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**THE ROLE OF THE REGIONAL ECOSYSTEMS AND THE ASSOCIATIVE
MARKETING IN SMES INTERNATIONALIZATION STRATEGIES: THE
SIMONETTA S.P.A, TENUTA ROLETTO AND ITALTECHNICS CASE
STUDIES**

**IL RUOLO DELL'ECOSISTEMA REGIONALE E DEL MARKETING
ASSOCIATIVO NELLE STRATEGIE DI INTERNAZIONALIZZAZIONE
DELLE PICCOLE E MEDIE IMPRESE: I CASI SIMONETTA S.P.A, TENUTA
ROLETTO E ITALTECHNICS**

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ABSTRACT

Principale obiettivo della tesi è identificare l'impatto che hanno le istituzioni Italiane all'estero e il contributo che danno nel superare gli ostacoli presenti durante il processo di internazionalizzazione delle piccole e medie imprese. In particolar modo è stato esaminato l'ecosistema regionale fatto di Camere di Commercio Italiane all'estero e di Istituti di Commercio Estero (ICE). Sono stati presi come punti di riferimento la Camera di Commercio Italo-Sudafricana e l'ICE presenti a Johannesburg in Sud Africa.

La metodologia utilizzata è stata quella di studiare i siti web delle istituzioni, vedere la loro ampia gamma di servizi e approfondire il loro operato tramite interviste. Infatti, sono stati presi come riferimento 3 casi studio di 3 piccole e medie imprese Italiane le quali hanno intrapreso il processo di internazionalizzazione in Sudafrica, America e Russia. Dopo la loro introduzione, sono stati intervistati gli artefici i quali hanno accompagnato le aziende durante la loro espansione nei mercati esteri. La Segretaria Generale della Camera di Commercio Italo-Sudafricana, Mariagrazia Biancospino e il Manager Generale della Simonetta S.p.a, Attilio Mucelli, hanno dato spunti molto interessanti che hanno arricchito questa ricerca.

I risultati ottenuti infatti sono stati molto interessanti, in quanto nonostante non abbia beneficiato dei servizi della Camera di Commercio e dell'ecosistema regionale, Attilio Mucelli si è espresso molto a favore della loro esistenza, sottolineando il contributo che danno soprattutto alle piccole imprese nella prima fase in cui si interfacciano al mercato internazionale. Infatti, i due intervistati nonostante non condividano la stessa filosofia per quanto riguarda gli strumenti utilizzati durante il processo di internazionalizzazione, fanno convergere le interviste su tutti i punti toccati.

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INTRODUCTION

The aim of this master thesis is to underline the role of the regional ecosystem and the associative marketing in helping the small and medium enterprises and the evaluation of the tools and services given by the institutions in charge, for a successful internationalization process. It is difficult for a SME to undertake the internationalization process without the help of the regional ecosystem, due to lack of resources and knowledge of the foreign market. In particular, there will be conducted some interviews about three different companies in order to understand the effective contribution of the regional ecosystem throughout their international expansion. Through interviews will be analyzed the stages of the companies, such as Simonetta S.p.a, Tenuta Roletto and Italtechnics during the internationalization process and the effective help given by the regional ecosystem. Tenuta Roletto is a winery that aims to expand its business in South Africa, Italtechnics is a consortium that operates in the hydroelectric energy sector and Simonetta S.p.a is a fashion company, which produces high-end children clothes and will be analyzed the tools given by the regional ecosystem according to their business model and the stage of their internationalization process. During the analysis and collaboration will be the possibility to develop important vertical knowledge about the international worldwide-recognized institution such as the Chamber of Commerce and ICE, their services offered and their business practices.

In the first chapter of this analysis will be covered and presented a general introduction of the international marketing: how the advent of globalization and the different trade model between countries require a different approach and mindset. Managers should recognize the changes in the global market place and adopt their business model accordingly. A particular focus will be set on the SLEPTS factors, crucial to be considered when dealing and doing business with another country. In fact, in the trading between different countries there are different socio/cultural, legal, economic, politic, technological and sustainability factors which must not be ignored by the international managers, otherwise with high probability it is expected a failure of their marketing strategies.

Following the analysis some market entry strategies for small and medium enterprises will be proposed and their advantages and disadvantages will be shown.

In the second chapter will be shown what the Chamber of Commerce is, its business practices, the tools used and the wide range of services offered at an international level. In order to have a broader view for the internationalization of the above-mentioned companies, the services offered by the Chamber will be analyzed one by one in order to understand the contribution of the Chamber during the internationalization process and at what stage a company decides to rely on the Chamber's services.

As a result, in the third chapter three interviews have been conducted about the three above-mentioned different companies. The Ex Secretary General of the Italian

South African Chamber of Trade and Industries Mariagrazia Biancospino and the General Manager of Simonetta S.p.a have given important insights with regard to this topic. During the conduction of the interviews important information has been taken, some previous important considerations have been proofed while other surprising results have been found.

1. SME'S INTERNATIONALIZATION STRATEGIES

In this chapter, will be presented how the advent of globalization, the technological advancement and several other factors have changed the business environment. In particular, what factors a SME has to consider during the internationalization process. As a result, and introduction of the SLEPTS factors with relative examples and the market entry strategies adopted by the SMEs are shown. In addition, for each strategy, this analysis will present all the advantages and disadvantages in order to make the SMEs aware about the opportunities and the obstacles present in the international business arena.

1.1 An introduction to international marketing

After the Second World War, with the advent of the globalization followed by the high speed diffusion of Internet, the business environment is becoming ever more international and the interconnections between the countries have never been at the current degree. Facing the international business environment is becoming ever more a tough challenge to take seriously and not to be ignored by the managers. With the full saturation of many domestic national markets in the developed countries, considering the international markets has become no longer a choice, but a necessity. The challenge becomes even harder for a company considering the fact

that the domestic share of market requires to be protected by the attack of other international players. In particular, considering the power of some huge multinational companies which with their aggressive strategies and their financial stability have lead out of the market many national small and medium size companies, meanwhile transnational corporations are increasing in size and embracing more global power. ‘The top 500 companies in the world account for 70% of world trade and 80% of international investment’¹. The challenge in facing the international market is to consider on an international scale the multidimensionality and complexity and sometimes absence of reliable data and information of the many foreign country markets where a company may operate in.

Another increasing phenomenon is the increased size of big companies through mergers, acquisition and alliances in order to reach economies of scale, financial stability in terms of resources to invest and to strategically position themselves for global competitiveness. ‘In order to survive to the highly competitive environment managers must develop the skills, aptitudes and knowledge necessary to compete effectively around the globe’². In countries such as Italy the high quality of the artisanal products is no longer a competitive advantage in the international arena. What is required nowadays is the managerial international skills in order to build a

¹ Doole I., Lowe R. and Kenyon A., *International marketing strategy*, Cengage Learning, 7 edition, 2015.

² Doole I., Lowe R. and Kenyon A., *International marketing strategy*, Cengage Learning, 7 edition, 2015.

strong brand awareness, to understand the language and the cultural barriers and to keep in touch for long lasting relationships with the international buyers, so a completely changing of the management approach on facing the international arena. While twenty years ago, the international buyers used to come in Italy and purchase the products in the industrial districts without big focus on the managerial skills, product's brand or language barriers, nowadays Italian artisans are suffering the competition of foreign international companies which are strongly endowed with all these strengths. This situation and changing of the paradigm can be fully summarized by the following metaphoric statement of an Italian artisan: "I'm the owner of a Ferrari, but a driver of a Fiat 500 and my competitors are overtaking me in the race"³. Another important factor to be considered is the high speed diffusion of the internet, the high rate of penetration of the mobile phone in many developing countries as well as the internet banking, the technological improvements and the development of the transportation system as well as the decrease of transportation costs. All these factors have shortened the distance between countries and have made the conception of the world small, have increased the interdependency and interconnections of country economies around the globe as a result the competition has become tougher and the prices between countries with no huge differences. The international marketplace is no longer made by singular independent countries, but

³This statement has been said by Prof. Luca Gregori, during a Marketing lecture held at the Università Politecnica delle Marche.

interdependent countries between them, economically, culturally and technically. The creation of the European Union has made Europe a big and unique marketplace for those countries being part of it, avoiding so many barriers that may arise in the international trade.

As a result, of all these forces pushing in the global arena, a development in terms of global marketing orientation is needed as well as managers able to analyze, plan and implement strategies across the world, focusing as well on the selection and exploitation of global marketing opportunities and challenges all over the globe with the objective of achieving a global and sustainable competitive advantage.

1.2 SLEPTS dimensions

Marketers all over the world who intend to market their products overseas must be very sensitive to foreign cultures although sometimes these differences may seem insignificant, those who ignore them risk the failure in implementing marketing programs. More precisely in order to succeed internationally a deep understanding of the complexity of SLEPTS (social/cultural, legal, economic, political, technological and sustainable) dimensions is needed likewise the manipulation and adjustment of the controllable tools of the marketing mix coherently with those dimensions, otherwise the international marketing strategy may go toward failure. Not considering the cultural differences overseas is the main reason for failure for those companies embedded in the internationalization process.

Since there are many different barriers to be considered, below will be shown some of the most important:

- Socio/cultural: language, religion, aesthetics, values and attributes, education, social organizations, technology and material culture, law and politics;
- Legal: international laws, regional laws, home domestic laws;
- Economic: developed economies, emerging economies, less developed economies, currency movements;
- Political: operational restrictions, discriminatory restrictions, physical actions;
- Technological: satellite communication, internet, www and wi-fi;
- Sustainability: governance, community, workforce, environment, marketplace.

In the next paragraphs the SLEPTS dimensions will be described one by one in order to understand what a manager have to take into account while undertaking the internationalization process.

1.2.1 Socio/cultural factors

Cultural differences have a significant impact on the way a product may be used in the market, its brand name, its packaging, its colors and the advertising campaign. 'Initially, Coca-Cola had enormous problems in China, as Coca-Cola sounded like

‘KookeKoula’ which translates into ‘A thirsty mouthful of candle wax’. They managed to find a new pronunciation ‘Kee Kou Keele’ that means ‘joyful tastes of happiness’⁴

Concerning the social factors, for a manager it is important to consider the growth and movement of population around the world. For example, 80% of the world’s population lives in developing countries, but by 2025 this is likely to reach 85%. It is expected that some countries such as Italy, in Europe will experience a decline in the population. A different trend will be experienced by Germany which will see a growth in the population due mainly to the migration. Nevertheless, ‘the growth Germany has seen in the past has slowed almost to a half in recent years, with a growth rate of only 0.20%’⁵. Another aspect to be considered is the highly increasing population size of the African continent, which will see its population increase three times more by the end of the century. Moreover, another aspect related to the African continent that deserves to be considered is the increasing Chinese investments in infrastructures and movements of Chinese workers in the African continent. As a result, a boosting of the economy is expected as well as the improving of the life conditions following an improvement of the life expectancy and working conditions, which leads to an aggregate higher economical development of the continent.

⁴Doole I., Lowe R. and Kenyon A., *International marketing strategy*, Cengage Learning, 7 edition, 2015.

⁵Source: Worldpopulationreview.com/countries/germany-population/.

1.2.2 Legal factors

When it comes to legal factors, there are some laws which may greatly affect the ability of the company to do business or sometimes prohibit it at all. Many countries by embracing the essence of nationalism desire to become self-reliant and to raise their status in the eyes of the world. The rise in popularity of Donald Trump government in the USA, with the growing nationalism of Victor Orba'n in Hungary, with the increase in popularity of Marine Le Pen in France, makes the spectrum of Brexit being in all of our societies.

As written 7th edition of International marketing strategy book, the legal environment in International marketing has three ramifications:

- Local domestic laws: not only must be respected by the local companies, but also by the foreign ones;
- International law covering piracy: for example, and other treaties such as those of the International Monetary Fund (IMF) and World Trade Organization (WTO), patents, trademarks legislation and harmonization of legal systems within regional economic groupings, e.g. the European Union.
- Domestic laws in the home country: which sometimes prohibit the export of particular goods from the home country or set high taxes in order to discourage some imported goods to reach the country in order to avoid the money going out of it. Moreover, this essence of nationalism has led the

foreign governments to intervene in ways such as contracts for the supply, the registration and enforcement of trademarks, brand names, and labeling, patents, marketing communications, pricing, product safety, acceptability, and environmental issues.

For example, in Thailand no foreign person or company can own more than 49% of a business, as a result the international company must be willing to enhance a partnership with a local partner in order to do business in Thailand.

South Africa has adopted a different kind of policy named BEE which the direct aim is not to act as a barrier for foreign companies, but important to be considered for the internationalization of the Italian SMEs. The BEE policy (Black Economic Empowerment) is a racial selective program which gives to black South African citizens, economic privileges not available to whites, which includes employment preference in order to redress the inequalities of the Apartheid.

In some other countries in order to make sure that a large percentage of income generated through the sales remains in the home country the government allows to the foreign companies to give out an expensive permit or license of another business in that country to manufacture and sell the foreign product. This case has been verified between Pepsi and Heineken, where Pepsi license has been given to Heineken to bottle and sell Pepsi products in the Netherlands.

1.2.3 Economic factors

The economic situation represents the key of understanding market opportunities. In fact, it lies in the evaluation of the stage of a nation's economic growth and leads to a key challenge for the companies in the question as to how they can develop an integrated strategy across a number of international markets when there are divergent levels of economic development. As a result of these disparities often it is difficult for the companies to have a cohesive strategy around the world, especially in pricing, considering the differences in terms of levels of economic development and Gross national income per capita (GNIpc). The range of variability around the world in fact is huge: Qatar for example, has the highest GNIpc (ppp) of US\$ 128 530 and China second with US\$ 112 230. On the other extremity of the range, we can find the Democratic Republic of Congo with US\$ 740 and the Central African Republic with US\$ 600.

In order to understand the economic growth of a country, we can divide them in three groups:

1. The developed economies: several and according to the world population review⁶ a developed country is defined as “a country that has a developed economy and advanced tech infrastructure when compared to other nations”. Some of the main factors that look at the development of the

⁶ Source: Worldpopulationreview.com.

country are the human development rate, gross national product, gross domestic product, per capita income, industrialization level, standard of living and infrastructure. The developed economies of the top 10 export traders account for approximately 52 % of the export trade in 2018 and they are according to index mundi⁷ China, United States, Germany, Japan, South Korea, France, Hong Kong, Netherlands, Italy and United Kingdom. They are at the same time the top 10 importers with only Canada replacing Italy. Despite many companies praise their “global” market, most of their revenues and profits are generated in these top 10 big markets which are so, important target markets to be considered.

2. The emerging economies: used to be in the past a somewhat obscure niche of the investing world. Nowadays instead, the emerging economies are playing an increasingly important role in the global economic system. In fact, more than half of the global economic growth is now driven by emerging market. The BRIC economies (Brazil, Russia, India and China) are no longer the only emerging economies. In fact, another acronym created by British economist Jim O’Neill and segment seen with big interest by the international companies is MINT (Mexico, Indonesia, Nigeria and Turkey). According to the World Atlas many economists predict that these

⁷ Source: Indexmundi.com.

countries will experience faster than average growth over the coming decades. Although each of these countries is characterized by its uniqueness of circumstances surrounding their individual economies, there are some similar traits which characterize all of them. For example, all these countries have large and relatively young population so a large workforce, set as their main priority and government goal the economic growth and at the end they have diversified markets, meaning that they don't rely in one market for their growth. According to Jim O'Neill there is also the "Next 11" to represent the world economies with the potential to become among the world's largest during this century. The countries include Bangladesh, Egypt, Iran, Pakistan, Philippines, South Korea, Vietnam and the four already mentioned in the previous acronym. Some other emerging markets are Argentina, Chile and Peru. 'In these countries there is a huge and growing demand for everything, from automobiles to mobile phones and all are viewed as key growth markets where there is an evolving pattern of government-directed economic reforms, lowering of restrictions on foreign investments and increasing privatization of state-owned monopolies'⁸. The developing economies have a structure that is called 'dual economy' which means that there are wealthy urban professional classes alongside a poorer

⁸ Doole I., Lowe R. and Kenyon A., *International marketing strategy*, Cengage Learning, 7 edition, 2015.

rural population. Moreover, there are huge inequalities in term of wealth among the population.

3. Least developed countries (LDCs): are low-income countries confronting severe structural impediments to sustainable development (such as weaknesses in transport, communications, education and healthcare), low GDP per capita and a limited amount of manufacturing activities. The LDCs are highly vulnerable to economic and environmental shock, have low levels of human assets and the public sector is often slow-moving and bureaucratic. Usually there is a high degree of corruption in the public sector and their leaders are highly corrupt too. Most of them belong to the African continent, the western countries are interested in their natural resources, the economy is heavily reliant on exporting raw materials and these products are the main export earners. 'In the Democratic Republic of Congo, for instance their exports comprise of copper (56%) cobalt (21%) and petroleum (14%)'⁹. Since most of the time the economy of the LDCs is not diversified and heavily reliant on just a few sectors or commodities and a falling of their prices may lead to big losses for the economy. Moreover, the LDCs rely on just a few business partners which most of the time have invested in their infrastructures in order to take advantage of the natural

⁹ Doole I., Lowe R. and Kenyon A., *International marketing strategy*, Cengage Learning, 7 edition, 2015.

resources and the deterioration of the relationships may damage the economy heavily. For example, China has invested heavily in infrastructure in the African continent and in some of the LDCs by lending huge amount of money. This has led to the boosting of their economies, but at the same time it leaves doubts when it comes to the improvement of the citizens living conditions since the Chinese export their manpower to work and live in those countries. Another risk that may arise in the future in these African countries is not paying the debt and this situation may lead to a new form of colonialism of the African continent, without good leaders that have the vision to use the debt properly and benefit as much as they can from it.

There are currently 47 countries in the list of LDCs which is reviewed every three years by the Committee for Development (CDP)¹⁰.

LDCs have exclusive access to certain international support measures in particular in the areas of development assistance and trade. Nevertheless, most of the time it is difficult to start a process of substantial economic growth; some countries are small and lack of natural resources. Moreover 'increasing the level of human assets takes time and needs investments in terms of money on a large scale while simultaneously there are demands for public expenditure on transport systems, communication system and water control system'¹¹ .

¹⁰Source: www.un.org/development/desa/dpad/least-developed-country-category.html.

¹¹Doole I., Lowe R. and Kenyon A., *International marketing strategy*, Cengage Learning, 7 edition, 2015.

1.2.4 Political factors

Political factors are government regulations that influence business operation positively and negatively. Several aspects of government policy in the host country can affect the international business positively and negatively. This aspect is intrinsically linked to the government's attitude to business which may be current and impending legislation, political stability and changes, freedom of speech, protection and discrimination laws making the market environment more or less friendly.

Business managers must address these factors and make decisions that minimize the impact of external environment in such a way to not be harmful for firm's operation. 'Political factors and environment of a country if not addressed properly impact any business organization and can also introduce a risk factor which can cause the business to suffer losses and compromise over its profit stream'¹².

Political decisions affect the socio-cultural and the economic environment, influence the acceptance of the new technologies and at the end the rate of development of new technologies of a country.

¹² Source: www.marketingtutor.net.

With a change in administration policies, there arise political factors that can change the entire business scenario. These changes can be economic, legal or social and can include the following factors:

- Tax and economic policies: increasing or decreasing rate of taxes is a good example of a political component. This aspect is not only peculiar for the host market environment, but can be verified even in the domestic market. Government regulations may raise the tax rate for some businesses and can lower the same for others due to specific reasons. This decision will directly impact businesses. For managers maintaining a strategy that can deal with such situation and having enough knowledge about the taxation regime and its forecasts for the future in the host country is very important. Nevertheless, when a company starts the process of internationalization usually does it in order to take advantage of the taxation regime of the host economy;
- Political stability: lack of political stability within the host country can significantly impact the business operations. This can especially be true for businesses that are operating on the global scale. For instance, a hostile takeover can take over a government. Eventually such a situation will lead to looting, riots and general disorder within the country. For instance, a similar situation of takeover has been verified in Turkey the 15 of July 2016 against the president Recep Tayyip Erdogan, when the national armies

failed in the attempt to take the power in the country. In case of a successful takeover this would have been very damaging for the international businesses inside the country and the potential future business with other countries. In fact, without a clear picture about the future scenario concerning the next government's attitude on doing business, many businesses would have been prudent on investing in Turkey. Such situations can disrupt business operations and activities that can have a major impact on its bottom line. Moreover, when it comes to political instability usually there is also a huge volatility in terms of currency value. As a result, for the international investors a depreciation and loose of purchasing power of the currency in the host economy may lead to big loses overnight;

- Foreign trade regulations: every business has a need to expand business operation to other countries. However, political background of a country can influence the desire for a business to expand its operations. Tax policies that are particularly controlled by the government can induce a particular business to expand operations in different regions whereas; other tax policies can hinder the process of business expansion for some industries. Government initiatives, which have been designed to support local businesses, might work against international companies when the question is of their competitiveness in a foreign region. This kind of policy from the host government has been applied against some big multinational giant

companies in order to protect the domestic businesses from their power. Nevertheless it is not very easy for the government to apply discriminatory laws against the big international companies because with their financial stability and power can contribute heavily to the government's finances and to the development of the country. There is a trade-off so, between the creation of discrimination laws to protect the local national businesses and desire to enrich its finances from the heavy contribution of the big multinational companies for the host government;

- Employment laws: this aspect is very important to be considered especially in the case of internationalization of our target companies that we consider as a benchmark to be analyzed. Employment laws are made to protect the rights of employees and include every aspect of employer/employee relationship: from the hiring, going through the ordinary daily relationship, to the firing. Employment law is an aspect that is very complex and involves several pitfalls as well. When businesses are in touch with the latest developments in this law, they can manage to take their business in the right direction however, those who get it wrong needs to be completely prepared for the expensive results it will generate. In modern corporations, employees are almost 98% of the company for the accomplishments or lack thereof and any changes within employment law will have a great impact on the business operations. As has been mentioned above concerning the case

studies taken into consideration, when it comes to the employment laws the managers of our target companies must pay a huge attention to the South African employment law policies. In fact, in order to create good partnerships in the business environment and to get benefits in terms of treatment from the South African government they must consider the BEE index which is a score that indicates the percentage of the black employees hired by a company. Another factor strictly related to the employment policy is the issuing of the visas for white foreign workers in South Africa. It is becoming ever more difficult to get a working visa in South Africa for a white foreign worker. This is a measure taken by the government to address the problems of social inequalities created by the “white” government during the Apartheid period and to make it easier for a black employee to access the labor market.

Example of political factors affecting Nike: conducting a macro environment analysis, a good example of how political factors have affected a business can be associated with Nike. Nike is globally recognized athletic apparel, footwear, sports accessories and equipment. Nike has been very fortunate as the government of the United States have formulated such policies that will foster the growth of businesses. The company is enjoying stable currency and low-interest rate conditions along with very competitive tax arrangements that help the company in advancing growth. US government has taken initiatives with respect to transparency

in the global value chain and Nike has greatly benefited from this. However, Nike is facing hard times in its outsourced manufacturers in other regions like Indonesia, Thailand and Vietnam where there is an increase in political unrest.

‘To summarize, the types of discriminatory action that governments may take, which constitute potential political risks to firms falls mainly into three main areas’¹³:

- Operational restrictions: these could be exchange controls, employment policies, insistence on locally shared ownership and particular product requirements. As has been mentioned above, there is a strict employment policy in South Africa aiming to address the social inequalities, so to reduce the gap between rich and poor, between the colonizers and the colonized. Concerning the shared ownership actions, again this situation has been mentioned in the case of Thailand, where no foreign companies can own more than 49% of a business. As a result it is impossible to enter the Thai business market without a Thai partnership;
- Discriminatory restrictions: these could be imposed on purely foreign firms and, sometimes, only firms from a particular country. Economic sanctions were put in place during the crisis in Ukraine. During that time Russia responded by banning food imports from several EU countries, but also

¹³Doole I., Lowe R. and Kenyon A., *International marketing strategy*, Cengage Learning, 7 edition, 2015.

from US, Canada and Australia. They have also imposed bans on imports from Libya and Iran in the past. Such barriers tend to be special taxes and tariffs, compulsory subcontracting or loss of financial freedom. When Microsoft opened its Beijing office, it planned to use its Taiwan operations to supply a Mandarin language version of Windows. The government not only wanted such an operating system to be designed in China but also insisted on defining the coding standards for Chinese characters' fonts, something Microsoft had done independently everywhere else in the world. In a flurry of meetings with officials, Bill Gates argued that the marketplace, not the government, should set standards. But the Chinese electronics industry threatened to ban Windows and President Jiang Zemin personally admonished Gates to spend more time in China and 'learn something from 5000 years of Chinese history'. Gates sacked the original management team and promised to cooperate with Beijing (Bloomberg Business 1996).

- Physical actions: these actions are direct government interventions such as confiscation without any payment of indemnity, a forced by the government, expropriation, nationalization or even damage to property or personnel through riots and war. The Argentine government seized Spanish oil company Repsol's assets in the country in 2012, claiming it had failed to invest to meet internal demand. Two years later Repsol agreed

compensation of US\$5 billion, half of its initial claim, and withdrew from the country (BBC 2014).

1.2.5 Technological factors

Regarding the technological factors, it is important to recognize the importance of this big driver into the business world in the last years. The latest developments have revolutionized heavily the business world and the collaboration between entities: making business from big distances has never been so easy. British Airways operates its worldwide operations from Mumbai. Satellite communications, the Internet and the World Wide Web, client server technologies, ISDN and cable as well as email, faxes and advanced mobile phone applications have all led to dramatic shrinkages in worldwide communications, which means that in the international marketplace, information is power.

The latest technological trends such as the artificial intelligence, the automation, the big data science are leading the world to a different stage and to a more global marketplace, which requires the changing of the paradigm and mindset important to be considered by companies. The attitude of a certain culture towards the technology is very important to be considered by the international managers. Some emerging economies have bypassed the stages of linear technological developments that have been followed by the first movers. These emerging economies have learned from the first movers and developed their economy and their technology in

a shorter period of time. For instance, in many African countries consumers are jumping from no telephone to the latest in global communications technology, from no electricity to the solar power generation.

1.2.6 Sustainability factors

When we talk about sustainability it means finding solutions into the business world that don't have a damaging effect on the environment and can be sustainable in the long run. Most of the issues that arise related to this topic are due to the damaging and limited resources into the planet. For example, Tesla has found the solution in the transportation industry creating an electric car which doesn't pollute the environment and can be sustainable in the long run since electricity is created through hydroelectric power generation which is re-generable and almost unlimited in the world. Moreover, it is eco-friendly. Most of the packaging industries are taking the environmental impact seriously and are increasingly creating eco-friendly solutions, for example reducing the size or the percentage of the material for the packaging or using 100% recycling materials.

There is a clear evidence of some abnormal effects seen in the last years concerning the weather, an increasing proof of sea levels rising, temperatures warming while some bird species and water creatures are disappearing. Considering also what has happened in Brazil, into the pluvial Amazonia forest during the whole 2019, or so an increasingly number of fires are destroying the whole forest and

making some bird species and animals disappearing, so our whole planet is in danger.

‘As responsible global marketers, when considering the environmental issues we need to ensure in our strategic thinking that we respond to all the issues we have raised with ethical and socially responsible business practices that are sustainable in terms of their environmental, societal and economic impact’¹⁴ . As a result, ensuring that, the social, cultural, economic, political and environmental aspects of a global marketing strategy are integrated in a holistic way.

According to Forbes¹⁵, for brands, simply playing the environmental awareness card as part of a CSR or PR campaign isn’t an actual option anymore. Brands have to do it in ways that meaningfully support a sustainable future that is palpable to the customer. As the number of companies trying to co-opt environmental issues for their brands has grown, so too has the number of skeptical consumers. According to Wizard of OZ, consumers want brands to be “morally, ethically, spiritually, physically, positively, absolutely, undeniably and reliably” green.

¹⁴Isobel Doole, Robin Lowe and Alexandra Kenyon, 7 edition, International marketing strategy.

¹⁵ Forbes.com. green brands.

1.3 International niche marketing strategies for small and medium-sized enterprises.

1.3.1 The role of the SME sector within the global economy

‘The most commonly used definition of the small and medium sized firm sector relate to the number of employees in the company’¹⁶. There are two different approaches to this definition and the European Union for example defines SME as the enterprise employing less than 250 employees, the US approach instead classify the SMEs as those enterprises employing less than 500 staff. For a more detailed classification the European doctrine considers and micro-firms those with less than 10 staff, small those with less than 50, but more than 10 employees and medium between 50 and 249 employees.

SMEs are important creators of wealth in the domestic economies by employing local personnel, especially in the European market which represent the 99 percent of all firms and countries such as Italy with the peculiarity of industrial districts crucial for the economic boom development of the country at the end of the last century. An important role for the development of SMEs is usually played by the government which gives different kind of support encouraging the SMEs to internationalize by running export promotion programs, help with the documentation, comprehensive country market information or establishing in the

¹⁶Doole I., Lowe R. and Kenyon A., *International marketing strategy*, Cengage Learning, 7 edition, 2015.

target country trade institutions such as the Chamber of Commerce or the ICE Institute of the Foreign Trade, which are respectively institutions partially and fully financed by the government. While help with language training is usually available, it is cultural training in both the social and business culture that is often more important. In South Africa, for example, Proudly South African¹⁷ is an initiative of the National Economic Development and Labor Council (Nedlac) and is supported by organized business, organized labor, government and community to encourage firms to achieve the high standards necessary to compete against international competition in international markets. Moreover a particular focus could be set by the government in some particular and disadvantaged sectors in the local economy, by encouraging programs in their favor. For example, since the government gives financial incentives to the abovementioned institutions (Chamber of Commerce and ICE), is the government that directs those institutions by prioritizing their actions in some particular sectors defined by the government.

Despite this main role in the local economy, the SMEs in the international arena often show a lack of knowledge about the international market and courage due mainly to their lack of resources and the high risk that the international market presents. In the international environment, they are vulnerable to the international market and have a high failure rate. Only a small percentage of SMEs grow

¹⁷ Source: www.proudlysouthafrican.co.za.

significantly, perhaps 5 per cent and even smaller percentage have the ambition to become international traders. Nevertheless, the potential for growth in the international niche marketing is huge for the SMEs, due to the advantages of the small size, which leaves space for flexibility and fast adaptation to the market needs. Although the traditional model of the SMEs internationalization is exporting, in the last years with the increase of globalization we are assisting to an increase number of SMEs involved in a broader range of international marketing activities and the born of a large number of international niche marketing companies and usually even ‘‘born global’’ companies with an innovative idea that can compete globally.

Despite the huge opportunities that the international market offers, there are evident disadvantages and challenges for SMEs from the less developed economies. Many less developed countries (LDCs) are highly affected by corruption, have a poorly developed infrastructure and suffer unreliable and poor quality of supplies such as water or electricity power crucial for the everyday business activity. Despite these challenges faced by the LDCs enterprises there are even several cases of success by identifying the changing customer demands and expectations, market trends, quality standards and appreciating the power of branding in order to raise the brand awareness.

Some further and detailed barriers and challenges for the SMEs in the international market will be covered in the next paragraph.

1.3.2 Barriers to SME access to international markets

According to OECD¹⁸ in order to internationalize the SMEs must face several challenges and barriers classified as internal and external.

Internal barriers can be classified as barriers internal to the enterprise associated with organizational resources/capabilities and company approach to export business and among them, there are:

- Informational barriers: problems in identifying, selecting, and contacting international markets due to information inefficiencies such as limited information to locate/analyze markets, unreliable data about the international market, identifying foreign business opportunities and inability to contact overseas customers;
- Human resource barriers: seen as inefficiencies to human resource management with regard to internationalization such as lack of managerial time to deal with internationalization, insufficient quality of and/or untrained personnel for internationalization and difficulty in managing foreign employees;
- Financial barriers: lack or insufficiency of finance with regard to internationalization, as a result, shortage of funds to finance working capital

¹⁸ Source: www.oecd.org/cfe/smes/glossaryforbarrierstosmescesstointernationalmarkets.html.

for internationalization, shortage of funds to finance investment for internationalization and shortage of insurance for internationalization;

- Product and price barriers: pressures imposed by external forces on adapting the elements of the company's product and pricing strategy. SMEs can find difficulty in developing new products for foreign markets, difficulty in adapting product design/style, difficulty in meeting product quality/standards/specifications of foreign markets, difficulty in offering satisfactory prices to customers, in matching competitors' prices, in granting credit facilities to foreign customers and at the end lack of excess production capacity for foreign markets;
- Distribution, logistics and promotion barriers: barriers associated with the distribution, logistics and promotion aspects in foreign markets. So, it is common to find difficulty in establishing/using distribution channels in foreign markets, difficulty in obtaining reliable foreign representation, difficulty in supplying inventory abroad, excessive transportation/insurance costs, difficulty in offering technical/after sales service and difficulty in adjusting promotional activities to foreign market.

Concerning the external barriers which are barriers stemming from the home and host environment within which the firm operates. Among them:

- Procedural barriers: barriers associated with the operating aspects of transactions with foreign customers such as unfamiliar exporting

procedures/paperwork, difficulty in communicating with foreign customers, slow collection of payment from abroad and difficulty in enforcing contracts and resolving disputes;

- Governmental barriers: lack of the home government assistance/incentives, unfavorable home rules and regulations, restrictions to have foreign ownership, restriction on the movement of people/business persons (such as problems obtaining visas, quotas, limited duration of stay etc), unfair treatment compared to domestic firms in tax or eligibility to affiliate, unfair treatment compared to domestic firms in public procurement, unfair treatment compared to domestic firms in competition regulation and laws and regulations are not transparent in the foreign country;
- Customer and foreign competitor barriers: which are associated with the firm's customers and competitors in foreign markets, which can have an immediate effect on its export operations. There are so different foreign customer habits/attitudes and keen competition in foreign markets;
- Business environment barriers: barriers associated with the economic, political-legal and socio-cultural environment of the foreign markets within which the company operates or is planning to operate. So, poor/deteriorating economic conditions abroad, foreign currency exchange risks, unfamiliar foreign business practices, different socio-cultural traits, verbal/non-verbal

language differences and inadequate of infrastructure for e-commerce, political instability in foreign markets;

- Tariff and non-tariff barriers: barriers associated with restrictions on exporting and internationalizing imposed by government policies and regulations in foreign markets. Hence high tariff barriers, inadequate property rights protection (e.g. intellectual property), restrictive health, safety and technical standards (e.g. sanitary requirements), arbitrary tariff classification and reclassification, unfavorable quotas and/or embargoes, high costs of customs administration, and competitors with preferential tariff by regional trade agreement.

1.4 SMEs international marketing strategies

The decision to internationalize is not a straightforward one, but a long and complex process. It requires planning and a high degree of flexibility, the ability to adopt and above all knowledge of the foreign market. Internationalization brings great opportunities but also big risks. However, in the long run it is probably more risky not to internationalize at all. It is becoming increasingly difficult to maintain continuity and stability in today's market where competition and the number of competitors entering the market is increasing day by day. "In the eradicate competition conditions imposed by globalization, the reshaping of marketing policies is gaining importance" (Soyuer, 2014). "The changing needs of

enterprises and organizational markets, increasing competition and structural changes, developments in production and information technologies, increasing diversification in customer tastes and habits challenge the companies and consequently reducing the validity of traditional strategies” (Dalgic, 2002). “In this circumstances, especially small and medium-sized enterprises have been turning to niche marketing in order to survive in a highly competitive environment and to maximize their marketing advantages” (Demir and Sahin, 2000).

According to Forbes¹⁹, there are several reasons why the companies internationalize among them:

- The possibility or necessity of increasing sales;
- Diversifying its operations and associated risks;
- Getting closer to its clients;
- Reducing costs of labor production or supply;
- Compensation for home market decline or saturation.

Although the abovementioned reasons are valid, the concept of internationalization is seen as a simply solution to a fact or a set of circumstances that are changing the normal course of business such as the saturation of the local market.

¹⁹ Source: Forbes 20 April 2015.

Nevertheless, there are other more proactive reasons for incorporating internationalization into the competitive strategy of an SME, including:

- Taking advantage of other markets growth and development;
- Moving activities in the value chain to more competitive regions (be they costs delocalization of production to countries manufacturing and labor costs);
- Exploiting economies of scale;
- To gain knowledge about other clients and markets, the capacity of competitors at a global level in a particular industry or sector, and even the cultural diversity typical of teams in global companies.

‘In exploiting these opportunities to generate revenue from international markets SMEs have a number of alternative strategies which provide a useful method of categorization of SME internationalization’²⁰:

- Exporting: selling abroad domestically developed and produced goods and services;
- International niche marketing: marketing a differentiated product or service overseas, usually to a particular segment, using the full range of market entry and marketing mix options available;

²⁰Doole I., Lowe R. and Kenyon A., *International marketing strategy*, Cengage Learning, 7 edition, 2015.

- Domestically developed niche delivered or services: can be marketed or delivered internationally to potential visitors;
- Direct marketing including electronic commerce: allows firms to market products and services globally from a domestic location;
- Participation in the international supply chain of an MNE can lead to SMEs piggybacking on the MNE's international development. This may involve either domestic production or establishing a facility close to where the MNE's locations are established in other countries.

1.4.1 Exporting

Exporting represents the first step for a company with the ambition to embrace the internationalization process and to penetrate the foreign markets. In fact, it is usually used as an entry strategy for most firms venturing abroad for the first time and it is the entry strategy most favored by the SMEs. The ability of a firm to export a proportion of its sales abroad is increasingly regarded as an important competitive measure of performance at national as well as regional level (O'Farrell et al, 1996).

In case the things are not working out as planned this strategy is seen as the least risky since it is easier to recover due to its flexibility compared with other strategies. The firm can decide whether to use direct or indirect exporting depending on the characteristics of the business.

Direct exporting: the firm decides to sell the products or provide the service directly in the country where the final client or customer is, by opening an export sales department or a store. Staying close to the final customer the firm has the advantage to establish a closer relationship, adopt the offer depending on the demand and being the first to notice the changes. The main disadvantage of this strategy is that it requires a huge and costly investment for example opening a store in the foreign country, which is a fixed cost. Moreover, due to some laws in the labor market, the firm may be obliged to hire local workers in order to increase the employment rate in the host country. In this case, it may be a problem in terms of work ethic that the foreign worker may lack.

Indirect exporting: by using intermediaries and agents, the firm can reach foreign markets and export their products or services. The advantage of this strategy is that the firm by using intermediaries or agents has the market research already done by them. This strategy allows the firm to save time in market research and fixed costs. Moreover exporting indirectly allows to the firm to have immediately revenues and to invest for future developments of the business. Among the disadvantages the main one is that, the firm loses the contact with the product and the market and may lose information about the final price, which may increase exponentially. This may create a reputation about the product that the prices are very high. Another disadvantage is that the service or the product may be served or sold not coherently

with the prestige of the brand and as a result, it could ruin the reputation of the Brand.

Broadly considering the export strategy it leads to advantages and disadvantages as following²¹:

Advantages:

- Increased sales volumes due to the bigger market share covered as well as the generation of bigger share than in the domestic market: since the domestic market or segments within the firm operates and sales are limited, by exporting the firm has the opportunity to have a huge potential market to attack and conquer. Moreover the firms may export in countries with higher standard of livings which allows to them to keep the prices higher than in the domestic market and as a result to create bigger profit margins;
- Increased economies of scale: whenever the domestic market is limited due to full saturation and the firm has expanded the fixed investment, by exporting in the foreign markets the firm has the opportunity to decrease the unit costs of manufacturing as the sales volumes rise;
- Diversification of the market share, which means diversification of the risk: this advantage allows to the firm to reduce the risk of depending only on the domestic market. In case of market stagnation or recession of the domestic

²¹Source: www.ukessays.com/assays/marketing/analysis-of-the-advantages-and-of-exporting-marketing-essayphp#citethis (November 2018).

economy, or problems relating to unfavorable fluctuations of the domestic currency the firm may lose just part of the market share and rely on foreign markets for the remaining part;

- Lower cost of investment, since the firm can choose the indirect strategy. So, the firm not necessarily using the direct strategy can easily and quickly withdraw from an export market limiting so the amount of the resources spent or test the export market on the expense of intermediaries before committing greater resources through foreign direct investment;
- Helps to stabilize in case of fluctuations in sales associated with economic cycles or seasonality of demand in the domestic market.

Disadvantages:

- Not benefiting from the location advantages, since exporting does not require direct presence in the foreign market and as a result not staying in contact with the foreign customers doesn't allow to the firm to see the customer satisfaction and learn about the interest of the client, competitors and the market;
- Exchange currency risk: when dealing with foreign currencies the firm may encounter significant exchange losses depending on the political stability of the foreign market. In order to overcome this problem some international companies receive the payments just through important and stable

currencies such as Euro or Dollar. Another related problem can be the cost of commissions per transaction due to the different currencies;

- Trade barriers such as duties/tariffs depending on the area where the firm is trading. The general rule in this case is the following: higher the distance from the exporting country to the final market, higher the costs, since the goods have to cross different borders and at every border there are charges of tariffs. Nevertheless, in the last decades, with the creation of some economic unions and giant common markets this rule is not always true, because within these areas there are free movement of goods, workers etc;
- Limited ability to respond quickly to the customer demands in terms of differences of the products or even the quantity of demand. Since the company operates in a country far from the foreign market, it may be difficult to satisfy the demand in case of abnormal unpredictable changes. Nevertheless, in the last years with the technological development the problem of quickly responding to unpredictable demands is becoming increasingly smaller. In fact, nowadays transporting goods, people or raw materials from a country to another or from a continent to another is becoming increasingly faster and easier;
- High transportation costs: that considering the whole supply chain may be high and uneconomical especially in the case where the company exports in bulk and products with short expiration day, which may lead to even

inefficiencies and wastes. With the development of subjects like supply chain many of these problems can be faced differently and efficiently.

Conclusions:

Exporting is the most popular strategy among the internationalization strategies especially for the small and medium sized enterprises and in their initial stage of internationalization and study of the market. This strategy becomes less popular when the size of the company grows. The less risky strategy for a firm in the case of export is to build strong collaboration with the local firms through joint ventures, licensing or franchising since the foreign business partner may have higher knowledge of the foreign market and the probability to succeed becomes higher. If the company decides to export, alone this strategy involves a foreign direct investment, which at the same time requires the establishment of a long-term commitment in the foreign market involved.

In the previous paragraph the advantages and disadvantages of the export strategy have been presented, but considering the future progresses of the business world some of them have been reduced and others overcome.

1.4.2 International niche marketing

There are several definitions of niche marketing. According to Kotler (2003) it is defined as ‘‘the process of addressing an unsatisfied small market segment’’.

The Business Dictionary²² defines it as “concentrating all marketing efforts on a small but specific well defined segment of the population. Niches do not ‘exist’ but are ‘created’ by identifying needs, wants and requirements that are being addressed poorly or not at all by other firms, and developing and delivering goods or services to satisfy them. As a strategy, niche marketing is aimed at being a big fish in a small pond instead of being a small fish in a big pond. Also called micromarketing”.

One of the most comprehensive definitions of niche marketing belongs to Collins. According to Collins (1994) ‘niche marketing is a marketing technique that has made it compulsory to re-organize its goods and services in accordance with the customers, thus offer the best opportunity to come from above the competition. Therefore, it enables the companies to provide total customer satisfaction by fulfilling their special wants and needs and actualizing the quality revolution’.

This strategy occurs when the firm becomes a strong driving force due to the uniqueness of products or services that is able to offer in a narrow segment or market and although the niche market is defined as a small market in real terms, it can sometimes be made up of millions of individuals. For example, the number of citizens with disabilities in Turkey is around 8 million, and a product that deals with all the disability will be both a niche and a mass market. Through this strategy, the

²² Source: Businessdictionary.com.

firm targets a specific market and has a specific strategy in a customer-focused niche. Kotler, 2003 summarizes the main features of the niche marketing as following:

- The customers in the niche have a distinct set of needs;
- They are willing to pay a premium to the firm that best satisfies their needs;
- The niche is not likely to attract other competitors;
- The niche gains certain economies through specialization;
- The niche has size, profit and growth potential.

As said by Dalgic, 2002, the changing needs of enterprises and organizational markets, increasing competition and structural changes, developments in production and information technologies, increasing diversification in customer tastes and habits challenge the companies and consequently reducing the validity of traditional strategies.

In these circumstances, especially small and medium-sized enterprises have been turning to niche marketing in order to survive in a highly competitive environment and to maximize their marketing advantages (Demir and Sahin, 2000). According to Dalgic and Leeuw 1994, small businesses view niche marketing as an important way out of the competition of big businesses in protecting their assets, maintaining their profitability, having the potential to grow and creating consumer dependence.

Niche Marketing Strategies:

There are mainly three niche-marketing strategies²³:

- Word-of-mouth campaigns: these campaigns are more successful and widely used among services or kind of products where the benefits cannot be effectively noticed through advertising. For example, if a restaurant aims to show the high quality or the speed of the service, this cannot be shown on the social media, because the customer is not able to evaluate objectively how fast the service given by the waiters is. Moreover, when the characteristics of the product are difficult to expose through advertising, the firm can use sponsorships or giveaways at events or establishments frequented by the niche market. The returns and the benefits of this strategy are extremely high since the word of mouth is a powerful tool and usually recommendations generally carry a heavy weight with consumers although these campaigns take longer to develop and yield results. Another big advantage of the niche marketing is its cost advantage, because the marketing activity is not carried on by the company, but by its clients so there are no marketing costs at all.

Hotel Monteconero case: as described in its website²⁴, Hotel Monteconero is located on the top of Conero promontory, in the quietness of an ancient Abbey with a panoramic view all over the Marche Region at an altitude of

²³ Source: www.marketing-school.org/types-of-marketing/niche-marketing.html.

²⁴ Source: Hotelmonteconero.it.

550m and enjoys a magnificent position with a view of the Adriatic and the gentle hills of the Marches. Originally, a 12th century Camaldolite abbey, the hotel has retained its external structure, including the Romanesque Church of St. Peter. Hotel Monteconero is a typical case that operates in the touristic sector, in a niche market that has increased its business and number of tourists mainly by the word of mouth. The location of the Hotel allows to the owner to operate in a specific niche segment. The segment is made up by tourists that spend their holidays during the summer and which like to combine during the same day, time spent laying on the beach, walking hours through the pathways of the promontory while enjoying the fresh air and moments for cultural and spiritual activities in the church. The hotel has continuously increased the number tourists, especially foreigners, since after the Second World War by the word of mouth. Only in the last few years, the hotel uses social media marketing such as the website or facebook, although this is not the main strategy of attraction of tourists. In fact, the core numbers of tourists is loyal and frequents the hotel since 40, 30 or 20 years ago and many of them do it constantly every year. As explained above, it took a long time to the hotel to benefit of the full potential, but the time that has been waiting now is paying off. In fact, hotel Monteconero can rely on a loyal, robust and stable number of guests every year.

- Trusted-messenger/endorsement campaigns: this strategy is based on hiring an international well known trusted Influencer to speak in front of the Niche marketing consumers about a product or a service. The Influencer should be well known internationally, reliable and sincere. For example, a respected worldwide doctor that has saved many lives can hold a speech in a congress followed in the target counties by the niche customers of this strategy and talk about a medical product. The success of these campaigns is highly contingent on the credibility of the spokesperson and the sincerity with which the endorsement is delivered. A failure of this strategy can be attributed to the incoherency between the Influencer and the product sponsored. For example, a famous and worldwide known football player sponsoring and medical product;
- Targeted collateral campaigns: this strategy relies on consistent brand exposure to the targeted niche market. Just about any radio station that plays a niche type of music (alternative, country & western, or classical, for example) that appeals to a certain audience will employ targeted collateral campaigns. They might distribute collateral and attend concerts by artists played frequently in their station, or advertise in local music/entertainment publications.

Brown and McDonald (1994) provide some issues when dealing with the niche marketing²⁵:

- Have good information about the segment needs;
- Have a clear understanding of the important segmentation criteria;
- Specialize based on customer-focused needs;
- Understand the value of the product niche to the targeted segment (s);
- Provide high levels of service;
- Commitment and communication;
- Carry out small scale innovations;
- Seek cost efficiency in the supply chain;
- Maintain a separate focus, perhaps, by being content to remain relatively small;
- Concentrate on profit rather than market share;
- Evaluate and apply appropriate market entry and marketing mix strategy to build market share in each country in which they wish to become involved.

Advantages:

There are several advantages to the international Niche Marketing approach, but on the other hand, there are also some disadvantages. The advantages can be summarized as following:

²⁵ Source: Hagen et al. 2012; Brown and McDonald 1994.

- Less competition, due to uniqueness of product or service that the firm is able to produce or offer and the uniqueness of needs that the firm is able to satisfy. Unlike the case of the perfect competition theory that shows how in the long run the market will be full of firms entering and so, sharing the market and decreasing their profit, in the case of niche marketing, the firm has less competition and can sustain the share of the market for a long period;
- Marketing cost saving: unlike the mass marketing where the company invests money hoping for a return, this kind of strategy is marketing cost effective because of the precisely targeted narrow segment that the company attacks. As a result, the company can reach its audience through specific channels followed just by the niche segment, or also through personalized e-mail marketing that is cost friendly. With the development of Instagram, the marketers of the niche marketing can use hashtags to reach a defined target. A hashtag could be defined as a box that encloses the common interests of different people all over the world. The people follow a well-defined hashtag and follow the content given by that hashtag from all over the world;
- Brand loyalty: niche marketing makes it possible for businesses to build their brand loyalty because this marketing approach let the companies to provide customers with products and services that they need and desire. The

company will end up having a leg up on the competition because the benefits given in a niche market are difficult to find in general products. The customers usually continue to repeat the purchases of the same brand, and they may even recommend it to their friends by the word of mouth;

- Higher profits: niche marketing is profitable because the niche marketers end up knowing the target segment so well that they meet their needs, by giving them higher benefits and better than the other companies, that casually sell product to that segment. As a result, the customers are willing to pay higher prices and the niche marketers achieve high margins because of the value added to the goods and services.

Disadvantages:

- The niche marketing strategy may not be suitable for long-term marketing, as niches may not give adequate business. There is limited growth because there is a small group of customers to buy products. Nevertheless this kind of disadvantage is true in the local economy meanwhile it leaves wider spaces in the international niche marketing, because of the potential number of segments that the firm can attack;
- The niche markets may be invaded by large companies, and small marketers may find it difficult to compete;
- A firm's survival chances may decrease if it depends solely on niche. This is because the firm has not a diversified risk between different business legs,

but relies just on the niche and all the revenues are generated thanks to the niche segment.

1.4.3 Niche marketing of domestically delivered services

This strategy is usually undertaken in the tourism sector and the firms that benefit the most through this strategy are the Hotels, Lodges, Hostels, travel Agencies etc. For example, the Kruger National Park in South Africa or the Victoria Falls in Zimbabwe and Zambia, attract a big number of tourists from worldwide. As a result, the economies of these countries are increasingly depending on the tourism sector, meanwhile the competition between countries in the tourism sector increases. In fact, the businesses that most benefit are the Hotels that host the visitors, the local Safari guides and plenty of other businesses such as restaurants or even small souvenirs shops. From this kind of strategy the whole country benefits on aggregate, especially because these sectors generate plenty jobs in the local economy, contributing for the local development. This strategy is seen as an “importing jobs from abroad” strategy, which attracts an enormous flow of foreign currency in the country.

This strategy can be seen not only in the tourism sector but also in the education sector. For example, the United Kingdom attracts each year a big number of students because of the prestige of the education system, but also to learn English in a mother tongue country. According to the UK Council for International Student

Affairs 2015, around 435 500 students from outside the United Kingdom come to study at higher education institutions in the UK and many more study at colleges and private language schools. The British Council supports the international marketing efforts of what are largely independent institutions.

Importing and reciprocal trading are embodied as well under the niche marketing of domestically delivered services. The purpose of considering importing here is to highlight the nature of international trade as it is today. The business dictionary defines imports as “products of foreign origin brought into a country”. ‘Importing is clearly the opposite process to international marketing and as such might be seen by governments as ‘exporting’ jobs and potential wealth’²⁶.

As mentioned in the international marketing literature: “Exporting and Importing have become inextricably linked so that the challenge is one of adding value to imported components and services, no matter where they are sourced, so that they can then be re-exported in order to meet the international customers’ needs effectively and profitably” creating so reciprocal trading.

Therefore, in order to undertake this process some governments encourage the flow of Foreign Direct Investments (FDI) entering the country. The International Monetary Fund (IMF) defines the (FDI) as the investment that involves a long-term relationship reflecting a lasting interest of a resident entity in one economy (direct

²⁶Doole I., Lowe R. and Kenyon A., *International marketing strategy*, Cengage Learning, 7 edition, 2015.

investor) in an entity resident in an economy other than that of the investor. According to the World Bank, FDI refers to the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise, operating in an economy other than that of the investor and can be further developed as the sum of equity capital, reinvestment of earnings, other long term capital, and short-term capital as shown in the balance of payments in that economy.

Developing countries, emerging economies and countries in transition have come increasingly to see FDI as a source of economic development and modernization, income growth and employment. Countries have liberalized their FDI regimes and pursued other policies to attract investment. 'Given the appropriate host-country policies and a basic level of development, a preponderance of studies shows that FDI triggers technology spillovers, assist human capital formation, contributes to international trade integration, helps create a more competitive business environment and enhances enterprise development'²⁷.

FDI can be divided into two categories explained and follows:

- Horizontal Foreign Direct Investments (HFDI): which according to Markus 2002, is a type of investment which is in the same industry operating abroad as a firm operate, or offers the same service as it does

²⁷ Source: www.oecd.org/investment/investmentfordevelopment/19598153pdf.

at home, and tend to produce for local or original markets only without exporting much output to host country.

- Vertical Foreign Direct Investments (VFDI), which occurs if a company invests in a business that plays the role of a supplier or a distributor.

FDIs can be attracted by two strategies. The first is for a company to set up new factories and plants from the ground up. This method is called a ‘Greenfield Investment’. Companies such as McDonald’s and Starbucks tend to use the Greenfield approach when expanding overseas. The second strategy is through cross-border mergers and acquisitions that involve acquiring an existing foreign enterprise in the country of interest. This method is called a ‘Brownfield Investment’. ‘An example of a Brownfield investment occurred in 2008, when the Indian truck company Tata Motors didn’t have to build those factories from scratch’²⁸.

In order to encourage the companies outsource some of the activities of the supply chain and to increase the supply chain value the government offers benefits to the foreign companies such as a fiscal benefits or a streamlined bureaucracy for the new businesses. The ultimate aim of the government is so to attract FDI entering the country because they contribute to the economic growth of the country.

²⁸ Source: www.investopedia.com/video/play/foreign-direct-investment/.

The definition of economic growth in economics typically refers to ‘growth of potential output, i.e., production at “full employment”, which is caused by growth in aggregate demand or observed output’²⁹. It is conventionally measured as the percent rate of increase in real gross domestic product (GDP), which is an indicator that shows that businesses are hiring employees and investing. These indicators are mostly statistics that show government-issued health and growth of the country, especially in the economic front.

Economic growth per capita is also called economic efficiency and primarily driven by improvements in productivity. This means increasing productivity, so more goods and services with the same inputs of labor, capital, energy, and or/materials.

1.4.4 Direct marketing and electronic commerce

Another important internationalization strategy for the SME’s is direct marketing and electronic commerce. This refers to the buying and selling goods or services using the internet, and the transfer of money and data to execute these transactions. This practice is used to refer to the sale of physical products online, but it can also describe any kind of commercial transaction that is facilitated through the internet.

²⁹ Source: Almfraji M.A., Almsafir M.K., *Foreign Direct Investments and Economic Growth Literature Review from 1994 to 2012*.

The history of ecommerce begins with the first ever-online sale: on the August 11, 1994, a man sold a CD by the band Sting to his friend through his website NetMarket, an American retail platform. This is the first example of consumer purchasing a product from a business through World Wide Web - or “ecommerce” as we commonly know it today.

Since then, ecommerce has evolved and consumers are becoming increasingly confident in buying goods and services from abroad and numerous business transactions take place every second of our life. Some other important reasons that have made possible the explosion of this trend into the business world are the increased efficiency of the supply chain and transport around the world and the security given by important platforms such as PayPal on money transactions. In fact, every day consumers order and receive goods and services offered from another continent in a short period of time and paying in a secure way from their computers.

‘The internet provides smaller firms with a shop window and the electronic commerce has led firms to redefine their business and it can also be a business in its own right’³⁰. Nevertheless, while the advantages are by far more important than the disadvantages both need to be considered in order to be aware:

Advantages:

³⁰Doole I., Lowe R. and Kenyon A., *International marketing strategy*, Cengage Learning, 7 edition, 2015.

Cutting out distribution channel: in fact, thanks to ecommerce the producer of a certain good gets in touch directly with the client cutting out several intermediaries such as importers, agents, distributors etc, which may increase and charge a high final price. Cutting out the whole channel the transaction becomes a win-win game for the producer and the consumer. Despite the win-win game, some SMEs have decided to use some important platforms through their distribution channel, in order to increase their visibility and gain more clients. An example is Booking being used by hotels in the tourism sector.

Real time communication: this aspect for a SME, allows a more rapid internationalization process by:

- Creating new opportunities and increasing the market share;
- Erecting barriers to entry;
- Making cost saving from online communications, since most of the social media and e-mail platforms where businesses are advertised are free of charge;
- Providing online support for inter-firm collaboration, especially in research and development, as an information search and retrieval tool;
- The establishment of company websites for marketing and sales promotion.

Disadvantages:

- Personalization of the communication: one of the main disadvantages for the SMEs while utilizing the ecommerce strategy is the personalization of

the communication. In fact, in order to conduct a successful strategy, the communication must be personal and the cultural insensitivity and language mistakes are among the main reasons of its failure. For a SME that operates in different countries dealing with consumers that speak different languages a multilingual website is crucial for success, as a result more costs for the management and the creation of the website must be considered;

- Complex transport and supply chain system: when it comes to delivering what has been promised and when, there are several obstacles that may arise. Among them delivering the product intact and as soon as possible according to when has been agreed. In fact, during the transportation, some products may be damaged and due to bad weather, conditions may be delivered in delay to the agreed destination.

1.4.5 Supply chain internationalization

Since for a MNE the supply chain and the stages towards the realization of the final product or service are complex, difficult and expensive to be realized in-house, many of them outsource some stages of the production of a good or service. According to Investopedia, outsourcing is a business practice of hiring a part outside a company to perform services and create goods traditionally performed in-house by the company's own employees and staff. This business practice is often undertaken as a cost-cutting measure and mostly some services are outsourced in

countries where the wages per hour worked are cheap. Many SMEs take advantage of this need into the business market and exploit it to grow internationally.

For example, many international car companies especially the German ones outsource parts of their production process to some Italian SMEs, especially the creation of some components. Rather than being a measure of cost cutting, in this case outsourcing is done to take advantage of the quality of the Italian car components. A measure of cost cutting instead has been undertaken by Fiat during the Marchionne administration, outsourcing some processes in Poland.

From a SME perspective, the advantages and disadvantages of outsourcing are as following:

Advantages:

- Increasing the know-how, strategic, operational management systems, communication, and purchasing efficiency, by working closely with the MNE;
- Reliable and predictable ordering, since working with MNEs allows to a SME to have a stable and robust stream of revenue and get greater business security. Moreover, once the order has been taken, has been immediately sold to the MNE and there is no need to develop selling skills or dealing with the final customer;
- High quality product, since the SMEs can focus all the efforts on the quality and the improvement of the product, instead of predicting trends or changes

of the consumers' patterns. The market research or the forecast of the changing market trends is already done by the MNE;

Disadvantages:

- Relying on one or two costumers, since there is the need to become closely linked to them and there is no diversification of the risk. The success or failure of a SME depends entirely on just a few customers;
Internationalization is driven by MNEs and in case of failure in following their demand and their specific requirements; another supplier will immediately substitute the SME;
- High relationship standards with the MNE, leads the SME to a weak position in the outside market, since it focuses all the efforts on caring the already gained partnership it is difficult to find new customers. Increasingly higher standards in terms of product quality are required by the MNE, putting the SME continuously under pressure.

2. THE ROLE OF REGIONAL ECOSYSTEMS IN SMES INTERNATIONALIZATION STRATEGIES

The focus of the second chapter will be set on the international state owned and controlled institutions in charge of facilitation the internationalization strategies of domestic companies, in particular the Chamber of Commerce and the Institute of Foreign trade. During the analysis will be defined what a Chamber of Commerce is, what is its aim, core business and the business practices offered in order to help the companies to expand their businesses. The same will be done for the Institute of Foreign Trade (ICE).

Since the conducted interviews regard Italian companies that aim to expand their business from Italy to South Africa, the institutions to be considered are Italians. As a result, the focus will be set on the Italian Chambers abroad and in particular, the Italian-South African Chamber of Commerce based in Johannesburg. In order to understand what services and what tools SMEs to better implement the strategy, have in disposition, all the services offered by the Chamber and ICE will be analyzed singularly.

The vertical analysis of both Institutions will start with an important consideration to be done, in order to put SMEs in a position to better choose between them and to be aware of their strength and weaknesses.

ICE is fully financed by the Italian government and the Chamber if financed just for a small amount of incentives, given by the government. As a result, the Chamber in order to make money and guarantee the survival must sell services and partnerships during the year, while the survival of ICE is given per granted. This aspect leaves space for the consideration that the Chamber must set higher standards of the services offered, face the competition of other consulting companies and be more efficient, while the ICE's business practices may not have the same standards due to its guaranteed survival, even though the range of services is wider.

2.1 The Chamber of Commerce

The internationalization process and its strategic implementation for a SME, requires huge amount of monetary and human resources, time, as well as a high knowledge and understanding of the country where the company is going to implement the internationalization strategy. There are different levels of internationalization processes and different market entry strategies. For all of them it is convenient for the company to rely on a specialized institution, consulting company or agency, which in a short period will be able to facilitate the market entry and to give information about the feasibility of the strategy in the sector where the company operates. A consulting company or institution that is based in the country where SMEs are planning to go international can have consolidated business practices and several contacts that are crucial to success for a SME.

A clear example is the associative marketing, given by the Chamber of Commerce. The International Chamber of Commerce is a worldwide-recognized institution that acts as a bridge between the business of two countries with the aim to promote and increase the mutual positive synergies between them.

In order to have a broader understanding of the foreign international market, a SME can rely on the deep knowledge of the Chamber of Commerce that operates in the domestic and host country simultaneously by promoting and encouraging the mutual development in terms of trade and international cooperation.

Moreover, the Chamber can be defined even as a database. In fact throughout the years this institution collects several contacts of domestic and host country companies and by doing so can immediately connect the domestic company with foreign counterparts which can help the company in the implementation of the internationalization process.

For each entrepreneur, in order to improve his business, the company needs to accept the challenge posed by the global market. Italian Chambers of Commerce abroad are the first international network of entrepreneurs to help companies to catch the best business opportunities and to join the network, which gives the opportunity to become partner of a locally fully incorporated business community and to share the best business practices. ‘The Italian Chambers of Commerce abroad

(ICCA) are a business community of 2000 experts in 54 different markets with 20 000 associate companies'³¹.

There are 77 chambers in 54 different countries having 140 offices. The services offered are: market orientation, legal, linguistic, fiscal customs advices, analysis and planning, business development, identification of qualified partners, incoming and outgoing missions in Italy and abroad, B2B meetings, networking events, brand events, customized assistance, start up and European projects: '60 projects won in 3 years'³². ICCA are part of the market and act for the market. ICCA have been connecting Italian and foreign territories for 30 years with promotional activities towards companies, economic bodies with main local and national institutions. Italian Chambers of Commerce abroad are one of the most qualified partners to develop businesses in the world.

Since the ICCA are many around the world and not all can be analyzed, the benchmark will be the Italian-South African Chamber of Trade and Industries given the correlation with our interviewed target SMEs.

2.1.1 The Italian-South African Chamber of Trade and Industries

As mentioned in its website³³, the Italian-South African Chamber of Trade and Industries is the gateway to the South African market for Italian companies. It is a

³¹Source: Assocamerestero, [youtube.com/watch?v=0Gx6gR9RvBc](https://www.youtube.com/watch?v=0Gx6gR9RvBc).

³²Source: Assocamerestero, [youtube.com/watch?v=0Gx6gR9RvBc](https://www.youtube.com/watch?v=0Gx6gR9RvBc).

³³ Source: Italcham.co.za.

non-profit organization that supports the Italian-South Africa business community and assists with commercial ventures between the two countries. The Chamber acts as a bridge between Italian and South African business, by providing vital knowledge, contacts and tailor-made assistance for Italian and South African companies to be able to navigate the prospects of bilateral trade between the two countries.

As praised in its website³⁴, the Chamber is first and foremost an organization that serves its members, of which there are about 200, by offering a diverse array of services and is able to provide constructive business advice (in both Italian and English) on the South African and Italian markets. “Although the mission and vision of the Chamber is to promote bilateral trade between the two countries, unfortunately there is no a mutual pushing force from South African companies toward Italy”³⁵. While from Italy to South Africa there are continuously internationalization cases and already consolidated companies, it is difficult to find them going toward the other direction.

The Chamber is extremely effective with assisting and representing SMEs, which do not yet have the funds to establish an office abroad. Additionally, the Chamber hosts networking events by attracting its high-profile members and contacts. The bilateral compliance policy enables the Chamber to provide services

³⁴ Source: Italcham.co.za.

³⁵ Mariagrazia Biancospino, ex Secretary General of the Italian South African Chamber of Trade and Industries.

to Italian firms who are interested in operating in the South African market and South African firms interested in operating in the Italian context.

Founded in 1983 by a group of 15 prominent South African-Italian businessmen, the Italian Chamber has retained an extremely strong board of directors, consisting of some of the top Italian-South African business figures. The Chamber is thus given its mandate and guidance by a highly knowledgeable group of people who are extremely attuned to the relationship between Italy and South Africa. Every year, members of the Chamber elect an Executive Committee, which works, and adopt the revise strategies relevant to the annual context of the market.

As it can be seen in its website³⁶, the Chamber believes that there remain many opportunities in both the South African and Italian markets; and the different global economic positions of the two countries provide many opportunities for partnership between the two nations. Its team is able to tailor-make the most suitable solution for the clients. In addition to the wide range of services that the Chamber offers to members and non-members, the Chamber supports clients by means of personalized trade and investment solutions.

Moreover, the Chamber is a qualified organization for the success of companies, institutions and territories in South Africa. The Chamber assists the Italian companies with the aim of promoting business in South Africa. This is done through

³⁶ Source: Italcham.co.za.

market research, business explorative missions, local company representation, B2B appointments, research of business partners, promotion of products and services and company representation in trade shows and conferences. The aim is to give a strong impulse to the development of the Chamber itself through a wide variety of promotional activities, the upgrade of the image of the Chamber acquiring prestigious Italian members and the globalization of the transit system. It carries out a wide range of activities that are always aligned with global sector trends, often using a multilateral approach. The projects are planned in accordance with the guidelines from the Italian government in collaboration with other Italian institutions of promotion. The Chamber uses the Italian cultural heritage for the promotion of the Made in Italy, by spreading the customs and characteristics of territories of Italian products, thus protecting and enhancing of their own origins. The Chamber plays a major role in spreading the Italian know-how in the local media sector, cinematography and wellness, and supports the application of Italian technology for environmental protection. The Chamber also encourages the contact and communication between research and industry from Italy to South Africa. It is the business network of communication, economic and cultural bridge between Italy and South Africa. The system of the ICCA, is everyday more visible and it is perceived as a protagonist throughout the world. The Chamber has a major objective and that is to raise awareness about the business opportunities that the Italians have in South Africa.

2.1.2 The history of the Italian-South Africa Chamber of Trade and Industries

As written in its website³⁷ and mentioned in the previous paragraph, the Italian-South African Chamber of Trade and Industries was established in 1983. Initially the Chamber was more of a meeting place for CEO's of Italian companies to discuss how to face the difficult and rapidly changing political and rapidly changing political and economic conditions of South Africa. In 1983, it was still the apartheid regime, but almost the end of its era and so, an unstable scenario in the South African political and economic landscape. Ever since, with a rich history of challenges and triumphs, the Chamber has gone through many changes and improvements.

The first elected chairman was Paolo Tosi, CEO of printing company Olivetti Africa. The Chamber was central to initiating the first steps towards establishing the "Made in Italy" brand in South Africa at an exhibition held at the Rand Easter Show in 1983. A pavilion was hired to put up a show of Italian products open to the exhibitors from Italy and to local Italian importers or manufacturers. A sponsor for the opening day was found in the successful Italian businessman, Marino Chiavelli.

Despite some initial successes, the early years were difficult in the context of a very challenging and unpredictable economic and political landscape in South

³⁷ Source: Italcham.co.za.

Africa. The first turning point was reached in the latter part of 1986 when Silverio Boccetti, CEO of Telsaf –Telettra was elected Chairman with a mandate to pursue a new philosophy and add a different edge to the Chamber. This new approach was to inspire future activities and was to give the Chamber a very high profile through a series of events involving important guest speakers, to put a shine on the public perception of the Chamber.

After several years of steady progress, the second most important turning point was represented by two completely unrelated events: the recruitment of a new Secretary General and the election of a new Chairman. The new Secretary General was Giancarlo Barsotti, retired CEO of Fiat South Africa and co-founder of security company Sandton Sentry. Soon after, the General Assembly voted Andrea Bollo to be the new Chairman. He was then re-elected for the next ten years, which is a true testimony of his role in re-launching the institution and in setting the stage for the growth and recognition of the Chamber as the “bridge” of commercial trade between both countries. For the first time, in 1999, the Chamber held the Business Excellence Award, an annual event that recognizes and celebrates outstanding business achievements within the Italian-South African business community.

From 2000 to 2004, Aldo Castellari was elected chairman and was succeeded in 2004 by Giovanni Ravazzotti, founder of Italtile. His vision, energy and foresight saw the Chamber go from strength to strength. In 2007, a new Secretary General, Mariagrazia Biancospino, was appointed and remained until May 2019, replaced

consequently by Pamina Bohrer, which remains Secretary General today. From 2008 to 2010, Nicolina Di Santolo was appointed Chairperson, so becoming the first woman leading the Italian Chamber of Trade and Industries in its 27-year-old history. In 2010, Andrea Moz. succeeded Di Santolo. He guided the Chamber through a time of positive change where trade missions from Italy were becoming popular and collaboration between both countries was increasing, especially due to the 2010 FIFA World Cup.

Antonio Cimato of Efficient Engineering succeeded Mister Moz. Cimato brought forward successful strategies of the previous years, contributing to the expansion of services offered by the Chamber and saw the Chamber boast and increase of its members to 300. Trade missions in South Africa, networking, event organization, servicing it's members, facilitating the visits of South Africa delegates to Italy and market research are just a few of the services which Cimato as chairperson and the staff at the Chamber focused on. In March 2017, the current CEO of Italtile, Sergio Galli, succeeded Cimato.

Galli is a pragmatic and highly experienced Italian-South African businessman who worked his way up to the executive position of one of the best performing South African companies. Under Galli, the Chamber will continue its legacy of excellence in improving the economic and commercial bilateral relationship between Italy and South Africa. Galli pledges that the Chamber will continue to

serve its members as well as the Italian- South African business community to the best of its ability.

CHAIRPERSONS OF THE CHAMBER

1982-1985: Paolo Tosi – Olivetti Africa

1985-1986: Luciano Alberti – Agip Lubrificants

1986-1989: Silverio Boccetti – Telsaf – Telettra

1989-2000: Andrea Bollo-Wanda Bollo Estates

2000-2004: Aldo Castellari- Italmarketing

2004-2008: Gianni Ravazzotti – ItaltileLtdCeramicIndustries

2008-2010: Nicolina Di Santolo – Hi- Tek Ceramics (Pty) Ltd

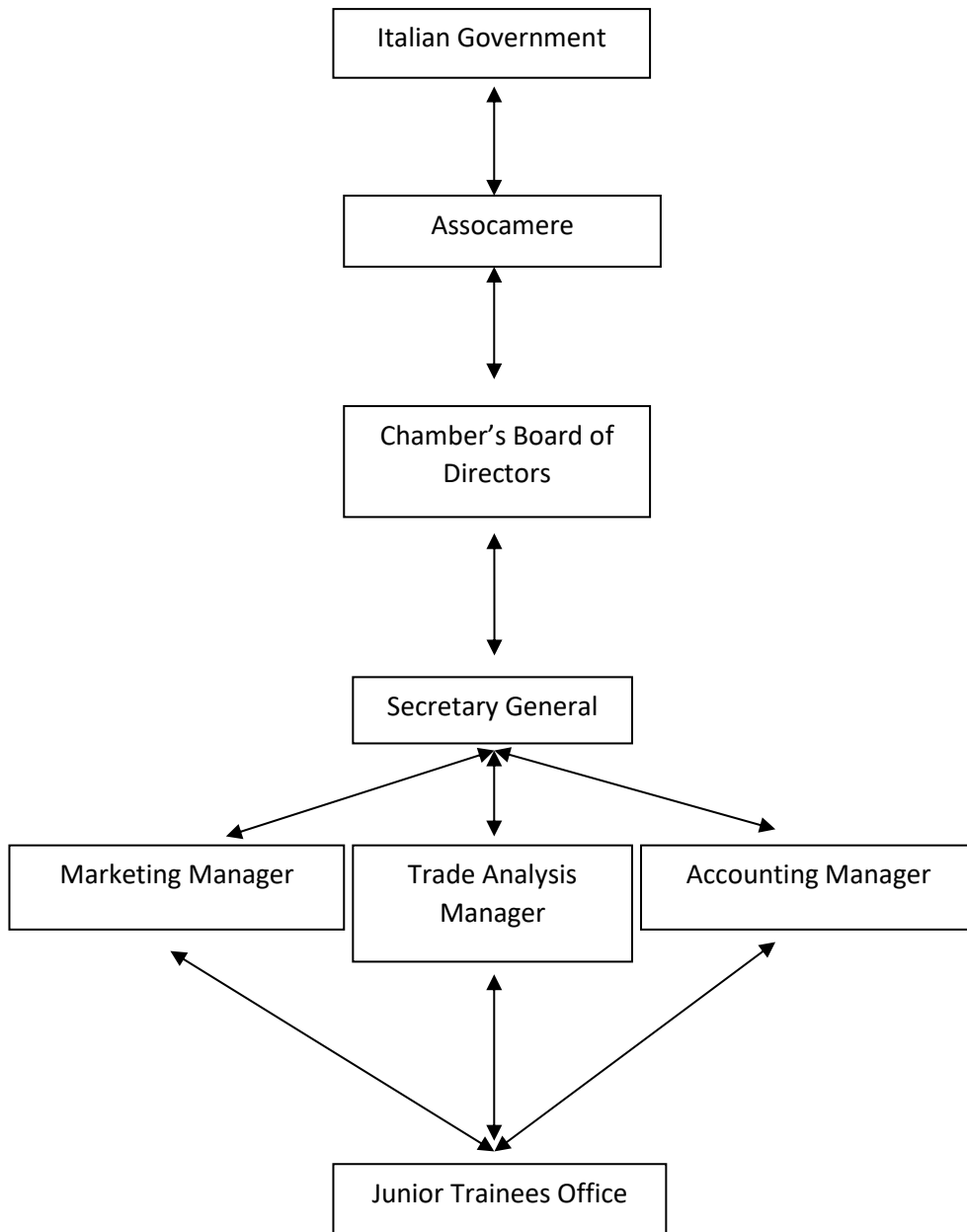
2010-2013: Andrea Moz – Auto Industrial Group

2013-2017: Antonio Cimato-Efficient Engineering

2017- Present: Sergio Galli – ItaltileLtdCeramicIndustries.

In the next paragraph will be shown in an organization chart the structure of the chamber, the board of directors and the staff in order to understand their tasks and the responsibilities inside the Institution.

2.1.3 Chamber's organization chart³⁸



³⁸ This chart is elaborated by the author of the thesis, Erindi Gjini that has been working as a Business Analyst Intern of the Chamber Itself. Moreover, the structure has been extrapolated and elaborated by reading the Statute of the Chambers.

This organizational chart regards the Italian South African Chamber of Trade and Industries and obviously, every Chamber has its own peculiarities concerning the inner organization. What is unchangeable for all of them is the way they receive directives from the top and give feedback from the bottom of the chart. As a result, on top there is the Italian government, which gives the directives to Assocamere, which is an association of Chambers of Commerce. Assocamere is the connecting association between the government and the Chambers, ones they have been recognized as such, according to the criteria set by Assocamere.

Assocamere communicates the directives to the Chamber, more specifically to the Board of Directors of the Chamber, especially to the president Sergio Galli. What is important to underline is that between all the actors there are mutual interactions and feedbacks as has been shown by the arrows. As has been said previously, the government gives to the Chamber some directives for example regarding the sector to be promoted, to make research or to organize events according to the needs of the bilateral cooperation between Italy and South Africa. Since the Italian Government issues the money in order to finance part of the Chamber's activity, the Chamber cannot be fully discretionary in following the directives, even though it is formally an independent institution. In doing so the Board of Directors must take accountability of the resources spent and justify it to the Assocamere.

Moreover, the Board must get the government's authorization when it comes to recruiting a new member of the team or replacing the Secretary General. As a result, the Board makes the proposal and the members of the government evaluate the candidate's profile and eventually decide the hiring. The Secretary General, which covers a strategic position, receives the directives to follow through the Board of Directors and distributes them to the lower positions in the hierarchical chart inside the office. As a result to the marketing manager, trade analysis manager and accounting manager. On the bottom of the chart, the operative positions there are the junior trainees, which execute the marketing and accounting strategies. Most of them spend from 3 to 6 months pursuing their internship as a result of some Chamber's conventions with some Italian Universities.

2.1.4 The services

The operational activity of the Chamber is conducted first in favor of its members. In fact, with around 200 members the Chamber is able to survive and the focus is set on them. The members are either Italian or South African companies that have interest in terms of business in the two countries. To become a member the partners must pay a yearly fee, which gives to them the opportunity to benefit from the services. The partnership level is divided in three layers with three different levels of partnership according to how much the partner company is willing to pay.

Corporate Membership: Rand 2 750
Funder Membership: Rand 6 820
Patron Membership: Rand 13750

Italy Corporate Membership: Euro 275
Italy Funder Membership: Euro 550
Italy Patron Membership: Euro 1100

Options and Benefits 2019³⁹:

Corporate Member:

- Information on fairs, exhibitions and events;
- “Flash” information on single company-contacts;
- List of Chamber members;
- Information on tenders;
- Country Fact Sheet-South Africa / Italy;
- Import / Export data per product category;
- Information regarding customs duties on products;
- Contact List – 10 contacts (where possible);
- A copy of the annual Directory;

³⁹ Source: Italcham.co.za.

- Insertion of the contact details in the annual Directory;
- Listing of contact details on the “New Members” page of the monthly Newsletter;
- Publication of advertisements, press release, etc. in the monthly Newsletter;
- Publication of job offers in the monthly Newsletter (2 issues) and on the official website;
- Participation in events organized by the Chamber;
- Discounts on events and services (up to 10%).

Funder Member:

- All benefits reserved for Corporate Members;
- “Company of the Mouth” article in the monthly Newsletter (1issue – A4, color presentation);
- Letter of presentation;
- List of local professionals (advocates, lawyers, accountants, translators, etc.);
- Listing of the Company name under the heading “Funder” on the Chamber Letterhead;
- Sector – specific market research;
- Discounts on events and services (up to 20%).

Patron Member:

- All benefits reserved for Corporate and Funder Members;
- Product – specific market research;
- Trade List (interest verified);
- Logo (with hyperlink) on Chamber website;
- Logo on back page of monthly Newsletter;
- Company listed under the heading “Patron” in the annual Directory;
- Listing of the Company name under the heading “Patron” on the Chamber Letterhead;
- Discount on events and services (up to 30%).

Supporters make the second important bulk of contacts that the Chamber has in the database. The supporters are contacts of companies, managers or professionals that somehow have got in touch with the Chamber for business purpose, but have not decided to become members. For instance, they have met the Chamber’s representatives in business meetings, fairs, networking events etc. Because of a common interest, they share with the Chamber the details of their business and the visit cards which consequently is uploaded in the Chamber’s database. With more than 6 000 supporters the Chamber has a great advantage when it comes to promotional activities or business opportunities because with just an email sent, can

affect 6 000 different companies simultaneously. For example, with just a few bulks of emails the Chamber sends to all the members and to all the supporters the monthly newsletter informing them about the business opportunities and about all the other topics covered by the newsletter.

As affirmed in the website⁴⁰ the Italian Chamber of Commerce offers a wide range of services pertaining to local assistance, logistics (hotel booking, flights, drivers, translation services, transfers), event organization and many further services during exhibitions, workshops and seminars.

The Italian-South African Chamber relies on teams of highly qualified professionals to supply ongoing services to firms and companies. In addition, called Italcham outsources market globally and acquires consultant services to ensure the success of the strategic alliances and to verify any legal, fiscal or customs issues that may arise.

The services include:

- Market analyses and identification of investment and trade opportunities;
- Reports on specific sectors;
- Assistance in developing market entry strategies;
- Identification of suppliers and importers;
- Identification and selection of industrial and financial partners;

⁴⁰ Source: Italcham.co.za.

- Corporate and financial information on potential partners;
- Organization of individual B2B meetings;
- Marketing and event planning.

Below will be analyzed one by one all the services in order to give to the SMEs the opportunity to have a wider view regarding the tools that can help to implement the internationalization strategies.

- **Market analyses and identification of investment and trade opportunities:** this is the first step, which can allow a company through a market research to understand the situation analysis of South Africa, as a result some macroeconomic data about the country, such as the population, government regime, GDP, GDP per capita, unemployment rate etc. The market research has the structure of a funnel and starts with some general information and as it goes ahead, it narrows the information and makes them increasingly specific to the interest of the company. Therefore, after a general description of the data and of the structure of the country the market research describes specifically the trends of the sector where the client company intends to expand the business. At the end of the market research there is a study of feasibility which makes aware the company of the degree of feasibility of the internationalization process, if there are market opportunities or if it will be better to not implement the strategy or simply makes it aware through a SWOT analysis of its strengths, weaknesses, threats and opportunities. An

important tool to understand whether a product in South Africa is appreciated for its high quality or for its low price is the World Trade Atlas. It is a software used by the Chamber, which by setting the product's international code identifies the volume of trade, so export and imports of a certain product from a country to another. For example, if South Africa imports a large volume of a certain product from China rather than from Europe, this means that the low price is preferred over the high quality. As a result, the chances for success of a European company are low. During the market research, the Chamber identifies for the client company some potential counterparts and business collaborates such as suppliers, agents, clients etc. The identification is made by the Chamber's database where the companies are divided based on the sectors they operate in. After selecting all the companies in that sector, the Chamber screens the most appropriate companies and further segmentation are made according to SMEs requirements;

- Reports in specific sectors: the second service offered by the Chamber is largely described in the above point, but if the report in specific sectors has been customized a wider understanding and more information regarding the sector can be delivered to its members or to an occasional client company. For example, between February and March 2019 the Chamber has conducted an important research and written a report regarding the

packaging industry. In the report, the most important trends of the industry have been shown. The guidelines regarding the sector where to put the focus are set by the Italian government, through Assocamere, which may sustain that there is a gap of information for Italian companies regarding a defined sector. As a result the report is published in the Chambers yearly directory or in the monthly newsletter in order to make aware or inform the members and supporters in case there are gaps, opportunities or trends in the sector;

- Assistance in developing market entry strategies: this peculiar service offered to the member or the client companies depends on the market entry strategy that will be adopted, the product or service that will be put on the market or also on the peculiarity of the business or the size of the company. In this case, the Chamber has a competitive advantage over its competitors due to the client-centric approach and the customized service. For instance, the Chamber supports its members with supply chain and logistics services or customs services in case an export strategy will take place;
- Identification of suppliers and importers: as has been said above, the Chamber can be defined as a database, segmenting its contacts, so the members and the supporters according to the sector they operate in. A further segmentation is made based on the nature of the contact inside the sector, so whether the searched company is a supplier or importer. As a result, this gives to the Chamber a big advantage when it comes to selecting

a supplier or an importer, because it is so easy to find them, according to the selected criteria in the database. It is easy so to deliver to the client the required contact, whether it is a supplier or an importer;

- Identification and selection of industrial and financial partners: this is a very useful service delivered to a foreign company and it means that the Chamber gives to the client guidelines according to the identification and selection of industrial and financial partners that the client will need during the process. This is due mainly to the fact that the Chamber has experience and knows very well the industrial and financial institutions in the country where it operates and can suggest and match them with the client company;
- Corporate and financial information on potential partners: since the Chamber makes use of powerful Software, it is able to identify whether a counterpart is healthy financially or it will be better to change business partner and to suggest another healthier company to the client. The selection of a wrong partner, in the international arena may cause big financial losses and damages the SMEs. As a result the Chamber is able to give information regarding the partner's reliability;
- Organization of individual B2B meetings: thanks to the Chamber's 360 degrees service, the client company can seat around the table with the desired counterparts and future business partners. The Chamber not only offers the service of selecting the right business partner, but only the driving

service and language facilitation to the client company. In fact, when a manager of an Italian company lands in the airport is not familiar with the city, as a result the Chamber can drive the client to the partner or to the fair and help him to communicate with the future partners. Moreover, the Chamber can invite both to its offices in order to start the business procedures;

- Marketing and event planning: the marketing at the Italcham regards every kind of promotional activity that the Chamber can provide to the client and the main online tools for its marketing orientation are Newsletter, Directory, Instagram, Facebook, LinkedIn and its Website. Concerning the offline tools that the Chamber has in disposition instead, there are different ones, among them fairs and events. For example, the Chamber has contributed to the promotion in the Fruit and Vegetable sector of 5 South African companies, by providing them the service necessary to take part at Macfrut, an international exhibition held in Rimini in May 2019. In this fair, the South African counterparts have had the opportunity to create business linkages with Italian partners and vice versa. Another offline promotional activity organized by the Chamber in November 2018, held in Johannesburg is “Vino in Piazza”. It was an occasion for the Italian wine producers to promote their wine in South Africa and to find importers in order to enlarge their business. Moreover, the Chamber organizes also the Aperilink and by

inviting several different representatives of chosen companies, gives to them the opportunity to talk about business and to create connection for the creation of future positive synergies.

In the next paragraph will be briefly shown the operational activity of ICE, so the Institute of Foreign Trade, that shares the same business philosophy with the Italian South African Chamber of Commerce.

2.2 Italian Trade & Investment Agency

As stated in its website⁴¹, ICE is an agency that thanks to a multichannel communicational approach promotes the Made in Italy abroad and provides internationalization services to Italian companies. It is a 100% state owned agency and managed directly from the Italian Government, specifically through the Ministry of Economic Development and the Ministry of Foreign Affairs and International Cooperation. The aim is to consolidate the economic and trade development of Italian companies in the foreign markets. Moreover, it acts also as an intermediary in order to attract the foreign investments in Italy. Thanks to a dynamic, motivated and modern network in the foreign markets, ICE provides

⁴¹ Source: Ice.it/it/mercati/sud-africa/Johannesburg.

services such as information, assistance, consulting, promotion and training to the small and medium sized enterprises.

Thanks to a wide range of services in numerous sectors, and several offices abroad ICE is able to cover a wide range of requests from the clients. In order to consolidate the Italian presence in the foreign markets and to promote the Made in Italy in the world, every year ICE organizes more than 400 promotional activities such as: participation to fairs, seminars, meetings among operators, market research and communicational campaigns. All the events organized by ICE in foreign markets and the access to every information needed by the client is consultable on-line in its website.

2.2.1 The services

As stated above ICE acts at Italian companies side by providing an integrated offer of services such as information, training, promotional and consulting in order to know better the foreign markets to screen new opportunities and at the end to consolidate the international relationships.

The list of the services in its catalog is divided in 3 parts according to the steps that a company has to undertake in order to have a successful internationalization process: orienting, entering and consolidating in the market.

2.2.2 Orientation in the market

The first stage for a SME in order to undertake the internationalization process is the orientation in the market. As a result, the services given in the orientation stage by ICE are as following:

- General information for the first orientation (free of charge): collection of general information to understand the possibility of internationalization in a given market as a first approach before starting a more specific market research;
- News from the world (free of charge): daily web news with information about economy, commerce and trade opportunities;
- Info from the foreign markets (free of charge): info to address the internationalization choices, divided by sector and market: economic and political profile, opportunities, partnership possibilities, market and credit access, critics and risks of investment and overview of the Italian presence and the bilateral cooperation;
- Information notes on the markets (free of charge): ICE shares in its website, more deep information on single markets, with sector notes and technical norms cards, customs etc;
- Trade opportunities (free of charge): trade opportunities (export, import, industrial collaboration and investments);

- Preview of big projects (free of charge): anticipation on initiatives and activities translated in tenders and financed projects. Information divided by country and sector report the references for further deeper information;
- International financing (free of charge): information about development and technical assistance financed by the main international financial institution and the European Union, divided by beneficial country and sector;
- International tenders (free of charge): information about international tenders, according to a defined country and sector, summarized with useful guidelines about the tender's specification and presentation of the offer. News about adjudications, where available, which are useful for eventual subcontracting contracts;
- Online consulting (free of charge): market overview focused on the political situation, cultural aspects with commercial reflections, economical and consumer overview on specific required topics. Where possible, according to the technological infrastructure and the social political context, the distance interview has to be appointed with the ICE's chairman foreign office and with the trade analyst specialized on the specific topic;
- Export tips (free of charge): training tools, given by audio/videos unities available on web, about the enterprise internationalization issues, such as the evolution of the international commercial landscape, digital market, web

marketing, e-commerce, international marketing, tools and access modalities in the foreign markets etc;

- Product sheets (free of charge): statistical processing and graphical summaries to describe the world's demand trend of more than 300 products and for each of them the most relevant markets, the Italy's positioning and a focus a focus on the main competitors. For every product it can be visualized also the defined Italian Export markets and the principal suppliers of Italy;
- Your product on the market (price to quote): dossier about the potentiality of a given product or service in a given market, with information about: economic situation, trade with Italy, local offer and foreign competitors, consumers trend and target users, contractual information, customs, fiscal and technical, main fair and media;
- Foreign operator's profile (price to quote): detection of local operators and providing of data about: registry, activity sector, distribution structure, assistance network pre and after sale, market segmentation and represented brands;
- Statistics on foreign trade (free of charge): distinguished in two categories:
 - 1) Statistical processing on the Italian commercial trade and on the foreign direct investments in Italy.

2) Selected statistics, after registration, which allows the analysis of the Italy's competition positioning compared to the main competitors in different countries and in different product entries;

- Customized statistics on foreign trade (price to quote): customized processed statistics according to the function and specific client's needs;
- Customs, fiscal, legal and currency information (price to quote): information processing about customs duties, mandatory certifications, fiscal norms, product labeling requirements and labor laws about the country of interest.

2.2.3 Entering the market

The second stage to be undertaken is entering the market and the services offered are as following:

- Online showcase (free of charge): virtual space in the international ICE-Agency website⁴², to present the company and all the information that desires to share on web (products, brand, images, video, catalogs, website and social medial), in order to increase the visibility and to receive the commercial offers from foreign counterpart;

⁴² Source: Ice.it.

- Reserved information about Italian and foreign companies (at a fixed cost): reports with updated information, on which the availability can vary according to the country, economic operator of interest, such as business name, address, phone and website, activity carried out, legal form, constitutive data, financial situation, financial and economic judgment on solvency;
- Customized market research (price to quote): processed research according to the characteristics and the needs of the company. Made by the foreign office or by the specialized agency;
- Individuation and selection of foreign partners (price to quote): individuation of potential interested foreign clients/partners, to establish commercial contacts with the Italian company. The service include:
 - 1) Selection of local operators, coherently with the Italian company's profile.
 - 2) Sending of documentation and/or samples, supplied by the applicant to the selected companies.
 - 3) Telephonic follow-up to understand the interest about the offer.
 - 4) Final relation about the results and the consideration of the interviewed operators.
- Research of foreign investors (price to quote): preliminary analysis with evaluation of the request and examination of the international markets on

which the offer is destined. As a result an examination of potential partners/investors; follows the research of the counterparts and the presentation of the project, the verification of the interest and the final report on the results;

- Research of local professionals (price to quote): such service regards the provision of a list of local professionals, registered in the professional register;
- Distribution of informational material (price to quote): distribution in electronic and/or papery format, to the local operators of informative material about the Italian client or an institution to promote. The final report regard the activities carried on and the recipients reached;
- Business meeting organization (price to quote): preparation and organization of bilateral meetings either with economic partners selected by the foreign ICE-Agency or the one indicated by the Italian client, with the assistance of ICE's personnel;
- Business tour organization: foreign operators to Italy and Italian operators abroad (price to quote):

Concerning foreign operators to Italy, the service includes assistance (to fair organizations, chambers of commerce, industrial districts etc) to identify operator and business events organized in Italy, such as fairs, business meetings etc.

Concerning Italian operators abroad, the service includes organization of Italian operator's delegation abroad coordinated by territorial and association institutions, with the aim of meeting foreign counterparts and opportunity for company visits;

- Participation in fairs (price to quote): the service includes the providing of stands in occasion of fairs in the selected country and aims to reach either single operator or collective subjects;
- Events organization (price to quote): organization of conferences, workshop, independent exhibitions, agro-food tasting, press conferences, company presentation, promotional actions, fashion shows, and other promotional and communication events. The ICE's activity includes the individuation of spaces, counterparts, foreign collaborators and the relational management of the media;
- Events organization for investment attractions (price to quote): the service regards the requests given by the Italian institutional or private clients of support on autonomous initiatives/promotional activities connected with the attraction of foreign investments to Italy;
- Study Tour abroad (price to quote): it is an educational measure that regards the internationalization process, provided to a minimum number of 8 participants, intended to a group of companies, network of companies, "big

clients” (agencies, regions, local authorities, trade associations, cooperatives etc.);

- Technical-specialist meetings (at a fixed cost): this customized service intended to a group of companies, network of companies, “big clients” (agencies, regions, local authorities, trade associations, cooperatives etc) includes the educational measure and the selection professors for ICE-Agency faculty on topics related to the process of internationalization;
- Short term training courses (at a fixed cost): intended to the same abovementioned subjects and includes the projection of short term courses, from two to five days and the selection of professors from the ICE-Agency Faculty. The modalities of the course are similar to the abovementioned service or there can be actions in terms of personalized coaching courses even from distance;
- Medium term training courses (at a fixed cost): even this service presents similar modalities provided to the same subjects, from a minimum of six days to a maximum of ten days.

2.2.4 Consolidation in the market

The final step that SMEs have in disposition and the final services provided by ICE are presented as following:

- Interventions on legal, customs and fiscal issues (price to quote): assistance in facing the legal, customs, fiscal issues connected to the foreign markets initiatives. Opening of dossier and presentation of requests for the refund of local taxes, with the exception of VAT in the community territory;
- Consulting for foreign investments (price to quote): the service offers a preliminary analysis of the economic situation and the norms in the foreign country, the research of counterparts, assistance and consulting in negotiating with selected partners, the performance of the procedures required by the local norms, research of local personnel and properties for the starting of the activity;
- Assistance for dispute resolution (price to quote): assistance and research in a friendly way and out of the court of the commercial disputes between Italian and foreign companies. Regarding the expired credits, in case of friendly resolution failure, there is the possibility to use on favorable terms, the service of debt collection provided by SACE SRV, thanks to an agreement ICE-SACE SRV;
- Assistance for tender participation (price to quote): the service includes the finding of tenders, individuation if possible of companies participating in

the tender, organization of meetings with them and the signaling of local experts to successfully carry on the contractual aspects;

- Utilization of ICE offices (price to quote): possibility to utilize ICE's meeting rooms, rooms and facilities in foreign offices, in order to organize events or for limited periods according to availability. The service can include even the attribution of a postal address and a phone number, secretary service etc;
- Research of local personnel, local, buildings and land procurement (prices to quote): research and pre-selection of personnel, administrative and technical with the aim to provide a "rose" of candidates of potential interest of the client. The individuation of local operators in the real estate sector with the offer of responding to the local needs of the client;
- Advertisement through foreign media (prices to quote): the service includes different solutions from the single advertisement to the design of customized marketing campaign, with the selection of the most important media, the development of contacts and the preparation of texts according to the material provided by the client and/or processed by the foreign office, eventually collaborating with local experts. It is provided a final report with the description of the activities carried on;
- "Tailor made" training courses (prices to quote): this customized service intended to a group of companies, network of companies, "big clients"

(agencies, regions, local authorities, trade associations, cooperatives etc) includes the educational measure and the selection professors for ICE-Agency faculty on topics related to the process of internationalization. It is similar to the previous courses and addressed to the same entities with the difference of covering a wider range of topics and for customized periods of time according to the client's needs. More topics such as, branding, pricing, packaging, business plan, contracts, supply chain and customs are covered.

3. INTERVIEWS ABOUT THE EFFECTIVE CONTRIBUTION OF THE REGIONAL ECOSYSTEM AND THE ASSOCIATIVE MARKETING ON THE SMEs INTERNATIONALIZATION STRATEGIES

In the third and final Chapter will be analyzed three different SMEs that have undertaken the internationalization process into the South African, American and Russian markets. An initial description of the companies will be shown in order to understand at what stage and size a SME decides to rely on the Chamber's services, what services do the SMEs need and what is the effective contribution of the regional ecosystem and the associative marketing in their internationalization strategies. Following the presentation of the companies and their business practices two interviews will give important insights to the research. On one hand Mariagrazia Biancospino, the Ex Secretary General of the South African Chamber of Trade and Industries has given her contribution from the Chamber's perspective, on the other hand Attilio Mucelli the General Manager of Simonetta S.p.a has given his contribution from a SME's perspective.

3.1 Simonetta's history and profile

As written is Simonetta's website⁴³ the company was founded in the first half of the 1950s by Maria Bianca Mazzarini Stronati who decided to open a small dressmaker's shop for children in Jesi, a small medieval town in the Marche region, Italy. The refined elegance of materials used, details of the tiny clothes, perfect wearability and comfort and strong innovative design have been the distinguishing features ever since production first started. Maria Bianca named this exclusive line of clothes after one of her daughters: Simonetta. The small laboratory evolved to become an industrial reality in 1981: Simonetta S.p.a.

In the 1990s, the Simonetta brand expanded in the foreign markets and became an industrial point of reference for style and elegance in children's fashion. In 2000, the company set up a department to manage the licensing brands and started a collaboration with important adult fashion superbrands such as Roberto Cavalli and Tod's for Roberto Cavalli Junior and Fay Junior brands. The 2010 is the beginning of the partnership with the LVMH Group that in 2016 developed into a license production agreement for Fendi kids and baby collections. Also in 2016, new international partnerships are signed with the historical French MaisonLanvin Paris and the legendary English carmaker Aston Martin for the design, production and worldwide distribution of the children collections. In 2017, Simonetta S.p.a signed

⁴³ Source: simonetta.it/company-profile/.

a partnership for the production and worldwide distribution with the prestigious Italian brand Emilio Pucci, strengthening the relationship with LVMH Group. Since June 2017, Simonetta S.p.a is a subsidiary company of Isa Seta S.p.a and it is part of Carisma Group. It is a leading international company in the fine children's clothing sector. New ideas and technology are the true driving force of its growth. In January 2018, Simonetta has launched at Pitti Bimbo fair, the new VESPA kidsweare collection, a worldwide license for production and distribution. Also in 2018, a new international partnership is signed with the French Maison Balmain Paris for the production and distribution on a worldwide scale of the line Balmain Kids. Annual production is around 450 000 items of clothing, distributed in the world's best boutiques and department stores. Staff includes 95 employees. They are all high profile, professional team members who have understood and made their own the Company mission and philosophy: "to create beautiful, fashionable collections with a distinct, recognizable style, using the highest possible quality and respecting the youngsters and their world, promoting them where these principles are endorsed".

3.1.1 Simonetta's business philosophy

As specified by the Simonetta's staff, especially Attilio Mucelli (General Manager), Francesca Fenucci (Brand Manager), and Silvia Perlini (Marketing and Sales Manager) on Monday, July 2, 2018, Simonetta S.p.a is a leading international

company operating worldwide in the children's luxury clothing sector. The uniqueness of its business model and at the same time the difficulties and the challenges for the future are due to the presence just in the children's high-end market and the value added is given by the high focus on this particular segment. Creativity and technology orientation are the driving force behind its growth and success. The quality of materials, the Made in Italy's prestige, the highly innovative design, the comfort and the details of the small dresses give to Simonetta's collection the value added.

As affirmed by the General Manager Attilio Mucelli the business goal of the company is to create value over time:

- with a high quality, fashion and high identity product for customers;
- with a high profitable and long term relationship with its partners (suppliers, laboratories, distributors and customers).

With the aim of accomplishing the following vision:

- excel in innovative design, creativity, manufacturer Italian quality and comfort;
- expand worldwide commercially maintaining the company values and identity, but above all the uniqueness and the prestige of the made in Italy.

3.1.2 Industry overview, key trends and main competitors

The main trend for the identified is the increasing importance of e-commerce in Canada USA and Russia where the company operates. Resulting thereof is a strongly increasing number of services conducted online (IBISWorld 2016). Accordingly, there is an importance of Social Media as well as Online-shops, which provides opportunities for Simonetta to capitalize on.

The children's clothing industry is a highly competitive one. Simonetta's main competitors identified in the meeting on Monday, July 2, 2018 are Il Gufo and Monnalisa. Both companies sell high-end children's clothing. Il Gufo and Monnalisa have a well-established online presence through their Online-shops and Social Media presence as can be seen in their websites⁴⁴ (Il Gufo 2018a, Monnalisa Spa 2018a).

Regarding the competitor analysis as mentioned above the main competitors of Simonetta, identified during the meeting on Monday July 2, 2018, are Il Gufo and Monnalisa. In 2016, Monnalisa's turnover amounted to 42 million €, of which 74 % resulted from domestic sales and 26% were generated overseas. The Domestic market includes 17 European countries, while the overseas market includes East Europe, Russia, Asia, Middle East, and Americas (Monnalisa Spa 2018a). Il Gufo collections are present in the best department stores in Europe, Russia, the USA and

⁴⁴ Source: ilgufo.com / monnalisa.eu.

Asia; in fact, the export turnover now accounts for 50% of total sales (Il Gufo 2018b). In addition, Young Versace was chosen as third competitor since it is one of the best brands in this segment and it can be used as benchmark to learn about their strategy and marketing.

Looking at Simonetta's competitors, the age of children as well as prices are similar. All four brands produce their collection for children starting from babies to between 14-16 years old.

After an introduction of Simonetta's history, business practices, industry overview, key trends, main competitors and SWOT analysis will precede the interview with the General Manager. Knowing the size of the company and the above mentioned aspects allow to understand if the regional ecosystem and the associative marketing can contribute to Simonetta's further expansion in the already attached markets or to the attack of new markets.

Table 3.1: Competitor Analysis Table⁴⁵

				
Age of children for their collection	0-14 years	0-14 years	0-16 years	0-14 years
Price range (summer dress)	100-340 Euro	85-400 Euro	95-900 Euro	150-415 Euro
Partnership	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Online Shop in USA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Instagram	22.5 k	63.7 k	90.5 k	Versace account 13.1 M
Facebook	18.9 k	97.6 k	59.7 k	Versace account 5.1 M

3.1.3 SWOT analysis

In order to understand Simonetta's strengths, weaknesses, opportunities and threats a SWOT analysis has been conducted as following:

Strengths:

Regarding the strengths of the company, their high quality in terms of safe fabrics and components, and Italian design and products mostly made in Italy. The Italian design benefits from a worldwide perception of perfect style and is highly appreciated by American people (Huober n.d.). In addition, Simonetta's competitive advantages are unique fashion items for children with special design,

⁴⁵ This table has been built by the author of the thesis, Erindi Gjini master student at univpm after the interview with the Simonetta's General Manager, Attilio Mucelli and after a deep analysis of the competition in the high-end children's clothes market.

comfortable and age-appropriate clothes for children. Another strengths results from the company's expanded business model (B2B and B2C), which diversifies the risks between the three legs and several brands. For example, the partnership with Fendi is a risk-free investment for the company, because Fendi sells the products themselves, meaning that Simonetta does not need to worry about sales figures. Furthermore, the new management as said by the General Manager Attilio Mucelli has been proven reliable through delivering on schedule or even before, which is facilitated by the Charisma group, who provides credits to the company when needed., enabling Simonetta to balance all invoices and therefore being able to produce on time.

Weaknesses:

The weaknesses identified mainly concerns budget constraints and loss of reputation. As said by the General Manager, Simonetta was not able to deliver products on time to the distributor, who was consequently not able to provide the products to the clients, which led to a loss of clients and reputation. Moreover, the limited budget for the expansion into a new market is one of the company's weaknesses. Budget constraints also lead to the fact that that the market department is employing two persons only, not having a social media manager. Consequently, the social media presence is currently without clear positioning and generates only low engagement.

Opportunities:

GDP growth in America, Canada and Russia indicates potential growth of the industry. When the economy is strong, parents typically spend on more high-end children's clothes (Maisey 2017). A further opportunity is the increasing popularity of e-commerce, leading to increased online sales and consumers preferring to shop online because of higher comfort at no time and location restrictions. Resulting from increased e-commerce is the increasing importance of influencers, which Simonetta can benefit from. Nowadays, people are highly affected by influencers and digitalized children are becoming more aware of brands and trends, leading to children having clear ideas of their own style, which results in parents being increasingly willing to satisfy their children's wishes even at premium prices (Maisey 2017).

Threats:

Although e-commerce and social media present opportunities, they have led to an increasing competition and high brand awareness of well-established competitors. In addition, industry operators that do not have an online presence yet, are likely to establish one, which will lead to further competition (IBISWorld 2017). Another threat is the fast-changing trends in children's clothing in terms of design, which makes designing the collection difficult (Huebschn.d.).

Table 3.2: SWOT analysis table⁴⁶

<p>Strenghts</p> <ul style="list-style-type: none"> ▪ High quality ▪ Italian design ▪ Children fashion items ▪ Expanded business model ▪ Realiability of new management 	<p>Weaknesses</p> <ul style="list-style-type: none"> ▪ Limited budget ▪ Management of 3 business models ▪ Small marketing department ▪ Small number of distributors
<p>Opportunities</p> <ul style="list-style-type: none"> ▪ Growth of income and spendings ▪ Demographic trends ▪ Popularity of influencers ▪ Digitalized children ▪ Increasing popularity of e-commerce 	<p>Threats</p> <ul style="list-style-type: none"> ▪ Intense competition ▪ Growth of new operators and expansion of existing ones

⁴⁶ This table has been built by the author of the thesis, Erindi Gjini, master student at univpm after the interview with the Simonetta's General Manager, Attilio Mucelli. This table is a summary of the above written SWOT analysis.

3.1.4 Simonetta's general manager 2nd interview

The second interview conducted on 16th of September 2019 with Simonetta's General Manager, Attilio Mucelli has highlighted important insights about the role and contribution of the regional ecosystem in the implementation of the internationalization strategies.

According to Attilio Mucelli in the last year and a half there have been some inner changes and actions in terms of improvement inside Simonetta and the regional ecosystem in particular the Chamber of Commerce has not contributed to this cause. The improvements have been in terms of inner reorganization in order to recover efficiency and effectiveness. The actions taken have paid off and according to Attilio Mucelli the year 2019 will be the one of definitive improvement in terms of income statement which is predicted to be with positive sign after some years of consistent losses. This process has been associated also to an important market development process and in the last 12/18 months, important new production partnerships have been part of the company and product brand portfolio, either brands produced by Simonetta or active licenses. The development process has been verified either in term of revenues or in terms of cost containment as a result higher efficiency. At the same time, it has been given a strong impulse to the previous managed license brands such as Emilio Pucci and Balmain and both are recording increments in term of increasing significant orders and sales.

Concerning the internationalization stage in the Russian and American market, according to Attilio Mucelli, Simonetta has two contracts of direct distribution. In the American market, it regards a historical contract and partnership since 6/7 years and in the Russian market the distributor has been re-introduced from this year, so the internationalization process in the two markets has been carried on through the individuation of a professional player capable to distribute in the right stores the brands that Simonetta produces. Even to this cause, the regional ecosystem has not contributed, but the internal commercial office of Simonetta has been able to re-introduce the distributor in the Russian market.

Concerning the contacts and the tools used to keep in touch with the two distributors during the internationalization process, according to Attilio Mucelli the company has used exclusively the internal capacity and knowledge. In particular, 7 months ago has been hired a professional Sales Director operating in the same sector which has already had previous relationships with the Russian distributor and other professional experiences. Concerning the American market the company has already had a historical relationship with the distributor located in Brooklyn, New York and it has just been confirmed the commercial relationship. Both relationships are managed by a specific contract.

According to Mucelli, although in the past it has been suggested to utilize the Chambers of Commerce in the respective countries, Simonetta has never had contacts with them. This because the contract used in the two countries is an

exclusive one, it is not allowed to act differently by using other intermediaries, and everything done is more collaboration and positive synergies with the partners. The collaboration has allowed to Simonetta to understand if there are specificities in term of collection, tastes, style, heaviness of the fabrics with the aim of facilitation the sales in a defined market and as a result the Chamber of Commerce has not been involved.

Although Simonetta has never involved the Chambers of Commerce in its internationalization processes, regarding the contribution given by the regional ecosystem and in particular the Chambers of Commerce and ICE Attilio Mucelli is fully favorable to their existence. He underlines their importance especially for the SMEs since they have not enough economic power and the necessary know-how in order to understand the international markets. These institutions have the facility to penetrate the international markets in a way that for the SMEs is not accessible. He thinks that probably the Simonetta's dimension in terms of internationalization process is quite stable and wide since it makes around 60% of its revenues abroad, even though in terms of size Simonetta is a SME. Moreover, in his opinion the Chamber of Commerce is more effective dealing with smaller size companies and with a backward internationalization process.

3.2 Italtechnics history and profile

As written in its website,⁴⁷Italtechnics was born from the consolidated collaboration with a pool of companies from central Italy, operating in the engineering and industrial electromechanical plant sectors. Its headquarters are in Terni, in Umbria, a region where industrial activity can boast a decades-long history and has always enjoyed an excellent position and strong sectorial competitiveness, with a high standard performance both in Italy and abroad.

Therefore, at Italtechnics experience and tradition, typical of made in Italy, go hand-in-hand with its strategic position: Terni is in fact an ideal base for exportation, it is well linked to the main road and rail networks and is very close to the International airport of Rome Fiumicino, as well as to the commercial ports of Ancona and Civitavecchia, all just over an hour away.

The strength of this reality can be summed up in a few details:

- Vast experience gained over the years;
- Specific competence and preparation, necessary to satisfy the needs of every type of industrial reality;
- Streamlined and dynamic structure granting flexibility, upgrading and adaptability to market needs;
- Competitiveness.

⁴⁷ Source: Italtechnics.it/en/about-us.

Therefore, the aim of Italtechnics is to offer its customer a unique interlocutor, able to guarantee high standards of quality, reliability and competitiveness, capable of managing a wide range of services and supplies completely within its structure:

- Planning;
- Production of mechanical carpentry;
- Industrial assembly;
- Precision machining, from micromechanics to medium-heavy engineering;
- Electrical plants and industrial automation;
- Planning and implementation of electrical switchboards for industrial applications (such as Power Centres and Motor Control Centres).

With a productive potentiality and capacity of more than 12 000 mq, with more than 200 operators involved in the business, Italtechnics is able to make a turnover of more than 20.000.000 Euro.

Since Italtechnics is made up, by eleven different companies cooperating between them, it is able to offer to the clients a wide range of solutions in the Hydropower plants, water treatment plants, special systems and machinery for lifting and handling and industrial plant industries. Nevertheless, Italtechnics took part at the “Power and Electricity” fair held in South Africa proposing through its experts and the regional ecosystem solutions in the hydropower and water treatments plants. These two sectors will be described in the next paragraph in

order to show how the Italian South African Chamber of Trade and Industries has contributed to their development and expansion in the South African market.

3.2.1 Italtechnics hydropower and water treatment plant sectors

As described in its website,⁴⁸ the area of Terni represents an innovative area of hydropower production and technological development at a national and international level. In fact it is in this area that one of the first efficient wide-scale hydropower distribution networks was designed, produced and implemented (thanks to various industrial processes and to the creation of specific plants). Already at the end of 1800, the first projects were implemented resulting in the construction of the first hydraulic turbines, together with the relative generators and primary and auxiliary equipment for power stations, along with the study of the relative installation and maintenance procedures. A similar engineering commitment became the first step of the future hydropower industry in Italy and globally. This culture of designing and manufacturing specific products for the hydropower sector, which is typical of Umbria, is still alive at Italtechnics. In detail, the company offers several activities:

- Turn-Key solutions for micro&mini HPP;
- Designing, production and installation of special HPP accessories;

⁴⁸ Source: Italtechnics.it/en/hydropower-plants.

- Production and/or refurbishment of plant parts (turbines, switch assembly, penstocks, power and command panels);
- Electromechanical revamping of existing hydropower stations;
- Upgrading of power stations with predictive and proactive solutions with sensor implementation and 4.0 management software;
- Service activity.

Concerning the water treatment plants Italtechnics is able to supply processes and plant production studies, obtaining the following objectives:

- Suspend solids removal;
- Organic and inorganic substances removal;
- Solids and oil removal;
- Nitrate, ammonia and phosphorus removal.

Thanks to the know-how and use of the best technology available on the market, starting from an attentive preliminary analysis, Italtechnics is able to reach excellent tailor-made solutions from an economical, technical and managerial point of view. To date, the activity supplied by the company includes the construction of turn-key plants, including building, mechanical, electro-instrumental and machinery works.

The wide range of services and solutions and the size of the company described above are important to understand how the regional ecosystem has contributed to Italtechnics expansion into the South African market.

3.2.2 Mariagrazia biancospino 's interview

During the interview held on 17th September 2019, Mariagrazia Biancospino the Ex Secretary General of the Italian South African Chamber of Trade and Industries affirm that the role that the Chambers of Commerce especially the CCIA have in matching the demand and the offer is different from the one of ICE and other Italian Institutions operating abroad. The distinctive side is that the CCIA are sustained and built by entrepreneurs that live abroad and in some countries where has been verified a huge immigration flow and where there are second, third and fourth generation of Italians. Moreover, it is much integrated in the territory and the expertise in knowing the local players is beneficial in terms of intercepting opportunities for the Italian companies in order to invest in a defined territory. While ICE for instance, sends the own managers in the different locations in the world, the Chamber has the Board of Directors made by entrepreneurs that work in that defined territory, Italians born there, Italian immigrants etc. Above all, they are rooted in the most representative sectors of the country. As a result, by having entrepreneurs that know the language of entrepreneurship is easier to communicate with Italian companies and to make them understand the strengths and threats. Therefore, according to Mariagrazia Biancospino an entrepreneur that talks to an entrepreneur is very effective. Although having an office made by employees devoted to the office work, having a board of directors and members allows to be rooted in the territory abroad and having contacts in almost all the sectors. Having

these entrepreneurs involved in the Chamber's life is a much more empirical relationship beneficial to Italian enterprises when asking for investment opportunities. The associative part similar to Confindustria and several members that pay the fee allows to the Chamber to cooperate on daily basis with them on the local market. The hybrid nature obligates the Chamber to operate with competitiveness and to base the success on the memberships created.

Mariagrazia Biancospino affirms moreover, that the Chamber offers the services exclusively to the SMEs because for a big enterprise it is easier to have an office abroad given its financial power. As a result, the big companies have inside special offices and departments, export managers, country managers and a structure that allows them to interface the foreign market without the support of the Chamber. The Chamber supports so, medium and above all small enterprises that for instance, do not have employees that speak English or have a small budget to invest for the internationalization, so they need a local support that works for them, even though they stay in Italy. If these companies would implement this strategy from Italy, it would cost many financial resources. The big companies instead, such as ENEL, Ferrovie Dello Stato, Fiat receive services such as organization of events from the Chamber more aimed to networking. This because the Chamber has a data base very big, as a result the big companies do not require services from the Chamber for a matter of internationalization, but more for a process of integrated networking,

communication or documentation services. So, a collateral support to the internationalization process, done by their own internal offices.

According to the Secretary General in percentage terms around 70% of companies benefit from the Chamber's services before they start the internationalization strategy, so the first time interfacing the market they contact the Chamber as a first supportive tool inside the new country where they are planning to implement the expansion. Moreover, the Chamber is approached by around 20% of the companies that have already interfaced the market but have not yet found importers, have lost the importers or have to take a specific action. Around 10% utilize the Chamber at a representative level, for example, the big companies become members because they want to be more involved in the events.

According to the Secretary General, concerning the range and packaging of services offered to Tenuta Roletto⁴⁹ and Italtechnics, but also the Chamber offers tailor made services and every service has his own specificity in the internationalization process. Therefore, apart from the standard services in the Chamber's website, there are the tailor-made services and this is an important aspect to be underlined according to the Ex Secretary General. The Chamber seeks to understand the company's needs, in particular regarding Italtechnics, it has been made a small consortium in Italy because of the participation as a consortium the

⁴⁹Tenuta Roletto is an Italian company that aims to expand the business in South Africa. In the next paragraph will follow the presentation of the company.

companies could have got government financial support from the Italian regional ecosystem. The Chamber seeks to contribute to the efficiency of the companies, in order so to allow them to spend less and to get the best results out of it. If the Chamber notices that there is public support in terms of tenders, funds and projects is the first actor of notifying it to the companies in order to allow them to take advantage of these public benefits. In this specific case the Chamber has suggested to Italtechnics to participate as a consortium in order to take advantage of the regional incentives given by Region Umbria and after being a consortium the Chamber has suggested to participate to the “Power and Electricity” fair. Power and Electricity is a fair relative to their sectors and the aim was to find potential counterparts such as buyers or potential commercial partners directly in the stand. Moreover, to Italtechnics participating at Power and Electricity fair allowed the understanding of what level the technology is in South Africa in the defined sector and who are the present players. In this case, the Chamber has offered a specific service so utilizing the fair tool as a showcase in order to activate a series of B2B done externally by either taking them and accompanying Italtechnics to the potential buyers and commercial partners or vice versa by bringing them directly to the stand. In the case of Italtechnics has carried on also a follow-up meaning that the Chamber has been in charge of contacting all the companies that Italtechnics has met in the fair. Nevertheless, before this activity the Chamber has tried to understand if the products are coherent with the company’s offer and above all has

contacted more in depth the companies that Italtechnics has considered extremely important. The Chamber has done promotional activities through their catalogs and is still keeping signaling opportunities in South Africa. In addition, the Chamber has kept an open window and conversation with Italtechnics and when it finds opportunities for them signals immediately to them. Currently the Chamber is in charge of making market research for Italtechnics about specific sectors, so it is an ongoing collaborative relation. The complete service of the Chamber doesn't regard only what is strictly related to their business, but also services such as hotel booking, driver, preparation of the stand, preparation of the products and all the logistics activities in order to facilitate the entrepreneurs journey. As affirmed by Mariagrazia Biancospino at the point that the entrepreneur "arrives in the airport just with the language in the hands".

Concerning the modalities about how the Chambers enters in contact with Italtechnics the Secretary General affirms that it has been possible thanks to contacts and relations built year by year with other institutions and actors of the regional ecosystems. In particular, the Chamber has been working since 2012 with Confindustria Umbria, Perugia, Terni and the respective Chambers of Commerce and thanks to the info that an institution may have propose it to another partners. As a result, not always is the company contacting directly the Chamber, but most of the occasions there are relationships built throughout years with other institutions. In the moment that is presented the opportunity and the right project

the institutions call each other in an informal way, propose the opportunity, and get advice from each other. In Italtechnics case, there have been relationships with institutions that Italtechnics has local membership and the Chamber has been notified by them that in Umbria there are internationalization cases.

In the next paragraph will be presented the third case study and company and will follow the Mariagrazia Biancospino's interview.

3.3 Tenuta Roletto's history and profile

Tenuta Roletto is an Italian winery that has benefited from the service offered by the Italian South African Chamber of Trade and Industries during the "Vino in Piazza" event held in Johannesburg in 2018.

As shown in its website⁵⁰ the company is located in Cuceglio, a small town situated along the green Morainic hills of Canavese, in the Northern part of Piedmont. There is a unique land owned by the Roletto family, which is nourished to achieve ambitious results of high quality. Tenuta Roletto is also a place of study and research carried out for some years by the University of Science and Technology of Turin: a partnership aimed at enhancing the value of the Erbaluce vine.

⁵⁰ Source: Tenutaroletto.it/en.

As praised in the company's website in the early 1920s Giovanni Tinetti, began growing crops beginning with hemp in the region of Guie (in the local dialect, this word means water springs for natural irrigation). Giovanni's daughter Caterina and her husband Enrico Roletto also acquired his passion. In the early 1980s, Enrico decided to diversify his production and plant vineyards of different varieties, predominantly the Erbaluce which is the most valued wine in the Canavese and the premium wine in the Tenuta Roletto Collection. Recently, Antonino and Domenica Roletto have transformed a small family run vineyard, formally used for local consumption, into a winery with a sympathetic approach to the region and its traditional growing methods, yet also bringing the winery up to date with modern wine making methods.

3.3.1. Mariagrazia Biancospino's 2nd interview

Concerning the expansion of Tenuta Roletto into the South African market the Ex Secretary General states that in the case of "Vino in Piazza" the opportunity has been presented by the Italian Consulate in Johannesburg and has been the Chamber that has contacted the Wine companies in Italy once obtained the funding.

In Tenuta Roletto's case, the Italian Consulate in Johannesburg has been able to obtain a budget from the Ministry of Economic Development in order to organize the first fair of Italian Wine in South Africa. Therefore, the Chamber has collaborated with ICE and the Italian Consulate and has invited Italian companies

interested in the South African market. Also in this case has been conducted the whole logistic service, the organization for the wine's shipment, hotel bookings, preparation of the stand, the organization of collateral events in the fair, from the demonstration of the cooks, press conference, invitation of potential buyers directly to their stand. In addition, it has been more that a fair an Expo completely dedicated to the Italian wine held in the most exclusive square in Johannesburg, Malrose Arch. In particular, the Chamber has prepared the contact lists of importers, where some of them have been accompanied in the fair and to those who could not participate in the fair have received the contacts. Also in this period, the Secretary General affirms that is following Tenuta Roletto, which is sending wine sample to the South Africa importers, and confirm their presence in South Africa and also in this case it has been offered a post-fair service.

CONCLUSIONS

In order to understand the value added that the regional ecosystem and the associative marketing, in particular the Chambers of Commerce and ICE give to the SMEs in the internationalization process this analysis goes through three chapters. Since for a SME it is difficult to understand the several differences between the national and the international market the first chapter presents important insights concerning this topic.

In fact, in the first chapter is described the complexity of the international business landscape and the different mindset compared to the national market needed in order to succeed. The international managers must be sensitive to the social, legal, economic, political, technological, sustainability differences and barriers present in the host country. As a result, the SLEPTS analysis has been carried on and some relative examples shown for each of these differences. Not only the SMEs have to pay attention to the SLEPTS factors, but also they represent an obstacle even for the big companies when going international. Following the SLEPTS analysis, an introduction of the features of the SMEs has been presented: when a company is considered to be a SME, what are the main features of a SME and how do they survive in the complex and competitive business environment.

During this analysis has been underlined several times the importance of considering the world a unique marketplace and taking into account the interconnections between countries. In addition, some SMEs internationalization strategies have been introduced which can show how a SME can attach new markets and expand its business and for each of them the advantages and disadvantages are shown. Since for a SME is very difficult to be endowed with internal resources such as export managers, country managers or internal commercial office oriented to the foreign markets. As a result, most of them outsource the service given throughout the internationalization process, due to the lack of financial resources.

As a result, in the second chapter the wide range of services offered by the regional ecosystem and the associative marketing in particular the contribution that can give the Chambers of Commerce and ICE to the SMEs is presented. All the services have been explained one by one and in particular, some aspect and differences between the two institutions can be seen. For instance, the Chamber has a hybrid nature concerning the funding of its survival, made up by an associative part which regards the partnership with its members and the other part is given by the funds of the Italian government. ICE instead has 100% of the funding given by the Italian government. Both institutions share the same business philosophy, so to promote positive synergies between two countries by acting as a bridge between Italian and South African companies. Nevertheless, the range of services, as a result the tools that the SMEs have in their hands are more numerous offered by ICE.

These and other aspects have been shown in the second chapter, but still there are other interesting aspects coming out in the interviews conducted in the third chapter.

The third chapter aims to demonstrate the effective contribution of the regional ecosystem, two interviews have been conducted, and three different companies have been analyzed. Attilio Mucelli the General Manager of Simonetta S.p.a was interviewed about his company, while Mariagrazia Biancospino has been interviewed about two internationalization cases that she has followed throughout the 2018. Both have given important and interesting insights to this analysis not yet mentioned before the interview, which can be summarized as following:

According to Mariagrazia Biancospino:

- The regional ecosystem must be considered as a whole since the actors being part of it cooperate and trigger positive synergies between and beneficial to all of them;
- It is important to underline the client-centric and the tailor made approach that the Chamber has in offering a service;
- The associative part, so the associative marketing, made up by members (entrepreneurs) rooted in the territory gives to the Chamber a competitive advantage compared to other actors of the regional ecosystem, such as the Italian Consulate and ICE. As a result, entrepreneurs that talk the language of entrepreneurship to other entrepreneurs is more effective;

- The Chambers serves exclusively SMEs and above all small companies for internationalization purpose, while it serves the big companies for networking purpose;
- Around 70% of the companies rely on the Chamber's services the first time they interface the foreign market. Around 20% have already interfaced the market, but have somehow had difficulties in finding the importer or lost the importer or business partner. Around 10% rely on the Chamber's services for networking purpose;
- The Chamber seeks to contribute to the efficiency of the companies, in order so to allow them to spend less and to get the best results out of it.

Although the General Manager of Simonetta S.p.a has never benefited from services offered by the Regional ecosystem, there are several points of convergence between the two interviews. In particular, according to Attilio Mucelli:

- The regional ecosystem is more effective for companies that interface the market for the first time. In fact, Simonetta has not relied on the Chamber's services because it has a historical partnership with a distributor in the American market and has re-introduced a new distributor in the already attached Russian market;
- The regional ecosystem is more effective for the small, and mostly are the small companies relying on the Chamber's services;

- The regional ecosystem gives a huge contribution to the SMEs in the internationalization process allowing them to interface markets that are impossible to attach relying just on the internal resources.

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