

## HOW TO DO BUSINESS IN ITALY

FIELD REPORT – February 2007

This report is designed to complement existing information about business culture in Italy, but also to provide some underpinning economic pointers to inform the decision making process about identifying market strengths, weaknesses, opportunities and threats.

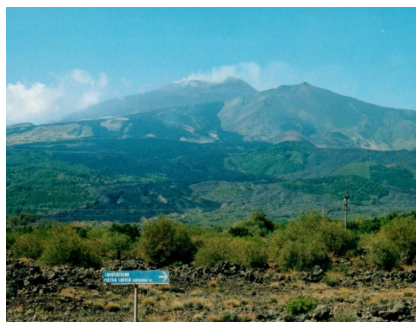
The main purpose of this report is to add value to the various useful reports available on the UKTI web site and on the Scottish Enterprise web site, which are the source for some of the information included in this document; this report adds evidence and information gathered from discussions and interviews with people who are 'out there in the field' with regard to Italian business culture. Its primary purpose is therefore to help better prepare UK businesses for approaching the Italian market for the first time.



The main contact for British business is the British Consulate General (co-ordinating Post for UK Trade & Investment trade promotion and investment services in Italy). E-mail:

MilanCommercialEnquiries@fco.gov.uk

Web site: [www.britain.it/business](http://www.britain.it/business)



**Figure 1 - Mount Etna, Sicily**

The report focuses on Italian language and business culture, and has been written in an informal style to reflect the comments made by the people we interviewed. To provide a range of views and establish consistency, a total of 3 meetings in Italy and 2 meetings in England were arranged, together with a number of email contacts. Interviews & discussions were held with individuals from a broad range of business backgrounds. These included senior staff from both corporate and SME-type companies. Although many of the companies

interviewed were from the Food and Drink sector, we also involved representatives from ICT, utilities and services industries.

**Figure 2 – Vineyards**

The people interviewed were Italian staff from companies based in Palermo, Sicily, who have frequent contacts with UK-based companies, both in terms of supply chain and of import, British staff from UK-based companies who have been dealing with the Italian market for many years in a number of sectors, including manufacturing and ICT, as well as staff from Italian business support organisations.



There are a number of databases which provide B2B services relating to information on Italian companies and access to indepth Business Reports, Financials, as well as information on Directors and their positions held in other companies. One of this is

<http://www.cerved.it/xportal/web/eng/home-eng.jsp>

## Italy and its regions

One very important issue to consider is the fact that Italy is divided both geographically and administratively into regions. Check this site to have a fuller description of the regions and their potential resources and market opportunities: [http://www.travelvantage.com/ita\\_regions.html](http://www.travelvantage.com/ita_regions.html)

This is especially important when dealing with autonomous regions, such as Sicily, Valle d'Aosta etc., as these regions may have different regulations concerning taxes, for example.



**Figure 3 - Autonomous regions are Valle d'Aosta, Trentino Alto Adige, Friuli Venezia Giulia, Sicilia and Sardegna**

The first point that anyone wanting to do business with Italy should consider is the impact that the geographical set up and the historical traditions have on the culture, business and way of life. In practice, one could simplify by stating that there are three somewhat different cultures coexisting in Italy:

the Northern regions,  
the Central regions and  
the Southern regions, which would include the islands of Sicily and Sardinia.

This is a massive simplification and generalisation, but we feel it is a useful starting point. Italy is relatively young as a unified country, less than 150 years old, as Italian independence was proclaimed in 1861. But the last 50-60 years have seen a vast reduction in regional differences, including

the rapid demise of regional and local dialects, which have been confined to the personal and family area, whilst all communication is now carried out in standard Italian.

## Demographics

Italy has a population of over 58 million people (2006). Of these, the vast majority are of ethnic Italian origin. There are also German, French and Slovene minorities in the North, and Albanian and Greek minorities in the South. The Italian labour force is 24.49 million strong with a moderately high unemployment rate of 7.7 per cent (Source: CIA World Factbook, 2005).

Unemployment in the northern regions is relatively low; however there are deep pockets of persistent unemployment in the south and on the two islands of Sicily and Sardinia (up to 25% in some areas, though this is decreasing). The main and official language is Italian, although English is spoken in some tourist centres.

Italy is currently facing a major demographic problem – in addition to the extremely low birth rate, Italy's population is ageing faster than that of any other European nation. One interesting point in this context is that so far Italy has one of the highest levels of pensions in Europe, as most employees qualify for a pension based on a high percentage of their last few years average salary (up to 80%) as well as a lump sum equivalent to the value of one salary for each year worked. Therefore, this means that Italy is potentially a rewarding market for goods addressed to the over 50s.

The ageing population factor underlies the current intense debate on immigration. Immigrant labour is increasingly needed, especially in the North. Public opinion however tends to associate continuously high levels of illegal immigration (especially from North Africa and the Balkans) with rising levels of crime and other social problems.

### **Economic activity**

Italian economy is diversified with an industrial base, and Italy differs from other European powers in that it has relatively few transnational corporations, and the most recognisable of these are in the fashion and food and drink sectors. Instead, the strength of the Italian market rests on small, generally family-run businesses. Over 90 per cent of Italy's four million enterprises have ten employees or less. Because of this characteristic, the Italian business and financial infrastructure is designed to be especially supportive for Italy's all-important SMEs.

Economic growth was 1.1 per cent in 2004, but this became almost completely stagnant in 2005 as real growth fell to 0.1 per cent. The economy has shown moderate signs of recovery in 2006, and average growth for the year is projected at 1.5 per cent (Source: UKTI, 2006). The Italian economy has several significant weaknesses, but these were effectively brushed aside to some extent through a competitively undervalued Italian Lire. Since converting to the Euro in 2002, this option no longer exists and Italian exporters are suffering with respect to international competitiveness.

The Italian market does, however, have some significant redeeming qualities, including a very high private savings rate, a strong financial and industrial foundation, a large share of many global niche markets, and a high-performance equity market. The Borsa, the Milan stock exchange, experienced 25.3 per cent year-on-year growth in 2005.



Economic growth has been accelerating since 2004, with average growth in 2005 reaching 3.4 per cent, whilst the EU average hit a plateau at 1.3 per cent (Source: UKTI). Italy has recorded a balance of payments surplus for the last ten consecutive years, and for the first time since WWII total foreign debt has been eliminated.

Estimated GDP per capita was US\$ 48,000 in 2005, which constitutes one of the three highest incomes in Europe. Inflation increased in 2004 from 0.8 per cent to 1.8 per cent but it is still below the EU target and actual inflation rate of 2.3 per cent.

(further details can be found on [http://www.scottish-enterprise.com/sedotcom\\_home/services\\_to\\_business\\_international/eo/eo-market-info/italy.htm](http://www.scottish-enterprise.com/sedotcom_home/services_to_business_international/eo/eo-market-info/italy.htm), - though there are some minor inaccuracies - as well as <https://www.uktradeinvest.gov.uk/ukti/appmanager/ukti/countries? nfls=false& nfpb=true& pageLabel=CountryType1&navigationPageId=/italy>)

### **The Economic picture – summary**



Italy is the world's seventh richest country, and is a member of the Group of Eight (G8).

Italy is the UK's eighth largest export market, and the UK is the fourth largest supplier of exports to Italy after Germany, France and the Netherlands (Source: UKTI, 2006).

Economic growth in Italy for the period 1999-2004 was 1.3%, with a surprising higher level for Southern Italy (1.5%).

The Italian Economic Strategy for 2007-2013 (published on December 13<sup>th</sup> 2005), shows a downturn, compared to the European average, from 1990s to now, mainly in heavy industry and manufacturing in general, but also in terms of productivity (average growth of added value for each employed person only 0,5% in the last ten years).

But the pattern in Southern Italy has been counteracting this negative trend, with a growth in productivity and, from 2002, of the employment rate.

This appears to show that doing business in Southern Italy may offer interesting opportunities.

It should also be noted that Italy has ranked 6<sup>th</sup>\* for 2006 in terms of support offered to clients for language and culture.

(\* UKTI October 2006 top 10 rankings: France, Germany, Spain, Japan, China, Italy, Poland, Argentina/Chile, Dubai, Nigeria).

## **The questions**

The project focused on 5 questions which were identified as central to developing a practical know-how by all the people we contacted.

1. How much Italian do I need to learn to deal efficiently with the Italian market, and how much English is generally spoken by the business community in Italy?
2. To what extent should companies adapt their English marketing and web materials into Italian, and is there much difference between the North and the South in terms of marketing?
3. To what extent does the economic situation in Italy offer opportunities for UK imports, and which kinds of imports would these be?
4. What are the main barriers facing trade with Italy?
5. What are the top tips you would give to a British business coming to Italy for the first time?

The combined wisdom of those we met is outlined below. We would like to express our thanks and deepest gratitude to all who contributed to this project, including Giulia La Paglia and Roberta Messina - and above all to Maurizio Micciché, who put together a professional programme and through his colleagues provided all the support we needed for our research in Italy, and Peter Kersh, in the UK.

So on to the questions...

### ***1. How much Italian do I need to learn to deal efficiently with the Italian market, and how much English is generally spoken by the business community in Italy?***

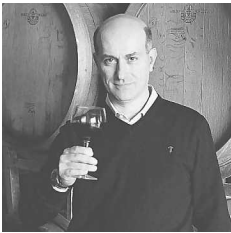
English is Italy's first foreign language taught in schools and many English words have found their way into Italian, especially in the business register. It is therefore not difficult to find business people capable of speaking excellent English, especially in metropolitan contexts. Generally speaking, in the northern regions, where the large companies are located, export import managers are more than likely fluent English speakers. The sectors where English is more easily spoken are Fashion and Textiles, Bio-Tech, Advanced Engineering, and specialist Food and Drink, though this is again a generalisation.

So, in technical terms, and if your product is unique and has little or no competition, it is strictly not necessary for a British business to be able to speak Italian in order to do successful business with Italy. Obviously, some knowledge of Italian would be needed when dealing with everyday peripherals, such as

taxi drivers, shop assistants, customer service staff and the general public dealing with the wider business community.

### Figure 4 Wine Tasting

However, official statistics provided by Eurostat quote the percentage of foreign language taught in Italy as 1.2, a considerably low figure if compared with the 2.6 of Luxembourg. Moreover, companies very seldom offer adequate training for Continuous Professional Development, especially concerning languages, considering the Swedish figure of 61% and the Italian dismal 17%. Therefore, business people are often expected to do-it-yourself English language training. And this may or may not work. So, their boss may have been led to believe that they speak near perfect English, while in fact their language skills may be somewhat lacking. This might create difficulties in negotiations, as they may misunderstand the points you are trying to make, with potentially dire results, as they could never admit to their boss that they misunderstood...loss of face may mean loss of job. So, be very careful in making sure that all the messages that are mission critical are in both languages.



### Summary

As in any market areas, knowing the language always provides an often much needed additional gear to your business. If you are planning to do business not in the metropolitan areas of the North, but in the rest of the country, you will seldom meet fluent English speaking partners. Consequently, you need to have a strategy for employing advanced Italian skills. An interpreter (a qualified native speaker of Italian, with excellent English language skills) will make a tremendous difference, especially if you provide the interpreter with appropriate briefing. ([www.blis.org.uk](http://www.blis.org.uk), to find interpreters in your region) ([www.assointerpreti.it](http://www.assointerpreti.it), founded in 1974, Assointerpreti, the Italian Association of Conference Interpreters, has a membership of practising professional simultaneous and consecutive interpreters from all over Italy).



You should also bear in mind that, although standard Italian is now commonly spoken, local accents can be rather difficult to unravel if you are not a native speaker. This is particularly true in Southern regions, but also in a number of Northern regions, whilst this is less so in Central regions. The sectors where English is most easily spoken are those sectors which have traditionally been involved with an international market, such as wines and high class food products (Slow Food related, for example, prodotti del territorio), the music and media sector, or the fashion and textile industry.

## **2. To what extent should companies adapt their English marketing and web materials into Italian, and is there much difference between the North and the South in terms of marketing?**

Everybody we spoke to was very strongly against relying on a monolingual English web site. The point made was that in order to open up a market it's necessary to adopt a "comprehensible" marketing policy, appropriate for that market. If we accept the official statistics provided by Eurostat on the low percentage of foreign languages taught in Italy, then we see that only a small segment of the population can operate in languages other than Italian. This leaves out a massive potential market.



Other interesting points raised in this context concern the difference between the North and the South of Italy. To a certain extent, the Northern way of doing business may be seen as much more similar to the British way, as you would find a substantial presence of multinational companies, such as FIAT or BENETTON, where English is widely spoken, and the spatial distribution of "districts" (several small and even micro-companies grouped in the same geographical area, which offer the same kind of products, for example furniture, working together as a type of consortium, and therefore sharing a central, multi-lingual management team for marketing activities, for example).

### **Figure 5 Prodotti del territorio**

This is not the case in the South of Italy, where most of the companies are SMEs and even micro and where language skills are still very much under development. Given the lack of language skills in the southern regions of Italy and the wide availability of broadband across the country, it is recommended that companies localise their websites to reflect Italian interests. Doing business in Italy is much more based on communication and dialogue, dinners and trust, rather than on large technical meetings. And a website is a powerful communication tool which is well placed to bridge the cultural gap, as well as the information gap. The combination of a high Internet use and a preference for communication and dialogue means that a web site with key areas in Italian and a simple set of e-mail 'templates' with salutations and some key phrases in Italian would help establish a two-way trust, and therefore help your company win hearts and minds (i.e. win business, in this case).

It is certainly recommended that companies do some serious background work to prepare for potential horizontal market segmentation issues, with particular reference to "lifestyle" differences between the north and the south. For instance, a shortbread biscuits company would find a much wider market in Milan, than in Palermo or Cagliari. A company dealing with 'luxury' goods would find a wide market in most of the North and North East, but also a strong niche market in some areas in the South.

### **3. To what extent does the economic situation in Italy offer opportunities for UK imports, and which kinds of imports would these be?**

Since the establishment of the European Union, trade between England and Italy has become much easier. As a consequence, the Italian economic situation makes it very receptive to welcoming a growing number of services offered by the United Kingdom. There is a great demand for financial services such as investment funds, and stock market services in general, which, historically, are more developed in England than in Italy.

The same considerations apply to services connected with the natural resources market, such as the oil market. Indeed, England has a prominent place in the International market as a communication gateway between the eastern and the western market.

Italian business people would probably be very interested in buying in financial brokerage services from England in particular, such as services offered by merchant banks, which are much less developed in Italy.

### **Figure 6 piazza Colonna, Rome**

Moreover, in the last fifty years Italy has achieved an increasingly healthy economic situation in terms of spending power. Therefore, the Italian consumer market is likely to offer great opportunities to high quality and/or a very characterized range of products (as cashmere textile, typical shortbread biscuits, fudge, or single malt whisky). These products register a high turnaround in all duty free shops in Italian airports, but they are increasingly sold on a large scale in cities' supermarkets.



The sectors which offer the greatest opportunities appear to be the following:

- Aerospace
- Airports
- ICT
- Healthcare
- Automotive
- Railways and equipment
- Creative & media

### **Summary**

- British technology, equipment and components have a good reputation
- Innovative high-quality products are always of interest

The best investment and co-operation opportunities are now generated by two main trends:

- liberalisation of key sectors such as energy and telecommunications
- interest in the concept of public-private partnership in the public services

For further information on labelling and packaging regulations, import controls, customs duties, additional taxes and VAT (known as IVA in Italy), additional information on documentation, export documentation, export controls and licensing, patents and trademarks, standards and technical regulations, you can contact the UK Trade & Investment Team in Milan:

MilanCommercialEnquiries@fco.gov.uk

#### **4. What are the main barriers facing trade with Italy?**

The main component of success in the Italian market is long-term commitment of time and resources, though this is true for a number of countries. Travelling to Italy for a one-day business meeting is not good R.O.I. (Return On Investment), as you would miss out on the leisurely lunch or on the post-meeting dinner, which is where barriers come down, opinions are solidified, trust is built, and actual business is done. This would also give you the opportunity to allow your Italian partner not to get away with 'you should really talk to this colleague of mine, who is actually responsible for ...(fill in your version of things), but she is not here today', as your answer would be 'I will be available tomorrow, as I would very much like to finalise the agreement, and since I love this part of Italy anyway' ('my wife loves Italy so much - mia moglie adora l'Italia...goes a long way).

On a more technical note, one of the main barriers confronting UK-Italy trade is the fragmentation of the economic key players. It is often very difficult for non residents to understand how to manage the dialogue between private management (often belonging to old entrepreneurial families ) and economic institutions, whose remit is to regulate trade, and therefore to allow access to financial support to trading, and - last but not least - the Unions. Many battles widely and wildly reported in the press are followed by friendly agreements reached on the backstage (a good dinner?), and this is not necessarily a negative way of solving problems. The British perception can create not very useful misunderstandings if fails to take into account the Italian way of doing business, based more on "personal relationships" than on standardised procedures.



**Figure 7 Gathering olives for the famous Olio Extravergine, which has different organoleptic features according to the territorio, but is in all cases a superb quality product**

However, since the establishment of the European Union, there are no technical barriers facing trade with Italy. One challenge could be presented by the Italian and English 'protection' system concerning residual industrial sectors, such as agriculture or textile. The Customs Classification Helpline can provide advice on tariff classification numbers. The Helpline is open from 08.30-17.00, and a voicemail service is available outside these hours. Tel: +44 (0)1702 366 077. The Italian equivalent of the British Customs is the Agenzia delle Dogane. <http://www.agenziadogane.it>.

#### **5. What are the top tips you would give to a British business coming to Italy for the first time?**

##### **Figure 8 Il Colosseo, Rome**

To answer this question, we feel it is relevant to provide a short description of the Italian culture and way of living.

In Italy, relax and wellbeing, which include careful grooming for both sexes and a very special attention paid to clothes and accessories, are high priorities, as well as the pleasure of political and cultural discussions around a dinner table. Consequently, most of all important economic and financial agreements are reached in unofficial



contexts, such as parties or dinners. Please note that a group (formal or, even worse, informal) of Italian speakers is unlikely to observe the 'turn taking' discipline in discussions; expect to be interrupted and expect people to talk at the same time!

Thus, the top tips that we would give a British business person are the following:

1. Try to establish from the beginning a personal relationship with the economic partners, gain their trust and friendship.
2. And if the "partner" is a group, try to understand who, in the group, has the 'real' decision making power and who is the "mediator" of likely conflicts. Then try to become friend with these two.
3. Try to understand the kind of network linking the different key players in the areas which interest you, in order to have a clear and solid awareness of the best buyers and sellers in the area.
4. Therefore, invest some time in visiting the country before designing a market strategy, in order to get to know the reality and the features of the location.
5. As each Italian region is deeply different, do not presume to know the whole of Italy after a single experience.
6. Do some in-depth research on the economy, social context, culture and policy of the actual region where you wish to export.
7. If at all possible, acquire some details on specific points of interest in the region (just to show your interest during conversation).
8. The Italian market can be very creative and quick on new ideas, although managers and entrepreneurs are always pressed for time, money, resources, etc.. so make sure you listen as well as speak (this is where a good and well briefed interpreter is invaluable).
9. Always remember that money is not the only value taken into consideration by the Italian culture: when faced with the great tsunami tragedy in Asia, Italian newspapers titles tended to read 'Terrible suffering inflicted by natural disaster', while British newspapers titles tended to read 'Millions of pounds losses inflicted by natural disaster'.
10. Finally, a good tip is to make sure that you have with you a variety of different, brief proposals, in order to submit the one that best matches the outcome of your negotiations.

And, last but certainly not least, do remember that if you want to be perceived as a sophisticated international business person, you would be well advised to do the following:

1. Do not order cappuccino after a meal, but un caffè. Cappuccino is strictly breakfast.
2. When you are introduced to people, always shake hand firmly.
3. Do not say CIAO, unless you are in very friendly terms with the person. Say 'SALVE'.
4. Conversation: cars, football, holiday, food. If anybody starts talking politics, just smile politely and say 'Ci sono sempre problemi...'.  
5. Do not expect to be offered endless cups of tea or coffee during your meetings or at your arrival at the meeting, but do expect the meeting to be interrupted at various stages by somebody saying 'I must have un caffè...'. And you can have a quick shot of caffeine several times a day. If you are against caffeine, ask for a decaffeinato.
6. If you are offered un aperitivo (a pre-dinner drink), you may want to ask for un Campari Liscio (straight), or al selz (with tonic) or, if you prefer a non-alcoholic drink, then ask for un Camparino.
7. Relax and enjoy your stay in Italy. If you do, you are several times more likely to do good business.

8. If you arrange for your Italian business partners to visit you back at your company, remember the hospitality they provided for you and match it.

Best of luck!

Sandra Potestà  
Director - RLN YH Ltd  
12 March 2007