

Made in Italy in Chinese Market Emerging Issues for Italian Food

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Abstract Considering the rapid changes in Chinese food habits, in both quantity and quality, the study aims to outline the market potentiality of the made-in-Italy food and focus on some emerging issues concerning Italian specialities that are characterised by higher competitiveness. Starting from the definition of made-in-Italy food, the paper addresses the topic of food safety, analysing policies and legislation. Following an approach from macro to micro aspects, market trends are highlighted, and a ranking analysis is carried out, emphasising the positioning of the made in Italy. Concerns related to transaction costs, information asymmetry, and adverse selection are discussed and the Italian sounding phenomenon is addressed. Growing practices of unfair competition, such as food piracy, result in several forms of market failure, damaging the segmentation strategies of Italian companies. Findings propose an estimate of unfair business and offer special indexes of evaluation. Finally, policy and business implications are addressed, and attractive and multiple fields for future researches are suggested.

Keywords Made-in-Italy food. Agricultural trade. Chinese market. Italian sounding. Halo construct. Information asymmetry. Transaction costs. Adverse selection. Food piracy.

Summary 1 Introduction. – 2 Background and Materials. – 2.1 Made-in-Italy food. – 2.2 Food Safety Policy. – 2.3 Dynamics and Aspects of Chinese market. – 3 Data Analysis and Results. – 3.1 Markets Trends and Ranking of 'Made-in-Italy food'. – 4 Discussion and Conclusion. – 4.1 Concern of Italian Sounding. – 4.2 Implications for Italian Companies. – 4.3 Conclusions and Research Suggestions.



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1 Introduction

Chinese food habits have experienced rapid changes in both quantity and quality of the diet due to the increased buying power of consumers and their new lifestyle (Zhou et al. 2014). The Chinese food sector has become the largest worldwide, with an average annual growth rate near 30% (World Bank 2013). This trend has remarkably evolved. In this context, the import of agro food products explodes and involves an increasingly diversified range of supply. This development affects consumption growth rates, which become very high for meat, dairy products, fish, oil, pasta, confectionery and convenience food.

The rise in household income and the scandals over food safety are key drivers.

New distribution channels are deeply changing the purchasing system with hypermarkets, supermarkets, convenience stores. Corner shops are spreading in urban areas, granting competitive prices and improved sanitary conditions (Jiang, Prater 2002). Firms are stimulated to introduce new products, to invest in innovation, but this does not always grant higher safety. In fact, the frequently occurring food safety scandals undermine consumer confidence and encourage new import flows (Yan 2012). The growth in food demand gives a major boost to imports, an essential opportunity for Italian businesses.

In this light, the present study aims to outline the potentialities of the Chinese food markets, which enjoy higher appeal for made in Italy, but are also suffering from growing concerns about food security, intended as a guarantee of food in both quantity and safety. We also focus on some issues concerning the positioning of foodstuffs in Chinese markets, such as the Italian food specialities, which enjoy higher competitiveness as they represent the excellence of Italy. Their success is likely to result in phenomena of Italian sounding, the unfair competition set out to achieve higher profits by evoking an Italian image, in the absence of its requirements (De Pin 2009). The counterfeiting and falsification growth is comparable to that of the market. Considering that original products require higher production costs, affecting its market positioning, company strategies are heavily influenced by imitation activity.

In this context, in terms of economic legitimacy and market transparency required for development, two very substantial issues affect the Chinese market: on the one hand, the increasingly pressing prerequisite to achieve an adequate food safety standard, and, on the other hand, the opportunity to put a break to the increasing phenomena of product falsification and counterfeiting, which undermine the credibility of the entire Chinese economic system from a global perspective (Cuffaro, Di Giacinto 2015). In the absence of a consolidated

system of competitive and commercial rules guaranteeing fair competition, the real transparency and settlement of the market fail. The result is the inducement of moral hazard behaviours – due to high transaction costs and manifest information asymmetries – translating into specific kinds of market failure.

2 Background and Materials

2.1 Made-in-Italy food

A highly differentiated product portfolio, with a wide range of typical products characterises the made-in-Italy food heritage. The presence of a multitude of products and countless regional culinary preparations is the most distinctive feature of Italian cuisine (Censis, Federalimentare 2006). High competitiveness both in terms of quality and food safety is the hallmark of Italian production, its culture and its culinary tradition.

Made-in-Italy food is defined as “the set of products recognized for their strong typical character, given their close link with the territory, on which Italy enjoys comparative advantages related to the environment and production systems” (ISMEA 2012, 141).

Homegrown food specialities consist of branded and typical products, whose strict link to their area of origin is what makes the difference in international markets.

European certificates like Protected Designation of Origin (PDO), Protected Geographical Origin (PGO) (Reg. 510/2006, ex 2081/92) and Traditional Speciality Guaranteed (TSG) (Reg. 509/2006, ex 2082/92) protect typical products. Typical Geographical Indication (IGT), Controlled Denomination of Origin (DOC), Controlled, and Guaranteed Denomination of Origin (DOCG) (Reg. 3016/2004) label wines. Here the level of detail is much higher in terms of regulation, compared to China.

Italy can boast 294 PDO, PGI, TSG certificates and 532 DOC, DOCG, IGT labels (Ministry of Agriculture and Forests, year 2018). Italy is the main beneficiary of these regulations as the 22% of total PDO and PGI certificates issued in the European Union protects Italian foodstuffs, and in particular fruit and vegetables (40%), cheese (18%), extra virgin olive oil (17.6%) and cured meat products (14%). More than 84,000 firms provide certified products, the 90% of which operate in the agricultural sector.

Among Italian specialities, we include the “Traditional products” (Ministerial Decree 350/1999), which possess a traditional character, both in the composition and means of production. The eighteenth edition of the “List of Traditional Food Products” counts 5,056 specialities, mainly pasta and bakery products (30%), vege-

tables (27%), meat (16%) and cheese (10%) (Gazzetta Ufficiale nr. 57, 09.03.2018).

Made-in-Italy food includes branded, traditional and certified-origin products, i.e. categories that are of greater importance because the international markets particularly appreciate their highly typical character.

The commercial role of made in Italy is realised through the analysis of the country's foreign trade, taking into consideration export-oriented products - which show a positive value on their normalised trade balance and constitute an important share of total exports. The cluster is identified considering only exports higher than 300 million Euro and a normalised trade balance higher than 20. To this range, we add cheese and olive oil, although in a trade deficit.

As for commercial terminology, the concept of 'country-of-origin' is ambiguous, as it includes the 'origin country' to which the product is associated; or 'design-in country', where it is planned or designed; 'made in country', where it is produced, or assembled.

Made in Italy is certified in case of DOP and IGP products, specifically defined as directly related to the territorial and geographical origin. However, Italy excels in relevant specialities whose raw-material origin can only be foreign (pasta, coffee, chocolate). INEA proposed an alternative definition that distinguishes three categories, depending on the level of transformation: "agricultural made in Italy", as rice, fruit, vegetable; "transformed", as wine, fruit juice, oil; "industrial", as pasta, coffee, chocolate (Castellotti 2010). In this case, emphasis is placed on the recognition of the more elevated Italian agro-food quality in the world. The process of globalisation and the shortage of national raw materials conform to the European Union notion of 'made in', which is based on the "last substantial transformation of products" (Reg. (CEE) nr. 2454/93; art. 24).

Made-in-Italy products represent the 73% of exports (2017), although in an overall trade deficit condition, they are extremely relevant considering the value and volume **[table 1]**.

Table 1 China's Agro-food Imports (million USD)

Ranking 2017	2005	2010	2015	2017	100	$\Delta\%$ 15/05	$\Delta\%$ 17/10
1 Brazil	3.472	9.810	26.180	35.548	22	654	262
2 Unites States	6.193	12.344	24.428	25.027	15	294	103
3 Canada	937	2.724	4.492	8.956	6	379	229
4 Argentina	2.965	5.126	5.810	6.318	4	96	23
5 Thailandia	1.697	4.778	4.454	6.067	4	162	27
6 Australia	2.368	3.851	6.406	5.152	3	170	34
7 Indonesia	1.202	4.146	4.466	4.843	3	272	17
8 New Zealand	599	1.972	3.684	3.895	2	515	97
25 Italy	68	209	439	446	0,3	546	114
Total Import	21.358	52.171	113.041	162.832	100	429	212
Total Export	13.858	44.116	63.186	73.649		356	67
Balance	- 7.500	- 8.055	- 49.855	- 89.183		565	1.007
Normal. Bal.	-21%	-8%	-28%	-38%		33	351
Import							
Agricult. prod.	9.757	20.869	70.381	111.570	69	621	435
Food products	11.601	31.302	42.660	51.262	31	268	64
Ey ap	2,2	2,4	6,8	8,3			
Ey fp	2,7	3,3	1,4	0,91			

*Ey ap/fp: income elasticity for imports of agricultural and food product

Source: World Trade Atlas, ICE, China's Customs Statistics

The bigger share is the prerogative of those of first-stage processing (wine, olive oil, cheese) that concentrate the 42% of sales (16.1 billions of euro). The incidence of made in Italy of second-stage processing (pasta, baked goods, coffee, chocolate) exceeds one fifth of exports, while agricultural made in Italy is worth over 4.3 billion of euros (11% of exports). Primacy goes to wine, with a weight of 13.8% and an increase of 5.6% compared to 2015. The share of fresh fruits is very close at 7% (2.65 billions of euros). Other important sectors are those of pasta (6%), baked goods (4.7%), cheese (4.3%), processed tomatoes (4.1%), cocoa products (4.0%), cold cuts (3.8%). Among the first sectors there is also coffee, which abroad sales in 2017 exceeded 1.3 billion of euros (+10% compared to 2015).

Made-in-Italy foods are high-end products, representation of superior quality, both in composition (organoleptic characteristics, raw materials, processing system) and image (emotional aspects, brand, collective trademark, geographical origin). The capacity to meet all the requirements of consumer demand for quality reduces the relevance of price in driving purchase behaviour. The quality of made in Italy high-end food products is worldwide recognised.

Consumers are becoming increasingly attracted to the intangible aspects linked to a product, the most important being its geographical origin with its background of culture and tradition that is accepted as proof of its quality. Hence, the production certified by designation and indication of origin achieves a great success in terms of export.

The denomination 'country-of-origin' steers consumer's choice by conveying an idea of quality linked to the place of origin, provenience of raw components and intellectual property. Furthermore, the label 'made in country' enhances the transparency of transactions promoting a healthy global competitiveness.

The firms can approach the international market relying on the fame of Italy (Checchinato et al. 2013). Foods incorporate its values of personalization, peculiarity, uniqueness, regional culture and identity.

On the contrary, generalization, depersonalisation of regional aspects, homologation of food styles tends to generalise, unify and de-territorialize the action of food consumption. In such a contest, the localisation cannot be underrated.

The strategy of integration of local supply and globalisation is represented by the 'glocalisation', where territory, peculiarity and local traditions find their right place and are kept into consideration by a specialised demand and niches of market worldwide provided by global companies (Foglio 2004). This concept re-establishes a correct connection between the value of local and socio-cultural elements and the significance of the food consumption experience in the global market.

The European Union meets this issue by conforming the transactions to the principle of 'country-of-origin'. The law of the country in which goods are produced regulates the commercial exchanges. The aim of this approach is to have the final consumer informed on the geographic origin of goods, thus marketing strategies must be directed towards raising awareness.

The relevance of geographical origin on consumers' behaviour is widely accepted in marketing; as the choice process is induced, the place of origin of a product deeply influences the evaluation of its characteristics (Erickson, Johansson, Chao 1984). The collective evaluation of a Country substitutes any other information and suggest intrinsic characteristics of foods, becoming a major decisional factor in consumer choices.

The 'country-of-origin' effect manifests itself in two alternative models: the "halo" and the "summary" construct. When the consumer is not familiar with a products, the country image helps as a halo from which they can infer the product's attributes without directly experiencing them (halo construct) (Han 1989). On the other hand, "summary construct" is fulfilled whenever the consumer is already familiar with a Country's production, and links the attributes experienced to the place of origin (Samiee 2010).

This kind of perception influenced by cognitive and emotional components leads to the formation of internationally rooted stereotypes, facilitating and simplifying the process of consumer choice (Nagashima 1970).

An innovative study path that today links various fields of investigation refers to the research of indicators able to efficiently synthesise sets of information aimed at the determination of rankings and, more in general, at the definition of competitive positioning. Not only the ranking of made in Italy at the international level is significant, also the opportunity to enhance information obtained from rating's variables in perspective of guidance of competitive development of firms. In other terms, benchmarking methods result functional to increase the competitive advantage of firms of made in Italy on international markets, through the strategic implementation of the factors that determine it.

In this context, the index Quality Domestic Product (QDP) measures the level of quality achieved by Italian production by making a ratio between 'Gross Domestic Product' (GDP) and quality production in terms of competitiveness and market, positioning, technological and social innovation, improvement of human and cultural resources, territory and environment (Symbola 2007).¹ This new indicator provides further methods to measure the intangible values, which the traditional GDP does not reflect (Frenda, Piana, Scippacerola 2014). In this light, made-in-Italy food takes high reputation (Campiglio, Barnabò, Sturabotti 2012).

Italy boasts the global quality leadership on 120 foodstuffs among the 704 in which the international trade is disaggregated (cheese, strawberries, vinegar, cold cuts, mushrooms, ham, cherries, pasta, tomatoes, oil) (Symbola 2017). The Quality Domestic Product index can be applied to single sectors, to measure the share of product attributable to improved quality parameters and criteria (Zucaro, Sturabotti 2014).

Other indicators can be used to understand the performance of made-in-Italy food exports, namely "distance index" and "sophistication index" (Carbone, Henke, Subioli 2009).

If the distance among markets is a limiting factor, it highlights how emerging dynamics of Chinese imports imply the sensible increase of distance index for made-in-Italy food, confirming their higher competitiveness (De Filippis 2012).

The complexity of agro-food trade can be studied through the "measure of sophistication" with the use of "Prody and Expy index" (Lall, Weiss, Zhang 2006).²

1 The computation of QDP identifies and summarises basic indicators that represent the different qualitative aspects.

2 The concept of sophistication designates a set of characteristics incorporated in goods: technology, design, quality attributions, degree of diversification. The type of

Made-in-Italy foods are placed on an interesting position on Chinese market, especially if compared with closer competitors (France, Spain, Greece) (Carbone, Henke 2012).

2.2 Food Safety Policy

Food safety represents the degree of development achieved by a Country. The Chinese Government is carrying out important efforts to conform to international standards. For this reason, at the end of 2007, has approved the document “The Quality and Safety of Food in China”. This is a major benchmark of the economic development and people’s living conditions (Lam et al 2013). By adhering to the people-oriented approach, the Chinese government has given great importance to food quality and safety: building a supervisory system, strengthening the setting of standards, exercising strict quality control and actively promoting international cooperation (Naronte 2008).

On April 24, 2015, the Standing Committee of China’s National People’s Congress, under the last five-year Plan, revised the Food Safety Law, come into effect in October. The revisions are wide-ranging, imposing stricter controls and supervision on food production and management.

Once divided among different agencies, the system is now centralised, with China Food and Drug Administration (CFDA), under the State Council, responsible for the supervision of food production, distribution and restaurant catering.

Food producers must maintain a record system for the supply and examination of food ingredients, additives, and related products.³

Food traders, importing agents, producers must be recorded with the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ).

Ordering meal online is now a global trend, so safety of food bought on the internet has raised issues. Food trading platforms must get a trader’s permit.

Ingredients outside the approved list must be registered with CFDA, always required for imported health foods.

A key revision is stricter regulation for baby formula food. Moreover, the rules on genetically modified foods provide specific packages and labels.

competition and profitability levels depends on them. The hypothesis is that such characteristics are correlated to the income level of exporting countries.

3 Such record must be kept for six months after the expiration date of food, or two years if the expiration date is not specified.

Compared to previous, the updated law imposes harsher sanctions on violations. The fine is up to twenty times the products' value. While it is ten times the consumer indemnity.

The last law is claimed to be the strictest food safety law in Chinese history.

This shows the will of the Chinese government in cracking down on recent food scandals.⁴ CFDA and local FDAs are granting more enforcement power in addressing food safety issues, controlling every step of food (production, distribution, sale and recall). Special provisions are set out for products, which have been a focal point in food-safety incidents in recent years and for innovative trading activities, including internet portals and e-commerce channels.

However, its recent evolution highlights the difficulty of reconciling conflicting needs, like food safety and food security. Therefore, China has postponed for two years the regulation for import food, after a push-back from the United States and European Union. The last law cuts China off from the global food market and its measures are out of step with global practices.⁵ The effort of implementing the new legislation can limit the chance to access to international trade.

On the other hand, also the foreign companies, aware of most recent updates on laws in this domain, complain about unfair treatment. The market-entry costs are amplified in fees and resources are required. Product registration, labelling and product expiry dates are particularly hard concerns. Adjusting and accommodating to new regulation are expensive and time-consuming, further increasing transaction costs.

Even though the entry into the World Trade Organization, in 2001, has seen the reduction of charges on a wide range of imported products, barriers tariff and non, health regulations, prohibitions, burdensome customs procedures, a disjointed and stratified system of licensing represent additional obstacles (Francescone 2012).⁶

4 As it is known, there are uncountable scandals related to food safety in China, about 50,000 each year (Li et al 2015). The punishments are proverbial too, including the death sentence (Lafraniere, Sharon. "Two Executed in China for Selling Tainted Milk". *The New York Times*, 24 November 2009).

5 China has notified the World Trade Organization - September 25th, 2017 - a transition period for the rule (China's WTO notification TBT 1209, Addendum to the "Measures for the Administration of Certificates Attached to Foods Exported to China").

6 All companies importing into China are bound to register to AQSIQ-Chinese Governmental Institute for quality supervision and inspection (Foreign Food Producer Regulations, Provisions on Administration of the Registration of Overseas Production Enterprises for Imported Food, 2012, Foreign Food Producer Regulations).

2.3 Dynamics and Aspects of Chinese Market

Understanding the evolutionary dynamics of the Chinese market requires a mix of several kind of information (market, laws, and even culture) and is quite hard.

A key growth driver in the Chinese economy is the rapid rise in average household income, experiencing a Gross Domestic Product growth, until recent years, of approximately 10%.

Urban population is expected to grow to one billion people soon (2025), while 200 towns exceed one million people (World Bank 2013). These evolutionary rates of socio-demographic variables reflect the rising proportion of income spent on food. This plays such an important role characterising the food-centred Chinese culture. Nutritional consumption patterns change significantly with improved living standards (Del Giudice et al. 2012).

With a population of almost 1.5 billion, increasing by 20 million each year, China is the largest consumer market for imported food (Huang et al. 2017).

Imports of agro-food products have reached 163 billion USD in 2017 (+43% on 2015), remarking an exponential dynamic [\[table 2\]](#).

Table 2 Italian Agro-food Balance

Macroeconomic aggregates	2000	2012	2013	2014	2015	2017	$\Delta_{15/00}$	$\Delta_{17/15}$
Import - I	25.358	38.690	39.756	41.043	41.991	44.335	66%	6%
Export - E	16.867	32.132	33.645	34.629	37.209	40.854	121%	10%
Made in Italy - Mil	9.268	19.279	21.870	24.240	27.452	29.905	196%	9%
Made in Italy/Export - Mil/E	55%	60%	65%	70%	74%	73%	34%	-1%
Trade balance - E-I	-8.491	-6.558	-6.111	-6.414	-4.782	-3.481	-44%	-27%
Normalized trade balance - (E-I)/(E+I)	-20,1%	-9,3%	-8,3%	-8,5%	-6,0%	-4,1%	-70%	-32%
Trade volume - (I+E)	42.225	70.822	73.401	75.672	79.200	85.189	88%	8%
Total agro-food production ¹ - P	67.899	79.285	81.683	81.420	81.420	85.977	20%	6%
Appartent consumption - (P+I-E)	76.390	85.843	87.794	87.834	86.202	89.458	13%	4%
Self-sufficiency ratio - (P/C)	89%	92%	93%	93%	93%	94%	96%	
Tendency to import index - (I/C)	33%	45%	45%	47%	49%	50%		
Tendency to export index - (E/P)	25%	41%	41%	43%	46%	48%		
Commercial coverage ratio - (E/I)	67%	83%	85%	84%	89%	92%		

¹ Agricultural production, forestry, fishing, food industry

Source: elaboration on Istat and CREA data

The greater demand for agricultural commodities (+58.5% on 2015), compared to foodstuffs (+21.4%), results in an increasingly negative trade balance (-89 billion USD in 2017), rising the normalised one to -38.⁷

Significant changes in eating behaviour are connected to income level. Demand for original calories spikes; animal calories replace

⁷ The normalised trade balance is compounded as $(\text{Exp}-\text{Imp})/(\text{Exp}+\text{Imp})\times 100$.

the vegetable ones; and processed food substitutes agricultural products (Malassis, Ghersi 1995).

The evolution towards an advanced society requires, as well, an always-higher import of commodities for animal farming, their natural outlet.

The convergence process of eating patterns mimics those of the satiety society, orienting the agricultural production. Consequently, relevant impacts on import affect the international market.

This process can be synthesised by the divergent evolution of elasticity for commodities import compared to foodstuffs.⁸

The import elasticity of agricultural commodities shows values bigger than one and increasing (6.8 in 2015; 8.3 in 2017), stigmatizing the current substitution process.

On the contrary, the elasticity of processed food is receding to value lower than one (from 1.1 of 2015, to 0.90 of 2017), according to economic theory that lists foodstuffs among necessary goods.

In terms of market development, lower custom duties, consumer commerce liberalization, foreign direct investments, modernization of retail distribution are the driving forces (Jiang, Prater 2002). On the contrary, food safety scandals, remaining prevalent, damage confidence and trust in Chinese food. For this reason, consumers who can afford higher prices are driven to buy foreign stuffs, because of increasing concerns about food safety and health.

Confidence in food safety, ingredient integrity, high-quality products are the key to purchase imported supply (Babcock 2018). New lifestyles require more variety, modern packaging, freshness, convenience and superior nutritional values.

While, in terms of delivery organisation, the import of food for consumer retail is a mostly recent phenomenon, not yet sustained by a well-established chain of importers and distributors (Hingley, Lindgreen, Chen 2009), nevertheless, the dimension of the market speedily attracts new competitors.

From a territorial point of view, strong disparities can be observed between urban agglomerations and rural areas, as well as among dissimilar regions (Zhang, Figliozzi 2010).

Specific marketing studies have led to the division of China in-

8 The elasticity of agricultural product imports to the income is compounded as $(\Delta q/q)/(\Delta Y/Y)$. The import expenditure is used in place of quantity, as a proxy. The notably high value of elasticity for primary agricultural products, which locates them among the luxury goods, should not surprise, effect of the deep transformation process occurring. On the other hand, the rebalance of Chinese economy stimulates the domestic consumption, shifting towards a mature economy, with lower Gross Domestic Product growth rates. In 2017, the income increase rate was 6% after years of two-digit rise. Scientifically, Chinese current dynamic represents a great opportunity to study the evolution of the socio-economic variables of a fast growing economy, comparable, for characteristics and population, to that one of the whole world at the beginning of the twentieth century.

to several macro areas, defined, by different levels of consumer awareness development: the growing markets (South and East China), emerging markets (North, Central and South West), unexplored markets (North West and East China) (Busato 2011).

The peculiarity of each local market requires specific strategies, proper entry investments, strong operative undertakings, settlement of company's staff in site and a long time before generating income (Vescovi 2011a).

In this developing system, in which the elements of uncertainty are still high, personal relationships with importers, distributors, agents, officials and clients are crucial to create brand loyalty (Puppini 2014).

Enforceability of contracts is generally weak. Business relies heavily on personal contacts and influence.

In such a context, success is closely connected to the network of relationships established. Managing relationships in the Chinese economic culture acquires great strategic relevance, necessary before starting any sort of business.⁹

Failure to identify fundamental success elements and managing business too offhandedly may lead to great disappointment.¹⁰

Important factors - such as high fixed entry-costs, logistics, development of the local staff - are decisive keys for business success. To all this, we must add the challenge to understand the average Chinese consumer, who is sensitive to price and hesitant to approach products that are too far from its tastes (Yu et al. 2007). Business success requires a mix of several kind of knowledge and information (market, laws, and even culture) and is quite demanding.

All these factors raise transactional costs, suggesting that only careful competition strategies, based on an accurate segmentation of the market, both geographically and by consumer groups, are able to offset the high commercial risks, arising from the effort of understanding of a quite different culture.

9 This is the so-called *guanxi*, the circle of relationships and contacts that identifies the never-ending network of interpersonal bonds, which is necessary to reach one's own aims of business development.

10 The communicative approach has of fundamental importance. The case of the fashion house of Dolce & Gabbana is an emblematic example of how negative commercial effects can lead to mistakes in the marketing field. One of his campaigns pictures a young Chinese eating typical dish of Italian cuisine, using traditional chopsticks. The disappointment of Chinese consumers turned into total rejection of the brand's products. Such mistakes of communication seem to be the combination of different elements: ignorance on Chinese culture, self-referentiality and ethnocentrism. The consequences might be economically heavy. Rebuilding brand loyalty might become difficult, since we are talking about a culture that is very sensitive to the perception that other countries have of China.

3 Data Analysis and Results

3.1 Markets Trends and Ranking of 'Made-in-Italy food'

Italy occupies the 25th place among countries exporting in China, with a 446 million USD supply in 2017, but features a substantial annual growth rate (about 25%).

The agro-food commercial balance highlights a negative value, albeit in contraction, for Italy, that is net importer for 130.5 million USD [table 3].

Table 3 Agro-food Import-Export Italia-China (million USD)

Year	Exports to China						Import from China						Total			Norm. Balance
	Agr. Pr.		Food		Beverage		Agr. Pr.		Food		Beverag		Export	Import	Balance	
2015	39,14	9%	285,21	65%	114,70	26%	297,07	46%	337,71	53%	4,5	1%	439,05	639,28	-200,23	-18,6
2016	45,56	12%	225,66	57%	121,64	31%	276,47	43%	356,11	56%	4,81	1%	392,86	637,39	-244,53	-23,7
2017	41,00	9%	250,66	56%	154,79	35%	253,81	44%	318,2	55%	4,94	1%	446,45	576,95	-130,50	-12,8
Var. %	4,8		-12,1		35,0		-14,6		-5,8		9,8		1,7	-9,8	-34,8	-31,3

Source: World Trade Atlas, ICE, China's Customs Statistics

Beside foodstuffs (55% of imports), there are still different agricultural commodities of Chinese origin (44%), however such commodities are in downward trending (-14.6% between 2015 and 2017).

In contrast, mainly foodstuffs (56%) and beverages (35%) characterise exports. As such, the normalised balance is improving, still negative nowadays (-12.8). In China, the decreasing propensity to export, due to the inducement of development of the internal market, goes along with higher demand of made-in-Italy foodstuffs and beverages.

In this context, despite the relatively limited current dimensions, made-in-Italy food presents one of the most dynamic trends. Many elements highlight the great potential for imports.

China's great interest in made-in-Italy products is largely proved by the analysis of the ranking market of specific segments, whose increasing trend figures positive performances.

Currently, the main exported product from Italy is wine, followed by chocolate, pasta and bakery products; olive oil sees Italy as the second largest exporter after Spain. Many other specialities such as meat, sausages, hams and dairy products are still low on quantity, but chances of seeing a growing market are excellent.

For wine, the most famous Italian product, Chinese imports reach 143 million euro in 2017, with a 20% increase over the previous year. However, Italy's current position - fifth place, with just a 6% of market share after France, Australia, Chile and Spain - is not yet adequate to the role played in the global market, especially if compared with the closest competitors [table 4].

Table 4 Wine Import in China

Ranking 2017	HI/1000			Million Euro			Price per litre					
	2016	2017	Δ%	2016	2017	Δ%	2016	2017	Δ%			
1 France	1.965	2.366	20,4	31,5	904	973	7,6	39,5	4,60	4,11	-10,6	125
2 Australia	1.050	1.444	37,5	19,2	518	640	23,6	26,0	4,93	4,43	-10,2	135
3 Chile	1.462	1.308	-10,5	17,4	243	290	19,3	11,8	1,66	2,22	33,4	68
4 Spain	938	1.344	43,3	17,9	144	171	18,8	6,9	1,54	1,27	-17,1	39
5 Italy	324	375	15,7	5,0	120	143	19,2	5,8	3,70	3,81	3,0	116
6 Unites States	133	127	-4,5	1,7	54	72	33,3	2,9	4,06	5,67	39,6	173
Total	6.389	7.511	17,6	100	2.143	2.466	15,1	100	3,35	3,28	-2,1	100

Source: Elaboration Comtrade, ISMEA data

Thanks to an uninterrupted growth, China is part of the four major consumers, the first, if we consider the widely most appreciated red wines. Bottled red wines represent the highest import share (91%), whereas sparkling wines are marginal (2.7%) highlighting the high penetration potential of our local ones, like prosecco.¹¹

Conversely, the consumption of Italian olive oil in China witnesses a remarkable increase, reaching a 50% annual rate. The change in food habits leads to the appreciation of its nutritional properties. Price still exerts a major hindering influence on purchase, as Chinese consumers are not yet able to evaluate other qualitative characteristics. Extra virgin olive oil retains the best appeal, as its geographical origin conveys to the consumer an image of quality. China's imports of extra virgin oil have rapidly grown, reaching 307.7 million USD in 2017: Italian exports touched 42 million, a 14% share, in second place after the most competitive Spain (246.2 million; 80% share). Olive oil is identified by its origin country and its renowned brands, among which major Spanish producers stand out [table 5].

Table 5 China's Imports of Extra Virgin Olive Oil - Bakery Products (million USD)

Ranking 2017	Olive oil						Ranking 2017	Pasta							
	2005	2010	2015	2017	Δ% 15/05	Δ% 17/10		2005	2010	2015	2017	Δ% 15/05	Δ% 17/10		
1 Spain	8,2	34,1	140,7	246,2	80	1.616	621	1 Korea S.	10,7	7,3	41,1	116,0	50	284	1496
2 Italy	6,6	15,2	19,3	41,9	14	192	176	2 Italy	1,7	5,0	20,5	25,9	11	1.128	420
3 Greece	1,9	4,5	5,3	9,2	3	184	105	3 Hong K.	1,5	3,9	20,4	22,7	10	1.269	482
4 Australia	0,6	1,8	3,0	3,1	1	376	75	4 Taiwan	1,7	5,6	24,8	21,2	9	1.356	279
5 Turkey	0,1	1,5	0,9	1,5	0,5	528	3	5 Japan		2,5	4,6	10,8	5	-	325
								6 Thailand	0,9	2,1	6,7	6,2	3	619	201
Total	17,7	74,5	175,9	307,7	100	891	136	Total	19,0	53,5	149,0	245,0	100	684	358

Source: World Trade Atlas, ICE, China's Customs Statistics

Source: World Trade Atlas, ICE, China's Customs Statistics

Regarding pasta, it enjoys a long tradition in Chinese cuisine (noodles), thus paving the way for the success of Italian pasta. In 2017

11 The Consorzio Prosecco Doc, conscious of the enormous market potential, inaugurated the House of the Prosecco in the old Chinese capital Xi'an. The aim is to grant operators and consumers the information in Chinese language.

China imported 245 million USD of pasta, of which 25.9 from Italy, in second place after South Korea (116 million), outdoing the previous year statistics by 26%.

On the contrary, bakery products have been almost absent from the traditional Chinese diet, where baking is a scarcely diffused cooking method, but lately have gained large diffusion causing an increase in imports and the establishment of a thriving local industry. More than 4,000 large companies are active, with production exceeding two million tons per year, although the average per-capita consumption barely reaches 1.5 kg. Despite the great market potentiality, many local companies are forced to cease their activity because of the fierce competition, and Honk Kong, Macao and Taiwan are flooding the market with important investments. The penetration of multinational companies fosters the development of this sector, causing deep changes in the traditional productive system. The highest profits are gained by numerous foreign capital joint ventures [table 6].

Table 6 China's Imports of Pasta - Coffee (million USD)

Ranking 2017	Pasta					Δ % 15/05	Δ % 17/10	Ranking 2017	Coffee					Δ % 15/05	Δ % 17/10
	2005	2010	2015	2017	2017				2005	2010	2015	2017			
Bakery								Coffee							
1 Indonesia	1,6	26,7	135,7	214,0	70	8.225	701	1 Indonesia	3,4	4,4	27,6	43,5	19	702	895
2 Hong K.	15,5	42,2	107,0	137,0	45	593	225	2 Malaysia			28,6	34,5	15	-	-
3 Taiwan	0,4	13,5	64,2	48,5	16	14.830	259	3 Vietnam	7,5	37,3	59,5	23,8	10	690	-36
4 Denmark	9,3	20,8	80,6	46,4	15	769	123	4 Italy	1,9	5,3	18,1	22,4	10	878	324
5 Korea S.	2,1	7,2	39,9	37,0	12	1.764	414	5 Unites States	3,5	9,6	11,1	17,9	8	222	86
6 Italy	1,2	4,9	26,5	26,7	9	2.072	445								
Total	50,5	167,8	713,8	794,0	100	1.313	373	Total	31,2	78,5	209,0	231,0	100	570	194

Source: World Trade Atlas, ICE, China's Customs Statistics

While China has a strong tradition of tea consumption, coffee - introduced only in the nineties - has so far become a consolidated habit among the upper classes. Now, due to the development of the metropolis, coffee reaches greater parts of the population. Cafeterias have become a symbol of urban lifestyle, places to relax, and coffee has become a ritual. The quality of blends does not hold the right importance, as the consumer lacks the proper parameters of judgment.

Starbucks, with its hundreds of stores spread around the Country, is the most widespread Western coffeehouse chain and provides a major contribution to the development of the sector; meanwhile the spread of instant coffee increases its penetration among people.

The boost received by national production has reached unexpected goals, even if it is only localised in the districts of Yunnan, whose Arabic blend alone provides 95% of the supply, and Hainan. Imports of coffee amounted to 231 million USD in 2017, 10% higher than the previous year.

Italian exports have reached a value of 22.4 million USD, with a 40% annual growth rate. Italy holds the fourth place after Indonesia (43.5 million; 19% share), Malaysia (15%), Vietnam (10%).

With the consumption of coffee becoming a consolidated habit,

soon China will be the world's largest market.

As for the cheese and milk industry, the Chinese potential has gathered momentum and no other country currently shows such great prospects of growth. Present annual pro capite consumption has so far remained low, namely 2.3 kg milk pro capite, a statistic that barely reaches 1.3% of Dutch consumption, 2.7% of the US and 6.4% of the Japanese. The potential market demand for dairy is positively esteemed by China's National Bureau of Statistics in 42 kg in 2020.

Changes in food habits immediately cause a surge in demand, witnessing an exponential growth in the milk industry, placing China among the world's largest producers, and also causing detrimental episodes, like the tainted milk scandal.

Consumption of milk and yoghurt has strongly increased. The same trend characterises the demand for cheese, especially used as an ingredient for hamburgers, pizza and sandwiches, in large part supplied by Australia and New Zealand. Imported cheese from France, the Netherlands and Italy is required in the catering channel, but it is most likely to remain out of supermarkets.

The strong potential encourages companies to set up production lines in the Country. Thus, Danone and Kraft have formed joint ventures with local partners, especially active in baby food and yoghurt market.

China's imports of cheese have amounted to 515.4 million USD in 2017. Italy holds 6% share, after New Zealand (48%), Australia (17%), United States (12%) [table 7].

Table 7 China's Imports of Cheese - Chocolate (million USD)

Ranking 2017	2005	2010	2015	2017	Δ%	15/05	Δ%	Ranking 2017	2005	2010	2015	2017	Δ%	15/05	Δ%
Cheese								Chocolate							
1 New Zeal.	14,5	52,2	131,9	246,2	48	810	372	1 Italy	5,1	47,9	107,0	69,2	21	2002,2	44
2 Australia	11,4	21,6	87,4	85,5	17	666	296	2 Russia				62,5	19		
3 Unites St.	3,8	13,6	51,6	61,7	12	1.258	354	3 Belgium	3,4	15,5	36,9	49,8	15	978,9	221
4 Italy	1,0	3,1	20,9	32,3	6	1.949	942	4 Unites St.	8,5	11,1	26,5	26,4	8	210,3	138
5 Denmark	0,8	2,9	14,3	25,7	5	1.679	786	5 Germany	2,0	13,0	47,4	24,0	7	2306,1	85
6 France	1,8	4,8	18,2	22,0	4	922	358	6 Switzerland	1,6	3,6	22,6	11,3	3	1348,7	218
Total	38,1	105,8	337,3	515,4	100	785	387	Total	62,1	142,0	429,0	337,0	100	590,8	137

Source: World Trade Atlas, ICE, China's Customs Statistics

But it is with regard to the chocolate sector that Italy is the main competitor. China is the world's second largest market, only after the United States. Many foreign brands control large parts of the national consumption, as they can provide a quality not yet achieved by Chinese producers. Local production exceeds 100,000 tons, but pro capite consumption reaches only 1% of global average.

Such a huge gap promises good chances for the future of the Chinese chocolate market. Chinese producers are unable to meet the uncontainable demand as they lack long established brands and an

appropriate differentiation of the supply. Hence multinationals and foreign companies have an easy entry into the market and are able to conquer the most profitable segments.

In 2017, China imported more than 337 million USD in chocolate, Italy stands out with 21% share, reaching 69.2 million USD sales. These remarkable prospects have induced the presence of Ferrero for several years; the great success in China has resulted in the recent opening of a factory in Hangzhou.

The ice cream sector is expanding rapidly as well: Chinese production exceeds 3 million tons a year, amounting to 34 billion RMB. The ice cream market is a promising one, also due to the ongoing process of seasonal adjustment of consumption. Average pro capite consumption has so far remained low if compared to 23 kg in the USA, 17 kg in Australia and 11 kg in Japan.

Demand has mostly increased in takeaway ice cream, due to the loyalty of retailers to their brands in terms of widespread promotion. This segment no longer tends to count among luxury goods, thus attracting the most renowned and active multinational companies in the market, which is currently controlled for 90% by Yili Group, Mengniu Group, Bright Group, Nestle, Wall's. Imports have reached 50 million USD, and the growth trend is close to 30%.

The ongoing increase in income in larger parts of metropolitan areas encourages the assimilation of western food habits and the progressive interest for the health properties of the Mediterranean diet, identified as a leading incentive in purchase behaviour (Guthrie 2009). This trend of success experienced by Italian food products is also sustained by the growth of tourism, which allows direct contact with authentic Italian cuisine (Coletta, De Cicco 2011).

The Chinese market increases with the rise of the living standard. Quality food has become popular, portending great business opportunities for made in Italy. Their penetration in the market is somehow hindered by the strong tie the Chinese population has with its deeply rooted local traditions (Cui, Liu 2000). Italian cuisine comes to be regarded as a social status, confined to a market niche. As in other similar markets, the growth of Italian restaurants seems to be a crucial factor in the success of made in Italy.

However, just nowadays, the e-commerce becomes the most promising distribution channel for Italian food in China. The phenomenon called "Haitao" (foreign shopping through Internet) is widespread. Domestic prices too high and the mistrust toward inside quality boost the increase in demand. The Absolute Italy Lifestyle is a leading e-commerce platform. Found on WeChat, it has more than 900 million followers. Since mid-September 2018, it sells a wide range of Italian specialities under the Inalca Food and Beverage brand. Similar projects can develop to a better positioning of our food and wine.

4 Discussion and Conclusion

4.1 Concern of Italian Sounding

In China, the progressive development of fake goods, imitation of products and piracy phenomena show the same trend as international imports. These identify a set of phenomena: the use of ingredients of lower quality and value than the original, a productive process aimed at cost containment, the circumvention of legal requirements, as well as the counterfeiting of company identity, geographical origin, productive process. The imitation of specific aspects of a product suggests a misleading geographical origin, like the improper use of words, colours, names, places, images: this is the Italian sounding phenomena (De Pin 2009).

Fraudulent acts violate the rights of intellectual and industrial property, resulting in embezzlement and reproduction of peculiar characteristics of the original good with a clear intention of fraud. The imitative practices result in the marketing of products by gender and appearance that are similar - but not identical - to the original, intended to arouse fake expectations, without having the same properties of the original good.

From a theoretical perspective, these phenomena might lead to market failure, an even more emphasised chance in presence of a globalised market, easily explained for the existence of information asymmetries, trade barriers, high transaction costs (Stiglitz 1987).

For China, geographical, cultural, and legislative dissimilarities raise transaction costs, worsening information asymmetries between producers and consumers. The natural attitude towards imitation proved by local firms is encouraged, resulting in moral hazard phenomena, fake goods benefiting from an undeserved reputation (Akerlof 1970).

Price becomes an inadequate factor for the recognition of quality. Conversely, it produces an adverse selection on demand, whose purchase intentions are driven by the expected quality rather than the effective one (Olshavsky 1985).

The development of unfair practices follows the market trend. The different law among countries does not provide an effective protection, limiting the prosecution of unlawful conduct (Milgrom, Roberts 1982). The imitation is profitable because of the positive evaluation attributed to the original specialities. The positioning of counterfeited products in the Chinese market provides a consistent premium price. This is because when it is compared to the real made in Italy, which represents the upper price, and the conventional references, placed at the lower level, the positioning of imitative products is

intermediate.¹² The premium price, gained by the seeming Italian-ness, represents the market profit resulting from illegitimate reputation. The price differential compared to conventional references translates the profit to imitation products.

Thus, the persistent trade barriers hinder the penetration into the Chinese market by made-in-Italy products, and the increasing demand that is not satisfied by original products is provided by imitations (Qualivita 2007).¹³

However, given the high number of wealthy citizens, even if relatively small, the potential for high-end Italian food products is huge and increasing. The replacement of consumption with lower quality products results in information asymmetry, accompanied by very high transaction costs. The mere image evoked by Italian food, because of the halo effect, makes the payment of a premium price credible for the average Chinese consumer, even for a product that conforms to the average quality of the market. The deceptive supply, aware of the average purchasing power of the Chinese consumer, takes advantage of information asymmetries, in the awareness of high transaction costs and huge commercial barriers, conveying a substantial share of demand towards non-original foods, confirming the finding that bad goods drive away good ones.¹⁴

Not only do the negative effects of these phenomena affect the single product, but the supply system as a whole. Italian firms are unable to reach a position of competitiveness, because their positioning

12 Actually, not always the prices of Italian sounding food are lower than the made-in-Italy one. Often it is the opposite situation, with the prices augmented of 20-30%. The difficulties in finding authentic food and the scarce knowledge of the characteristics of the original ones result in a dominant position for imitations (source <http://www.assocamerestero.it>).

13 In 2018, the Chinese government removed its ban on Italian beef and reduced by half the import tariffs on some of the cardinal products of the Made in Italy: Parmigiano Reggiano, Grana, aged cheeses, Gorgonzola (from 15 to 8%), grated and melted cheese, wine spirits (from 15 to 5%), vermouth (from 65 to 14%), pasta and sausages, salami (from 15 to 8%). The agreement for the removal of non-tariff barriers for Italian citrus fruit is at the end of 2018. Oranges, mandarins, lemons are added to the 2016 list of the opens of Chinese borders relative to Italian pig meat and to the 2018 one for lucerne. Made-in-Italy pears and apples are still blocked and are object of a specific negotiation (source Coldiretti).

14 The contingent 'trade war' between the USA and China is emblematic of the entity of the imitation market and of the role of commercial barriers. Among the numerous foodstuffs and beverages in the American Black list there is the fake made-in-China Marsala wine, protected by Italy with the Controlled Denomination of Origin (DOC); whereas China hits with duties fake Italian cheeses from the USA (parmesan, *provone*, *mozzarella*, *ricotta*, *Asiago*, *fontina*, *pecorino romano*, etc.), main supplier of fake Italian foodstuffs. If this seems to open interesting opportunities to the real Made in Italy, the current bilateral agreements of the European Union are worrying. From the CETA with Canada, to Japan, Singapore, Mexico and the Mercosur countries, they can actually legitimise the fake Made in Italy.

is undermined by the imitations' activity: as long as their investments do not generate income, they cannot expand their market share.

Furthermore, the predominance of imitations causes the inevitable deterioration of the image of quality so far gained, thus hampering the strategies of demand segmentation. The average Chinese product, which behaves according to the average quality available, disadvantages the original product, sold at higher price. The impossibility of enhancing its own specialities causes the failure of market expansion (Canali 2012).

Among the most counterfeited products, we can find Chinese parmesan, *pecorino* cheese, whose packaging portrays a cow instead of a sheep, *pomodorini di Collina*, *caciotta* cheese, bearing an Italian flag on its brand (Source Coldiretti).

Despite its relevance, the phenomenon is underestimated and neither consumers nor producers seem to perceive its importance. The majority of Chinese consumers are accustomed to buying products with an Italian name, without even questioning their real origin. To them it does not matter if these are real Italian. The goods replaced by imitations, considering the spread price gained, represent the social costs of information asymmetry for Chinese consumers (Kreps, Wilson 1982).

From Italian supply companies, the perception of the phenomenon does not receive the adequate attention. Additionally, this underestimation, not recognising the potential of competitiveness of Italian firms in the Chinese market, results in a failure of the market.

Nevertheless, the issue can be investigated under an alternative light. The competition of high-end food products cannot take place on price as much as on exclusivity, uniqueness, excellence, requiring specific strategies to segment demand and create brand loyalty (Venturini 1995). Making use of the peculiar certifications of origin - of product and process - and of the traceability of supply chain, they must turn to a market that is able to pay off the intrinsic value (Shapiro 1983). On the other hand, the strong growth of demand segments willing to recognise the right quality to the original Italian specialities makes China the most promising market for implementing the best modern marketing strategies for the countless sectors of Italian high-end food.

Theoretically, of special interest is the economic evaluation of the effects of information asymmetry on the market. The evaluation of imitative phenomena focuses on the results obtained with the application of some indicators suggested by literature and can be interpreted with an eye on future studies and working hypotheses (CENSIS, 2018) [table 8].

Table 8 Italian Agro-food Sounding in China - Estimation 2017

Indicators	million Euro
Italian sounding Value	649
Intensity of Imitation Index Italian sounding Value/Export Made in Italy food	2,59
Damage Index Value of Made in Italy food counterfeiting	74
Information Asymmetry Index Differential Price Made in Italy food* Italian Sounding Value	104

Source: Elaboration on Coldiretti, CENSIS data

Considering the average proportion of Italian sounding on the Asian market related to the value of the original products, the market value of the imitative phenomena is estimated.

The amount of Italian sounding in China is expected to be higher than 600 million euros, showing an 'intensity of imitation index' equal to 2.59. This indicator is obtained by comparing the value of the Italian sounding with the total exports made-in-Italy food. While, the just value of counterfeit goods, the 'damage index', that is, products illegally sold as authentic, exceeds 70 million euros.

The evaluation of the unfair advantage derived from information asymmetry is computed through the 'information asymmetry index', identified as the differential price of made in Italy, that is, the average deviation between the market price of authentic products compared to imitations, multiplied by the value of the Italian sounding. This index is estimated to be more than 100 million euro.

These findings and their implications may constitute promising incentive towards future research guidelines, concerning the measurement of the economic effects of the information asymmetries and of trade distorting processes, typical of the international trade.

4.2 Implications for Italian Companies

The development of business strategies aimed at recovering market shares unduly occupied by counterfeit products is a must, given the weak legal protection of made-in-Italy food, pending the conclusion of the World Trade Organization agreement on the international protection of geographical indications.

In addition to law defence through the few protection tools, stands out the requirement of active participation by companies in the proposal of enhancement and promotion activities.

The business strategies can only focus on the strength of made in Italy, and the promising conditions opened by the current market dynamics.

The peculiarities of our food provide opportunities to convey the set of values that identify the 'Italian way of eating', the cornerstone of Italian style, basis of the competitive advantage.¹⁵

Management of the relationship with the consumer and the ability to meet emerging expectations are preconditions for penetration strategies. It is in the skill of firms specialised in quality food and aimed at a high target to take advantage of changes in Chinese consumption patterns.

The rise of clusters with similar consumption patterns implies the requirement to manage global strategies. Product differentiation must be associated with the know-how to manage penetration strategies in local markets, crucial to compensate the high investment costs.

The increased competition on low price and quality food sees a higher concentration of competitors, making unavoidable the strategic positioning based on segmentation and differentiation. This is encouraged by the increase of informed groups, for which the changed sensitivity to food selection softens the role of price as the main variable.

Penetration strategies must allow Italian companies to exceed their natural limits, intrinsic in their small size. The implementation of collective strategies can make up for the lack of financial and managerial resources.

The underestimation of the specificities of the Chinese market results in unprofitable strategies for firms that mistakenly consider that market as the domestic one.

In this context, the strategic plan must include several actions of marketing mix: the focus on the product and its competitive positioning must be coordinated with the specific communication and promotion activities, and with the precise policy towards distribution channels.

The certification of the product cannot dissociate itself from its enhancement. Its recognition becomes a fundamental key, the goal is to mitigate the information asymmetry with the consumer, making it more difficult to pursue counterfeiting and imitation strategies.

Strategic elements highlighting product differentiation are useful: the refinement of packaging, the information provided on the label, until they assume the connotation of unique references.

The improvement of the peculiar positioning of made-in-Italy specialities is compatible with high price segments, in which competition is more difficult.

However, it is with regard to the structure of the supply that the greater efforts of adaptation are required.

15 The 'Italian way of staying at the table' identifies a healthy, balanced and precious food style, the use of typical foods, high quality, unparalleled taste, and convivial atmosphere of meals.

Adequate fitting of the economic size and financial soundness of companies identifying the Chinese as a preferred market is required, to ensure adequate bargaining power in trade relations and real opportunities to defend against agro-piracy. In the impracticality of the single initiative to reach an adequate dimensional structure, the system of business aggregation and network can be usefully used for coordinated strategies, with joint actions for the enhancement, promotion and protection.

The activity of communication and collective promotion is strategic to increase the recognition of Italian food. This is central in the function of choice, with the implicit simplification of the selection process. The easy distinction between original and false involves a persevering information activity on how to determine the authenticity of food, such the search for the words 'Made in Italy', 'Imported from Italy', the certifications DOP and IGP.

Nevertheless, it is difficult for Chinese consumers to learn the structure and meaning of our system of quality certification, where the overlapping of brands makes an aware purchase extremely hard.¹⁶

Effective communication and promotion activities can only be planned and implemented in networks, in order to reach the critical threshold required for the dissemination and penetration of the message. Being able to own adequate financial resources ensures continuity of the activity, as well as the use of mass media. The focus on the typical target of made-in-Italy food identifies consumers with higher propensity and informative receptivity.

The penetration strategy must involve the distributors, who play a key role in commercial success. In supermarkets, the original products shall be placed separately from counterfeits, to emphasise the differentiation: it is the distributor's confidence in the benefit of investing in the authentic food that increases its visibility. The increased presence of original products comes from the real increase in profitability of the 'shelf space' and its 'rotation index'.

However, real incentives to reward the authentic food are the evidence of the risk of decreasing sales that could result from the deal of counterfeits and the return of the consumer's negative judgment if the perceived quality is not in accordance with expected one.

The agreement with the distribution chains gives the chance to market the original products on a large scale, leveraging the huge share of demand not yet met.

¹⁶ Thus, the name *mozzarella* can identify the buffalo mozzarella Campana DOP, 'buffalo milk mozzarella', 'cow's milk mozzarella', 'STG mozzarella'. As a result, the false mozzarella produced abroad is a worldwide market of two million tonnes, marketed mainly in the United States, Australia, and China.

The implementation of such strategic actions, however, implies the acquisition of a strong bargaining power that contrasts with current distribution strategies. In fact, the major manufacturers of imitation products, marketed as 'private label', are indeed the operators of large-scale distribution.

Adapting the strategy to the specificities of the Chinese market is essential, as well as to the individual product. The cases of Piazza Italia and of the initiative Tastes of the Italian Regions in Shanghai are emblematic in this regard. Piazza Italia was inaugurated in Beijing in 2008, in the luxury area of Chaoyang, as the largest Italian food centre abroad, with a surface of almost 4,000 m² spread over three stores, offered more than 3,000 references of made-in-Italy food. Underestimating important factors, such as high entry costs, weak logistics, lack of development of local staff, were decisive factors for its failure.

A brighter situation is highlighted by Tastes of the Italian Regions, opened up by Auchan Italia in 2012. The use of modern distribution allows a more lasting approach for an adequate education of the Chinese consumer, which is a condition for the penetration on a larger scale.

4.3 Conclusions and Research Suggestions

Nowadays, the Chinese food market - represented by nearly one and a half billion people - features the most appealing business chances in the world, still limited by problems such as legal issues, trade barriers, backwardness of commercial distribution, and rural-urban gap in income and lifestyle.

When referring to food and China, some differentiations should be made based on specific categories (when policies, law and trends are involved), especially when talking about made in Italy.

A precise order to address policy implication, business implications, suggestions for Chinese and Italian companies must be followed.

The rapid changes in behaviours and the increasingly urgent nutritional needs of the growing multitude of young people, forecast unprecedented economic impacts in the global market. The quantitative instances are associated with the desires to taste typical Italian food of an emergent group of customers who are aware of the importance of product quality and nutritional elements, extremely receptive of modern marketing strategies.

The accelerated growth of consumptions is driving the success of imported goods, while the distribution system, which is currently unable to satisfy emerging needs, is involved in dynamic transformations.

From the point of view of made-in-Italy food, quality is the strategic advantage of penetration. For high-end foods, non-price competition strategies are suitable and profit-oriented. In light of the attractive market prospects, it is the company's duty to manage consistent

global marketing mix strategies and look further than a short-term perspective.

China rapidly becomes the major actor on the global scene, still grounded on its local traditions and culture, presently discovering the private industry, open to a capitalistic economy. A permanently increasing income brings along a new welfare, which in turn changes the population's lifestyle.

Considering the emerging consumption patterns, the recently strong development of the middle class, which will very soon represent nearly 75% of the population, as expected in 2022, the big migration from rural areas to cities, the exponential growth of the very rich people, Italian companies could easily consider different segments of customs as potential targets. In fact, some of these ranges are interested in high-end made-in-Italy foods, for which the Chinese market becomes the first for magnitude and importance.

This new condition foresees new opportunities for the made in Italy to be cultivated through partnership agreements aimed at protecting it from imitation and also to grant consumers' safety. Therefore, in 2006 already, China signed the Agreement on Mutual Collaboration in Contrasting Import-export of Counterfeited or Adulterated Food with the European Union, whereas in 2010 a formal commitment was signed between Italy and China to guarantee security and contrast food counterfeiting.

Meanwhile, what is to become an historical bilateral agreement between the European Union and China for the recognition of the Geographical Indications is proceeding. A list of one hundred foods for each country has been prepared. The products will be mutually protected and twenty-six of these are Italian.

As for imports, Chinese authorities conform to the principle that prevention and control are to be exerted on the productive cycle. Examples of unfair competition that arise from such a rapid increase in consumption involve the duty to protect Italian products overseas.

Chinese imitative propensity could result in food frauds, up to market failure. The condition of information asymmetry and high transaction costs in the trade with China requires the implementation of public policies shared by governments.

The Chinese Government, aware that food safety represents the degree of development achieved by the Country, is carrying out important efforts to conform with international standards. As mentioned, in the last 'Five-year Plan' the Chinese Congress revised the Food Safety Law. Food quality and safety is now the major benchmark of the economic development, adhering to the people-oriented approach. International relations and cooperation are actively promoted in this field, greatly enhancing public awareness on food safety.

From the point of view of Italian companies, the Chinese agro-food market is an essential opportunity for made in Italy to gain full suc-

cess in the global dimension. Still, it is necessary to push companies to invest in the long run, adjusting marketing strategies, in view of eroding the share of imitative competitors.

A strategic positioning of high-end foods is based on segmentation and diversification. Such a huge market requires the carving out of specific niches for the made in Italy, in which price no longer plays a major role. The supply of certified foods is a required strategy. Competition based on the reputation of goods makes the proposal of low-quality and low-price items unsuitable.

For the characteristics of Italian firms, characterised by small to medium size, the ability to implement network strategies, required to reach the new business opportunities, is a main factor.

In terms of scientific research, the study of the Chinese market and its topics open attractive and multiple strands.

With regard to economic theory, the analysis of the effects of the information asymmetries requires the proposition of innovative interpretation models, which can refer to the game theory, to multi-criteria analysis, or to the behavioural theory of economic actors.

While, the studies in the business field can be directed to export management, to the strategies that can be implemented by firms, to marketing and communication, to the management of the segmentation plans, and to several other issues still missing (size of Italian firms, opportunities from networks, distribution channels).

But, also from the point of view of law studies, a big effort still has to be done, on the one hand for the correct legal identification of the made-in-Italy food, still unclear currently, as the worsening of opportunistic behaviours proves it. On the other hand, because the protection of made-in-Italy food in the global market involves the whole legal framework of international trade, which represents an essential premise for economic success.

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