Future of manufacturing

100% Made in Italy –
Internationalisation policy measure

Born globals and their value chains
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Contents

1. Context ................................................................................................................................. 1
2. Content .................................................................................................................................... 2
3. Relevance of the measure to SMEs/born globals and internationalisation .......................... 3
4. The operation of the measure .............................................................................................. 4
5. Monitoring and evaluation .................................................................................................. 5
6. Evidence of outcomes and impact ..................................................................................... 5
7. Strengths and weaknesses of the measure ............................................................................. 6
8. Recommendations .................................................................................................................. 7
References .................................................................................................................................. 8
1. Context

1.1. Circumstances in which the measure was introduced, rationale, and relevance

Over time, the label ‘Made in Italy’ has not only determined the localised production in the country, but it has also become an invaluable intangible asset:

- The brand ‘Made in Italy’ is the third most well-known brand in the world after Coca-Cola and Visa (Confindustria Macerata, 2015);
- Between 2006 and 2010, online keyword searches ‘Made in Italy’ grew by 153% (Confindustria Macerata, 2015);
- Foreign consumers associate ‘Made in Italy’ to values such as aesthetics, beauty, luxury, comfort and passion. Italian products have gained such a highly valuable reputation abroad that they represent a category of product per se (Confindustria Macerata, 2015);
- Analysis of the Italian exports showed the total value of the ‘Made in Italy’ market amounted to USD 250 billion\(^1\) in 2009 (Fondazione Edison, 2009).

According to experts’ opinion, the reasons for this success are to be found in the historic cultural and artistic traditions of the Italian territory.

However, counterfeiting is a severe problem affecting ‘Made in Italy’ products. Especially the ‘Italian sounding’ (term used for the marketing of products bearing brand names that sound Italian but which are not produced in Italy) severely affect the agri-food industry (OCSE, 2008). This is worsened as the national legislation (transposition of the Community Customs Code) allows affixing the label ‘Made in Italy’,\(^2\) the Italian flag or simply the written term ‘Italy’ to a product, even if the production of the good is done in other countries. According to the legislation in force as of 2017, in fact, it is just required that the product is ‘intended or designed’ by an Italian entrepreneur or the registered office is in Italy to satisfy the terms to apply these labels.

1.2. The process of developing the measure

Considering the grey legislative areas that allow to affix an ‘Italian sounding’ brand to a partially or totally foreign made product, there was a push from some industry players to create a ‘100% Made in Italy’ collective trademark to differentiate themselves in the market.

In the 2004 financial act, the Italian government provided for the first time the definition of ‘100% Made-in-Italy’. Nonetheless, only years later, with the issue of the Law 166/2009, official guidelines\(^3\) were established to classify a product as ‘100% Made-in-Italy’.

Following Art. 16 of Law 166/2009, some industry players in cooperation with the Institute for the promotion of Italian manufacturers (‘Istituto Tutela Produttori Italiani - ITPI’) decided to create the collective trademark ‘100% Made-in-Italy’, in a self-regulation form and the issue of such certification was entrusted to ITPI.

ITPI is non-profit industry organisation, created in 1999 to oversee the defence, promotion and proper appreciation of ‘Made in Italy’ products. The institute’s declared mission is ‘to defend, promote and give proper value to true original Italian productions’ and since 2002, it was already issuing another private certification to attest the ‘Made in Italy’ origin of the products that was then revamped to

\(^1\)Equivalent to € 179.86 billion (using the 2009 weighted average exchange rate 0.7194519166667 EUR/USD - http://www.x-rates.com/average/?from=USD&to=EUR&amount=1&year=2009)
\(^2\) Art 24. EEC 2913/1992
\(^3\) Conversione in legge, con modificazioni, del decreto-legge 25 settembre 2009, n. 135, recante disposizioni urgenti per l'attuazione di obblighi comunitari e per l'esecuzione di sentenze della Corte di giustizia delle Comunita' europee (0900180)
follow the standards of Art. 16 Law 166/2009 and became the ‘100% Made-in-Italy’ certificate as it is known nowadays.

In order to manage the administrative and technical aspects related to the registration of the collective trademark ‘100% Made in Italy’, in 2009, the private company Promindustria S.p.A. was created and appointed by ITPI as the technical operative body responsible for carrying out the audit process to verify the compliance of the applicants.

1.3. Changes in policy context over time

When it was created, the certificate was only available for companies belonging to the fashion and furniture industries. Over the years, the eligible base has been enlarged to all the manufacturing and agri-food industries.

In addition, the National Register of Italian Manufacturers, that was created back in 2002 for the ‘first’ version of the certificate issued by the ITPI, was revamped and put online in 2009 in order to offer higher visibility and official status to the ‘100% Made in Italy’ certified firms.

In 2011, the certifying system of ITPI has also been enriched by the issue of the ‘Certification of Italian handmade manufactured goods’ (‘100% handmade in Italy Certificate’).

1.4. Evidence of complementarity and/or overlap between the measure and other policy measure

Some beneficiaries from the agri-food industry commented that the certificate can complement and be used in synergy with other certifications or trademarks (for example, Bio) to boost the value of the final product even further.

There are no evidences of overlaps with other policy measures.

2. Content

2.1. Objectives of the measure

The ‘100% Made in Italy’ certification is a ‘collective trademark’ that provides consumers with the guarantee on the Italian origin and the quality of purchased products.

This certification aims at filling gaps in relation to the protection of products entirely made in Italy from Italian sounding products.

There are no other specific, measurable objectives.

2.2. General description of the measure

To qualify for the ‘100% Made in Italy’ certificate, companies must comply with the requirements of Art. 16, Law 166/2009. In detail, the product must be:

1. Designed and manufactured entirely in Italy:
   a) Based on a company's own project and design;
   b) Fully manufactured in Italy;
   c) Made using only Italian parts and components;
   d) Complete work traceability in Italy;

2. Made with quality natural materials:\footnote{Representative of ITPI, however, stated that the compliance of the product also takes into account the product’s specific characteristics allowing some flexibility to permit also modern manufacturing industries, for example IT, to be eligible. For example, in the specific case of IT manufacturing, the ‘raw materials’ analysed are the origin of synthetic and compound materials used in the production.}
   a) Natural materials or natural compounds;

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b) Quality, first choice materials;
c) Full traceability of raw materials’ origin;
3. Made following traditional working methods:
   a) Use of the company's specific workmanship;
   b) Use of traditional workmanships techniques;

2.3. Available budget
ITPI is a non-profit organisation; its day-to-day activities are financed by the certified companies that pay an annual fee of about €1,700. The institute also receives a contribution from the Italian Ministry for Economic Development that sponsors its activities. According to a representative of ITPI interviewed, the contribution represents approximately 30% of ITPI’s total annual budget.

2.4. Target groups of the measure
The institute counts 1,500 certified companies from different industries and of different sizes. According to the latest data available (2016), the most represented industries are the following (raking order):

1. Apparel, footwear and fashion (Moda) 40%;
2. Agrofood (Agroalimentare) 38%;
3. Furniture, interior decoration (Arredo) 10%;
4. Mechanical components (Meccanico) 5%;
5. Cosmetics (Cosmesi) 5%;
6. Others (Altro) 2%.

The interviewed ITPI representative, however, confirmed that the uptake of the measure has not been widespread across the country. In fact, considering that all Italian manufacturing companies are potentially eligible and in Italy there are 240,411 companies active in the field of manufacturing\(^5\), 1,500 certified companies represent only 0.62% of the total potential eligible base. In addition, it was commented that most of these companies are concentrated around Marche region (headquarters of ITPI), Lombardy region and Veneto region.

3. Relevance of the measure to SMEs/born globals and internationalisation

3.1. Relevance in relation to different types and stages of internationalisation
From an economic theory perspective, trademarks are economically beneficial since they help to solve the information asymmetry issue between sellers and buyers: firms use trademarks to signal to consumers that the product is of a certain quality (Akerlof, 1970).

Additional economic benefits are associated to the possibilities of (Çela, 2015):

- Leveraging firm assets: Trademarks can increase the company image, customer base or negotiation power;
- Improving the marketability of firm assets: If an asset is branded, this is an indication that it is valuable, and it helps in exploiting that asset in the market, because it becomes recognisable and direct imitation by a competitor is made more difficult.

\(^5\)Data as of 2014, source Eurostat SBS statistics.

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The interviewed representatives of ITPI stated that the measure is especially relevant for companies wishing to export internationally, as the ‘100% Made in Italy’ certificate is an instrument that grants the value added for the product and reduces the information asymmetry with third parties.

3.2. Support for cooperation between SMEs/born globals and wider international collaboration (if any)

Representatives from the institute commented that since 2013, there has been an increasing interest from buyers and distributors in third countries in the certification and to establish potential partnerships with ‘100% Made in Italy’ suppliers.

For this reason, the institute has begun to organise fairs and incoming missions to put its members in contact with potential buyers and distributors mainly from Russia, UAE, South Korea, Vietnam and Germany.

The institute commented that this increased interest follows its communication activities in order to raise awareness in third countries, but it also follows spontaneous expression of interest from buyers and distributors.

3.3. Contribution of the measure to tackle SMEs’/born globals’ internationalisation support needs

Representatives from ITPI commented that this certification helps companies, and especially SMEs, to reduce the information gaps of potential foreign buyers and enhance their abilities to expand in other markets.

4. The operation of the measure

4.1. Promotion of the measure to internationalising businesses

The institute carries out marketing and promotion campaigns, such as direct marketing in radio, newspaper and TV and web marking campaigns, in order to increase its membership base. The institute receives approximately 200-250 requests per year with an application approval rate of around 90%.

However, as previously mentioned, the uptake does not appear to be widespread across the country and is mainly concentrated in the nearby areas of the headquarters and some regions of the North of Italy.

In 2014, ITPI sought an agreement with the Italian Trade Agency (‘Istituto Nazionale per il Commercio Estero’, ICE) to obtain an accreditation on the agency’s website and to increase its visibility. However, this agreement does not seem to be in place.

4.2. The process of application and assessment of applications

In order to obtain the ‘100% Made in Italy’ certification, companies must:

1. Request the certification by stating they comply with the requirements as established by Law 166/2009, Art. 16; and
2. Fill in the application forms and provide evidence of requirements.

Following the request from the companies:

1. The ITPI will carry out an audit on site to check requirements and the conformity of documented evidence;
2. The Technical Committee (so-called: IPTI01 Committee) within the ITPI meets every month to reach the final decision on a case-by-case basis;
3. The successful verification of the criteria implies that the company will be registered in the National Registry of Italian Producers;

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4. Regular checks are then carried out directly by ITPI or by appointed external bodies of professionals.

4.3. Delivery mechanism of the measure
The audit of the company is the last step in order to obtain the certificate, after that every certified company must go through the same audit process once per year.
The general audit process consists of an analysis of a random sample of products that are checked against the declared information and the standards of the certification.

4.4. Administration of the measure
The certification is issued by the ITPI but the management of the certification and the audits process are handled by Promindustria S.p.A (technical operative body owned by the institute).

5. Monitoring and evaluation

5.1. Monitoring of the implementation and take-up of the measure: method and contents
By direct admission of the institute, monitoring is not carried out.
As foreseen by the Italian tax legislation, Promindustria S.p.A is subjected to the accounting reporting duties linked to its legal status. However, the financial report is not public available.

5.2. Evaluation of the measure: methods and contents
ITPI does not attempt to systematically evaluate the measure.

5.3. Any changes to the content or delivery of the measure following monitoring and evaluation
As previously mentioned, ITPI does not attempt to systematically evaluate the measure.

6. Evidence of outcomes and impact

6.1. Evolution of the measure's spending
As the number of companies applying for the ‘100% Made in Italy’ certificate has expanded over time and the financial resources increased, the institute has been able to offer more and more services (such as: ‘100% Handmade in Italy Certificate’).
For the future, ITPI representatives declared that the institute will continue to explore opportunities for Italian companies on non-European markets, in order to organise ‘fairs’ and ‘incoming missions’ and create networking events with potential buyers and distributors. This will probably translate in more and more resources dedicated to raise awareness and to expand its communication campaigns.

6.2. The quantitative and qualitative outcomes of the measure
The establishment of the trademark grants additional enforceability against fake products and any misuse of it is punishable due to infringement of intellectual property rights (information on respective realised legal procedures is not publicly available). The trademark also grants differentiation against the definition of products defined ‘Made in …’ following Regulation (EC) No 450/2008.

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6.3. Impact of the measure on its beneficiaries and other actors

The 100% Made in Italy certification aims to guarantee the authenticity of the product and certified products enjoy the following advantages:

- The confirmation of the product's value and its Italian origin and high-quality;
- A guarantee to consumers;
- Differentiation from partially made-in-Italy, Italian sounding or completely foreign productions.

As per result of the interview conducted, some industry stakeholders, however, do not consider the certification very effective. The main arguments brought forward are the self-regulation nature and the lack of knowledge of this certification in third countries that make the investment in the collective trademarks financially costlier compared to the perceived benefits. Nonetheless, most of them appreciate the networking possibilities offered, thanks to the fairs and incoming missions organised by the ITPI.

6.4 Evidence of economic and employment impact

There are no official quantitative/qualitative assessments about the 100% Made in Italy certification in generating employment and/or having positive economic benefits, however a general assessment of its impacts can be inferred by hypotheses.

If the argument that the collective trademark helps in reducing the information asymmetry between suppliers and buyers and allows companies to reach new customers in new markets is considered valid, the certification 100% Made in Italy has direct positive impacts in terms of sales of the certified companies and indirectly generates positive impacts in its supply chain (higher sales, higher demands of inputs).

In addition, if consumers perceive that ‘real Italian products’ are of superior quality, and the label 100% Made in Italy is effective in signalling this higher quality, the certification can justify a higher mark-up in price reflecting the higher willingness to pay of consumers to enjoy real Italian quality.

7. Strengths and weaknesses of the measure

7.1. Strengths of the measure

The 100% Made in Italy trademark is regarded as a guarantee of product’s value, high quality and Italian origin and it provides a greater value compared to the ‘Made in Italy’ custom definition. In addition, the scouting activity performed by the institute offers opportunities for the accredited firms to get in contacts with potential buyers and international distributors and this is definitely helpful, especially for first-time exporters, to gain access to foreign markets.

7.2. Weaknesses of the measure

The limited geographical uptake and the self-regulation nature are considered as limitations for the effectiveness of the measure.

7.3. Evidence of policy learning over time

ITPI representatives declared that the institute will continue to explore opportunities for Italian companies on non-European markets, in order to organise ‘fairs’ and ‘incoming missions’ to put in contact its members with potential buyers and distributors, expanding its role as ‘network catalyst’.

There are no special requirements that would impede the creation of a similar form of collective trademark in another country but clearly its success will depend on the intangible value that
consumers link to it. A feasibility check at an early stage would be needed to understand how consumers would respond in order to reduce the risk of bad decision making.

8. Recommendations
Over the years, ITPI has sponsored various proposals for legislation to safeguard Italian productions and to obtain greater institutional recognition and benefits for its members. For instance, the institute has advocated:

- To make compulsory for Made in Italy manufacturers to sign up in the Register of Made in Italy Manufacturers and to attach the Made in Italy label to products with a potential ‘bar code’ in order to improve the traceability of the good even further;
- Easier access for ‘100% Made in Italy’ manufacturers to the state collateral fund established with ex-Law 662/96, that backs up companies in improving their credit risk profile in order to access credits;
- Besides the current mandatory labelling requirements, Italian producers, foreign producers and importers should also indicate the origin of processed materials in their products.

According to the evidences gathered, however, none of these proposals have actually passed through the legislative process.
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All Eurofound publications are available at www.eurofound.europa.eu

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