

**THE FASHION MARKET
IN ITALY**

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1. MARKET AND ECONOMIC TREND IN THE CLOTHING SECTOR

1.1. CONSUMER INDICATORS

Italy is Europe's second largest clothing market (16.7% of the European market).

- Turnover in clothing sector : Lire 54,400 billion in 1998
development since '97/'98 : +3.4%
- Annual expenditure on clothing : 7% of household budget
trend since 1987/1997 : -16%

1.2. PRODUCTION INDICATORS

- Number of companies in clothing sector: approx. 36,400 in 1998
- Workforce : 294,000
trend :-1% between '97 and '98
- 48% of the production is exported
- Some important names of the Italian clothing industry :

Stefanel Spa
Carvico Spa
Crealis Spa
Samar Spa
Imax Srl

CHILDREN'S WEAR

Brummel Spa
Maui Spa
Ellepi Spa
Creazioni Brigitte Spa
Miniconf

MEN'S WEAR

Manif. Lane G. Marzotto e Figli Spa
Inca-Ind Confezioni Spa
Vestimenta Spa
Fli Campagnolo Spa
Forall Confezioni Spa

WOMEN'S WEAR

Gruppo Finanziario tessile Spa
Max Mara Srl
Simint Italia Spa
Fashion Box Spa
Marella Spa

Lingerie-Swimwear

Emmeci Srl
Parah Spa
Infil Spa
Gagliardi Spa
Liberti Spa

- Principal suppliers for Italy originate from Rumania, Tunisia, China, France
- Main trends and characteristics:

- ➔ « Small is beautiful » : many small family-owned organisations, very modern and very reliable
- ➔ A highly flexible and very large production: the Italian textile/clothing industry ranks as the first industry, with its own dynamic structure typical of Italy, which is grouped in the same geographical area of numerous specialised enterprises, which is flexible, complementing (vertical integration) or competitive

MAIN INDUSTRIAL AREAS IN ITALY

<i>Region (cities)</i>	<i>Focus</i>	<i>No. of comp.</i>	<i>% export</i>
Piémont (Biella)	Wool Cardigans, coats, jackets, suits	1,700	40%
Lombardie (Como-Lecco)	Silk Cardigans, coats, jackets, suits	2,600	34%
Lombardie (Mantova)	Socks (?)	280	60%
Emilie Romagne	All types of textile clothing	2,000	38%
Tuscany (Prato)	Cardigans, coats, jackets, suits	7,671	60%
Tuscany (Fi / Empoli)	Cardigans, coats, jackets, suits	521	30%

- ➔ These enterprises are at times grouped as so-called « conzorzii », which are legal entities grouped as affiliated companies in the common interest (example: joint export activities)
- ➔ Significance of subcontracting: 3 companies out of 4 work as subcontractors thanks to a network of alliances with limited partnerships
- ➔ A highly competitive industry = strong local competition for foreign manufacturers
- ➔ A very specialised industry
- ➔ Highly export-oriented industry
- ➔ Some negative issues: fiscal fraud, fraudulent copying, minors working

1.3. CURRENT MARKET TRENDS

- Italian consumers are extremely attached to the value of the brands and have a significant quality culture for products / materials
 - With large-scale distribution developing, Italian consumers are starting to look for 'good value for money' offers
 - Expenditure linked to the fashion sector is more important in Italy than in any other European country
- ⇒ to be successful, one would have to if possible :
- to position oneself as a foreign manufacturer
 - not to try to copy Italian products

1.4. PRODUCTS: DETAILS WORHT KNOWING...

STANDARDS

- Contrary to other European countries such as Germany, Italy has relatively few stipulated specifications.

SIZES

• Men's Wear

Jackets

France	46	48	50	52	54	56	58
USA	36	38	40	42	44	46	48
GB	36	38	40	42	44	46	48
Italy	44	46	48	50	52	54	56
Spain	46	48	50	52	54	56	58
Germany	44	46	48	50	52	54	56

Trousers

France	38	40	42	44	46	48	50
USA	28	31	33	34	36	38	39
GB	31	32	33	34	35	36	38
Italy	38	40	42	44	46	48	50
Spain	38	40	42	44	46	48	50
Germany	36	38	40	42	44	46	48

• Women's Wear

Ready-to-wear

France	36	38	40	42	44	46	48	50
USA	6	8	10	12	14	16	18	20
GB	8	10	12	14	16	18	20	22

Italy	40	42	44	46	48	50	52	54
Spain	36	38	40	42	44	46	48	50
Germany	34	36	38	40	42	44	46	48

- The growing importance of the segment for **large sizes** is noteworthy

FABRIC

- Although Italian consumers are very demanding with regard to the quality of the fabric, they have no particular preferences with regard to natural and synthetic fabric

FINISHING

- The quality of the finishing is of prime significance

BRANDS

- The brand has a strong value in Italy

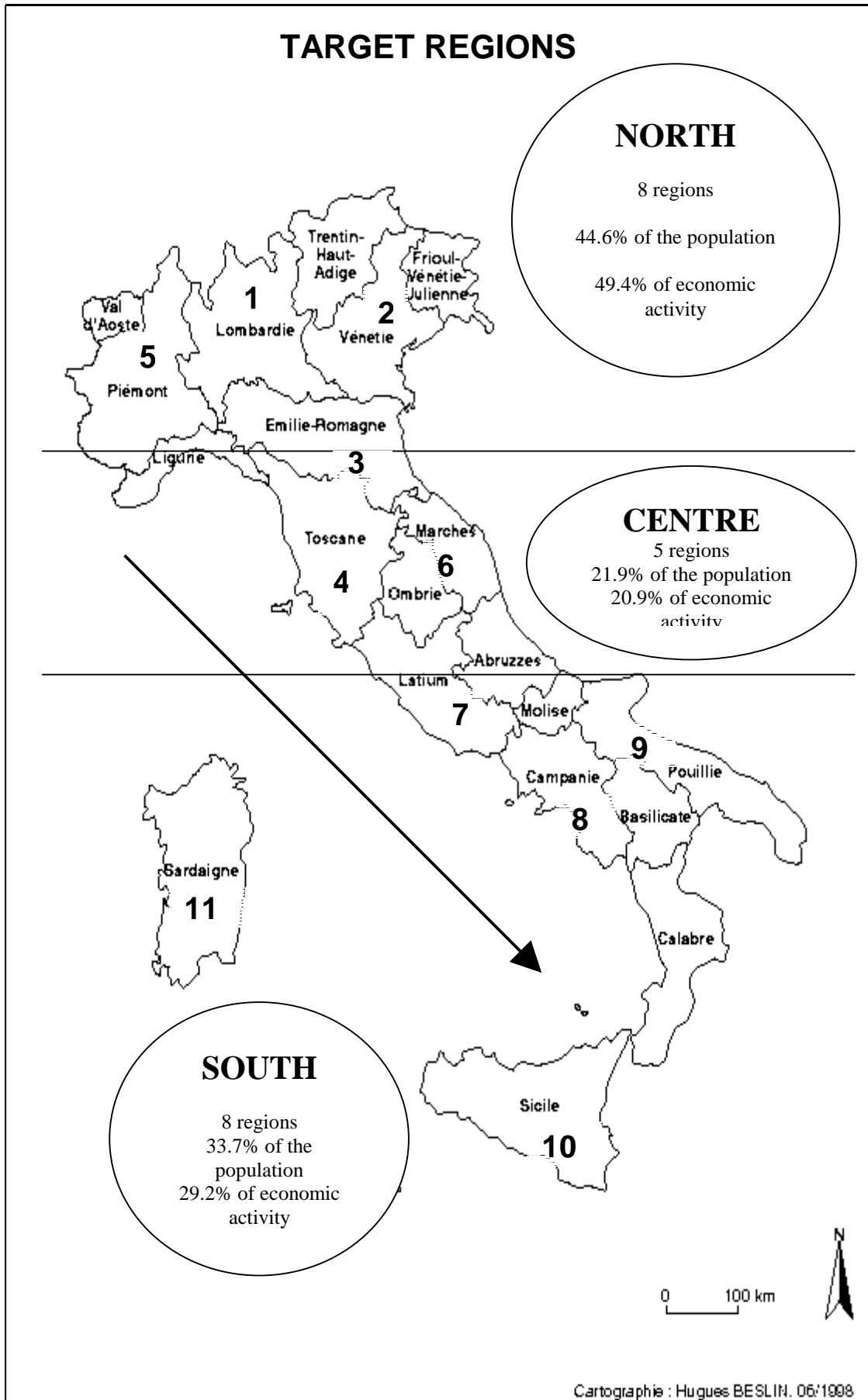
2. GEOGRAPHICAL APPROACH

- An exhaustive coverage of the Italian territory currently requires the presence of 11 sales representatives
- The market approach would logically run **North -> Centre -> South**

<i>Zone</i>	<i>Region</i>	<i>Area km²</i>	<i>Population</i>	<i>Major cities</i>
1	Lombardie	23,861	8,958,670	Milan
2	Venice	8,379	4,452,793	Padoue Vicence Mestre
	Trentin Frioul-V. Julienne	13,607 7,844	918,728 1,186,244	Trieste
3	Emilie-Romagne	22,123	3,937,924	Parme Bologna Modène
4	Tuscany	22,993	3,524,670	Florence Pise Sienne
5	Piémont	25,399	4,294,127	Turin
	Liguria	5,421	1,650,724	Gênes
	Val d'Aoste	3,263	119,224	Aoste
6	Marches	9,693	1,447,606	Péruges Pescara
	Ombrie	8,456	829,915	
	Abruzzes	10,795	1,273,665	
	Molise	4,438	331,696	
7	Latium	17,207	5,217,168	Rome
8	Campanie	13,595	5,785,352	Naples
9	Pouilles	19,363	4,087,697	Bari
	Basilicate	9,992	607,859	Cosenza Reggio
	Calabre	15,080	2,074,157	
10	Sicily	25,707	5,100,803	Palermo
11	Sardine	24,090	1,662,955	Nuoro

Source: ISTAT

- Zones 2 and 3 can eventually be covered by a single representative
- The easiest commercial solution would be to choose a general agency:
 - ➔ covers most of the most important market with 6-7 sub-agents
 - ➔ 2-3 collections which are passed on between the representatives
 - ➔ a single partner on the market
- CAUTION : the approach must be adapted
 - ➔ according to the kind of product: as a result one focuses on the coastal areas for swimwear
 - ➔ according to region : one would have to adapt one's commercial/marketing activities to regional particularities



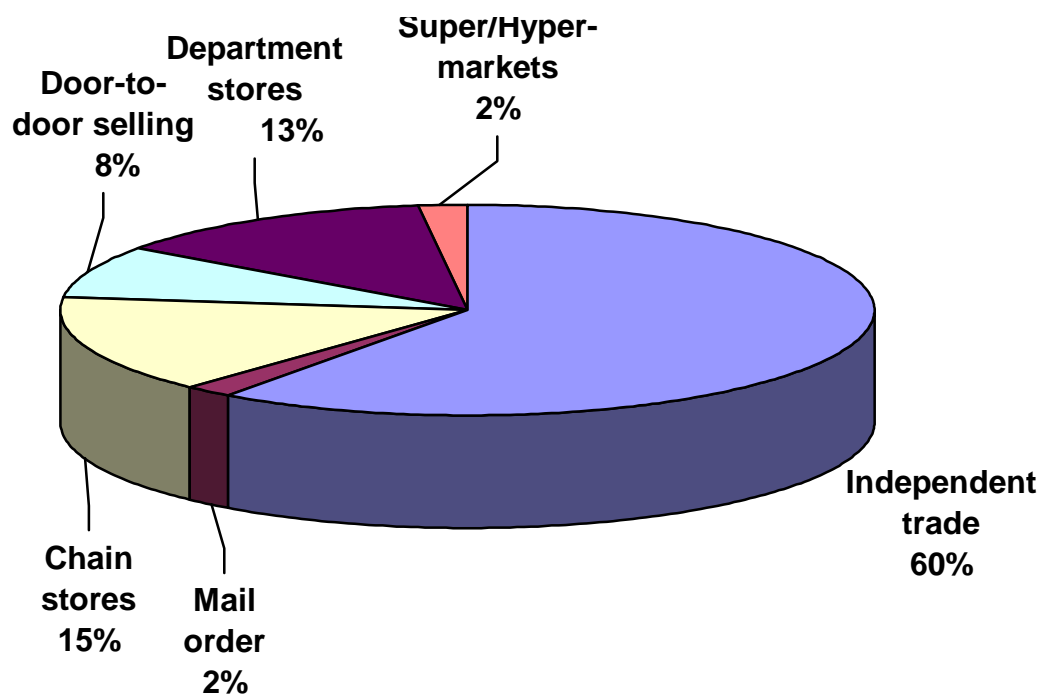
3. DISTRIBUTION

3.1. GENERAL ORGANISATION OF DISTRIBUTION SYSTEM

- The Italian clothing market is characterised by **the supremacy of the retail trade** which represents 60% of the market

→ 84,000 boutiques represent around 60% of turnover

Market share for textiles by type of distribution



Source : Moda Industria, statistics 1997

3.2. MAJOR DISTRIBUTION PARTIES

MAIN CHARACTERISTICS

- Less important than in other major European countries – a backlog which is slowly catching up

3.2.1. CHAIN STORES

Definition : Distribution company with several points of sales at great distance from one another (in different towns), selling a range of relatively similar items. The purchase, the inventory and the logistical transport are generally centralised.

Main characteristics :

- The speciality of Italian chains is that they are **production outlets** : for the major part, they buy very little from abroad and are therefore not an interesting target for foreign producers in search of outlets.

Example : Benetton has areas in Argentina where sheep are raised to furnish it with wool.

- The major Italian chains are :

Benetton
Stefanel (Women's wear)
Max Mara (Women's wear)
Prenatal (Children's wear)
Chicco (Children's wear)
Intimo 3 (lingerie)
Calzedonia (hosiery) => external purchase

- Foreign chains have difficulties establishing themselves in Italy : no Celio, no Zara, no Marks & Spencer or C&A ; Promod and Kiabi can be found but are not very successful

- the assortments are not sufficiently Italian
- a little expensive

Internal organisation of purchase : mainly their own production, nonetheless internal buyers are at times in charge of carrying out complementing buys

Purchase : complementing purchases from outside are always made directly from the manufacturer

⇒ **do not count on selling to chains through an Italian sales representative**

Purchase dates : Spring/Summer : July

Autumn/Winter : December

Delivery dates : Spring/Summer : January-March
Autumn/Winter : July-September

General mark-up : unknown

Payment within : 150 days at the end of the month

Mode of payment : bank transfer

3.2.2. DEPARTMENT STORES

Definition : Large commercial retail enterprises which offer very versatile assortments (sometimes more than 100,000 articles) under a single roof and on a substantial surface area (4 to 6 floors), and which in general focus on :

- clothing and textiles,
- household articles,
- all types of home products.

Each product line has its own department at times managed by specialists.

Main characteristics :

- Two major brands :

- ↻ **La Rinascente**
- ↻ **Coin**

- A more capillary division than for French department stores
- A difficult market for foreign manufacturers (most purchases made in Italy)
- Predominance of own brands – only men's and children's cottons sometimes take on external brands

Internal organisation of purchase : buyers regrouped according to classic structures of specialised departments (men's wear, women's wear, children's wear, lingerie, hosiery...)

Purchase :

- prefer direct purchase from manufacturers (less expensive since there is no intermediary agent or importer)
- most purchases effected in Italy due to very high quality and competitive prices

Purchase dates : Spring/Summer : June
Autumn/Winter : November-February

Delivery dates : Spring/Summer : January-February
 Autumn/Winter : July

General mark-up : variable : between 40% and 260%

Payment within : an average of 120 days (between 90 and 180 days)

Mode of payment : bank transfer

3.2.3. HYPER-/SUPERMARKETS

ITALIAN HYPERMARKETS / SUPERMARKETS

<i>Company</i>	<i>No. of POS</i>	<i>Total area</i>
Gruppo Rinascente (Al Campo)	883	878,077
Gruppo GS	415	368,891
Gruppo Standa	908	668,425
Standa spa	297	483,399
Esselunga	91	159,788
Gruppo Pam	321	240,758
Finiper	14	122,308
Gruppo Lombardini		
Gruppo G		
Superal T	118	110,228
Gruppo Coin	125	
Il Gigante	29	
Gruppo Bennet	38	
Gruppo Sun	263	
Iperel	4	24,000
Colmark	167	
Carrefour	6	
Metro		
Coop Italia	1.337	
Conad	2.490	880,801
Sisa		
Cral		
Sigma	3.720	567,000
Euromodis	3.371	1,393,888
Despar Italia	2.242	650,919

Main characteristics :

- down-market price level
- only small textile range : apart from lingerie and hosiery, shelf space dedicated to fashion is rudimentary
- located mainly in the North of the country

Internal organisation of purchase :

- centralised by sector-based departments, buyers specialised according to the type of products
- for purchases abroad there are « buying offices ».

Purchase :

- mostly direct purchase, primarily Far East and Italy
- at times through agents

Purchase dates : Spring/Summer : June
Autumn/Winter : November-February

Delivery dates : Spring/Summer : January-February
Autumn/Winter : July

General mark-up : between 40% and 260%

Payment within : an average of 120 days (between 90 and 180 days)

Mode of payment : bank transfer

3.2.4. OTHERS

⇒ Franchise : Has been experiencing success in Italy, to the extent that it presents itself as a sales method which allows to converge all assets of a small traditional business with proven management methods.

3.3. RETAIL TRADE

3.3.1. BOUTIQUES

- Distinguished by 2 types of retailers :
 - ⇒ “Classic” retailer as known in France
 - ⇒ The boutique with an up-market range, a high quality of service, where one finds that ultimate item of clothing, the brands, with a possibility of tailor-made clothing

Main characteristics :

- very capillary (many medium-sized enterprises) => assiduous work for agents

- slow-down due to large-scale distribution, since :
 - ⇒ Family income has been stagnating or falling during the crisis
 - ⇒ Instability of political system (impact on the currency and bank charges)
 - ⇒ The low birth rate entails a low in the rate of potential consumers
 - ⇒ Lack of time to do shopping
 - ⇒ The tax burden which the retail trade has to bear
 - ⇒ Growth of large-scale distribution where time can be saved since everything is centralised
 - ⇒ Emergence of new commercial formulas such as mail order houses
- The retail trade nonetheless offers a strong resistance to large-scale distribution with the following assets :
 - ⇒ personalised service and contact, very important in Italy
 - ⇒ quality of products
 - ⇒ advice
 - ⇒ purchasing environment is agreeable and “exclusive”
- All in all, clients are very loyal toward the outlet in their neighbourhood
- Importance of short distance (pronto moda)

Purchase :

- ⇒ through agents
- ⇒ direct from manufacturer or trade fair
- ⇒ via wholesalers, notably for all pronto moda products

Purchase dates : Spring/Summer : July-September
Autumn/Winter : as of 6th January

Delivery dates : Spring/Summer : February
Summer : March-April (swimwear : May)
Autumn/Winter : July

General mark-up : between 80% and 180%

Payment within : 60 to 90 days at the end of the month

Mode of payment : bank transfer

3.3.2. DOOR-TO-DOOR SELLING

Definition: This is selling at markets, which is culturally very important in Italy

Main characteristics :

- Fashion products of very good quality can be found here
- Short distances, highly responsive toward fashion

Organisation and purchase : clothes are purchased primarily from regional wholesalers (local and regular purchases of minor volume)

⇒ hardly foreseeable outlet for a foreign manufacturer

Purchase dates : all year round

Delivery dates : all year round

3.4. SUMMARY STATEMENT

	<i>Department stores Hyper-/Supermarkets Wholesalers</i>	<i>Chains</i>	<i>Independent retailers</i>
<i>Sale</i>	Spring/Summer : June Autumn/Winter : November-February	Spring/Summer : July Autumn/Winter : December	Spring/Summer : beginning Jan. Autumn/Winter : beginning July
<i>Delivery</i>	Spring/Summer : January-February Autumn/Winter : July (wholesalers : July- August)	Spring/Summer : January/March Autumn/Winter : July-September	Spring/Summer : mid-January to March Autumn/Winter : mid-July to Sept.
<i>Payment</i>	90 days : rare 120 days : with luck 180 days : sometimes... wholesalers : 120 days Bank transfer	150 days at the end of the month Bank transfer	Mini : 60 days at the end of the month Max : 90 days at the end of the month Bank transfer
<i>Distrib. margin</i>	between 40% and 260%	unknown	between 80 and 180%

4. WHICH FORMS OF REPRESENTATION ?

4.1. DIRECT SELLING

- To be avoided, since it bears only little chance of success

4.2. IMPORTERS AND WHOLESALERS

4.2.1. IMPORTERS

- • Importers purchase your products in order to resell them to their own clients, subject to territorial exclusivity, with the support of their own sales team or commercial agents. They are registered as a company, often operate at **national** level, and have a warehouse, a billing system.... => generally these are relatively important organisations which are much less familiar in Italy than simple sales representatives.

- National coverage

- General reduction for importers: between 30 to 40%, but variable

- Importers are ever decreasing in Italy : the tendency in the market is that less enterprises are willing to take the risk to buy for reselling. And also, due to the fierce competition and the price war between the different distribution networks, manufacturers wishing to enter the Italian market are more and more inclined to bypass such an intermediary which has become too costly.

- Advantages :

- ⇒ a single partner who is in charge of managing the clients => you deal with a single client and save on administrative work compared to managing a portfolio of various clients.

- ⇒ security in terms of payment: you invoice the importer who invoices his clients directly and thus assumes the risk of non-payment

- ⇒ simplified and less costly logistics : 1 or 2 large orders per season, delivered directly to the importer => you save on transport instead of sending several smaller consignments to clients

- Disadvantages :

- ⇒ no market transparency : neither the clients nor the market is known; if the collaboration is discontinued, you are back to square one

- ⇒ no control over the image of your products : the importer sells to whoever and however he wants

- ⇒ there is only a minor risk of non-payment, yet of a more concentrated nature: obtain reliable information on the financial solidity of your partner

4.2.2. WHOLESALERS

Wholesalers are more significant in Italy than in other European countries

- Regional coverage
- Procurement : mainly from local manufacturers specialised in pronto moda, who sell every day from their factory or warehouse
 - ⇒ not very noticeable outlet for foreign manufacturer
- Clientele : regional retailers, resellers at markets
- The benefits and drawbacks are about the same than those for an importer
 - ⇒ note nonetheless that the wholesaler is often less volatile and need not necessary be considered as a regular distribution partner but as a real client who buys “what he likes” without long-term commitment
- Payment within : 120 days

4.3. AGENTS

- The Italian agent is a modern entrepreneur, often well-informed, with the behaviour of a real managing director
- He works for a rate of remuneration ranging between 3% and 15% depending on the volumes considered and the proposed service.
- Advantages :
 - market transparency : clients and geographical spread are known... if the collaboration ceases you maintain your portfolio of clients and can transfer them to another agent
- Disadvantages :
 - you invoice each client directly and as a result assume the risk of non-payment on behalf of such clients
 - it is your task to handle each order and the logistical process which follows (management of order receipts, transport, management of returns, reminders...)

Depending on the price level of the range or the type of distribution, different types of agents might be taken into consideration:

4.3.1. MAJOR DISTRIBUTION AGENTS

- They visit buyers from within large-scale distribution, ensure that your products are registered, and sell them.
- Mainly based in the North of Italy
- Generally work on a small area of 5 to 10 clients
- Commission : between 3 and 7%, mainly 5%

4.3.2. REGIONAL AGENTS

- A regional agent operates under **regional exclusivity**.
- Commission : between 10 and 15%
- Geographical coverage: the total coverage for the whole of Italy requires 11 agents mainly based in the North and also in the centre (see map in chapter 2. *Geographical Approach*)

4.3.3. GENERAL AGENT

- Operates under national exclusivity, alone or with sub-agents (between 6-7 or 12), depending on the number of POS
 - ⇒ This is the **most adapted formula for a new introduction** into the Italian market – finding a general agent is not a particular difficulty (as it is, for example, in Germany)
- Commission: between 18 and 22%
- Advantage :
 - ⇒ this kind of structure allows you to forego the management and operations of an entire network of agents (relatively difficult): you work with a single contact on the market, all while preserving ownership of your clientele
- Disadvantages :
 - ⇒ if the general agent abandons you, there is the great possibility that the network of agents will also leave you
 - ⇒ less transparency with regard to local market trends
 - ⇒ difficult to intervene directly in the event of problems occurring in a particular area
 - ⇒ risk of losing information about your products (the general agent acts as intermediary between regional agents and yourself)

4.4. OTHER FORMS OF ESTABLISHMENT

Other possible forms of establishment are related to companies which are already making steady business in Great Britain, which are sure of the potential of their products and which have relatively significant resources, and known brands with a strong image.

These might include :

- transfer of licences
- selling via franchises
- establishing own boutiques : good test ground for collection
- creating a commercial branch

Details worth knowing in the event of incorporating a company

- Structures :

- ➔ **Société par action** (SpA) and **Société in commandite par action** : minimum company capital Lire 200 million
- ➔ **Limited liability company** (Srl) : minimum company capital Lire 200 million
- ➔ **Representation** : often of temporary nature, this formula allows a foreign company to canvass the market, to check the relations and the market research, to establish contacts with potential clients
 - not taxable for activities which it carries out in Italy for the account of the foreign company, nonetheless it must limit itself to sales and promotional support for the account of the non-resident company

- Fiscal aspects : there are *two main types of taxes imposed on yield* :

- ➔ **Corporate tax** (IRPEG) : 37%
- ➔ **Income tax** on production (IRAP) : 4.25%
- ➔ In the event of allocating the profit to the benefit of the French parent company, the new Franco-Italian tax agreement aimed at avoiding double taxation and which harmonises with the European directive, has been applicable since 1993. The retention at source is 5% against 15% of the former bilateral agreement. Also, the Italian treasury may be led to reimburse to the French parent company under certain conditions a total which equals half of the Italian "tax credit", a deduction carried out at source.
- ➔ VAT : underwent significant reforms in 1997. The normal rate is **20%**. Two reduced brackets (at 9% and 4% respectively) essentially regard food products and commodities.

• Social aspects : In Italy, the social legislation does not constitute the unique source to the right to work. It represents a framework within which the “collective bargaining agreements for salaried employees in the industry and commerce” are inscribed, and the collective agreements of the industries which govern the relations between employee / employer by activity categories.

- **Employing** a salaried employee on behalf of a company, in principle and unless otherwise stipulated by law, may only take place if such person is registered with the placement commission of the provincial unemployment office (*Ufficio Collocamento*)
- **Salaries in Italy** are paid over a period of 14 months for commercial contracts, and 13 months for industrial contracts. The 13th month is paid out in December, the 14th in June. Apart from this salary, the salaried employee has the right to a severance pay at the end of the contract, TFR, *Trattamento di Fine Rapporto*
- Legal working hours are 40 hours per week. The average actual number of working time totals more around 38.45 hours. Overtime (8 to 10% of the working hours) is remunerated on the grounds of the hourly working rate of each salaried employee increased by a coefficient: 5% between 40 and 44 hours, 10% between 44 and 48 hours. A debate is still outstanding regarding the 35 hour working week which will most likely not become rule before the year 2001.
- The average contract of employment is for an indefinite period of time. Definite term contracts can only be set up in certain cases. They are subject to an agreement on behalf of the employment agency, SCL
- The Italian **social security** system is essentially financed by employers. Social contributions range between **8-9% of the remuneration for salaried employees** and **42 to 44% for employers**.

5. TRADE FAIRS

• The fairs

<i>Trade Fair</i>	<i>Dates</i>	<i>Topic</i>
Men fashion shows, Milan	January 8 to 15	Men's Wear
Women's fashion shows, Milan	at the end of February – beginning of March	Women's Wear
Pitti Immagine Uomo, Florence	mid-January	Men's Wear
Pitti Immagine Bimbo, Florence	mid- end of January	Children's Wear
Intimare, Boloigne	beginning February	Lingerie
Moda Milano, Milan	at the end of February – beginning of March	Women's Wear, boutique accessories
Prato Expo, Florence	at the end of February	Confection
Milano Collezioni shows, Milan	beginning of March	
Moda Prima, Milan	at the end of May	large distribution
Pitti Immagine Uomo, Florence	at the end of June	Men's Wear
Pitti Bimbo, Florence	beginning July	Children's Wear
Sposa Italia, Milan	beginning July	bridal wear
Intimare, Bologne	beginning – mid-July	lingerie
Moda Milano, Milan	beginning October	Women's Wear, accessories
Milano Collezioni shows, Milan	October	
Moda Prima, Milan	at the end of November	large distribution

• Organisers

Pitti Immagine Uomo + Bimbo

Pitti Immagine

Tel : +(39) 055/36 93 1, Fax : +(39) 055/36 93 200

Intimare

TDF

Tel : +(39) 02/48 015 526, Fax : +(39) 02/48 15 339

Milano Collezioni Donna

Camara Nazionale Della Moda Italiana

Tel : +(39) 02/48 00 82 86, Fax : +(39) 02/48 01 17 83

ModaMilano, ModaPrima

EFIMA

Tel : +(39) 02/66 10 35 55, Fax : +(39) 02/66 10 16 38

6. TRADE JOURNALS

• Titles

<i>Title</i>	<i>Target</i>	<i>Issues</i>
Fashion	General fashion The journal with authority	weekly
Moda Marketing	Geared rather toward business	monthly
Linea Intima	Lingerie and hosiery	monthly
Vogue Bambino	Children's wear Professional and public	quarterly
Vogue uomo	Men's wear Professional and public	quarterly
Vogue donna	Women's wear Professional and public	quarterly
Collezioni	Takes up fashion shows	half-yearly
Mark Up	Textile distribution	monthly
Largo Consumo	Textile distribution	monthly

• Editors

Fashion
Edizioni Ecomarket Spa
 Corso Venezia, 26 – 20121 Milano
 Tel : +(39) 02/76007371, Fax : +(39) 02/783012

Moda Marketing
Editoriale Alfa Srl
 V. le Marelli, 19 – 20099 Sesto San.
 Tel : (39) 02/2423566, Fax : (39) 02/22476521

Mark Up
Editoriale Quasar
 Via Santa Lucia, 2 – 20122 Milano
 Tel : (39) 02/584561, Fax : (39) 02/58303803

Largo Consumo
Editoriale Largo Consumo
 Via Bodoni, 2 – 20155 Milano
 Tel : (39) 02/3271646, Fax : (39) 02/3271840

7. PAYMENT

7.1. RISKS AND GUARANTEES

- Late payments are rather frequent, notably because of the paid-out accounts and the slow handling by the banks
- It is therefore necessary in Italy to take out a payment insurance costing between **2 and 3%** of the insured invoice total
- For credit information outside French organisations (Coface, CFCE, CCI...) contact CRE (Centro Ricerche Economiche) in Rome.

7.2. TERMS OF PAYMENT

- Period of payment : very long, between 60 and 150/180 days, according to the type of distribution (see also specifications by type of distribution)
- Discount: around 2% for cash settlement

7.3. PAYMENT MODALITIES

- Bank transfer : most frequently used form of settlement (swift or telex)
 - ⇒ maximum security for a bank transfer through "bank letter of credit" (bonoficio bancario con liberatoria merce), i.e. the transfer is effected once the merchandise arrives at the buyer, but before passing of title
- Stand-by letter of credit : low cost, more and more used
- Bank receipt: low costs, to be used only in the event of good relations with the client since it has no legal value
- Cheque : rarely used, frequent delays, difficult recourse in the event of non-payment => to be avoided. CAUTION: a cheque which does not state "non transferable" can be cashed by the holder
- Credoc, bill of exchange : generally to be avoided since too costly and restricting
- It is always preferable to make out your invoice in Lire although this is not absolutely a must. Since the return of the Lire into MU (1996), the invoice denomination is not of importance.
- It is preferable to open a "centralised account" at site; current account remunerated by an Italian bank in the name of the foreign company which allows the administration of entries and withdrawals and the return of funds at minimal charges.

- ⇒ having a centralised account grants access to the services of collectors
– nonetheless you should know that Italian banks charge high fees

8. USEFUL TERMINOLOGY

Men's wear	PAP uomo
Women's wear	PAP donna
Children's wear	PAP bambino
Lingerie	Intimo
Men's lingerie	Intimo uomo
Women's lingerie	Intimo donna
Night gowns	Intimo notte
Shirt	Camicia
Blouse	Camicia
Trousers	Panzaloni
Suit	Tailleur
Hosiery	Calzetteria
Socks	Calzini
Slip	Slip
Bra	Regiseno
Costume	Completo
Tie	Cravatta
Hat	Capello
Coat	Capotto
Large sizes	Confezione esterna
T-shirt	Maglietta
Jackets, cardigan	Giacca, cardigan
Impermeable	Impermeabile
Trade fair	Fiera
Season	Stagione
Order	Ordine
Delivery	Consegna
Date of delivery	Paza di consegna
Period of delivery	Periode di consegna
Terms of payment	Termini di pagamento
Discount	Sconto
Cotton	Cotone
Wool	Lana
Natural fabric	Fibra naturale
Linen	Lino
Size	Misura
Colour	Colore
Quantity	Quantita
Collection	Collezione
Samples	Campioni
Commission	Commissione
Margin	Margine
Level of range	Livello di gamma
Agent	Agente
Importer	Importatore
Department store	Grande magazzino
Mail order	Vendita per corrispondenza
Chain store	Catena specializzata
Buying group	Gruppi di acquisto
Specialised retailer	Dettagliante specializzato

9. CODE OF CONDUCT

- Working languages used : Italian (national language)
English (but less frequent than in the past)
- It is essential to never forget that in Italy, the best business is made between friends and acquaintances. Carefully look after these personal relationships – this is an absolute task if you intend to succeed.
- Nonetheless one should not present oneself as too familiar in ones approach. Italian businessmen are rather formal, so do not forget to remember their titles and the status of your counterpart.
- Expiry dates : are only respected if they have been announced and clearly repeated

There is no “typical process” for commercial negotiations with Italians, but it is recommended to take a certain number of simple precautions :

- Business meeting :
 - ➔ Do not forget to confirm a business meeting fixed by phone in writing (fax)
 - ➔ The first business encounter will only be granted if the Italian counterpart is really interested
 - ➔ It is recommended to give details on ones position, by making the counterpart see that they are meeting with someone from the upper hierarchy in the company: an Italian buyer wants to know his partner as well as his offer. Nonetheless, do not forget to name the title of the counterpart if he has one (Dottor, Ingegnere, Avvocato...)
 - ➔ Working hours : Italians start and finish rather late in the day
 - ➔ Just like the French, the Italians like business dinners
- Negotiation :
 - ➔ A meeting need not be limited to essentially professional topics, but must also have a social touch, if only to make a little smalltalk. It is better not to barge directly into the negotiation phase, yet the personal approach phase need not take long and the negotiation will be started in the spirit of “This is what I have to offer to you”
 - ➔ The negotiation progresses by consecutive agreements, each focusing on a point of discussion: price, periods of time, terms of warranty, mode of payment...
 - ➔ Italian buyers negotiate without concessions, with a great commercial sense. One must know how to stand firm, not to “let go” on a certain term from one moment to the other. Each reduction of the basic rate must be met with a counteroffer on behalf of the buyer: as a result, a

point regarding discount may lead on the other hand to a commitment in terms of additional volume or more favourable terms of payment. Avoid granting “extreme” deliveries which might ruin all effort for a professional presentation and affirmation of the positions in the negotiation.

→ leave written documents

• Signing and follow-up :

→ In Italy, a decision is taken quickly in a SME

→ If an accord has been reached, it will not be questioned. All the same, nothing must stay blurred or uncertain : any agreement will be confirmed in writing. After a meeting, irrespective of the desired follow-up, it is suitable to thank the Italian counterpart and to inform the same of the decision one has taken.

→ The meeting after work is an important aspect in business relations – do not refuse an invitation unless absolute necessary

• Be aware of the seasons of the year for the availability of the counterpart. As a result, avoid: :

→ the time before trade fairs

→ the month of August

→ the period from 20 December to 7 January

→ public holidays in general:

8 March : Giorno della Donna, Day of the Woman

Easter

25 April : anniversary of liberation

1^{er} May : labour day

2 June : Festa della Repubblica (unificatio fete)

15 August : Ascension

1^{er} November : All Saints

8 December : The Immaculate Conception

Milan, 7 December : Saint Ambroise

Florence, 24 June : Saint Jean

Rome, 29 June : Saint Pierre and Paul

Palermo, 15 July : Sainte Rosalie

Naples, 19 September : Saint January

• Pay great attention to contractual formalities in business

• Mode of payment most frequently referred to in business :

→ bank transfer