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## **The value of *made in*, *brand-identity* and marketing communication in Italian enterprise clusters**

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### **1. National image, value of *made in* and competitive advantage**

Common sense suggests that a strong country image is a powerful marketing tool for its exports. Italy has acquired international recognition for excellence in a number of industries (Nebenzahl, Jaffe, 2001) and this could favour a strategic use of *country-of-origin effect* in the marketing strategies of Italian firms. These firms tend to operate mainly in specific industry sectors which the country has specialised in and have most contributed to the development and consolidation of the country image (Fortis, 1998). As a consequence they should be able to leverage the advantage resulting from a strong demand in international markets which recognises the Italian comparative advantage. At the same time the structure and location of Italian enterprises with entire districts devoted to single industry sectors would suggest that leveraging the origin of the products could be extended to their specific area of manufacture known for its excellence. In other words the “industrial districts” have developed their own distinctive positioning in the market which could be communicated independently and leveraged as image of the district of origin providing a tool to promote and sustain exports over time. (Guerini, 2004).

Although there is a general consensus that *country of origin* is an important competitive tool in international marketing, research is still limited and has not as yet provided a clear theoretical framework which could serve as the basis to develop managerial indications for firms to follow.

This paper summarises previous research on the topic which might contribute to the debate on the management and promotion of country of origin and then reports the results of a research carried out with the objective of better understanding the roles of country of origin and that of district of origin for Italian firms. The research was carried out in two districts in particular: Prato and Bergamo, the former specialised in the textile industry, the latter in the machine tools sector. The two areas were chosen with a view to acquiring a better understanding of the role and of the importance of the country/district of origin in business-to-business contexts which is an area with only one

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<sup>1</sup> The research was conducted by all three authors. C. Guerini wrote paragraphs 1, 2, 3 and the conclusions of the current paper. A. Uslenghi and C. Guerini wrote paragraphs 4 and 5 jointly.

other similar research contribution (Dzever and Quester, 1999). Another important aspect is related to the fact that country of origin is defined by economists as a single construct summarised as *Made in Italy* whereas the machine tools and textile industries have differing critical success factors which should be reflected the image of the district. they are Mentre meno immediata è la relazione tra gli stessi e l'immagine del Paese di origine.

The research analyses the existence and the perceived importance of *country-of-origin effect*, its components, the differences between country and district image as well as the its role in company strategy in the two districts examined.

The ultimate aim is to examine the relationship between geographic origin and the role of communication as a tool to leverage *country-of-origin effect*.

## 2. Leveraging the *made in effect*: the theoretical background

Although the topics this research deals with are intuitively connected, academic management literature tends to consider them separately. In general, there are few specific international marketing contributions focusing on Italian enterprises.

The research which can be drawn on to design research on the topic and to interpret results is based in a number of disciplines, and in particular:

1. international *brand management*,
2. literature in the area of international marketing,
3. studies exploring the location of firms in an industry *cluster* or *district* in terms of international competitive advantage,
4. the significant number of contributions which analyse *country image* and *country of origin effect*.

1. *International brand* management literature underlines the importance of the brand in these contexts discussing advantages and disadvantages of different approaches related to globalised or localised strategies (Aaker, 1996; Keller, 1998; Valdani, Guerini, Bertoli, 2000).

Most authors focus on the brand strategies of large firms with the objective of showing how these firms are successful in managing their brands in international markets. This research takes the viewpoint of the firms which design branding strategies (Keegan and Mayer, 1977). This results in a minor focus on the concept of *global brand*, on the possible differences in developing a *brand identity* and on its measurement. Moreover, the way that the brand can influence the attitudes and behaviour of consumers depending on their cultural background is rarely explored. .

The communication strategy developed to promote global brands in pursued in different ways with a tendency to focus either on the global or local approach (Keller, 1998) rather than for attempts to increase *brand equity* specifically for global rather than local markets.

2. To summarise, the literature devoted to strategic brand management does not seem to have integrated some of the conclusions reached by international marketing contributions. In particular, what seems to be missing is the fact that beyond global or

local approaches to brand policies it is the international dimension itself which changes the firm's *modus operandi*.

Since the *prism effect*<sup>2</sup> (Valdani, 1991) is key in conditioning enterprise performance in international markets, its active management becomes an essential part of an international marketing strategy. This is due to the fact that once a product exits the national market "it is transformed in the evaluation and perceptions of potential customers since the differing characteristics of the local context influence its competitive positioning" (Valdani, Guerini, Bertoli, 2000).

The brand image resulting from the cluster of attributes and associations which the customer connects to the brand name (Biel, 1993; Keller, 1998) assumes a central role in the reasons for choosing one brand over another. In international markets the country of origin of the brand is an additional element of influence on perceptions and contributes to the overall value that the customer places on the foreign product (Thakor, Kohli, 1996).

The origin of the brand evoked by the *brand name* (although not exclusively) is sufficiently powerful to provide products with a head start in entering new markets. It is both a demographic variable (*Belgian chocolate*) and part of the *brand personality* (and therefore it is...)

Moreover, the origin of the brand is represented by the nation or region or even by the specific town which the customer perceives the brand is sourced from.<sup>3</sup> Therefore an overall "Made in Italy", will be complemented by the specific district in Italy the product is based in. (Guerini, 2004) or even by an even smaller entity such as the town of origin which has acquired international repute for the product.<sup>4</sup>

3. In the light of these differences, it is important to focus not only on the country of origin but also on the more restricted industrial district or cluster which is located in a well-defined area within the country (Bagella, Becchetti, Sacchi, 2000; Becattini, 1998; Becattini, Menighello, 1998; Belussi, Gottardi, 2000; Di Tommaso, Rabelotti, 2000). This allows us to confirm the fact that Italian district firms are able to leverage the context's *social capital* in order to reinforce competitive advantage.

An intangible part of the offer, the *district effect*— which includes a number of different advantages - explains the superior performance of these industries and of the firms that operate within them at least in part.

The local image may be a driver of international success but also an attractor. Once customers have developed a positive attitude the local image can be the tool to reinforce the preferences of international customers. (Guerini, 2001). This might also explain why Italian district firms tend to be more export-oriented than non-district firms. Furthermore, with global hypercompetition "firms and districts coevolve and generate reciprocal competitive advantages" (Valdani, Ancarani, 2000), but they also share the management of an intangible asset: image which can contribute significantly to the generation of value and to the growth of industry specialisation. This requires a distinct analysis of the district-of-origin effect as well as the relationship between this and

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<sup>2</sup> The "prism effect" can be considered synonymous of *country-of-origin effect*, defined on page 5.

<sup>3</sup> The origin of the brand can be different from the actual geography where it has been manufactured or is perceived to be manufactured. This can occur as a result of the customer's ignorance in terms of the brand's origin or because the firm itself tries to deemphasize its origin deliberately. In some cases the firms' global presence blurs the geographic origin of its products in the customers' perception.

<sup>4</sup> Country and district of origin are "evoked" images and should not be confused with specific local brands as registered at EU level and conferred only to specific firms in certain areas.

national image in order to understand how each contributes to the development of the overall image.

4. Nagashima (1970) may be considered one of the first to study the *theory of country of origin*, which has since developed into a vast collection of contributions devoted to the complex theme of national image. Nagashima defined country image as: «the representation, the reputation, the stereotype which businesspeople and consumers associate to the products originating from a specific country». He underlined the influence of variables such as national characteristics, the economic and political backgrounds, history, traditions and products typical of the country in shaping the overall image.

Subsequent studies further developed the concept, defining it a multidimensional construct whose main dimensions include: Usunier, 1993; Roth e Romeo, 1992; Baughn e Yaprag, 1993):

- *factors related to the image of national products versus imported ones*: researchers proved there is a bias versus imported products (Bannister, Saunders, 1972; Lilis, Narayama, 1974; Kaynak, Cavusgil, 1983) in industrialised markets (*negative bias*). In emerging markets a systemic overvaluation of products imported from industrialised markets has been observed (*positive bias*) (Morello, 1984; Lumpkin, Crawford, 1985);
- *factors related to specific product categories' country of* (Italian pasta for example). Negative bias related to national image is transferred to the products which originate from that country. Research on the topic also showed the perceptual link between *national stereotype* and *specific product categories*: certain products are inextricably linked with a specific country of origin (French perfume, Italian pasta, Dutch clogs) The marketing of these products generally makes their national origin explicit to promote them abroad. Thus country stereotypes tend to be associated to specific products. The stereotyping effect changes the product's position in the consumer's perceptive space with respect to competing offers as well as changing the evaluation of intrinsic and extrinsic features.
- *The image evoked by the brand vis-à-vis the country of origin effect (COO)*, referring to opinions developed by customers on the relative quality of products as a function of their geographic origin. As explained earlier, this refers to the possibility that the brand can evoke geographic origin and thus favour positive reactions resulting from the cognitive and affective components related to the *made in* effect;

*The influence which "made in" has on product perception*: since the prism effect does not only depend on the origin but also on company strategy aimed at enhancing or hiding it, it is clear how these influence the way the product is viewed by the customer;

- *The national image of the manufacturer*: the customer who has knowledge and direct experience of a country is also exposed to the image that the manufacturer has in the country of origin. According to some researchers this also affects the image the country exerts (Usunier, 1993).

## 2. Leveraging country of origin effect

Although it has a number of limits, the theory of country image provides a series of useful options which SMEs can leverage in order to exploit positive connotations related to a specific country as already perceived by customers. Recent studies have shown how *country-of-origin effect* impacts on foreign products generally and how it becomes a proxy for characteristics of the product that are difficult to describe and make perceptible. (Han, Terpstra, 1988; Huber, McCann, 1982; Parameswaran, Mohan Pisharodi, 1994).

Research results also suggest a distinction must be made between first and repeat purchases and between intermediate and final customers since the *made in* effect will probably vary in each case.

Contributions providing indications to firms in terms of how to manage the *country-of-origin effect* are limited. Leveraging country of origin or specific area of origin (which is mainly discussed in Italy) requires a specific management approach: a continued measurement of the *country-of-origin effect* on target segments in the main foreign markets served by the company, the development of a strategy and an operational plan to leverage and/or neutralise the positive/negative effects of product internationalisation. One way of choosing an appropriate strategy consists in evaluating the significance of country image for the specific product category. This can be carried out by identifying product-country associations which occur when important dimensions for a specific product category are frequently associated to a country of origin (Roth and Romeo, 1992). When no association is identified, the phenomenon is termed *dissociation*. In this case the prism effect is negative and the product may have difficulties in penetrating international markets.

Roth and Romeo's study indicates a number of tools to manage the situations described previously focusing specifically on communication where some guidelines are proposed. Apart from this contribution, there appear to be few frameworks which can support the choice or implementation respectively of a legitimated, loaned or partially legitimated image<sup>5</sup>.

The research on the topic does not include an analysis of the relationship between individual brands and country of origin even though it is evident that some brands contribute to the development of the country image and are strongly correlated to it<sup>6</sup>. These different positive effects on country image should result in some form of coordination.

In the same way, there is no mention of the interactions between different levels of brand (company, product, country) and their support in the product's internationalisation efforts.

As far as Italian firms are concerned, the literature on internationalisation analyses the difficulties related to growth for enterprises whose small size does not allow the marketing investments that produce international visibility. (Cafferata and Genco,

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<sup>5</sup> Legitimated, loaned or partially legitimated image indicate the possibility of evoking the actual geographic origin of the product, of disguising it to induce the consumer into attributing the product to a different origin or to adopt hybrid solutions combining two country images to best exploit their respective plus points (foreign cars designed by Italian designers)

<sup>6</sup> Such as the relationship between Ferrari and Italy or Armani and Italy.

1997). Among the several solutions to the problem some authors suggest alliances and partnerships (Beccatini and Menghinello, 1998), others propose new competitive approaches (Varaldo 1997) or a more focused strategy (Caroli, 2000). Another possible approach is for the firm to leverage geographic origin (Guerini, 2002) or for the whole district to develop a brand for international marketing purposes: these options however are rarely considered.

Preliminary research conducted on Italian firms show the difficulties of fully leveraging *Made in* even when there is a positive prism effect. The main problems seem to be related to “translating” country image into a marketing programme (which can be difficult if the brand is not identified with the country), with the same parameters as those used to measure country image (Dobni, Zinkham, 1990; Johnson and Zinkham 1990).

#### **4. Machine tools in Bergamo and textiles in Prato: objectives and methodology of the research into industry clusters.**

Country-of-origin theory indicates that SME's from typical export-oriented *Made in Italy* industries – (food, textiles, apparel, design, furniture, machine tools)– should be able to leverage positive *country-of-origin effect* exploiting it in international positioning strategies. This could happen without any conscious effort on the firm's part or could be governed proactively through specific marketing programmes.

The objective of the research conducted on a sample of firms in Bergamo and Prato was firstly to understand to what extent the firms there consider country-of-origin and district-of-origin important in determining customer preferences in foreign markets and secondly to determine whether these are actually leveraged in marketing programmes. The specific questions aimed to:

1. analyse the perceptions of SME's in terms of positive attributes and associations which characterise the country-of-origin image for foreign customers for the two industries as well as the importance of country of origin effect to compete on foreign markets;
2. identify whether geographic origin impacts on brand identity and whether it should be explicit in the brand name and therefore its overall importance in building the firm's brand;
3. analyse the perceptions of SME's in terms of positive attributes and associations which characterise the district-of-origin (*Made in Bergamo* and *Made in Prato*) image for foreign customers for the two industries as well as its importance to compete on foreign markets relative also that of country-of-origin;
4. examine the tools used by district firms to promote the geographic (national and local) origin of their products with a specific focus on communication.

The hypotheses to be verified specifically can therefore be declined as follows.

1. SME's belonging to districts with product belonging to typical *Made in Italy* industries will leverage positive *country-of-origin effect* in international markets.
2. the firms will not only underline geographic origin to benefit from the positive associations it evokes but also develop specific marketing policies to leverage it;

3. although they are not able to develop brand equity due to their small size and inadequate marketing resources they will use their country of origin in their communication with foreign customers to leverage it as an alternative to a company brand;
4. since they belong to districts which specialise and are known for specific products they will attempt to leverage this with foreign customers.

Bergamo and Prato were chosen for a number of reasons:

- according to the Italian National Statistics Office (ISTAT), they are both significant in terms of their contribution to GDP and to exports;
- their exports are over the national average;
- the districts belong to industries which are key in terms of specialisation and export orientation.

The survey was carried out with a mail questionnaire sent to 430 firms in Prato and 438 in Bergamo. The redemption was around 10% with 83 questionnaires fully completed. This allowed for a simple analysis of frequencies and averages but could not support more complex elaborations. The results are therefore significant but not statistically representative and generalisable.

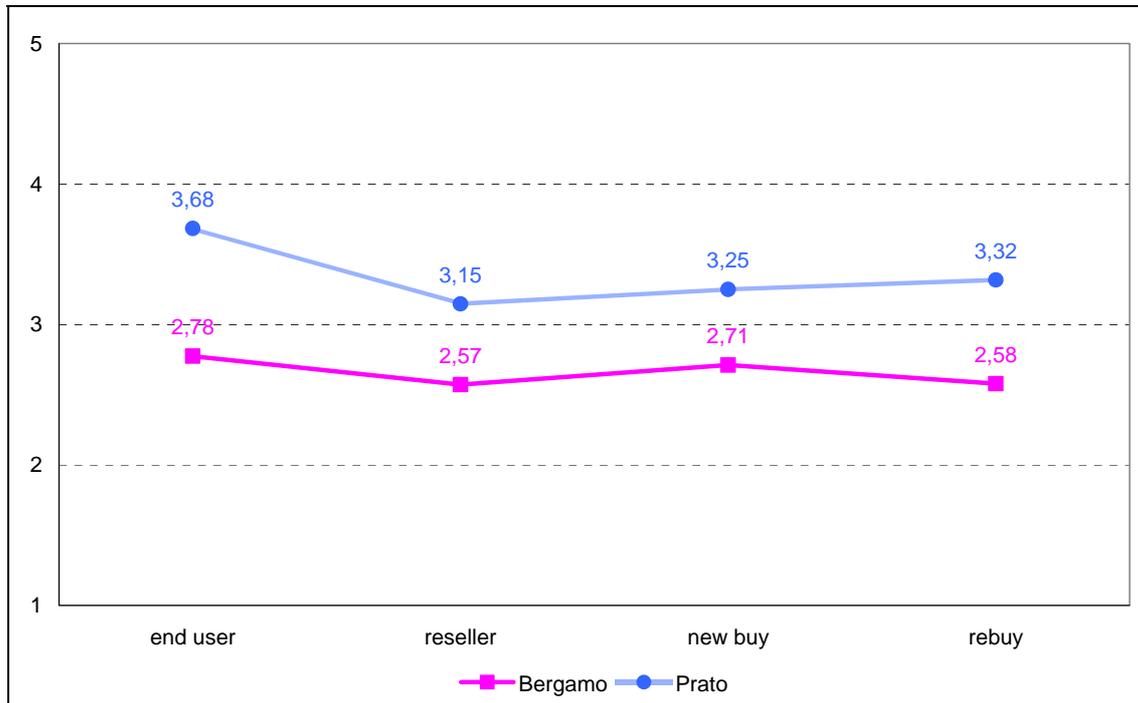
## **5. Research results**

### *5.1 The “Italy brand”: an asset to leverage*

The firms interviewed are convinced that the Italian origin influences foreign customer preferences to a certain extent but is not a deciding factor (Figure 1). In the case of Bergamo, although none of the respondents considers the *Made in Italy* origin a drawback, it appears that the country of origin does not produce a relevant comparative advantage which local firms can leverage individually or collectively. The positive perception of country of origin is clearer for Prato firms which obviously leverage the fashion-Italy association.

Results show that COUNTRY IMAGE has a greater impact for the final customer (for Prato firms particularly) than for intermediate buyers probably because the latter rely more on personal relationships with their suppliers and therefore do not require proxy variables to assess supplier reliability and quality. Bergamo firms indicate that geographic origin is more important to first-time buyers which confirms the hypothesis that country brand is a cognitive shortcut in the customer’s decision-making process. The opposite is true of Prato firms which indicates that satisfaction of first-time buyers confirms the preference for the Made in Italy – fashion positive association.

**Figura 1 The influence of country-of-origin (Made in Italy) on foreign customer preferences**  
(1 = low, 3 = medium, 5 = high)



The firms were also asked to indicate their perceptions of the importance of country-of-origin independently from their views on how country image influences customer perceptions of their products.

What emerges is that *Made in Italy* is not perceived as having any particularly distinguishing characteristics: of the 15 attributes indicated, 14 for Bergamo and 11 for Prato firms are rated between 3 and 4, and therefore considered of medium-high importance in shaping country image (Figure 2). The elements most quoted by machine tools firms are *experience*, *competence*, *know-how*, *specialisation*, *flexibility-tailoring*, *innovative skills* and *creativity*. Textile firms indicate *quality*, *style*, *creativity* and *flexibility-tailoring* as the distinctive elements of *Made in Italy* in foreign customers' views.

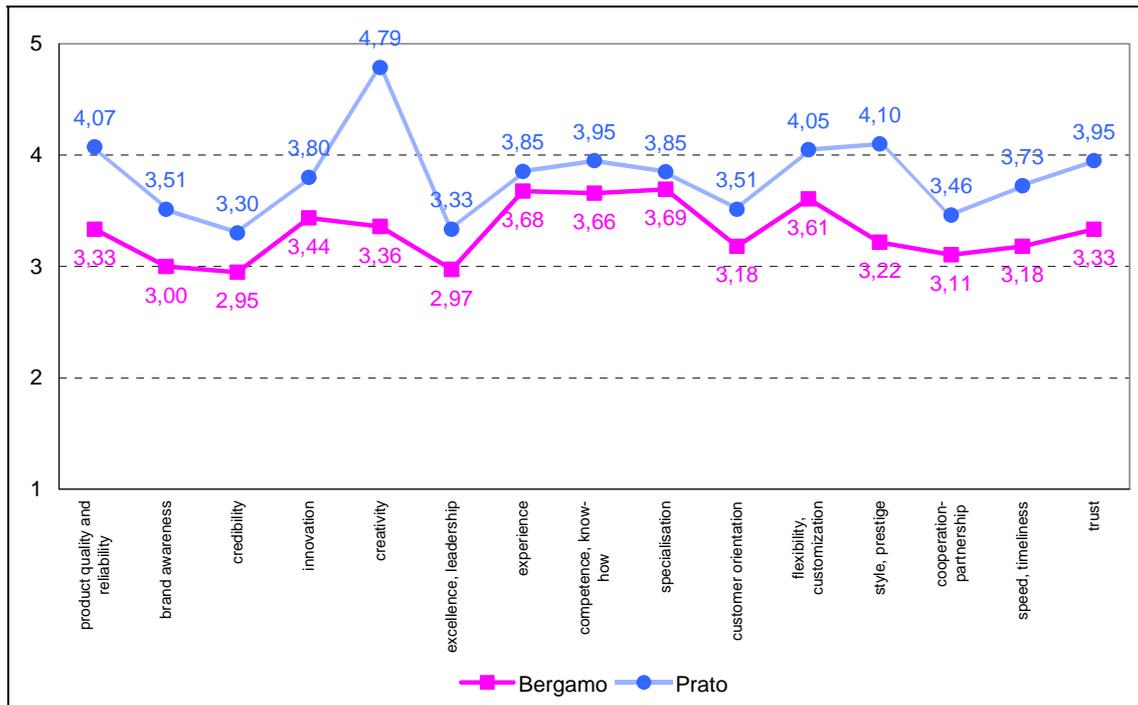
This allows us to draw a number of conclusions:

- some attributes relate to the context the firms operate in, i.e. a specialised industry cluster where flexibility is the competitive tools which offsets the firms' small size;
- the core attributes of *Made in Italy* as far as the respondents are concerned seem linked to specific competencies rather than to technological leadership which is ranked lowest in the attributes indicated;
- the firms confirm the specifics of the "Italian model" (machine tool firms in particular) which has innovative skills which are not based on R&D but more on creativity and ability to apply process innovation;
- since these "soft" capabilities are recognised by international customers they could be leveraged as "national" characteristics, part of the country image and compensate the firms' weaknesses providing, at least in the medium term, a defensible competitive advantage;

- as a result however, the possible distinction between *product-quality* and *design-quality*, as defined by Chao (1998) cannot be leveraged and Italy must position itself through both *soft* and *hard* elements, linked to product performance and vertical differentiation. Although the textile firms indicate “quality” as a key element it is clearly referred to physical rather than perceived performance.

**Figure 2 Positive country image aspects as perceived by foreign customers**

(1 = not perceived, 3 = generally accepted, 5 = unanimously perceived)



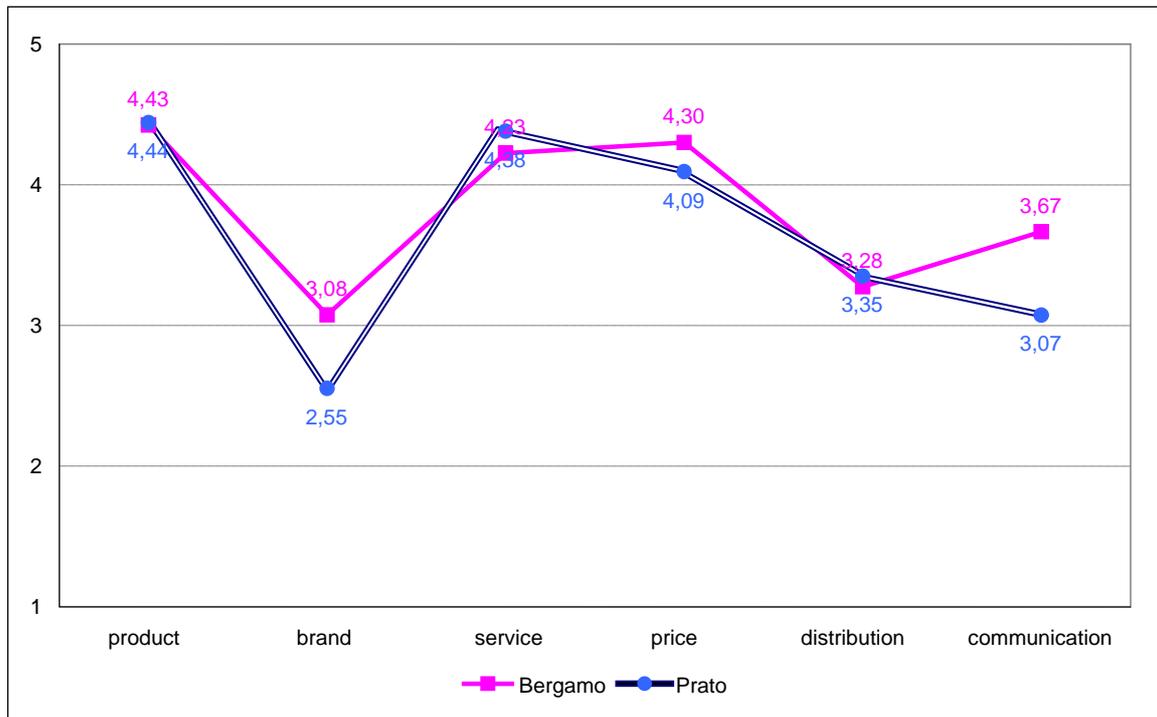
The market’s general perception of Italy confirms that competence and experience are universally acknowledged as characteristics pertaining to firms operating in industrial districts. The attributes tend not to be associated with firms from emerging markets much feared by Italian SMEs particularly in the textile industry. Communicating these advantages effectively should therefore enhance the competitive strength of Italian firms. A *competence-based* country image would be in line with the trend that business customers show in terms of seeking intangibles such as knowledge experience and know-how rather than standard product-service packages (Golfetto, 2003; Borghini, Golfetto, Rinallo, 2003).

The Italian machine tools industry in particular suffers the negative country stereotype which characterises it as unreliable in terms of timely supplies and less advanced technologically in comparison with other countries (Germany specifically). This is seen as a serious handicap which cannot always be offset by the recognised strengths of *Made in Italy* products.

### 5.2 Does brand identity underestimate country of origin effects?

The respondents consider that brand is not of primary importance in their international marketing strategies which is mainly based on the product/service package. (Figure 3). The general consensus is that competition is determined by quality-price ratio whereas communication, distribution and brand play minor roles.

**Figure 3 Key elements to compete in international markets**  
(1 = not important, 3 = quite important, 5 = very important)



This approach emerges also in the informal interviews conducted with some the enterprises: branding is not considered effective particularly because for it to have an impact, these small or rarely medium-sized firms would have to invest much beyond their means. Their main focus the tangible part of the offer with particular attention to pricing. Even communication which could contribute substantially in terms of brand building does not seem play a strategic role. It is also interesting to note that the machine tools firms consider communication more important than textile firms appear to. In the longer term, the choice of not investing in brand equity will further expose these firms to competition from emerging markets which tends to progressively move upscale into higher added-value manufacturing. The loss of competitive advantage would certainly be less of a threat both on the domestic market and abroad if the district firms could leverage a brand which communicated the reliability, competence and experience they consider their key assets.

Where firms size does not permit investments in a brand, the alternative could be to leverage *country-of-origin* or *district-of-origin* more forcefully particularly where foreign customers indicate positive associations between product and geographic origin. This would allow the firms to take advantage of an image which they contribute to only indirectly without direct investments. However, the respondents' attitude is not enthusiastic in this respect (Figure 1).

The average value assigned to country-of-origin as a contributor in forming foreign customer preferences does not result in a generally shared response in terms of whether the brand or corporate name should make explicit reference to the Italian origin of the product. In Bergamo only one out of five respondents considers it important and no firm considers it essential whereas in Prato most firms indicate it is important or essential.<sup>7</sup>

According to the majority of respondents, the geographic origin is therefore not the key element in creating *brand awareness* in international markets, nor does it evoke strong associations. Although the *Made in Italy* label is important (almost half the respondents use it in their positioning strategy abroad) it represents the focus of *brand identity* in a limited number of cases. (Figures 4 and 5).

Apart from the functional benefits (quality, reliability and product performance), which are the elements of brand identity for most respondents the *brand associations* which are most often used are:

- experience, competence and know-how (for machine tools specifically)
- creativity (textile industry);
- technology and ability to innovate;
- specialisation, flexibility and ability to tailor the product;
- customer orientation;
- speed and timeliness;
- co-operation and partnerships.

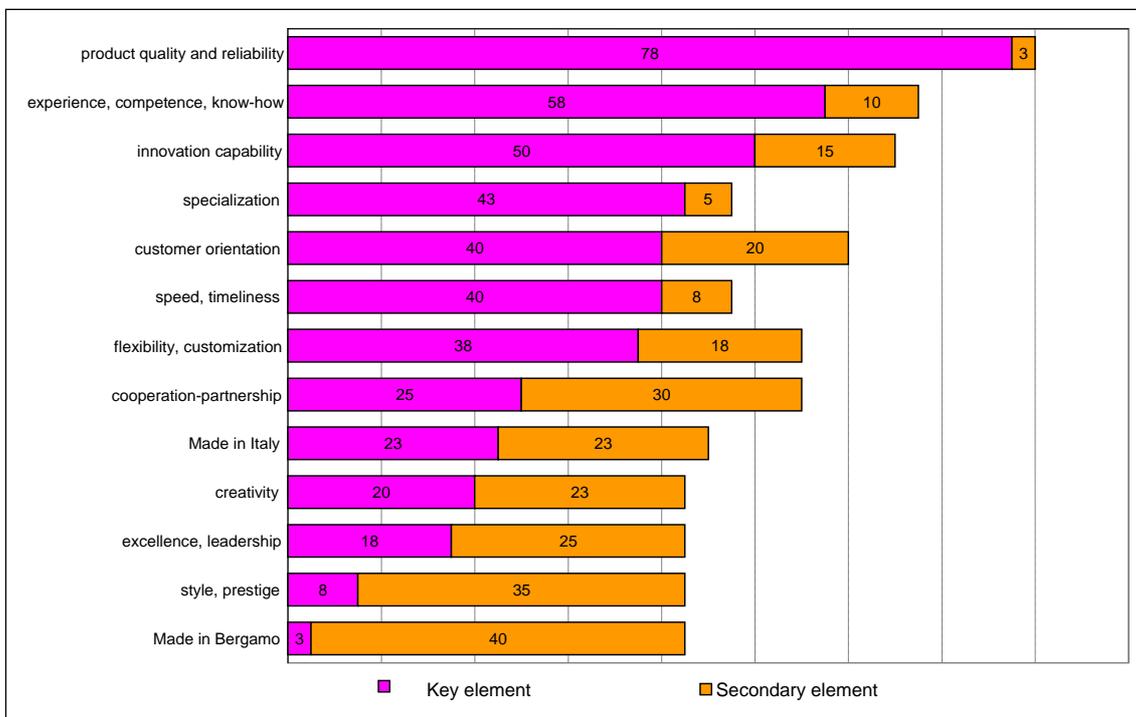
The first four categories coincide with the associations respondents indicate as being those most frequently made by their foreign customers as far as all Italian products are concerned. (and, as will emerge from the responses to subsequent questions, as far as district of origin is concerned although to a lesser extent). These associations therefore cannot guarantee a distinctive positioning to a specific brand since they are perceived as pertaining to *Made in Italy* generally. The firms surveyed do not make any particular effort to capitalise on positive country image and it could even be said that country and district image have not benefited from the branding strategies developed by individual firms (Figure 7). However, this is probably true of firms which belong to industries which Italy is known for both in terms of specialisation and export-orientation.<sup>8</sup> – It is evident that the firms surveyed do not activate country-of-origin as a marketing tool but they derive some benefit from belonging to a specific industry and geography (Guerini, 2004).

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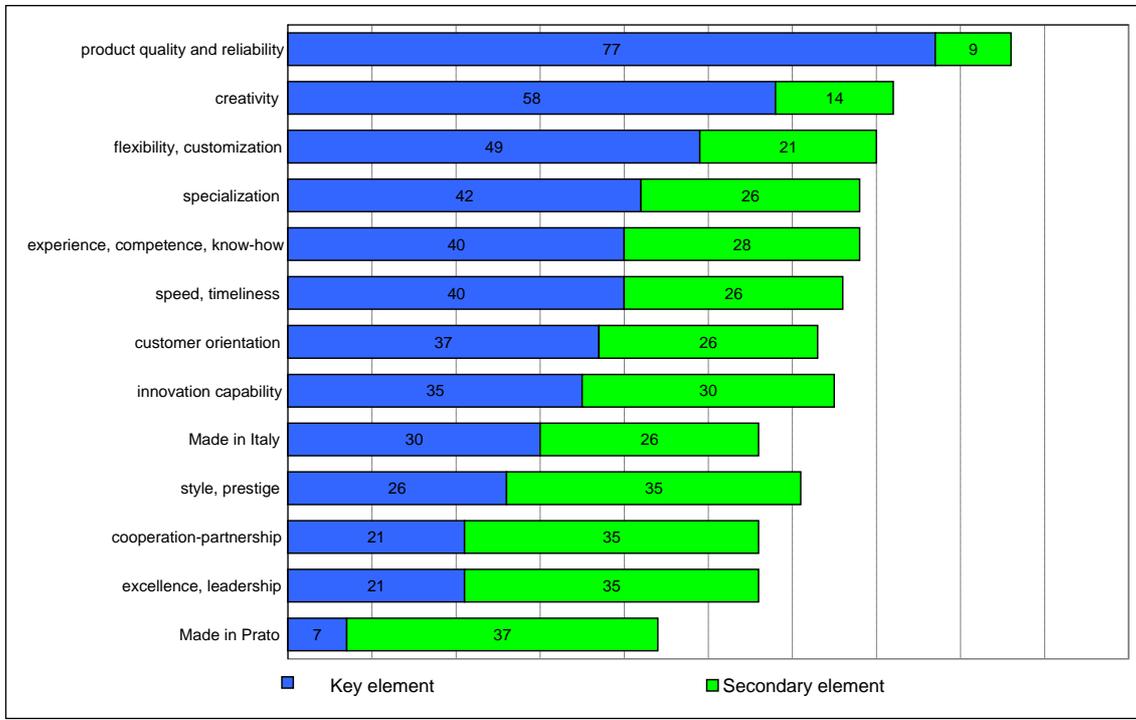
<sup>7</sup> It is not surprising therefore that most firms are named with an acronym which does not evoke geographic origin..

<sup>8</sup> Foreign customers' appreciation for products of Italian strongly export-oriented firms has undoubtedly contributed to a positive image even for more high-tech products where Italy suffered from negative stereotyping in the past. (Guerini, 2001).

**Figure 4 Brand identity focus in Bergamo (machine tools)**  
 (% respondents basing their brand identity on the factor)



**Figure 5 Brand identity focus in Prato (textiles)**  
 (% respondents basing their brand identity on the factor)



Other brand elements do not coincide with the country image and could therefore be leveraged in terms of differentiation vis-à-vis local competitors. These elements cannot individually provide unique positioning but rather become an *ingredient* of a more complex *brand proposition* based on the elements previously listed. Attempts to position on service, speed and timely delivery is a major leap which should be noted especially in the machine tools industry where the stereotype is lack of reliability and limited support in terms of *customer care*.

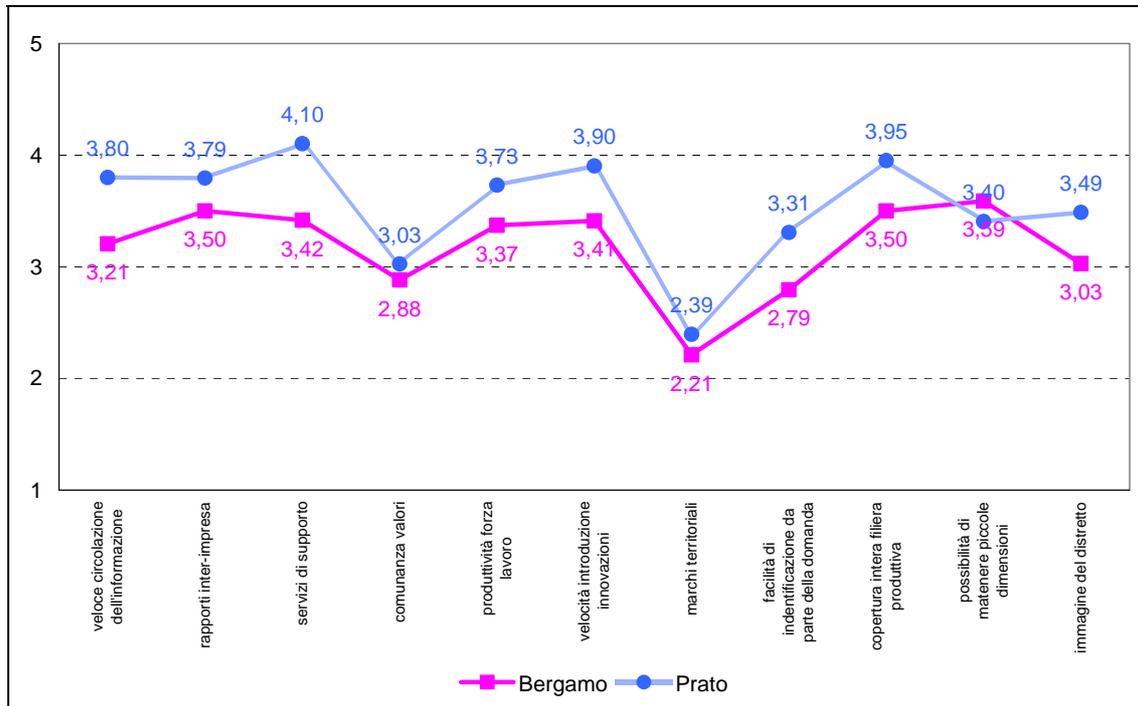
### 5.3 Made in Bergamo and Made in Prato compared

Both Prato and Bergamo firms generally consider that belonging to a specific industry cluster does not favour their image, particularly in international markets, and therefore it is not worth investing in a branding strategy to emphasize district of origin. (Figures 4 and 5).

This is confirmed in a subsequent answer to the questionnaire where *district notoriety* as an influencer of foreign customer preferences is ranked very low whereas other aspects related to operating in an industry cluster are indicated as sources of competitive advantage. (Figure 6).

The reasons behind this attitude both clusters share are probably different: in Bergamo there does not appear to be a common identity whereas Prato firms, facing a serious downturn are simply more sceptical of *intangibles* such as district image.

**Figure 6 The perceived advantages of operating within an industrial district**  
 (1 = not importante, 3 = quite important, 5 =very important)



The firms from both clusters generally perceive the districts as a grouping of specialised production units rather than an entrepreneurial social and cultural network. The responses to questions on the advantages of operating within and industry cluster indicate that it allows firms to stay small and in the case of Prato there is some recognition of the benefits of shared support services and rapid circulation of information within the community but in no case is there a feeling of “shared values” as a positive characteristic of an industry cluster.

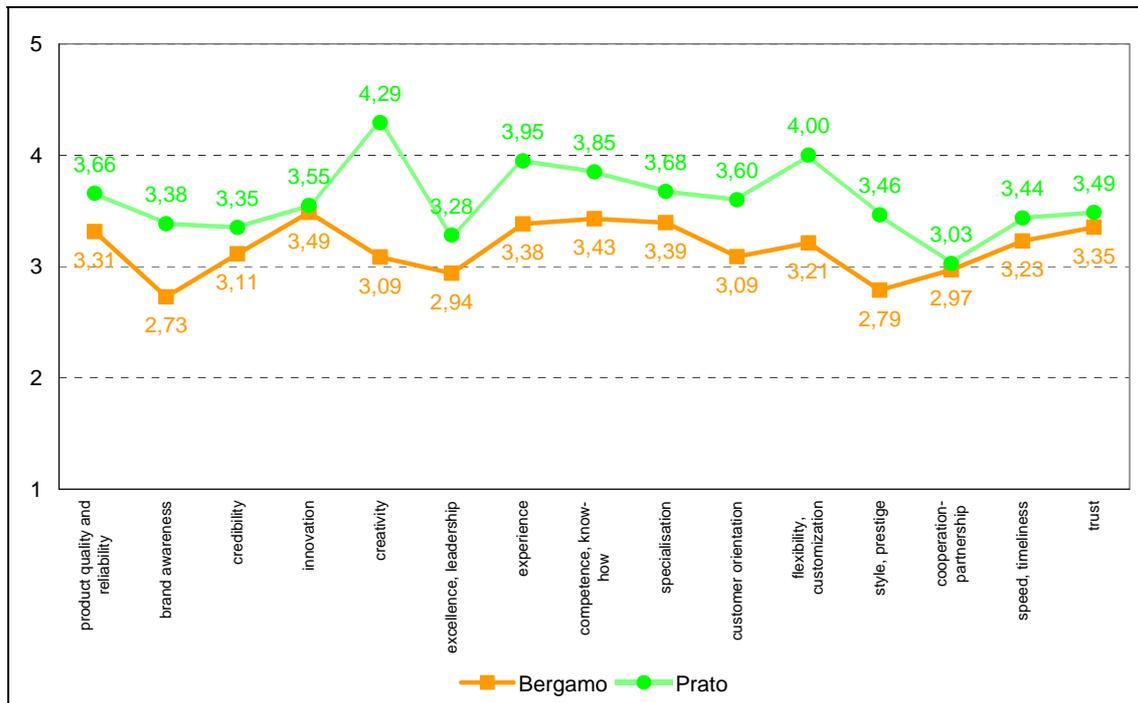
The outcome is therefore that the district does not have an image which the firms feel they can leverage and only 10% of respondents believe that district image prevails over country image. The image of each district is also stronger in markets which are closer and have been served longest and this coincides with EU markets before enlargement. (Table 1).

**Table 1 Country versus district image: relative importance as perceived by foreign customers (% values)**

<b>Bergamo</b>	<b>EU 15</b>	<b>EU 25</b>	<b>Rest of Europe</b>	<b>Asia</b>	<b>North America</b>	<b>Latin America</b>
District image prevails over country image	31	15	6	3	3	7
District and country image have equal value	34	41	47	29	34	38
Country image prevails	34	44	47	68	63	55
<b>Prato</b>						
District image prevails over country image	19	5	5	2	7	2
District and country image have equal value	23	26	19	12	14	7
Country image prevails	58	70	77	86	79	91

According to most respondents the district image has even less recognition than the country image (Bergamo responses in particular cluster around the average) and there are no distinctive traits to *made in*. This is confirmed by the fact that the brand associations connected to the district are the same as those indicated for the country brand but always less marked (Figure 7).

**Figure 7 Positive attributes of district-of-origin recognised by foreign customers**  
(1 = not recognised, 3 = generally accepted, 5 = unanimously recognised)



The differences between country and district image in Bergamo are particularly evident as far as *brand awareness* is concerned with district image scoring much lower than country image on this indicator. The other marked difference is in style-prestige which however, is not likely to influence customer preferences much in this industry. *Experience, competence, specialisation* and *flexibility* rate only average scores even though they are the elements which are considered key in terms of country image. It appears that Bergamo firms do not consider their local strengths sufficient to promote these competencies independently.

As far as Prato is concerned, style-prestige, product reliability, creativity, service and trust are key elements of country image and, only to a lesser extent, of district image. This is probably because country image is perceived as the sum of several textile districts' image and therefore more powerful than that of a single cluster.

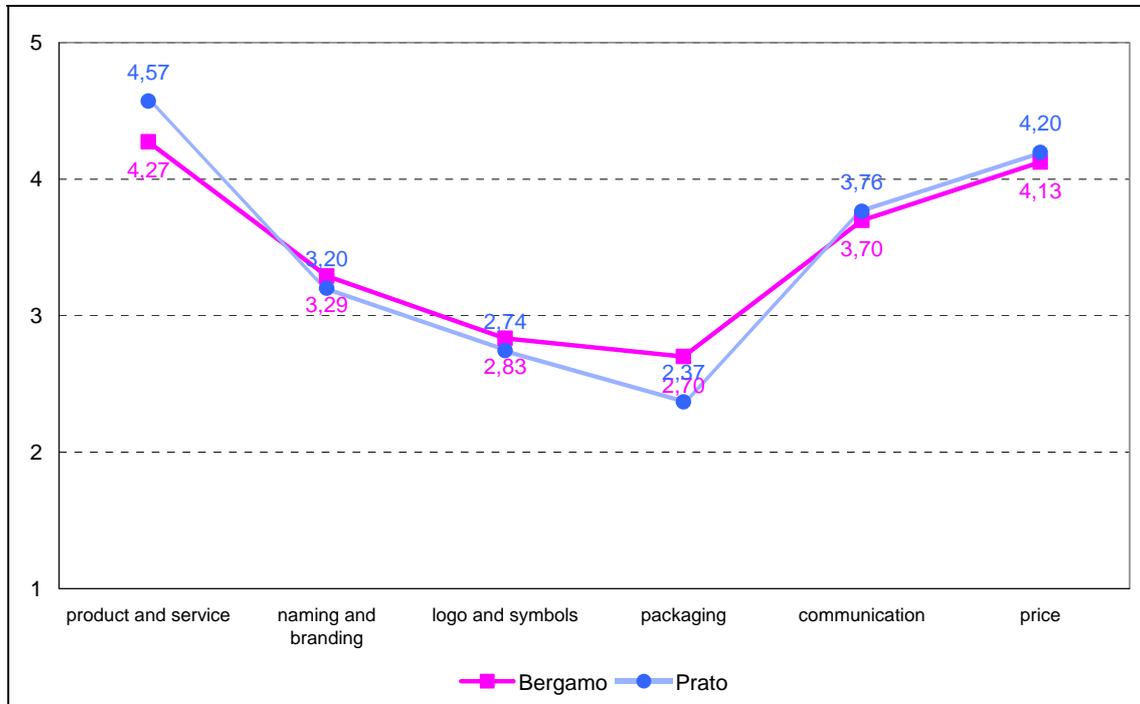
The picture that emerges is that without a strong repositioning strategy aimed at characterising the districts' specific strengths there are few opportunities for them to leverage a *Made in Bergamo* or *Prato* image particularly outside traditional European export markets.

#### 5.4 Leveraging country image and district image

Italy's positive image on international markets emerged in several studies and the consensus seems to be that it is based on the success of a number of specific products rather than being the result of positioning strategies developed collectively (by industry) or specifically by the firms' themselves. The respondents to the present survey confirm this when responding to questions on the means to leverage country image. Their answers refer mainly to tangibles such as product and service and pricing as their strategies to create and promote country brand. Communication and *brand visual*

identity (name, logo, symbols) are considered secondary elements which certainly contribute to the overall image but are not crucial (Figure 8)<sup>9</sup>.

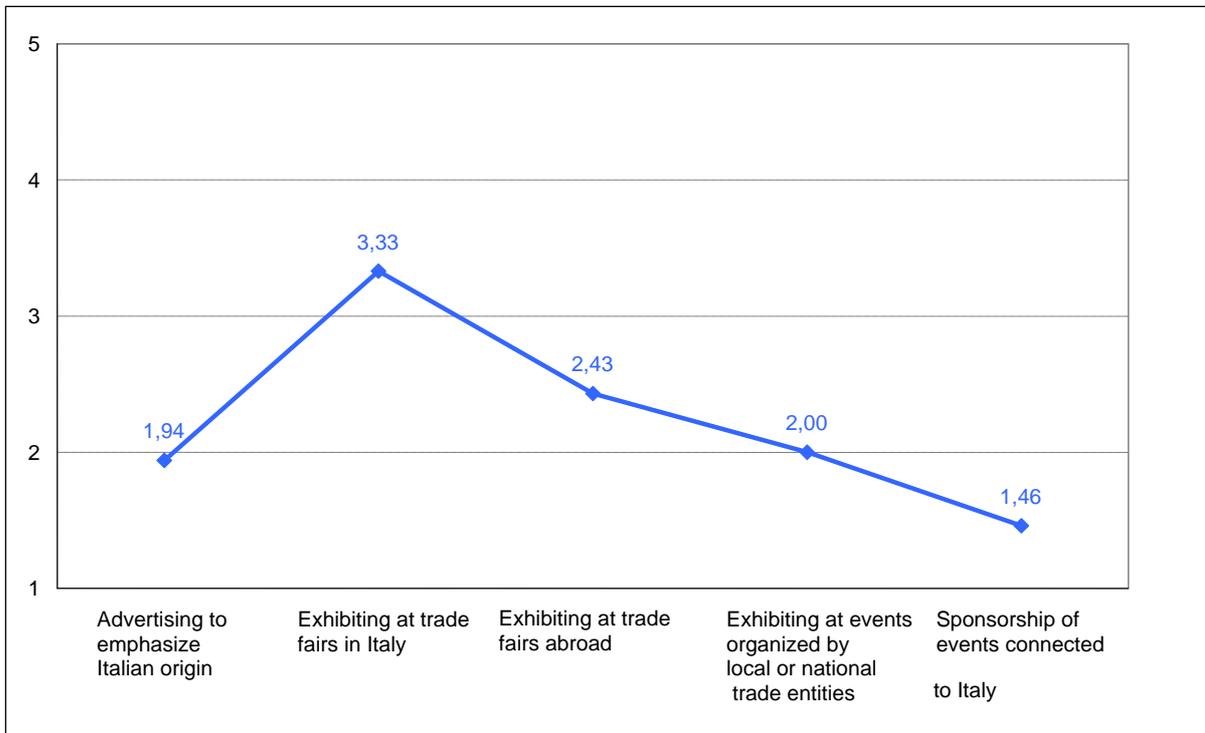
**Figure 8 Tools used to promote country image**  
(1 =never, 3 = sometimes, 5 = regularly)



Trade fairs are the most commonly used communication tool but once again each firm takes part individually, there are no attempts to exploit them to promote a district image. (Figure 9). This has also emerged from other studies (Golfetto, Uslenghi, 2004) which showed that promoting *Made in Italy* takes place mainly “at home” at trade fairs which are typically attended by foreign buyers . When Italian firms take part in trade fairs abroad (and only those with a consolidated experience of foreign markets tend to do so), they exhibit individually rather than join stands sponsored by the local chamber of commerce or the national trade council confirming the lack of interest in operating as a “system”. Advertising and sponsorship with an “Italian” theme are difficult to implement for SME’s since their budgets do not permit the type of exposure required to have significant impact.

<sup>9</sup> Many firms have sustained the need to promote a *Made in Italy* brand to guarantee that the origin of products manufactured entirely in Italy can be traced (textiles particularly but also other products) in order to protect against counterfeit products from emerging markets (*BergamoINdustria*, n. 2, Feb. 2004).

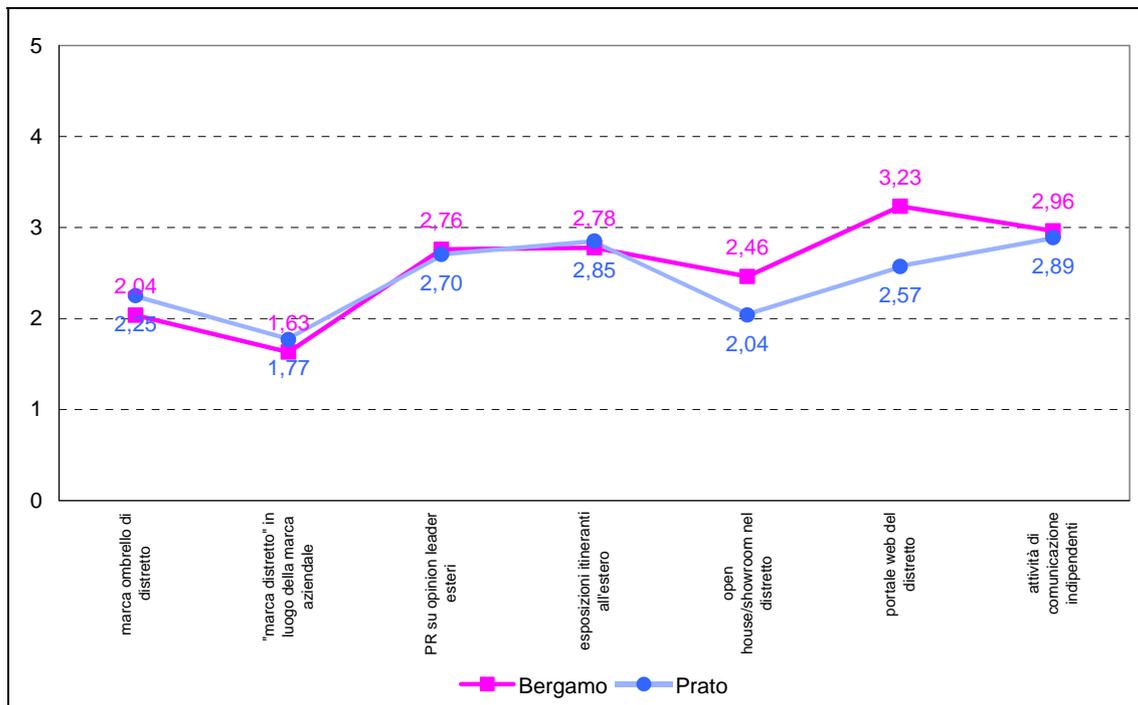
**Figure 9 Leveraging country image: communication tools used**  
 (1 = never, 3 =sometimes, 5 = regularly)



According to the majority of respondents, the overall promotion of Made in Italy in international markets is the responsibility of government (export council or similar).<sup>10</sup> The firms also show little interest in supporting the creation of a district brand which is not considered useful in terms of promoting their image abroad. Both options proposed, that of an umbrella brand to be used in conjunction with the firm's own brand and that of a brand to substitute the firm's own brand in international markets were not rated highly. (Figure 10). Bergamo firms seem to favour the idea of a district web portal to promote their image abroad.

<sup>10</sup> The Italian Export Council (ICE) and local industry associations have launched «Machines Italia» to promote the image of Italian machine tools in North America.

**Figure 10 How useful are communication tools to promote district image?**  
(1 = not useful, 3 = quite useful, 5 = very useful)



The final part of the present study attempts to identify the barriers to leveraging *Made in equity* and how to overcome them. The main reason for not linking *brand-corporate image* to an Italian or a local district identity is that the majority of respondents (47%) are convinced that the geographic origin does not greatly influence customer preferences. The firms also fear a reduction in differentiation from their close competitors resulting from the adoption of country-of-origin as their positioning strategy on foreign markets.

The inability to leverage the *goodwill* that country or district image provides stems from a lack of marketing resources and knowledge of international markets according to the respondents.

These barriers could be overcome with training aimed at providing the necessary tools as well as with specific research to acquire better knowledge of foreign markets. This is confirmed by the informal interviews conducted after the mail questionnaire, where the firms (lead by Bergamo) indicate these actions possible solutions to improving exposure abroad. All the firms consider that national and local organisations could support their efforts more decisively and all admit that more cooperation among district firms (so far underexploited) should be more active in order to better seize opportunities in foreign markets.

There is certainly no lack of awareness on the firms' part: all agree that developing a sound network would greatly enhance their efforts outside the domestic market. It is to be hoped that the cooperation can go beyond R&D efforts to include actions to improve visibility and credibility in international markets.<sup>11</sup>

<sup>11</sup> Many Prato firms invoke the creation of "barriers" against foreign firms' products not realising the little support this would give in terms of improving their competitiveness in foreign markets.

## 6. Conclusions

In the current competitive scenario leveraging geographic origin is an important marketing tool allowing firms to differentiate their offer vis-à-vis newcomers from emerging markets. There is at present a limited number of research contributions on the topic.

The current study focusing on Italian SMEs has attempted to understand whether *country-of-origin* is a tool that can be leveraged by these firms abroad. The results have ranged from predictable to completely new.

The key factors to compete in foreign markets according to the majority of respondents from both districts remains the augmented product rather than the brand. This confirms the typical orientation of Italian firms but also that of firms operating in business markets in general.

This is confirmed by the firms' belief that the main advantage of being part of an industry cluster is the possibility of accessing resources to improve their products. The concept of networking within the cluster leveraging the knowledge of others to foster a stronger image is, as yet, far from their focus.

Although the current phase is characterised by intense price competition, the respondents agree that brand and communication can be useful to promote their image abroad. It is also interesting to note that in Bergamo communication is considered more important than price as a competitive tool.

As mentioned before, most firms consider that *Made In* has a limited effect on foreign customer preferences: the interesting response is relative to the different impact it has on first time buyers and repeat buyers and on final and intermediate customers.

This would justify leveraging *country-of-origin effect* with differentiated marketing policies according to type of customer and buying approach.

*Made in Bergamo and Made in Prato* are not often part in the firms' marketing strategies whereas *Made in Italy* is leveraged in almost half the cases although rarely as a key element in positioning the product.

The research has also clarified the components of country and district image from the firms' point of view. Most converge on the opinion that district image is still less powerful than country image and there is less awareness of it overall and therefore unlikely to provide a distinctive element for the firms' positioning. It should also be noted that the image is perceived differently in the various export markets and this might lead to developing specific marketing policies by geography.

The tools most used by Bergamo enterprises to promote *Made in* (country and district), when it is recognised as useful, confirm that communication plays the most prominent role (second to the augmented product mentioned earlier). The choice of brand and product names and other elements of the brand's visual identity tend to play a minor or negligible role. 50% of respondents from both districts indicate that *brand name* and *brand visual identity* have a key role in promoting their products abroad whereas the remaining 50% their relevance is minor.

These indications confirm earlier research (Golfetto, Uslenghi, 2004; Guerini, 2001) which showed that domestic trade fairs are almost the only tool used whereas other opportunities to promote the firm's image and country of origin are rarely exploited since they are considered less effective. It should also be noted that the tools actually used by respondents and the tools which respondents consider also available are slightly

different indicating the awareness of additional means to promote country and district image should there be the resources available.

The present study needs to be interpreted taking into account the small number of respondents and therefore the difficulty of generalising results. Moreover, the research measured the perception of suppliers which should be supplemented by those of buyers: both intermediate and final customers.

However, there are a series of indications which the country's industrial and government players can usefully take into account. SME's indicate a major knowledge gap where international markets are concerned. This explains why although they declare that geographic origin is moderately important to them they also insist on an "official" *Made In* label and on government promotion of Italian industry. All those involved (government, industry and local organisations) could therefore usefully connect to jointly measure *country-of-origin* effects on international demand for Italian products in order to design specific communication aimed at consolidating national and local equity in key markets and in newly developing ones.

Apart from communication programmes and the development of *brand equity* which can not be developed by smaller firms, leveraging *country of origin* could be an important differentiator without requiring major investments. This can take place if the firms acquire better knowledge of marketing tools and manage it actively.

As far *district of origin* is concerned, 3% of Bergamo firms and 7% of Prato firms indicate they leverage it actively. This should prompt further research to determine how this is done perhaps using *explanatory case study method* to gain qualitative insights.

Finally, since the theme of the present study is closely connected to legal and economic aspects further interdisciplinary research would provide some indications for a general framework to promote *Made in Italy* in world markets creating a sound national equity.

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