

Atti del Convegno Internazionale Coordination and cooperation across organizational boundaries, Università Cattolica del Sacro Cuore di Milano – London School of Economics and Political Science, Milano, 20-21 aprile 2006, (19 pp.), pubblicato in <http://www.unicatt.it/convegno/UC-LSE/session4.htm>

**Cooperation between Small and Medium Enterprises to break into international markets - ‘Angeli della moda’ on the Japanese market.**

Elena Cedrola  
Associate Professor of Marketing  
Università di Macerata  
Dipartimento di Istituzioni Economiche e Finanziarie  
Via Crescimbeni, 20  
62100 – Macerata – Italia  
[elena.cedrola@unimc.it](mailto:elena.cedrola@unimc.it)

## **1. Enterprises and markets – the decreased significance of national borders**

The tendency towards internationalisation has played a key role in the last few decades in the economic and industrial environment. The reduction and, in many cases the elimination of customs barriers, along with the opportunity to transfer capital abroad have created new strategic opportunities, a growing expansion of the market economy on a worldwide scale and major processes of change affecting both capitalist economies and enterprises.

In this context national borders tend to play an increasingly limited role as demarcation boundaries of economic areas, and no longer offer adequate protection to enterprises that fail to pay sufficient attention to efficiency and effectiveness. Competition has become global. This phenomenon is the result of the combination of four main factors: the spread of technology, removal of barriers between countries, convergence of demand, and development of transport and communications (Lambin J.J.. 1994).

In this scenario enterprises find themselves operating in increasingly large, open markets, where it is fundamental for them to increase their ability to competitive, minimise fluctuations, defend their markets and seek better sources for procuring raw materials, labour and services. At the same time, they have to take into account the influence of the framework and competition of the industry in which they work (Cedrola E., 2005).

The transition to a global mentality is not an easy one, as it requires the introduction of far-reaching processes of innovation that are often difficult to manage, particularly for small and medium-sized enterprises. Globalisation of the economy has even introduced the problem of the survival of smaller enterprises, particularly because economies of scale, technology, research and development are not generally widespread in SMEs (small and medium sized enterprises).

On this basis some researchers have claimed that small enterprises focusing on local markets or which have an approach to internationalisation founded on the ‘personalisation’ of products rather than on their ‘globalisation and standardisation’ will inevitably face many serious problems in competing internationally (Levitt T. 1996).

For others, phenomena such as downsizing, process outsourcing, expansion of reticular models, increase in the number of spin-offs (but also spin-in partnerships), growth of franchising, and more generally, mechanisms of ‘enterprise creation by means of enterprises’ all ‘combine to create the impression of a form of production organisation that definitely favours smaller sized companies (Corò G. 1989).

Aside from these different positions, it is clear and generally accepted that there is a need for SMEs to adopt completely new approaches to management and organisation, particularly in Italy, if they are to break into foreign markets, and also to survive on local markets.

## **2. Collaboration between enterprises and international markets**

Collaborating in order to compete, especially in international markets, is therefore crucial for most Italian firms nowadays. In the modern economic context such companies have to face an increasingly competitive and demanding market, which has lost its geographical, cultural and institutional barriers. These barriers may on the one hand be considered strong obstacles to business expansion, but on the other hand they also represent an element of defence for the domestic market. With the abolition of national barriers, markets have been opened up to foreign, mainly Asian businesses. This has deeply modified the economic equilibriums of home markets and forced SMEs to find solutions in order to maintain their competitive advantage, deriving mainly from industrial districts.

One of the successful keys for these firms, which are focused on recovering competitiveness and on growing on international markets, can be collaboration and alliances. Taking advantage of the synergies deriving from such agreements, SMEs will be able to steer their efforts towards international expansion and develop a total strategic vision that will create or increase value for customers with regard to the main competitors, both domestic and foreign.

In spite of all this, very few alliances have been planned and implemented up until now, principally because each firm tends to protect competences, products, ideas and 'independence'. This approach can no longer continue because single small firms risk being swept away by the market. Collaboration and alliances are the most important strategic options for survival on the domestic market, and for facing the adventure of internationalisation.

Cooperation works in two directions, particularly in international markets. Firstly, it helps firms to access and analyse information on markets (micro and macro economics). Secondly, it facilitates negotiation and penetration. Division of costs, sharing of competences and information are the key elements in order to construct efficient, long-lasting and profitable relationships. In such relationships the key factors are the existence of a common objective and effective communication between parties, particularly in terms of information exchange and sharing. It is easier to achieve if partners share corporate values such as their corporate guiding principles, customer-focused approach, as well as more specific issues relating to finance and the company's solidity.

Moreover, to make collaboration easier we must not forget the important role of personal relationships among entrepreneurs and the existence of subjective reasons to cooperate. These elements are connected to the subjects who manage the organisation and are, for instance, managers' awareness of the positive impact on efficiency and effectiveness induced by collaboration, the skills of a manager or the different individual skills among managers that can meld together virtuously.

In order to make alliances work companies must share strong values and be capable of adopting tactics and approaches that are consolidated in the area, country and culture in which alliances will be operating. This flexibility is perhaps the most difficult competence to acquire (Bleeke J., Ernst D., 1993), even if it is one of the primary reasons for the success of SMEs. Owing to their small size such enterprises have considerable skills of self-adaptation on those international markets that are highly competitive and unstable (Namiki N., 1988).

Building strong relations,- that can grow in time - may be the key activity for SMEs on foreign markets to achieve excellent results, not only in terms of profits.

Tackling projects for international expansion together with other companies, including competitors, allows a company to improve their competences, skills and performance more than they would have been able to on their own, and is therefore a major growth opportunity for every SME.

In essence, we have to agree with the statements of Chandler who indicated that cooperation among enterprises was one of the most fruitful and feasible roads for modern capitalism development (Chandler A.D., 1990). In fact, as Thorelli has demonstrated, setting up networks may lead to achieving economies of scale and economies of scope (Thorelli H., 1984).

With reference to Italy, SMEs often operate within specific contexts, like the industrial districts where individual companies benefit from external economies that increase their competitiveness. The primary features behind this competitiveness include:

- a widespread product culture in the area;
- relationships between companies based on a combination of competition and cooperation;
- external economies of an organisational type.

Fortified by these elements, over the years Italian SMEs have shown a considerable ability to penetrate international markets (Bonaccorsi A., 1992), and in fact in recent years exports from the districts has been higher than the national average. However, particularly in some industries, being part of an industrial district is no longer enough to support SMEs on

international markets, and perhaps also domestic markets! The need for more formalised and ‘committed’ cooperation is becoming increasingly clear, and pilot schemes are underway in some areas of Italian private industry.

### **3. The shoe manufacturing district of Macerata and cooperation between enterprises**

One of the areas in which there is an ongoing project involving cooperation between enterprises operating in the same industry is the shoe manufacturing district of Macerata. The formalised approach mentioned above was implemented in the foundation of a consortium for exporting to the Japanese market. This involved the creation of a trademark shared by all the participating enterprises, to make it easier for individual operators to expand beyond their national borders (Legrenzi P. et al., 2000).

The need to set up an export consortium, which will be given the company name ‘Angeli della Moda’ had been identified by a study on the potential of the Japanese market commissioned by Manas S.p.a., one of the companies promoting the consortium. Japan immediately appeared to be a profitable market (because of the recovery in consumption, interest in Italian-made goods, and 7.1% rise in imports of shoes from Italy in 2003-2004), but high entry and distribution structure management costs had prevented the company from undertaking an international development strategy by itself. The establishment of an export consortium, which would organise and manage a showroom in Tokyo, seemed the best choice for initiating this process.

The name ‘Angeli della Moda’, which is the logo of the companies present in the showroom, satisfies several requirements. It demonstrates that the consortium members are Italian and illustrates their links with Italian fashion and design. It is easily translated into Japanese, and will have a prime position in Italian and Japanese telephone directories because of the use of the letter ‘A’ in the first word in the Consortium name and logo.

Six companies agreed to join the consortium project and, given the importance of the pilot, they were supported by *Confindustria Macerata*, the local branch of the Italia Manufacturers’ Association, and by other national, regional and local bodies, which played a very important role in the implementation of the project. These include *Regione Marche* (the regional government), the *Istituto per il Commercio Estero ICE* (Foreign Trade Institute) in Ancona, Rome and Tokyo, which provided market and project feasibility analysis support, and the *Banca delle Marche*, which provided support on financial issues.

The team of ‘Angeli della Moda’, the logo with which the six shoe manufacturing companies presented themselves on the Japanese market, comprises *Manas Spa*, *Action Srl Tosi Industries*, *Angela Falconi by Myrto*, *Industria Italiana Calzature srl*, *D.G.M.* and *Loretta Pettinari*.

Their mission is: to penetrate the Japanese market, being fully aware that exporting products that are “*Made in Italy*” does guarantee the high standards of quality and design that have always characterised *Italian Style*, and which Japanese consumers appreciate for their characteristics of elegance, sophistication and uniqueness.

The table below (tab. 1) shows the main features of the companies that signed the consortium articles of association.

**Tab. 1 The member companies of the export consortium ‘Angeli della Moda’**

<i>Company</i>	<i>Style</i>	<i>Markets served</i>	<i>Product</i>	<i>Consumer target</i>	<i>Brand names</i>
<b>Manas</b>	SpA	Italy, Europe, Japan, Australia, United States, Hong Kong, Lebanon, Israel, Canada, Russia, Croatia, Czech Republic, Slovakia, South Africa, New Zealand, Korea, Malaysia, Indonesia, Singapore, Saudi Arabia, Iceland and United Arab Emirates	Shoes and leather accessories	Women between 20 and 65	Lea Foscati Design
<b>Action Tosi Industries</b>	Srl	Italy, European Union (Great Britain, Belgium, Holland, Germany, Austria, Greece, Switzerland), United States and Mexico, Brazil and Argentina, Saudi Arabia, China, Korea, Japan, and Australia	Shoes and leather accessories	Men between 22 and 55	Taxto Sign Bait
<b>Industria Italiana Calzature</b>	Srl	Italy, United States, Europe, Asia (Japan, Hong Kong, Singapore and Taiwan)	Shoes and leather accessories	Men between 20 and 60	Brumas's Nex-Tech
<b>Angela Falconi by Myrto</b>	Srl	USA, Canada, Mexico, Europe, Russia, Asia, Japan and Australia	Shoes and leather accessories	Women between 20 and 55	Angela Falconi Andrea Falconi
<b>DGM</b>	SpA	Italy, Europe, America and Asia	Shoes and leather accessories	Women between 20 and 55	Exit Nanà Pepol Femme Publique
<b>Loretta Pettinari</b>	Srl	Russia, Ukraine and Japan	Shoes and leather accessories	Women between 20 and 50	Loretta Pettinari

A brief analysis shows that these are all limited companies operating in the same product category and familiar with foreign markets. Their customers however are similar but not identical, as some manufacture products exclusively for male customers and some exclusively for female customers. Furthermore, interviews with the company owners revealed that the brands in question have different design connotations and the products of the individual

consortium members are not in direct competition with each other. Taking into account the content of these interviews, it is possible to back some of the empirical statements made above:

- The creation of strategic alliances for development into international markets is fostered by personal contact between business people, even if it is only a necessary condition for the creation of an alliance
- Effective collaboration is only possible between non-direct competitors (same industry and demographic target, different psychographic and behavioural target)
- Cooperation is based on the possibility of sharing not only the costs, but also the competences developed by single enterprises on the international markets.

The following paragraphs contain an analysis of the consortium articles of association and the advantages for its member companies.

#### **4. The ‘Angeli della Moda’ consortium**

The Consortium articles of association are a fundamental tool not only for the proper functioning of the structures required for penetrating the Japanese market, but also for ensuring trouble-free and lasting collaboration. It makes each of the member companies a legal entity with rights and duties both to the other consortium members and to third parties entering into contact with the structures of the consortium and the individual companies.

The ‘Angeli della Moda’ Consortium was set up in accordance with article 2602 and subsequent articles of the Italian Civil Code. It has been set up for a period of 15 years – 5 years longer than normal – giving a clear signal to members that they are creating a solid, long-lasting alliance. The aim of creating a shared, stable organisation that can grow, become stronger and become a point of reference for coordinating actions the individual companies may wish to pursue on the Japanese market and Asia in general, is a constant theme of the articles of association and the internal consortium regulations, which set out its operational framework. It is the right choice, particularly if you consider the cultural characteristics and negotiating habits of the Japanese and Asiatic people in general. Acquaintance, stability and lasting inter-personal relations (Herbig P.A., 2000) are all crucial elements that would in no way be guaranteed by direct export channels like agents or representatives without a stable point of reference also for logistical purposes.

The Consortium articles of association specify its corporate aims precisely – some shared by all the members, other separate. These aims are listed in table 2.

**Tab. 2 The corporate aims of the ‘Angeli della Moda’ consortium**

<b>Separate Aims</b>	<b>Joint Aims</b>
To export products	To manage a Showroom in Japan
To carry out promotional activities	To organise participation in trade fairs and exhibitions in Japan
To import raw materials	To carry out market research directly or on commission
To import semi-finished products	To prepare applications for financing for access to funding from public or private bodies, the Italian government and the European Union in order to achieve the aims of the consortium

The obligations of individual consortium members include payment of a membership fee to the consortium fund, not joining other associations with aims that conflict with those of the Consortium and complying with the internal regulations. The latter provide guidelines and rules of behaviour to follow in relations between consortium members and third parties. They therefore limit conflicts that might emerge in the exercise or ordinary commercial activity.

#### **4. Setting up the collective showroom – a cost-benefit analysis**

Penetrating new markets and reinforcing business in existing markets requires a stable organisation on the spot, but most Italian SMEs are not able to achieve this due to high management costs and organisational difficulties.

To circumvent such problems, the six companies from the Marche region that make up the consortium have opened a Showroom in the commercial heart of Tokyo, which is managed by the consortium itself. This enables the partners to overcome some of the limitations of an indirect export strategy and provides them with a stable presence on the Japanese market and lower costs than if acting alone.

The companies wish to achieve several things by opening a Showroom in Japan, and these can be briefly summarised as follows:

- to acquire direct information about the Japanese market
- to achieve greater integration with local operators and consequently be able to establish direct relationships and gain trust from the key players in the distribution chain
- to manage the sales network and pre- and post-sales assistance directly
- to be able to set up and manage a stock of finished products in the country
- to be able to carry out a Customer Service Project, i.e. develop relations with individual customers selected for their purchasing volumes or their importance in the industry
- to enhance image perception on the Japanese market
- to be able to organise events for customers
- to simplify relations with the regulatory environment and public administration



Finally, having a presence on the Japanese market with the Showroom will be used to develop existing relations in Asia, to expand the user base in neighbouring markets and act as a logistics base for penetrating other equally important and economically interesting Asian markets.

As well as analysing the benefits, it is important to mention the costs to the companies of opening the Showroom. These regard:

- research;
- rental costs;
- staffing;
- promotional activities;
- furnishings;
- various management and maintenance costs (electricity, gas, telephone, etc.).

These cost items are huge, and the Regione Marche administration is bearing part of the establishment costs in order to reduce the amount of some of the above items, and make the collaboration approach pilot test simpler. This is not an old-fashioned state subsidy, a practice that caused a lot of imbalance in the development of Italian business in the past, but an incentive to carry on with cooperation initiatives that could, if they become widespread, make a major contribution to putting new order in the Italian economic system, based as it is on small independent businesses.

The following paragraph analyses the international marketing strategies that the companies have put in place on the Japanese market.

## **6. Definition of the marketing mix for the Japanese market**

The Japanese market is very difficult to break into, but it has a lot of potential for Italian companies in general, and the shoe manufacturing industry in particular.

- The Japanese market is slow to achieve, despite its 110 million consumers who are particularly sensitive to Made in Italy products, their considerable spending power (Japanese people spend around 13 million euros a year on shoes) and loyalty over time.
- It takes a long time to develop and consolidate business relations with foreign firms.
- In this market additional services are very important, and must therefore be impeccable, in order to avoid regrettable situations with customers, who would feel justified in breaking off business relations.

- Japanese consumers require a lot of information about brands and companies before trusting them, and this concerns both product quality and timely deliveries.
- In the Japanese market more than in others, it is important to establish fruitful and long-lasting relations with government institutions (it is nothing new that the political world can have a positive influence on market demand and therefore on company sales and ultimately on its ability to achieve a competitive edge on the market) and public opinion, which has a considerable influence over collective thought, and therefore determines the consumption of one consumer target rather than of the entire population of the country. In such a context, however, it is important not to forget to build relations based on trust and respect also with the members of the supply chain, as they play a fundamentally important role in the Japanese distribution system.

In order to cater to these singular characteristics, each company has planned and implemented its own marketing strategy for the Japanese market. Comparison of these shows considerable similarities (tab. 3). We can therefore already confirm the statement made at the beginning of the paper in which we identified shared strategy as one of the key elements to achieving effective collaboration between companies.

**Tab. 3 ‘Angeli della Moda’: comparison of the marketing mix**

<b>Company</b>	<b>Product</b>	<b>Price</b>	<b>Distribution</b>	<b>Communication</b>
<b>Manas</b>	Standardised	Cost-plus pricing / standardised	Sales agent	Standardised (direct marketing & personal selling)
<b>Industria Italiana Calzature</b>	Standardised	Cost-plus pricing / standardised	Sales agent	Standardised (direct marketing & personal selling)
<b>Action Tosy Industries</b>	Standardised	Cost-plus pricing / standardised	Sales agent	Standardised (direct marketing & personal selling)
<b>Loretta Pettinari</b>	Differentiated	Cost-plus pricing / standardised	Sales agent	Standardised (direct marketing & personal selling)
<b>DGM</b>	Standardised	Cost-plus pricing / standardised	Sales agent	Standardised (direct marketing & personal selling)

More details on the marketing mix will be given here below.

## **6.1 Product policy**

The key factors influencing the purchase of shoes by Japanese consumers were used as the basis for drawing up a suitable product strategy. In brief, these principally related to the considerable focus on Italian shoes, which are particularly appreciated for their quality,

design, elegance and fashionable look. The typical features of products Made in Italy that are recognised worldwide!

Alongside these factors, there is also the strong focus on health and the particular anatomy of Oriental feet. While the Japanese are very tuned into fashion and new trends, they prefer natural materials that allow to foot to ‘breathe’ and despise synthetic, imitation materials.

In the light of the above, the consortium member companies began by selecting the brands in which to invest in order to penetrate the Japanese market. They decided unanimously to opt for the brands representing the more fashionable ranges among their production: *Lea Foscati* and *Design* from *Manas*, *Sign* and *Bait* from *Action Tosy Industries*, *Brumas's* from *Industria Italiana Calzature*, *Exit* and *Nanà* from *DGM* and the *Loretta Pettinari* brand from the company of the same name. These ranges are all young and trendy, and can help these small and medium sized shoe manufacturers from the Marche to become symbols of elegance and fashion in Japan and worldwide.

In correspondence with this decision, almost all the companies opted for a standardised product policy. Despite slight modifications in strategies, each company, commercialized the same product on different markets.

As well as helping to consolidate a global image, this choice enabled the individual companies to win market share with optimal production costs – a particularly important factor for an SME wishing to become successful on a new market. Of the five companies participating, only Loretta Pettinari Srl followed a strategy of differentiation, creating a new product line especially for the Japanese market. This approach is typical of the company, which has adopted the same strategies for breaking into other markets, such as Russia. In a broad sense, this decision can only be advantageous to the ‘Angeli della Moda’ group, as it adds variety to the products offered, and consequently reinforces the ties between consortium members.

## **6.2 Pricing policy**

In the Japanese market price is a very important element to succeed in a transaction, as it offers information about the level of quality of a product. Therefore it is a significant communication tool for products from the Marche, which are still relatively little known on this market. However, Japanese consumers look for a correct quality/price ratio, and consider brand image an equally important contributory factor to the quality of a product. We would therefore like to reiterate the importance of creating a trademark for the shoe manufacturers in the consortium to share, as this would definitely have a greater impact than introducing lots of

different brands separately. Alongside this there must also be a correct product pricing policy. In this case the cost plus pricing approach appears to be the most suitable. Its considerable rigidity is mitigated by the elements of flexibility that normally characterise business transactions with Italian SMEs, such as discounts applied to important clients, or clients making large orders. To underline this strategic choice, all the companies examined opted for a standardised international pricing policy, preferring a simplified approach to drawing up commercial price lists.

### **6.3 Distribution**

The companies' distribution policy takes into account the specific characteristics of the Japanese distribution system, which comprises numerous retailers and wholesalers that make the market extremely fragmented. Another characteristic feature is the presence of large trading companies, which have a lot of power over the other members of the Japanese distribution chain and exert a considerable influence on them.

The Japanese market is currently showing a growing trend for wholesalers and retailers to buy products directly through the development of B2B trading. A major vehicle for this is the World Wide Retail Exchange, a commercial portal on the Internet on which many department stores in Japan are registered. Until not long ago, department stores and small retailers did not trust foreign manufacturing companies, and preferred to go to major importers or trading companies, even at the cost of paying more. There has therefore been a major change in the attitude of Japanese businesspeople towards Italian companies.

Recently there has been another tendency for large retail outlets to increase and for inefficiencies to be eliminated as the Japanese model comes closer to that of the West.

The two main distribution channels for the 'Angeli della Moda' are multi-brand stores and department stores. The problems mentioned, combined with the small quantities of stock ordered by individual shops, make distribution quite costly for multi-brand stores. While the difficulties of breaking into department stores are mainly due to the tendency of individual points of sale to the purpose of putting their own brand on products. This request is particularly insistent when dealing with Italian companies that do not have a brand that is known on the Japanese market.

The creation of an export consortium and a shared trademark at the same time undoubtedly means that brand awareness and success becomes simpler and quicker.

However, the consortium's role is obviously not restricted to brand awareness. It extends, in particular, to distribution. It does not take on the commercial risk of individual transactions

(the duties set out in the articles of association do not include the acquisition of products from individual consortium members), but carried out all the research and analysis of the Japanese market required for the acquisition of new customers for consortium member companies. It therefore puts potential clients and consortium members in touch, then leaves each individual company to deal with the transaction itself. As well as this, it organises client events and consortium member participation in exhibitions and shows in Japan. Finally, it has the important role of managing relations with the Japanese economic, social and cultural world, including leading fashion magazines.

There are other indications of collaboration in the management of individual transactions, as Action Tosy Industries and Loretta Pettinari use the same sales agent as Manas, which is therefore able to provide its contacts with a broader, more varied product offering. Collaboration brings clear advantages also to companies that did not have their own sales channel in Japan, as they can entrust their products to an agent with expertise in terms of product and market. The other two consortium companies have their own channels.

#### **6.4 Communication**

We have already had occasion to mention that Japanese consumers are influenced by Western, particularly Italian fashion, to which they attribute an image of uniqueness and elegance that embraces all of Italy – its architectural jewels, opera, culinary specialities, and world motorcycle champions. All of this, so different from their own world and so attractive to them, can be brought closer by wearing Italian clothing or shoes, which become important personal items symbols of status, elegance and sophistication.

Young Japanese women who get their information from the top fashion magazines, advertising and television are the prime target for the women's shoe manufacturers present in the showroom (*Manas, DGM and Loretta Pettinari*). They are very aware of fashions in clothes and shoes, and look for prestigious products that embody status and style.

Japanese men are the target for *Industria Italiana Calzature* and *Action Tosy Industries*. They are aware and informed and love Italian fashion, which they keep up with. They use their considerable purchasing power to buy top quality, sophisticated designs. Wearing Italian shoes becomes an experience, a process by which they come closer to a world they admire in which they wish to participate by using products that come from that reality and are symbols of it.

These are the main guidelines creating the framework for the promotional activities carried out by the 'Angeli della Moda' on the Japanese market. In line with the choice of method for

entering the Japanese market (indirect export via consortium and setting up of a showroom) and the strategies put in place for the other elements of the marketing mix, communication mainly targets trade, i.e. the components of the market supply chain. It also addresses key figures in the Japanese economy – the main representatives of the local political institutions and leading fashion journalists. It is important to emphasise that in the Japanese economy the favour of these two players in the social system often determine the success or failure of commercial launches by foreign companies, whether these are giants of the fashion world or small to medium sized enterprises.

These types of communication lead the companies towards the implementation of a push strategy based mainly on direct marketing actions. The first contact with customers is normally made through mailing or telemarketing, tools which allow a personalised message, response monitoring and a forecast of customer visits to the showroom. Subsequent interaction involves the personal contribution of the sales representatives of the individual consortium brands.

As well as these tools companies also use classic B2B promotional and advertising communication, i.e. product leaflets, brochures with information about the company, and advertising folders. Recently, the ‘Angeli della Moda’ products were the subject of advertorials published in specialist magazines. Furthermore, even if they have not yet directly participated in the main trade events (the most important one is *Shoes From Italy*<sup>1</sup>), the companies’ foreign sales managers are always in Japan during the period these are organised, to take advantage of the opportunity to invite operators in the industry visiting the Tokyo show to see their collections at the showroom.

The communications policy put in place on the Japanese market by the ‘Angeli della Moda’ can be summarised by the gradual construction of a global image. In fact, although implementing effective B2B communication on the reference market requires signification adaptation, and not just in a linguistic sense, *Manas*, *Action Tosy Industries*, *Industria Italiana Calzature*, *DGM* and *Loretta Pettinari* are trying to implement a **standardised communication strategy** on all markets, including Japan. This policy enables them to achieve economies of scale, and at the same time to construct a global product image.

---

1 *Shoes From Italy* is organised annually by the National Institute for Foreign Trade (ICE), in conjunction with the trade association ANCI (National Association of Italian Shoe Manufacturers). the exhibition aims to help companies win new market share in Japan by ensuring they have maximum visibility. *Shoes from Italy* is in fact the most important shoe exhibition in Japan in terms of both exhibitor and visitor numbers. It offers participant companies the opportunity to meet leading figures in the Japanese market and top journalists in the business.

In the immediate future, the 'Angeli della Moda' intend to boost their communications on the Japanese market further. Firstly, the showroom will be publicised also through the creation and management of a website. Secondly, they will organise participation in the major Japanese trade fair events. Events and mini shows will also be organised at the showroom to present new collections and make the collective venue a point of reference for buyers and other players in the trade.

## **7. Future developments**

After this first stage of penetration of the Japanese market, it is reasonable to state that the marketing strategies have been suitably planned and implemented. We can say that in the light of the particular marketing environment and objectives of the individual companies, the choices made are currently the right ones. Cooperation and coordination have brought advantages both for a better knowledge of the new market and for commercial penetration. However, all the elements of the marketing mix inevitably require modification and development.

In terms of products, for example, companies should adapt their shoes more to the consumption styles of Japanese purchasers. Despite being lovers of products *Made in Italy*, the Japanese look to Italian shoes for different things than other consumers around the world. *Loretta Pettinari* believed in this strategy from the beginning, and their women's shoes, which are specially created for Japanese consumers, have the highest sales volumes in the 'Angeli della Moda' group.

Like the product, the communications strategy should follow the road of adaptation, a strategy already adopted by Italian and foreign firms in the same business that are further ahead in the internationalisation process. In brief, it is a transition from a standardised approach to adaptation for each individual country or, if possible, adaptation for market segments identified globally. However, before taking this step it is necessary to become more notorious, and this is facilitated by the existence of a common trademark.

Important communications initiatives requiring significant financial investment have been planned for 2006. The event organised in April on the occasion of the first anniversary of the showroom opening will take place alongside participation in *Shoes From Italy*. An article is also planned in one of the main specialist magazines, presenting the 'Angeli della Moda' shoe manufacturers and their link with their place of origin, the Marche region. Communication by the companies analysed will hinge on "*Made in Marche*" and typical regional products in the coming year. This also has the aim of creating distinctive, recognisable communications in

the sea of promotional messages that engulf Japanese purchasing managers. This strategy will respect the habits and customs of Japanese culture, but will not neglect to express the Italianness of every shoe manufacturing company present in the Tokyo showroom.

## **Conclusions**

This work was focused on a significant example of cooperation, but to conclude we have also to consider the numerous contributions offered by the marketing theory.

As a first point, the 'Angeli della Moda' case study helps to confirm the initial hypothesis that collaboration between companies, particularly in a formalized structure, helps SMEs to be more effective and more efficient, especially if they are aiming to approach international markets.

The advantages can be seen in both strategic and operational terms. Market awareness and analysis is facilitated, as is commercial negotiation and penetration. The existence of common corporate values and shared objectives are winning elements that help to display these advantages. However, it is important not to underrate companies' previous experience of international markets and established interpersonal relationships between businesspeople. In the light of the case examined too, personal acquaintance among businesspeople appears to be a factor that facilitates the creation of a grouping and stimulates a formalised commitment, which often requires a considerable financial commitment in the planning and implementation of shared activities on the identified foreign markets.

Trust between parties also aids the sharing of competences and resources. This behaviour has been identified for example in distribution, with the same agent for the Japanese market being shared by some of the companies in the consortium.

Last but not least, a winning factor in the penetration of the market analysed in particular was the choice of creating a shared trademark, which aids recognition of the products and the companies. In Italy there are other examples of consortia that have been created for the purposes of breaking into international markets, but it is rare for them to devise a distinctive brand that is used to represent several companies wishing to invest in being perceived as well as being different.

To sum up, the creation of a strategic alliance projects companies goes well beyond a simple reduction in operating costs and information overlap!

In conclusion, it seems interesting to propose a modification to the stage model of internationalisation (J. Johanson, J. E. Vahlne, 1977 – S. T. Cavusgil, 1980), with particular



reference to SMEs. While recognising the validity of the model deriving from the theory of international new ventures (B. M. Oviatt, P. P. McDougall, 1994)<sup>2</sup>, for Italian SMEs whose business is concentrated in traditional sectors, the more plausible and commonly adopted model of internationalisation seems to be the one that follows consolidation of the company in the national market with gradual and incremental involvement abroad (tab. 4). This model has been subscribed to by numerous researchers, who essentially describe the development of businesses on international markets as having three major stages (L.C. Leonidou, C. S. Katsikeas, 1996):

- a preliminary stage, involving companies operating traditionally on the domestic market that are starting to weigh up the possibility of undertaking export activity (perhaps stimulated by their first order from abroad);
- an initial stage, encompassing companies that have the potential to operate abroad, but only export sporadically because they still do not possess the productive and organisational structure for meeting foreign demand;
- an advanced stage, pertinent to companies that export regularly and have a wide experience of foreign markets.

Internationalisation is an issue that can be faced alone or in a group of business. The solitary phase is probably the most typical of initial approaches to foreign markets, while in order to facilitate greater involvement (particularly in terms of turnover) SMEs can be enormously helped by collaboration, especially if formalised.

An amendment to the model (third column in tab. 4) can be proposed to bring it more in line with the typical management profile of the SME, particularly in Italy, where product specialisation and ownership by the founder or proprietor are still fundamental values.

---

<sup>2</sup> The distinctive feature of these companies is international market orientation from their inception.

**Tab. 4 Stages of internationalisation**

STAGE	DESCRIPTION	FORMS OF COOPERATION
<b>Stage 1: Domestic Marketing</b>	The firm is only interested in the domestic market and does not export at all. The firm is not interested or willing to experiment with exporting – it is too busy doing other things, or it is not capable of handling an export order. The export/sales ratio is 0.	
<b>Stage 2: Pre-Export</b>	The firm searches information and evaluates the feasibility of exporting activities. However, basic information about costs, exchange risks, distribution, etc. is still lacking. The export/sales ratio is at or near 0.	
<b>Stage 3: Experimental Involvement</b>	The firm starts exporting on a small basis. Physical and cultural distances are limited. The involvement of an experimental exporter is usually marginal and intermittent. The export/sales ratios varies from 0-9 percent.	
<b>Stage 4: Active Involvement</b>	There is a systematic effort to increase sales through export to multiples countries. A suitable organizational structure is in place to support these activities. The export/sales ratio varies from 10-39 percent.	The Companies involved implement forms of cooperation to boost this stage on international markets for SMEs.
<b>Stage 5: Committed Involvement</b>	The firm depends heavily on foreign markets. Managers are continuously faced with choices for the allocation of limited resources to either domestic or foreign markets. Many firms are engaged in licensing arrangements or direct investments. The export sales ratio is 40 percent or more.	The form of cooperation for small companies still plays an important role. Some companies can break away from the collaboration format to pursue their business on their own. Stronger enterprises that believe in keeping cooperation can provide support for companies with less strength (e.g.. piggyback)

Source: adapted from H.G.J. Gankema, H. R. Snuif, P. S. Zwart, 2000, p. 17.

## References

- Becattini G., Riflessioni sul distretto industriale marshalliano come concetto socio-economico, in *Stato e Mercato*, n°25, aprile, 1989.
- Bleeke J., Ernst D., Collaborare per competere, *Il sole 24 Ore*, Torino, 1993.
- Bonaccorsi A., On the relationship between firm size and export intensity, in *Journal of International Business Studies*, n° 23 (4), 1992, pp.605-635.
- Cainarca G. et al., *Tecnologie dell'informazione e accordi tra imprese*, Edizioni Comunità, Milano, 1989.
- Cavusgil S.T., The internationalization process of firms, in *European Research*, n° 8 (6), 1980, pp. 273-281.
- Cedrola E., *Il marketing internazionale per le piccole e medie imprese*, McGraw-Hill, Milano, 2005.
- Chandler A.D., *Scale and scope: the dynamics of industrial capitalism*, Balknap Press, Cambridge (MA), 1990.
- Corò G., Distretti e sistemi di piccola impresa nella transizione, in Rullani E., Romano L. (a cura di), *Il postfordismo*, Etas, Milano, 1998, 187-223.
- De Burca S., Fletcher R., Brown L., *International marketing. An SME perspective*, Prentice Hall Financial Times, Edinbough, 2004.
- Dhingra H. L., Globalization of SMEs through strategic alliances, an empirical analysis of investment strategies of canadian SMEs in the Asia-Pacific countries, *Asian Economic Bulletin*, July 1991, 47-65.
- Gankema H.G.J., Snuif H. R., Zwart P. S., The internationalisation process of small and medium-sized enterprises: an evaluation of stage theory, *Journal of Small Business Management*, october 2000, 15-27.
- Hakansson H., Snehota I., *Developping relationships in business networks*, Routledge, London, 1995.
- Herbig P.A., *Handbook of cross-cultural marketing*, The Haworth Press, Inc., 2000.
- Johanson J., Vahlne J.e., The internationalization process of the firm : a model of knowledge development and increasing foreign market commitments, in *Journal of International Business Studies*, spring-summer, 23-32, 1977.
- Lambin J.J., *Le marketing stratatégique*, Ediscience International, Paris, 1994.
- Legrenzi P., Casagrande B., Rumiatti R., Salmaso P., Come si costruisce un marchio di distretto: il caso delle occhialerie del bellunese, in *Micro & Macro Marketing a. IX*, n° 2, agosto 2000, pp. 193-209.
- Leonidou L.C., Katsikeas C.S., The export development process: an integrative review of empirical models, *Journal of International Business Studies*, 1996, Vol. 27, Issue 3.
- Levitt T., The globalization of markets, in *Harvard Business Review*, n° 61 (3), 1983, pp. 92-102.
- Mariti P., Smiley R.H., Cooperative agreements and the organization of industry, in *Journal of Industrial Economics*, n° 31, 1983, pp. 437-451.
- Namiki N., Export strategy for small business, in *Journal of Small Business Management*, n° 26, april, 1988, pp.32-37.
- Oviatt B.M., McDougall P.P., Toward a theory of international new ventures, in *Journal of International Business Studies*, n° 25, 1994, pp. 45-64.
- Pellicelli G., *Il marketing internazionale. Mercati globali e nuove strategie competitive*, Etas libri, Milano, 1999.
- Piccaluga A., *Mercato e competizione globale*. Guerini e Associati, Milano, 1997.
- Silvestrelli S., Globalizzazione dei mercati e strategie di internazionalizzazione delle piccolo e medie imprese, in *Economia e Diritto del Terziario*, 12/2, 2000, Franco Angeli.

- Thorelli H., Networks:between marketing and hierarchies, in Strategic Management Journal, vol.7, 1984.
- Usunier J.C., Lee J.A., Marketing across cultures, Prentice Hall Financial Times, Edinbrough, 2005.
- Valdani E., Guerini C., Bertoli G., Marketing globale. Prospettive di crescita delle imprese nell'economia del terzo millennio, Egea, Milano, 2000.