be higher than before the lockdown.	Covid19
<b>EM</b>	Formazione del personale italiano in Cina.		
<b>FB</b>	Ognuno di noi ha fatto un percorso differente, anche perché ricopriamo posizioni differenti. Simone ha fatto anni di esperienza in Beretta, un periodo di formazione in accademy al termine di cui gli è stata fatta la proposta di lavorare all'estero. Dopo una serie di colloqui e un periodo di 6 mesi di training è partito. Io ho studiato lingue orientali e mi hanno assunta per andare direttamente in Cina, avevano bisogno di qualcuno di incontaminato.	Each of the Italian people in china has a different background, it depends also the position they have in the company. For sure marketing and sales have studied language and knew Chinese culture and people before. While production people were keener on company values and products characteristics.	Italian employees in China
<b>EM</b>	Qual era la vostra conoscenza del consumatore cinese prima di trasferirvi?		
<b>FB</b>	Bisogna differenziare chi ha mansioni produttive rispetto al marketing e commerciale per esempio. Entrambi abbiamo studiato lingue orientali, ovviamente è differente rispetto all'essere sul campo ma avevamo comunque un minimo di background. Ero già stata in Cina per motivi di studi che è differente. Nel nostro caso il training qui è stato fatto per conoscere la realtà aziendale in Italia, ma comunque in Cina è tutt'altra cosa e preferiscono assumere		

	qualcuno di vergine che riesca ad assimilare il più possibile e ad essere meno influenzata dallo stile italiano.		
<b>EM</b>	Avete avuto difficoltà a comprendere il mercato cinese oppure è un processo seppur lento ma progressivo?		
<b>FB</b>	Sono molti anni che siamo lì e dunque abbiamo un background e una conoscenza del mercato che è notevole. Un nuovo potenziale attore dei salumi che dovesse entrare in Cina avrebbe molte difficoltà in quanto non è semplice. Gli anni del passato sono anni preziosi.	The way to Chinese customers is for sure not a speed one. It has been years since when beretta has come to china and the background in the market is relevant. Any other competitor who could try to approach that market would not find an easy way to.	Chinese customers Market knowledge
<b>EM</b>	Quali sono stati i fattori del successo in Cina di Beretta?		
<b>SD</b>	Avere personale italiano lì. Mantenere elevata la qualità del prodotto.	Success factor for Beretta in China have been having Italian employees and keeping products quality high.	Success factor
<b>FB</b>	Avere un partner cinese, per conoscenza del mercato cinese e per questioni burocratico legislative. Anche se negli anni ci sono stati alti e bassi comunque è stato fondamentale.	Having a Chinese partner has been important too.	Success factor
<b>EM</b>	Per quanto riguarda l'export delle DOP è semplice l'export oppure è complicato dal punto di vista burocratico e richiede una conoscenza particolare del consumatore?		
<b>FB</b>	Noi esportiamo il Prosciutto di Parma dal 2007. Ancora adesso il processo burocratico e di dogana è complicato e non sempre avviene con successo, degli intoppi ci possono essere. Comunque, per noi le persone che fanno tutta questa procedura le fanno da anni.	Beretta export Parma ham since 2007, some problems may happen but within the Consorzio there are specialised people for that activity.	DOP export
<b>EM</b>	Esportate più Parma di San Daniele?		
<b>FB</b>	Sì, perché il Parma ha una fascia di prezzo differente, più bassa del San Daniele e il consorzio fa maggiori attività di comunicazione, molto probabilmente per la mole di prosciutti prodotti (10 mln di parma vs 2 mln di San Daniele).	Parma has invested more than San Daniele in marketing activities in China mainland . moreover San Daniele has a higher price and a lower number of hams (2 mln vs 10 mln).	Parma VS San Daniele
<b>EM</b>	L'autorizzazione del prodotto Wuber per quale motivo è stata ricercata?		

<b>FB</b>	Perché sappiamo che anche se spesso la qualità è comparabile il purchaser è più attento al prodotto importato rispetto a quello prodotto direttamente in loco.	They needed the authorisation of Wuber products because although the quality of thing made in china is similar to Italy it is still not the same.	Export authorisation
<b>EM</b>	Collaborate con la camera di commercio italiana?		
<b>SD</b>	No, sono più focalizzate sugli importatori che non su produttori di medie dimensioni come noi.		
<b>EM</b>	Referenze di prodotti in Cina.		
<b>SD</b>	Assortimento di salami: milano, ungherese, napoli, spianate, al tartufo, finocchiona, sopressa, salame. Bresaola, coppa. Prosciutto crudo, anche se vendiamo più le Dop. Speck.	Assortment of salami: milano, hungarian, napoli, spianate, al tartufo, finocchiona, sopressa, salame. Bresaola, coppa. Raw ham, even if we sell more dop. Speck.	Products
<b>EM</b>	Vi conviene fare diverse e numerose referenze di salami piuttosto che i due/tre classici?		
<b>SD</b>	Sì, perché raggiungiamo gran parte della Cina e i distributori hanno i nostri prodotti e riescono a differenziare, dal momento che la maggior parte delle volte il consumatore è l'occidentale che vive in Cina e sa apprezzare i diversi sapori.	It is better for them to produce more references because their customers are mainly expatriates and can understand the value of these products.	Products
<b>EM</b>	Vendete maggiormente il prosciutto prodotto in Cina o le DOP?		
<b>SD</b>	Le DOP.		
<b>EM</b>	In quanto a tecnologie di produzione è più difficile reperire macchinari/ricambi in Cina o in Italia.		
<b>SD</b>	In Cina, principalmente per le distanze. Noi usiamo gli stessi macchinari che abbiamo dall'Italia, cambiando eventualmente distributore. L'assistenza e i ricambi sono molto più difficili da seguire, per assurdo l'elemento viene prodotto in Cina ma assemblato e gestito in Europa. Inoltre, la preparazione dei tecnici cinesi è nettamente inferiore, in quanto la casa madre è distante e la formazione è più blanda.		Spare parts and machinery
<b>EM</b>	Come si differenzia la produzione con operai cinesi rispetto agli europei?		
<b>SD</b>	La difficoltà principale è avere personale a cui insegnare nel tempo, stabile, girano	The main difficulty is to have staff to teach over time, stable,	Chinese employees



	<p>tantissimo, soprattutto uomini fascia 20/30/35 cambiano molto frequentemente, alla ricerca di uno stipendio anche solo leggermente più alto. A noi assolutamente non conviene aumentargli lo stipendio, a meno che non sia una persona chiave. Da sei anni a questa parte le dinamiche sono sempre state uguali. L'unica cosa è che abbiamo capito qual è la tipologia di operaio che rimane più nel tempo, ovvero la donna locale, tra i 25/40 anni, con già ½ figli e quindi non ha particolari ambizioni.</p>	<p>turn a lot, especially men in the 20/30/35 range change very frequently, looking for a salary even slightly higher. We absolutely do not want to increase his salary unless he is a key person. For six years, the dynamics have always been the same. The only thing is that they have understood what is the type of worker that remains more in time, that is the local woman, between 25/40 years, with children already ½ and therefore has no particular ambitions.</p>	
<b>EM</b>	In quanto ad autocontrollo i protocolli sono uguali o differenti all'Italia?		
<b>SD</b>	Lavorando con clienti internazionali siamo obbligati a mantenere dei protocolli di igiene e sanità molto elevati.		

INTERVIEW 29/09/2020

LENGTH: 14 min

With the participation

AB Andrea Beretta - Family Member

EM Eleonora Milesi

<b>EM</b>	Com'è iniziata l'esperienza di Beretta in Cina?
<b>AB</b>	<p>È nato tutto nel 2004, quando un nostro fornitore di impianti ci ha messo in contatto con un'azienda cinese, che è tutt'oggi nostro partner (Yuber food). Loro avevano iniziato in autonomia a produrre salumi occidentali, hanno però capito che mancava un po' di know how e hanno chiesto supporto per trovare un partner al loro fornitore di impianti. Noi abbiamo iniziato progressivamente. Abbiamo mandato lì un tecnico industriale/alimentare per implementare una piccola produzione e mostrargli come si poteva fare il salume italiano, poi ormai creatosi il contatto nel 2006 abbiamo fatto il primo vero accordo, che era un accordo commerciale, sulla distribuzione del Prosciutto di Parma in Cina, costituendo una JV solamente per l'export. Subito però nei mesi successivi, a cavallo tra il 2006 e il 2007 il socio cinese ci ha chiesto maggior supporto, dandoci a disposizione spazi, impianti e altro e c'è stato quindi il primo trasferimento di un nostro commerciale/finance in Cina, più un tecnico di produzione e l'anno successivo nel 2008 è nata questa piccola realtà di Beretta in Cina, una realtà commerciale che si occupava di vendere sia i prodotti di importazione che ciò che veniva prodotto direttamente lì. Questo fino al 18/02/2012, quando è stato inaugurato il nuovo stabilimento di 9000 m2 dove tutta la tecnologia è arrivata dagli stessi fornitori che abbiamo in Italia, sia per quanto riguarda la lavorazione delle carni che per quanto riguarda la stagionatura, l'affettamento e il confezionamento. Fornitori che sono italiani o europei come nel caso dell'affettamento. Li abbiamo iniziato con due tecnici, uno che si occupava della produzione e uno del confezionamento, un ragazzo italiano che si occupava della manutenzione, un altro ragazzo che si occupa del commerciale e finanziario, e l'ultimo ingresso è stata la Francesca che hai conosciuto che si occupava del brand in Cina.</p>
<b>EM</b>	La vostra esperienza all'estero, in America o in Europa, vi ha aiutato ad entrare ed avere successo?

<b>AB</b>	<p>No. Non è stata utile per tre semplici fattori.</p> <p>1. L'identità del mercato, nonostante sia una nazione di 1 mld di persone, la cultura della salumeria è poco matura. Mentre in America questa è molto più intrinseca e ci ha permesso di effettuare investimenti molto diversi da quelli fatti in Cina. Sia come tipologia di prodotti sia come impianti.</p> <p>2. i volumi di ogni referenza erano molto più grossi in America, pertanto la valutazione sugli investimenti è stata quella di dire facciamo nuove tecnologie per produrre grosse quantità di volumi in poco tempo ecc. ecc.</p> <p>3. In America siamo da soli e non in JV, quindi noi come famiglia possiamo decidere quello che vogliamo, il rischio è tutto nostro, non siamo influenzati da niente e da nessuno. Lavori con la tua testa e con il tuo cuore e come famiglia decidi di prendere determinate decisioni. Diverso è quando hai un socio a 12500 km di distanza con 7 fusi orari, le decisioni le prendi in maniera più diversa, ponderata e precauzionale.</p>
<b>EM</b>	Il rapporto con la JV è sempre stato lineare o turbolento? Il rapporto di fiducia come si è instaurato?
<b>AB</b>	Perché mi fai questa domanda? Cosa sai che io so ma che tu non dovresti sapere?
<b>EM</b>	Non so nulla, ma nel modello Uppsala learning e trust building sono due pilastri fondamentali, a maggior ragione nel caso di una JV.
<b>AB</b>	Quando sei tu che vieni cercato per il know-how che devi esportare in una nazione è molto difficile che il socio che ti accoglie ti metta i paletti tra le ruote e ti dica come fare le cose. Quando un partner ti cerca per fare del puro business come nel caso dei cinesi, loro si affidano completamente a te. Siamo partiti con la JV che dovevamo fare solo la produzione, la realtà dei fatti è che, anche se non è contrattualizzato, ci occupiamo di produzione, di commerciale, di finanziario e di brand.
<b>EM</b>	Come mai la partnership con loro è stata necessaria agli inizi e continua ad esserlo?
<b>AB</b>	Se non ci fossero stati loro probabilmente oggi non saremmo in Cina. Allo stesso modo però ad oggi se fossimo in Cina da soli sarebbe un po' più facile.
<b>EM</b>	La mia curiosità era capire se ci fossero differenze o similitudini con ISU.
<b>AB</b>	<p>Se tu credi che non ci siano differenze tra Beretta e ISU la prendo come un'offesa personale. Tecnicamente dovresti dirmi tu che ci sono differenze abissali tra un marchio ISU che faccio un po' fatica a trovare l'italianità e la credibilità di trovarsi ad essere su un mercato difficile come quello cinese e trovarsi a vendere un prodotto italiano con un nome anonimo. La gente non è sciocca. Tant'è che oggi noi vendevamo i prodotti con il doppio logo, il nostro logo beretta e Yurun. Ci siamo trovati un giorno a dire, ragazzi noi vogliamo vendere più prodotti, vogliamo vendere più salumi italiani in Cina. Per i cinesi era: volete fare più soldi? Per i cinesi vendere un bullone o un salame è lo stesso. Diverso è per noi italiani, in particolare noi che siamo una famiglia. Noi ci teniamo alle cose, a dove andiamo e alla reputazione che abbiamo. Questa coesistenza di logo cinese/italiano creava dubbi ai consumatori, e invece con il logo singolo il messaggio è stato molto più chiaro. Uno dei capisaldi del contratto di JV era 30% logo italiano e 70% logo cinese. Ci siamo trovati dopo 4 anni a dire che o cambiavamo le cose o non avremmo più venduto. Siamo quindi partiti con linee dedicate con solo logo beretta, di modo che l'italianità del prodotto fosse immediata agli occhi del consumatore.</p>