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Abstract

Chinese food habits are currently experiencing rapid changes. The increased buying power of the consumers has led to the adoption of a new lifestyle which affects also their diet - both in quantity and quality. Consumption rates have grown particularly high for meat, dairy, fish, oil, pasta and confectionery products. This trend has caused a sudden boom in food imports, with China becoming the world's largest market and an essential opportunity for Italian business.

The present study aims to outline the market potentiality of the Italian agro-food sectors which enjoy higher competitiveness. We also focus on some issues concerning the positioning of such food products in Chinese market. Their success is likely to foment Italian sounding phenomena - unfair competition set out to evoke an Italian image, in the absence of proper requirements.

Company strategies are heavily influenced by such imitation activity: not only food safety is at stake, but the very transparency of international trade. Markets end up rewarding opportunistic behaviors - due to high transaction costs and manifest information asymmetries - and might lead to specific kinds of market failure.

Keywords: Agricultural trade, Chinese market, Made in Italy food, Italian Sounding

JEL Codes: Q13 Q17

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1. Introduction

Chinese food habits are currently experiencing rapid changes. The increased buying power of the consumers has led to the adoption of a new lifestyle which affects also their diet - both in quantity and quality. This trend affects consumption growth rates which become remarkably high for meat, dairy products, fish, oil, pasta, confectionery and convenience food. Such context has caused an explosion in the import of food products, involving an increasingly diversified range of offer.

The introduction of new distribution channels is deeply changing the purchasing system: hypermarkets, supermarkets, convenience stores and corner shops are spreading in urban areas, granting competitive prices and improved sanitary conditions.

Firms are stimulated to introduce new products, and by investing in innovation they also grant higher food safety. In fact, the frequently occurring food safety scandals in China cannot overshadow all improvements so far accomplished.

The growth in food demand has given a major boost to imports, making China become the world's largest market and an essential opportunity for Italian business.

The present study aims to outline the market potentiality of the Italian sectors which enjoy higher competitiveness as they represent the excellence of Made in Italy food. We also focus on some issues concerning the positioning of such foodstuffs in international markets. Their success is likely to foment phenomena of Italian sounding, that is unfair competition set out to achieve higher profits by evoking an Italian image, in the absence of requirements. Company strategies are heavily influenced by such imitation activity if we consider that the original product requires higher production costs that negatively affect its market positioning.

Not only food safety is at stake, but the very transparency of international trade. Markets end up rewarding opportunistic behaviors - due to high transaction costs and manifest information asymmetries - and might lead to specific kinds of market failure.

2. Qualification of Made in Italy food

The Made in Italy food heritage is characterized by a highly differentiated product portfolio, with a wide range of typical products. The very presence of a multitude of products and countless regional culinary preparations is the most distinctive feature of Italian cuisine (Censis-Federalimentare

2006). High competitiveness both in terms of quality and food safety is the hallmark of Italian production, its culture and its culinary tradition¹.

Made in Italy food is defined as “*the set of products recognized for their strong typical character, given their close link with the territory, on which Italy enjoys comparative advantages related to the environment and production systems*” (ISMEA, 2007).

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

Typical products are protected by European certificates like Protected Designation of Origin (PDO), Protected Geographical Origin (PGI) (Reg. 510/2006, ex 2081/92) and Traditional Speciality Guaranteed (TSG) (Reg. 509/2006, ex 2082/92); wines are labeled as Typical Geographical Indication (IGT), Controlled Denomination of Origin (DOC) and Controlled and Guaranteed Denomination of Origin (DOCG) (Reg. 3016/2004).

Italy can boast 244 PDO, PGI, TSG certificates and 521 DOC, DOCG, IGT labels. Italy is the main beneficiary of these regulations as the 22% of total PDO and PGI certificates issued in the European Union protects Italian products, and in particular fruit and vegetables (40%), cheese (18%), extra virgin olive oil (17,6%) and cured meat products (14%). More than 84 thousand firms offer a certificated production, the 90% of which operate in the agricultural sector.

Among Italian specialties we include the “traditional products” (Ministerial Decree 350/1999), which possess a traditional character, both in the composition and means of production. The twelfth edition of the list of traditional food products (Gazzetta Ufficiale n. 142, 20 June 2012) counts more than 4500 entries, mainly pasta and bakery products (30%), vegetables (27%), meat (16%) and cheese (10%).

Made in Italy food includes branded, traditional and certified origin products, categories that are of greater importance because their highly typical character is particularly appreciated in international markets². These products represent the main part of exports - more than 60% of total agro-food trade - reaching a volume of 15 billion Euro. Made in Italy food is symbol of high quality, both in

¹ PIQ (Quality Domestic Product) measures the level of quality achieved by Italian production by making a ratio between GDP and quality production in terms of 1) competitiveness and market; 2) positioning; 3) technological and social innovation; 4) improvement of human and cultural resources; 5) territory and environment. Agro-food production reaches the second place according to this measure (Symbola-Foundation, 2007).

² The identifying of these products can be realized through the analysis of a Country's foreign trade, taking into consideration export-oriented products and their relevance. In particular products which show a positive value on their normalized trade balance and constitute an important share of total exports are under analysis. The individuation of aggregates considers only volumes of export superior to 300 million Euro and a normalized trade balance higher than 20 (thus implying an export volume at least 1,5 times higher than import) or otherwise a volume of export superior to 200 million Euro with a normalized trade balance higher than 33 (an export volume at least twice as large as import). To this range of products we also add cheese and olive oil which are in a condition of trade deficit but are extremely relevant considering the volume of exports and their typical character.

composition (organoleptic characteristics, raw materials, processing system) and image (emotional aspects, brand, collective trade mark, geographical origin).

The capacity to meet all the requirements of consumers' demand³ for quality reduces the relevance of price in driving purchase behavior. The quality of Made in Italy food is worldwide recognized (Istituto Piepoli, 2006).

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

The denomination "Country of Origin" steers consumer's choice by conveying an idea of quality linked to the place of origin, provenience of raw components and intellectual property. Moreover the label "Made in country" enhances the transparency of transactions promoting a healthy global competitiveness. A firm can approach the international market counting on the fame of its Country of origin⁴.

The European Union confronts this issue by conforming the transactions between States to the principle of "Country of Origin", which means that commercial exchanges are ruled by the law of the Country in which goods are produced. The aim of this approach is to have the final consumer informed on the provenience of goods, thus marketing strategies must be directed towards the raise of awareness.

The relevance of geographical origin on consumers' behavior is widely accepted in marketing; as choice process is induced, the place of origin of a product deeply influences the evaluation of its characteristics (Erickson, 1984). The fundamental element is the collective evaluation of a Country as origin place, so if the origin itself can substitute any other information and suggest intrinsic characteristics, then it becomes a major decisional factor in consumer's choices.

The "Country-of-origin" effect manifests itself in two alternative models: the halo construct and the summary construct. When the consumer is not familiar with a Country's products, the Country image serves as a halo from which he can infer the product's attributes without directly experiencing them (halo construct) (Han, 1989). On the other hand, summary construct is fulfilled

³ ISO definition of quality is: "the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs".

⁴ The "McDonaldization" (generalization, depersonalization of regional aspects) is opposed by the "Glocalization" which preaches personalization, peculiarity, uniqueness, regional culture and identity as its values. As globalization tends to generalize, unify and deterritorialize, localization could not but be underrated. On the contrary, glocalization represents a strategy of integration of local demands and globalization: territory, peculiarity and tradition, all of them find their right place, and all of them are kept into consideration both by a specialized demand (global market niches and local markets) and by the supply provided by local and global companies (Foglio, 2004).

whenever the consumer is already familiar with a Country's production, and links the attributes experienced to the place of origin.

This kind of perception influenced by cognitive and emotional components leads to the formation of internationally rooted stereotypes that facilitate and simplify the process of consumers' choice (Nagashima, 1970).

As for commercial terminology, the concept of Country of Origin is ambiguous as it comprehends: origin country (to which the product is associated), design-in Country (where it is planned or designed), made in Country (where it is produced or assembled).

3. The agro-food imports in China

China's imports of agro-food products have reached 52,1 billion USD in 2010. Major incentives to import are lower custom duties, consumer market liberalization, foreign direct investments, retail distribution growth (Table 1).

	2005	2009	2010	100	V% 10/09
United States	4.085	11.771	12.344	24	4,9
Argentina	2.361	3.352	5.126	10	52,9
Brazil	3.472	7.963	9.810	19	23,2
Malaysia	1.697	2.936	3.198	6	8,9
Indonesia	1.202	2.190	2.114	4	-3,5
Italy	68	125	209	0,4	67,8
Total	21.358	42.796	52.171	100	22

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

Italy occupies only the 29th place among Countries exporting to China, with 209 million USD supply (2010), but features a substantial annual growth rate. Despite current limited volumes, made in Italy food presents one of the more dynamic development trends (Pietroni et al., 2008). Different elements prove the great potential for imports. Thus the ongoing increase in income achieved by larger parts of Chinese population, especially in metropolitan areas, encourages the assimilation of western food habits (Guthrie, 2009) and the progressive interest for the properties of the Mediterranean diet, which has been identified as a leading incentive in purchase behavior. This trend of success experienced by Italian food products is also sustained by the growth of tourism, which allows a direct contact with the authentic Italian cuisine.

Chinese market increasingly widens with the rise in the standard of living and Italian quality food becomes a matter of fashion, an element which prospects enormous commercial possibilities for the near future. Specific sectors prove Chinese market's interest in made in Italy food: olive oil, pasta and bakery products, cheese and dairy products, coffee and chocolate, confectionery and ice cream. Still, their penetration in the market is somehow hindered by the strong tie Chinese population has with its deeply rooted local traditions. Thus Italian cuisine has come to be regarded as a social status but remains confined to a market niche, since it is not yet able to overcome local habits.

Further obstacles in exchanges are represented by tariff and non-tariff barriers, sanitary regulations, prohibitions, burdensome customs procedures, a disjointed and stratified system of licensing⁵.

The import of food products for consumer retail is mostly a recent phenomenon, not yet sustained by a well established chain of importers and distributors. Moreover the still limited dimension of this market is not even supported by sufficient profitability, that would attract new economic actors.

The peculiarity of local market requires entry investments, strong operative undertakings, settlement of company's personnel in site and a long time before generating income. Thus Italian companies prefer short term strategies, making small investments, leading to moderate results.

As in other similar markets, the diffusion of Italian restaurants appears to be a crucial element in the success of Made in Italy.

4. Peculiar Made in Italy food products

The great interest of China for Made in Italy products is largely proved by the analysis of market performances of specific segments, whose increasing trend prefigures positive opportunities in a nearby future.

⁵ Chinese Governmental Institute for quality supervision and inspection AQSIQ (General Administration of Quality Supervision, Inspection and Quarantine) has recently modified the provisions regarding registration of foreign foodstuffs suppliers, introducing the "Provisions on Administration of the Registration of Overseas Production Enterprises for Imported Food" (2012, Foreign Food Producer Regulations), in force since 1st May 2012. The new legislation widens the spectrum of companies in need of registration. Since 2002 China has set up a system of control of food safety with regard to imported goods (Catalogue of Imported Food of Enterprises Subject to Registration). Companies importing to China products contained in the regulation are bound to register to AQSIQ. Up to 2012 registration was mandatory only for raw meat and meat products, but from now on the extension concerns all "Overseas Food Enterprises", namely all companies outside Chinese territory. The new catalogue lists all sectors involved (2012 Imported Food Catalogue). Registration is meant to be the tool for tracing incoming food products and reducing food risk. Applications must be submitted to the competent authorities in the origin Countries, followed by such documents: Country's legislation on epidemics, public health and livestock health, regulations on monitoring pesticides and drugs residues, documentation on the institutions in charge of control, report of the origin Country on quarantine and public health in food industries; declaration of the authority on compliance with Chinese legislation; planimetry of companies. Registration has a validity of 4 years, and its identification number must be reproduced on all imported goods.

For example, the consumption of Italian olive oil in China witnesses a marked increase, reaching a 50% annual rate. The change in food habits has led to the appreciation of its nutritional properties. Price still exerts a major hindering influence on purchase intentions, as Chinese consumers are not able yet to indentify and evaluate other qualitative characteristics of the product.

The amount of China's imports of olive oil has rapidly grown reaching 74,5 million USD in 2010, featuring a 70% increase on the previous year (Table 2).

	2005	2009	2010	100	V%10/09
Spain	8,2	21,3	34,1	46	60,0
Italy	6,6	12,5	25,2	34	101,8
Greece	1,9	2,2	4,5	6	109,3
Australia	0,6	3,1	3,0	4	-3,3
Turkey	0,1	2,3	1,5	2	-35,1
Total	17,7	43,7	74,5	100	70,5

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

Italy stands out as the second major supplier after Spain, holding more than 30% share. The main distribution channels are the sector of food and beverage and the imported food departments of the largest supermarkets, as consumers are growing much aware of quality.

Local production is mostly irrelevant, so olive oil is identified by its origin Country and its renowned brands, among which major Spanish and Italian producers - well known also at home - stand out.

Among food imports, extra virgin olive oil retains the best appeal for its acknowledged nutritional properties. The increase in consumption is hence a direct consequence of income raise, and its geographical origin conveys to the consumer an image of quality, a factor which has been proven to influence purchase behavior.

	2005	2009	2010	100	V%10/09
Hong Kong	15,5	33,2	42,2	25	27,3
Denmark	9,3	14,2	20,8	12	46,8
Indonesia	1,6	9,6	26,7	16	179,0
Taiwan	0,4	8,4	13,5	8	60,9
South Korea	2,1	5,9	7,2	4	21,8
Italy	1,2	3,3	4,9	3	48,5
Total	50,5	112,7	167,8	100	48,9

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

With regard to pasta, it enjoys a long tradition in Chinese cuisine (noodles), thus paving the way for the success of Italian pasta. On the contrary, bakery products have almost been absent from traditional Chinese diet (baking is a scarcely diffused cooking method), but have lately gained diffusion causing the increase in imports and also the establishment of a local thriving industry (Table 3).

More than 4000 large companies are active in the sector of bakery, with a production that exceeds 2 million tons per year, despite average per-capita consumption barely reaches 1,5 kg. Although the great market potentiality, many local companies are forced to cease their activity because of the fierce competition, and Honk Kong, Macao and Taiwan are flooding the market with important investments.

The penetration of multinationals fosters the development of this sector and causes deep changes in the traditionally state run productive system. Thus, the highest profit share are gained by numerous foreign capital joint ventures, even if sales remain limited.

As for pasta, local production is almost absent. In 2010 China has imported 30,8 million USD pasta, outdoing the previous year statistics by 33% (Table 4).

	2005	2009	2010	100	V%10/09
Italy	3,1	4,2	5,0	16	17,5
Hong Kong	1,7	2,3	3,9	13	69,6
Thailand	1,8	2,2	3,1	10	41,7
Japan	1,7	2,7	3,5	11	31,5
Total	15,0	23,2	30,8	100	33,0

Source: World Trade Atlas, ICE, China’s Customs Statistics.

Italy is the main supplier, though nearby Asian Countries are exerting an increasing competition.

While China has a strong tradition of tea consumption, coffee - introduced only in the 90s - has so far become a consolidated habit among upper classes. Now, with the development of metropolis, coffee has reached larger parts of population. Cafeterias have become a symbol of urban lifestyle as places of relax where coffee is considered a ritual, while the quality of the blend does not hold the right importance, as the consumer lacks the proper parameters of judgment.

Starbucks, with its hundreds of stores spread around the Country, is the most diffused Western coffeehouse chain in China and provides a major contribution to the development of the sector; meanwhile the spread of instant coffee is proof of an increased diffusion among the masses.

The boost received by national production reaches unexpected goals, even if localized only in the districts of Yunnan (whose Arabic blend alone provides 95% of the supply) and Hainan. Not only

raw coffee is produced, flourishing is also the manufacture of derivatives, instant coffee and a variety of blends. Imports of coffee amounted to 66,7 million USD in 2010, 30,8% higher than the previous year (Table 5).

	2005	2009	2010	100	V%10/09
Vietnam	18,0	27,5	28,0	42	1,8
United States	8,2	7,1	8,7	13	22,4
Italy	1,9	4,2	6,0	9	43,4
Indonesia	1,1	2,2	3,6	5	60,1
Total	35,9	51,0	66,7	100	30,8

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

Italian exports reach a volume of 6 million USD, with a 43% annual growth rate. After Vietnam, which provides 42% of supplies and the United States (13%), Italy is China’s third major supplier with a 9% share.

In light of these considerations, we can infer that despite demand for coffee remains so far limited by different local traditions and high prices, this positive introductive phase promises an increasing pace development. When the consumption of coffee will become a consolidated habit, China will be the world’s most important market.

As for cheese and milk industry Chinese potential has gathered momentum and no other Country currently shows such great prospects of growth. Present annual per-capita consumption has so far remained low, namely 2,3kg milk per-capita, a statistic that barely reaches 1,3% of Dutch consumption, 2,7% of the US and 6,4% of the Japanese.

But changes in food habits have immediately caused a rise in the demand for dairy as well. The potential market demand for dairy is positively esteemed by China’s National Bureau of Statistics in 17,83kg per-capita in 2015, and 42kg in 2020.

The last years have witnessed an exponential growth in Chinese cheese and milk industry, placing the Country among the world’s largest producers, and also causing detrimental episodes, like the recent tainted milk scandal.

If consumption of milk and yoghurt has strongly increased, the same cannot be maintained for cheese which remains fairly marginal in Chinese diet. The demand for cheese almost entirely consists in ingredients for hamburgers, pizza and sandwiches, which are in large part supplied by Australia and New Zealand. While local production lies still in an initial stage, other typologies of cheese - such as those imported from France, the Netherlands and Italy - are only required in the catering sector, but are more likely to remain out of department stores.

Notwithstanding the presently limited market demand, the huge number of young population represents a strong potential of growth for the sector and encourages companies to set up production lines in the Country in order to meet the expected boom of demand.

So far only a small number of multinationals have succeeded in establishing themselves in the market. Apart from Danone and Kraft - which have formed joint ventures with local partners (Shanghai Bright and Beijing Sanyuan) - only minor foreign investments have been directed to production.

Foreign companies are especially active in baby food market, resulting in a large success of yoghurt market, whereas Australian and New Zealand companies control the imports of powdered milk, largely used in the preparation of food.

China's imports of cheese have amounted to 105,8 million USD in 2010. Italy holds 3% of this market, placing itself at the 6th place among suppliers with a trade volume of 3,1 million USD , and a 52% annual increase rate (Table 6).

	2005	2009	2010	100	V% 10/09
New Zealand	14,5	31,3	52,2	49	66,8
Australia	11,4	16,3	21,6	20	32,5
United States	3,8	7,7	13,6	13	76,6
France	1,8	3,8	4,8	5	26,3
Italy	1,0	2,3	3,1	3	36,6
Total	38,1	69,7	105,8	100	51,8

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

With regard to chocolate sector, China is one of the world's largest markets in volumes, second only to the United States. Many foreign brands control large parts of national consumption, as they can offer a quality not yet achieved by Chinese producers. Local production exceeds 100.000 tons, but per-capita consumption reaches only 1% of global average.

Such a huge gap promises good chances for the future of Chinese chocolate market. Chinese producers are unable to meet the uncontrollable demand as they lack long established brands and an appropriate differentiation of the offer. Hence multinationals and foreign companies have an easy entry into the market and are able to conquer the most profitable segments.

In 2010, China has imported more than 160 million USD in chocolate, 61% more than the previous year. And Italy stands out as the first supplier, gaining a market share of 59% and reaching 100 million USD sales (Table 7).

Table 7 – China’s Imports of Chocolate (million USD)					
	2005	2009	2010	100	V% 10/09
Italy	24,6	45,1	94,5	59	109,5
Singapore	9,5	5,6	7,2	4	28,6
Belgium	4,2	8,5	15,4	10	81,2
United States	8,2	7,6	7,9	5	3,9
Total	67,6	99,5	160,5	100	61,3

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

As for ice cream sector, Chinese production exceeds 3 million tons a year, amounting to 34 billion RMB. Ice cream market is another promising one, due also to the ongoing process of seasonal adjustment of consumption. Average per-capita consumption has so far remained low if compared to 23kg in the USA, 17kg in Australia and 11kg in Japan.

Demand has increased mostly in takeaway ice cream, due to the loyalty of retailers to their brands in terms of widespread promotion. This segment tends non longer to count among luxury goods, thus attracting the most renowned and active multinationals in the market, which is currently controlled for 90% by Yili Group, Mengniu Group, Bright Group, Nestle, Wall’s. Imports reach 20 million USD, and growth trend is close to 30%.

5. The “Italian Sounding” phenomenon in China

The progressive development of Italian sounding phenomenon shows the same trend as the international trade. Defined as the application of practices of imitation to food products, it identifies a set of phenomena carried out through the use of ingredients of lower quality and value than the originals, a productive process directed to cost containment and elusion of legal requirements; and also the counterfeiting of company identity, geographical origin, productive process and most important, the imitation of specific aspects of a product that suggest a misleading geographical origin, like the improper use of words, colors, names, places, images (Nomisma, 2003).

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

From a theoretical perspective - given the existence of information asymmetries, trade barriers and high transaction costs - phenomena of Italian sounding might lead to market failure, a chance even more emphasized in presence of a globalized market (Stiglitz, 1987). As for China, the geographical distance and the volume of its market keeps transaction costs high, while the cultural dispute between the two Countries worsens information asymmetries between producers and consumers. Thus the natural attitude towards imitation proved by local firms is encouraged, and results in episodes of moral hazard on the part of supply, which turns out to benefit from an undeserved reputation (Akerlof, 1970).

Price is an inadequate factor for the recognition of quality, conversely it produces adverse selection on part of the consumers, whose purchase intentions are driven by expected quality rather than effective one (Olshavky, 1985).

The development of Italian sounding follows that of market, while the different national laws do not provide an effective protection, being limited to the prosecution of unlawful conducts (Milgrom, Roberts, 1982). The imitation of Made in Italy is a profitable activity because of the positive evaluation attributed by the Chinese to our homegrown specialities. The right positioning of these counterfeited products in the market provides a consistent premium price (Shapiro, 1983).

The penetration of Chinese market by Made in Italy products is hindered by the persistence of trade barriers; hence the imitations fulfill the amount of demand that our firms are unable to satisfy.

From an economic perspective, the negative effects of this phenomenon do not affect only the individual product, but the supply system as a whole. Italian firms are unable to reach a position of competitiveness, because their positioning is undermined by the imitation activity, and as long as their investments do not generate income, they are unable to expand their market share.

Besides, the predominance of imitations causes the inevitable deterioration of the image of quality that Made in Italy has so far gained, thus hampering the strategies of demand segmentation. The consumer which behaves according to the average quality available, damages the original production because it is sold at higher prices (Cuffaro, 2008). Failing to expand its market, Italy suffers from the impossibility of enhancing its homegrown specialities. The statistics on imitation activities occurring in China prove that only one product out of five turns out to be original⁶.

Despite its relevance, the phenomenon of Italian sounding has so far been underestimated and neither consumers nor producers seem to have perceived its importance. The majority of Chinese consumers is accustomed to buy Italian products without even questioning their real origin (Istituto Piepoli, 2006). But even on the part of suppliers the perception of the phenomenon and of the

⁶ Among the most counterfeited products are found Pomodorini di Collina produced by a Chinese firm, Chinese Parmesan, Pecorino (Italian sheep cheese) whose packaging portrays a cow instead of a sheep, Caciotta (Italian cheese) produced in China and bearing an Italian flag on its brand.

fraudulence that results in imitation does not receive the right attention. The underestimation of Italian sounding does not recognize the potential of Italian firms, in terms of competitiveness.

By taking advantage of the information asymmetries, producers of imitations are able to reach favourable competitive positioning, enough to direct a good share of demand towards misleading surrogates rather than authentic products (Akerlof, 1970).

The price gap between the amount of products replaced by imitations and the original references represents the social cost of asymmetric information (Kreps, Wilson, 1982).

6. Conclusions

We have so far outlined that Chinese imported agro-food market - represented by nearly one and a half billion people - presently offers the most appealing business possibilities in the world, although still limited by problems of legal issues, distribution channels, organization, rural-urban gap in income.

The rapid changes in lifestyles and the increasingly urgent nutritional needs of the multitude of young people, prospect unprecedented economic impacts in global food market. The quantitative instances are associated with the desires of a large group of consumers growing aware of the importance of product quality and of nutritional characteristics and extremely receptive of modern marketing strategies.

Distribution system, currently unable to satisfy demand needs and certainly a core factor for the future development, is thus involved in a dynamic transformation of retail markets.

The conditions for an accelerated growth of demand are leading to the success of imported goods. Quality must be the strategic leverage for Made in Italy food to penetrate the market. In light of the attractive market prospects, it is companies duty to manage consistent global marketing strategies, looking further than a mere short term perspective.

China has rapidly become a major actor on the global scene, still grounded on local traditions up to a few years ago, presently discovering the private industry open to a capitalistic economy. A permanently increasing domestic product brings along a new welfare, which in turn changes population lifestyle. This new condition foresees brand new occasions for Made in Italy, to be cultivated through partnership agreements aimed to protect from imitation and to grant consumers' safety. Therefore, in 2006 China has undersigned with the European Union the "Agreement on mutual collaboration in contrasting import-export of counterfeited or adulterated food". As for imports, Chinese authorities conform to the principle that prevention and control are to be exerted on the productive cycle. Examples of unfair competition that arise from such a rapid increase in

consumption imply the duty to protect Italian products overseas. Chinese imitative propensity could result in food frauds, up to market failure. The state of information asymmetry and high transaction costs in trade with China requires the implementation of public policies shared by governments.

Food safety represents the degree of development achieved by a Country. Chinese Government is carrying out important efforts to conform to international standards. At the end of 2007, the Country has approved the document “The Quality and Safety of Food in China”, which constitutes the national food safety policy. The food quality and safety is the major benchmark of the economic development and people's living conditions. Adhering to the people-oriented approach, the Chinese government has always attached great importance to food quality and safety. Moreover, sticking to the principle of nipping problems in the bud, it has built and improved a supervisory system and a mechanism for food safety, strengthened legislation and the set relevant standards, exercised strict quality control over food, actively promoted international exchanges and cooperation in this respect, and has greatly raised public awareness on food safety. Thanks to such efforts, the overall level of food quality in China has been steadily enhanced, the situation of food safety is continuously improving, and food processing has markedly been enhanced.

Chinese agro-food market is an essential opportunity for Made in Italy to gain full success in the global dimension. Still, it is necessary to push companies to invest in the long run, adjusting regulations to marketing strategies, in view of eroding the share of imitative competitors.

A strategic positioning is needed, to be based on segmentation and diversification. Such a huge market requires the carving out of a specific niche for Made in Italy, in which price plays no longer a major role. On the other hand, the absence of competition from local companies could lead to behaviors of moral hazard on part of the supply, resulting in phenomena of adverse selection in demand and deteriorating the image of Made in Italy.

Chinese market represents a great opportunity for the growth of Italian companies, which can become reality through the appropriation of market opportunities created by development. The supply of certificated goods is a required strategy for Italian food companies. In such a huge market, the competitive strategy based on the reputation of goods makes unsuitable the presentation of low-quality and low-price products.

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