CBI MARKET SURVEY

THE OUTERWEAR MARKET IN ITALY

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Report summary
This CBI market survey discusses, amongst others, the following highlights for the outerwear market in Italy:

- Italy is the third largest outerwear market in the EU, after Germany and the UK, with an estimated market of € 34.6 billion in 2005. In 2004, the clothing market saw growth slow down to just 0.8%, then in 2005 the market stabilised (-0.1%). The consumption per capita in Italy is still far above the EU average.
- In 2004, Italy imported outerwear for € 7.3 billion of which 51% was sourced in developing countries. Imports rose in terms of value by 35% during the period 2000-2004. China became the leading supplier of outerwear to Italy and passed Romania.
- Imports from developing countries grew 13% in 2004 compared to 2003, mainly caused by much higher imports from China, Turkey, India and Bangladesh.

This survey provides exporters of outerwear with sector-specific market information related to gaining access to Italy. By focusing on a specific country, the survey provides additional information, complementary to the more general information and data provided in the CBI market survey *The outerwear market in the EU*, which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.nl/marketinfo.

1. Market description: consumption and production

Consumption

Total market size

Italy is the third largest clothing market in the EU, after Germany and the UK, with an estimated market of € 42.3 billion in 2005, thus accounting for 15% of total EU consumption. In 2004, the clothing market saw growth slow to just 0.8%, taking it to € 42.8 billion, against an overall spending growth of 1.1%. This reflects not only a difficult year for clothing in most major European markets, due to the global economic slowdown and the summer's heatwave, but also mirrors restrained consumer confidence in an economically fraught Italy in particular. In 2005 a further decrease in growth resulted in a negative development and a fall-back in clothing expenditure, due to growth of necessities such as health, housing/energy and food. The consumption per capita in Italy is far above the EU average and reflects that the Italian consumer can be considered as stylish and has good taste, compared with other EU consumers. However, more and more Italian combine branded products with lower priced products, which can be illustrated as follows: the Italian fashion market consists of three parts:

- High fashion, which consists mainly of Italian clothes, comprises 10% of the market The role of designer clothing is decreasing, but still important. This percentage is much higher than in countries like Germany, The Netherlands and the UK. However, recession has forced many consumers to consider the value-for-money option. Private labels have been the principal beneficiaries of this trend;
- Medium fashion comprises 30% of the market and in this category more than half of the clothes are Italian;
- Low end, which makes up the remaining 60%, gets supplemented from abroad.

Price is generally not an issue for Italians when it comes to fashion apparel. The regional variations reflect differences in income per head and climate differences. Lighter and cheaper clothing can be worn in the warmer climate of Southern Italy. Expenditure on clothing in the south of the country and in the Islands region is much less than in the north.

Table 1.1 Consumer expenditure on outerwear in Italy, 2002-2007 (in € million)

	2002	2003	2004	2005 e	2006 f	2007 f
Women's outerwear	17,254	17,735	18,087	17,833	18,025	18,350
Men's outerwear	11,253	11,416	11,187	11,456	11,670	11,920
Children's outerwear	4,717	4,832	4,990	4,970	5,025	5,095
- Girls' outerwear	*2,151*	*2,206*	*2,275*	*2,265*	*2,280*	*2,300*
- Boys' outerwear	*1,540*	*1,558*	*1,624*	*1,615*	*1,645*	*1,670*
- Babies' outerwear	*1,126*	*1,068*	*1,091*	*1,090*	*1,100*	*1,125*
Leather garments	408	401	390	380	380	400
Total outerwear	**33,632**	**34,384**	**34,654**	**34,639**	**35,100**	**35,765**
Yearly change in %	+ 1.4%	+2.2%	+ 0.8%	- 0.1%	+ 1.3%	+ 1.9%
All clothing	41,697	42,428	42,785	42,300	42,790	43,615

e= estimated f= forecasts
Source: Euromonitor and Sistema Moda Italia

The Italian market for women's outerwear slumped from 2004 onwards to reach a value of € 17.8 billion in 2005. Consumption of women's outerwear grew in volume, which indicates a fall in average prices of 2.0%.
The men's outerwear market grew to € 11.5 billion in the same period. Growth in volume was equal to growth in value in the period 2001-2004, which indicates a stabilisation of average prices. Italy ranked second in men's outerwear consumption after the UK, accounting for a third of total outerwear expenditure. Italian men favour expensive, well-made garments while male consumers for instance in the UK and Germany prefer sport-inspired casual wear.
The Italian government is moving to improve matters, looking to overhaul both the tax and pension systems in order to pave the way for long-term growth. It is also addressing the divide between the relatively prosperous North of the country and the South, which has an underdeveloped infrastructure and a high level of unemployment. However, change is likely to be slow, given the current economic climate, and in light of this, a cautious forecast for the next few years has been made.

Product groups

At the time of compiling this survey, statistics for Italian consumption by product or product groups were not available. For that reason, figures below have been derived from trade statistics.

Women's purchases of dresses decreased in terms of volume, while purchases of skirts rose in the period 2003-2005. Other product groups with increasing volumes were: T-shirts and tops to the detriment of shirts and blouses, jerseys, cardigans etc. while especially heavyweight jumpers and pullovers decreased in favour of lightweight items. In the product group trousers: jeans showed the biggest growth, while other woven cotton trousers stabilised in volume. Another growing product group was knitted cotton trousers.
Cotton trousers and jeans constitute by far the largest product category in the men's woven outerwear market. The consumption of men's jeans increased very slightly to 36 million units in 2005 at an average price of € 40. Other cotton trousers accounted for 64 million units at an average price of € 30. The volumes in sales of cotton trousers indicate the popularity of casual wear. Shirts include a decreasing share of formal/classic and an increasing share of casual. T-shirts and polo shirts, another protagonist of the leisure and casual look, grew in volume, while jerseys, pullovers and sweaters, also a protagonist of the same look, stabilised in volume.

Market segmentation

The general criteria for market segmentation of outerwear are: by demographic factors, such as age, gender etc.; by type of product and type of activity resulting in specific clothing behaviour, like formal, casual, leisure and active sports dress; and by product/quality ratio.

Other criteria are based on special events (weddings, parties, communion etc.; in these cases dress can be considered as formal wear) or other circumstances, like maternity wear.

Segmentation by demographic factors
The size and age structure of the population is one of the basic determinants of how much will be spent on clothing.

- The Italian population is increasing at a slow pace from 57.4 million in 1997 to 58.1 million in 2006. The birth rate in 2006 is estimated at 8.72 births/1,000 population, while the death rate is 10.4 deaths/1,000 population. The Italian population is projected to decrease to 54.8 million by 2025, a decrease of 5.7%.
- Just like in other major EU countries, the category below 15 years has decreased in Italy, while the categories 65 and older have increased substantially. Following the trend in other European countries of an ageing population, in 2006 19.7% of the Italian population is 65 or over, while in general among the western European countries the proportion of those aged 65 plus is around 14-18%. The fact that around a fifth of Italy's population is of retirement age poses some concern for those aged between 25-44 who make up just over 30% of the population. Young adults aged 15-24 account for the smallest proportion of the total population, a reflection of the low birth rate.

Segmentation by type of product and type of activity
In general, the outerwear market can be divided into several segments based on type of product combined with type of activity, resulting in a specific clothing behaviour.
The active sports segment (now 7% of total men's and 5% of total women's outerwear market) will continue to expand its influence on the leisure (segments of 20% and19%) and casual (segments of resp 30 and 29%). Formal wear (resp 43% and 47%) will lose out to these sectors but 'smart casual' will be further influenced by the workplace.
This can be illustrated by the high consumer purchases of cotton trousers including the renewed popularity of jeans, especially for women. Increased demand for knitted products like T-shirts, lightweight sweaters, shorts and cotton shirts and blouses illustrates the popularity of casual wear, too.

Trends in consumption

- Trends in fashion for more casual and sporty are less strong in Italy than in other EU countries. Consumers, both men and women, are more stylish and they prefer more well-made garments than in the Northern part of Europe.
- Recent years have seen a trend towards purchasing casual wear for the office and leisurewear for home, and away from buying formal wear. However, in the period reviewed, formal wear still represented a higher part of the market in Italy than in other major EU countries. The growing number of women in the workforce, in particular at managerial levels, has helped support sales of formal wear. According to experts, a balance is being reached between sales of women's formal, smart casual and casual wear.
- Italian designers are very strong in developing trendy fashion with a global character, this will also influence collections in lower price ranges.
- Children's and babies' clothing remains classic and romantic and is less influenced by adult trends like in other European countries. Future growth in children's wear and infant's wear is for an important part undermined by long-term demographic trends, which lead to a small growth in volume but a greater increase in value.

Production

Total production

Italy is the dominant clothing producer in the EU with 36% of total EU turnover in 2004, followed by France (12%), Germany (11%), Spain (8%) and UK (7%), which indicates that 74% of the EU garment industry is concentrated in these five countries.

Despite the stagnation of external demand and the increase of production costs, the fall-back in total turnover in the Italian clothing sector was limited to 2% in 2004. The industrial production in Italy's textile and clothing sector dropped by 6.5% in the first half of 2005.

Table 1.2 Development in the Italian textile/clothing sector, 2000-2004

	2000	2001	2002	2003	2004
Turnover (in € million)	47,101	47,789	45,889	43,150	42,551
Domestic availability (in € mln)	33,227	32,987	32,215	31,059	30,860
Enterprises	n.a.	73,344	71,840	70,001	67,457
Employees in '000	n.a.	610	596	567	543

Source: Euratex

The whole textile/clothing chain consists of about 67.5 thousand enterprises, of which roughly 90% with less than 15 employees. In particular, the quality of materials and processes are responsible for the success of the Italian textile/clothing sector.

Major players

According to several rankings, Benetton is mentioned as Italy's leading producer; however, total turnover included retail activities.
Leading manufacturers are:

- luxury goods: Giorgo Armani (http://www.giorgioarmani.com/index.html), Prada (http://www.prada.com), Max Mara Fashion Group, Gruppo Versace, Dolce & Gabbana
- sports: Fila holding (http://www.fila.com); Cisalfa (http://www.cisalfasport.it);
- women's fashion: Burani (http://www.mariellaburani.it); Aeffe (http://www.aeffe.com);
- jeanswear: Diesel (http://www.diesel.com); Sixty (http://www.misssixty.com).

Trends in production

- A further decrease in the number of manufacturing companies as a result of growing imports from low-cost countries.
- Italian clothing companies continue to explore opportunities abroad, such as investments in Asian textile (fabrics, yarns, grey cloth) production, co-operation with Chinese manufacturers, including production aimed at the Asian market.

Opportunities and threats

- Italy ranked 3rd in EU clothing expenditure and, despite a stabilisation of sales in 2005, forecasted demand for outerwear during the period 2005-2007 is moderately optimistic.
- The focus on casual and leisurewear will be continued for the coming years, but to a smaller degree. Besides the general trend to more casual wear, there is a tendency to more natural fibres, mainly cotton and blends with cotton at the expense of man-made fibres.
- The decline in domestic manufacturing has led to a more internationally oriented trade in textiles. The keen competition on the EU market will steadily increase and this leads to further possibilities for exporters in low-cost countries.
- Advantages of CEECs, especially Romania and to a lesser degree Bulgaria, in the trade relations with Italy, in terms of lower wages and shorter routes, will largely have disappeared within a decade due to the alignment of the wage structure and the fact that the clothing industry will no longer be competitive there.
- To satisfy the requirements of importing companies in Italy (and other EU countries), exporters in developing countries will be faced with increased demands for higher quality and environmentally friendly products.
- Besides the traditional lower range market segment, the largest middle range market segment may also offer good opportunities for exporters in developing countries.

Useful sources

Euratex Bulletins (http://www.euratex.org); Apparel Retailing in Western Europe, Retail Forward (http://www.retailforward.com); Clothing Retailing Europe and European Retail Handbook 2005/6, Retail Intelligence/Mintel (http://www.mintel.com); Euromonitor publications (http://www.euromonitor.com); national statistics and websites of organisations mentioned in this survey.

2. Trade: imports and exports

Imports

Total imports
In 2004, Italy imported outerwear for € 7.3 billion, of which 74% was sourced outside the EU and 51% came from developing countries. These percentages were respectively 75 and 46 in 2001. Italy was the second fastest growing importer of outerwear of the EU countries, after Spain. Imports rose in terms of value by 35% during the period 2000-2004, of which 7.3% in 2003-2004, which formed a sharp contrast to the growth of total EU imports over the same period. The enormous growth in imports at much lower prices led to a decrease in domestic production and lower exports by Italian companies, while the consumer market more or less stabilised. Average import prices in Italy fell by 16% in the period 2000-2004, of which only 1.5% in 2004 compared to 2003.
Imports of knitted outerwear showed a growth of 27% in the period 2002-2004, a much higher growth than imports of woven outerwear (+ 4%). Imports of leather garments decreased considerably (– 23%) in the same period.

Table 2.1 Outerwear supplied to Italy, 2000–2004 € million/1'000 tonnes

	2000		2002		2004		DC* share in %
	value	volume	value	volume	value	volume	of value, 2004
Total outerwear	**5,398**	**268.8**	**6,584**	**382.4**	**7,339**	**432.6**	**51%**
Knitted outerwear							
- overcoats/outdoor jackets	27	1.1	39	1.4	51	2.2	45%
- suits/jackets/trousers	256	32.7	232	36.9	314	33.8	61%
- shirts/blouses	182	8.8	190	8.8	230	11.3	48%
- T-shirts	467	27.8	567	31.6	851	48.2	55%
- jerseys/pullovers	885	39.6	1,103	48.3	1,212	60.3	48%
- babies garments	112	4.8	130	7.0	153	13.3	58%
- sportswear	132	7.9	138	10.9	218	21.3	44%
- accessories	54	3.8	60	4.3	89	8.0	56%
Total knitted outerwear	**2,115**	**126.5**	**2,459**	**149.2**	**3,118**	**198.4**	**52%**
Woven outerwear							
- overcoats/outdoor jackets	677	25.5	760	44.1	833	50.4	58%
- suits/ensembles	243	7.6	271	8.8	270	10.3	41%
- indoor jackets	114	2.7	171	4.6	238	6.4	21%
- trousers	991	53.5	1,309	84.3	1,429	88.3	50%
- dresses	105	3.2	90	3.4	97	3.7	45%
- skirts	98.2	4.3	149	8.6	158	7.5	46%
- shirts/blouses	430	19.4	620	40.7	532	27.9	44%
- babies garments	71	3.1	77	5.1	83	6.2	66%
- sportswear	152	8.2	180	17.9	155	12.7	52%
- accessories	110	3.9	123	4.8	143	9.0	67%
- other	138	8.2	145	6.6	107	7.9	31%
Total woven outerwear	**3,131**	**139.6**	**3,895**	**228.9**	**4,045**	**230.3**	**49%**
Leather garments	**152**	**2.7**	**230**	**4.3**	**176**	**3.9**	**64%**

*) developing countries
Source: Eurostat, 2005

Developments in Italian imports of outerwear by area of origin were in 2004 compared to the previous year:
- Imports from other EU countries grew considerably (+13%), mainly caused by much higher imports from Hungary, United Kingdom, France and Spain;

- Imports from developing countries also grew 13%, mainly caused by much higher imports from China, Turkey, India and Bangladesh;
- Imports from other EU countries and from DCs grew to the detriment of imports from (non-developing) CEECs, like Romania and to a lesser degree Bulgaria;
- Outerwear exports by Asian developing countries into Italy grew 16% (besides, China, India and Bangladesh also from Pakistan, Vietnam, Sri Lanka, Myanmar and the Philippines);
- The growth of 11% in imports from Mediterranean countries is the result of slightly growing imports from Tunisia and Croatia besides strongly growing imports from Turkey, Morocco, Albania and Egypt;
- The value of imports from ACP countries was 2% lower than in the previous year (caused by lower exports by Mauritius, despite much higher imports from Madagascar) and amounted to € 68 million in 2004;
- Imports from developing CEECs fell 13% to € 38 million, while imports from Central & South America grew 70% to € 29 million (Brazil, Peru, Mexico and Colombia).

In 2004, China became the leading supplier of outerwear to Italy and passed Romania. The import share of China amounted to 18 and of Romania to 15%.

Table 2.2 Leading suppliers to Italy, 2004, share in % of value

	Total share
Total outerwear	
Intra EU : France (6%); Belgium (4%); Hungary (3%); Germany (3%); Spain (2%).	26%
Extra EU excl DCs : Romania (15%); Bulgaria (2%); Hong Kong (1%); Switzerland (1%); USA lesser than 1%.	23%
DCs : China (18%); Tunisia (8%); Turkey (4%); India (3%); Bangladesh (3%); Croatia (3%); Morocco (1%); Indonesia (1%); Albania (1%); Pakistan (1%).	51%
Woven outerwear	
Intra EU : France (6%); Hungary (3%); Belgium (3%); Germany (3%); Netherlands (2%).	24%
Extra EU excl DCs : Romania (18%); Bulgaria (3%); Switzerland (2%); Hong Kong (1%); USA (1%).	27%
DCs : China (20%); Tunisia (10%); India (3%); Morocco (2%); Turkey (2%); Bangladesh (2%); Albania (1%); Croatia (1%); Indonesia (1%); Egypt (1%).	49%
Knitted outerwear	
Intra EU : France (6%); Belgium (5%); Spain (4%); Hungary (3%); Portugal (3%).	30%
Extra EU excl DCs : Romania (11%); Bulgaria (2%); Hong Kong (2%); Belarus (1%); Macao less than 1%.	18%
DCs : China (15%); Turkey (7%); Tunisia (7%); Bangladesh (5%); Croatia (4%); India (3%); Pakistan (1%); Indonesia (1%); Mauritius (1%); Thailand (1%).	52%
Leather garments	
Intra EU : France (4%); Austria (4%); Poland (4%); Hungary (2%); Germany (2%).	17%
Extra EU excl DCs : Romania (8%); Ukraine (4%); Switzerland (2%); other countries such as USA and Bulgaria < 1%.	19%
DCs : India (31%); China (23%); Turkey (3%); Croatia (2%); Pakistan (2%); Tunisia (2%); Morocco (1%) and other DCs such as Bosnia & Herzegovina, Turks & Caicos Islands and Indonesia < 1% .	64%

Source: Eurostat (2005)

Imports by product group

Analysis of import figures indicated an increasing demand for cotton products. The volume of Italian imports of outerwear products which grew significantly more than average during the period 2000-2004 are mentioned in table 2.3

Table 2.3 Imports into Italy of products with growing import shares, 2000-2004 (in million units)

	2000	2002	2004
KNITTED			
Cotton anoraks for women	0.2	0.7	0.9
Cotton indoor jackets for men	0.1	0.5	1.7
Cotton trousers for men	3.1	3.8	5.5

Cotton dresses	1.9	1.8	2.9
Cotton skirts	1.2	0.8	2.3
Cotton trousers for women	4.4	4.8	10.2
Cotton shorts for women	3.9	2.4	6.1
Cotton blouses for women	9.9	6.7	10.1
Cotton T-shirts	141.5	145.9	221.5
T-shirts of man-made fibres	12.2	20.6	35.8
Synthetic track suits	5.8	7.4	12.8
WOVEN			
Man-made anoraks for men	9.8	15.5	23.3
Cotton skirts	4.1	10.4	13.5
Denim trousers for men	15.3	19.7	20.1
Other cotton trousers for men	40.6	48.9	48.0
Denim trousers for women	3.9	10.3	15.7
Other cotton trousers for women	12.1	20.2	21.7

Source: Eurostat, 2005

Exports

Italy is the leading EU exporter of outerwear accounting for 24% of total EU exported value in 2004. Italy exported € 12.1 billion in 2004, representing a decline in value of 7% in 2002-2004.
Woven outerwear accounted for 64% of Italian exports (in terms of value), knitted outerwear for 33% and leather garments for 3% in 2004.

Table 2.4 Italian exports in by product groups and destination, 2004 (in € million)

	Intra-EU	Extra-EU	Total
Woven outerwear	3,564	4,198	7,762
Knitted outerwear	2,568	1,434	4,002
Leather garments	148	161	309
Total	**6,280**	**5,793**	**12,073**

Source: Eurostat, 2005

A share of 48% went to countries outside the European Union, which is much higher than exports by other EU countries.
Italian producers find it increasingly difficult to match low import prices. Furthermore, exporters suffered, just like in 2002, from the appreciation of the Euro against the US dollar.
Leading destinations of Italian exports were Germany (12% of total exports) and France (11%). The main destinations outside the EU were USA (10%) and Switzerland (8%). Other EU countries were: United Kingdom, Spain and The Netherlands, and other destinations outside the EU: Japan (10%), Russia (8%) and Romania (5%). Exports to Romania covered mainly parts of garments as part of OPT.
Clothing shipments to France rose by 2.1% in the first half of 2005. Clothing exports to Germany, on the other hand, fell by 4.2% during the same six months period.
Re-exports by Italy are limited.

Opportunities and threats

- An increasing share of 51% of outerwear imports into Italy came from developing countries in 2004, this percentage was significantly higher in the following product groups: woven outdoor jackets (58%), T-shirts (55%), knitted and woven garments for babies (resp 58 and 66%) and leather garments (64%); and, lower for the product groups: woven suits and ensembles (41%), woven skirts and dresses (each 46%), woven shirts and blouses (44%), woven indoor jackets (21%).
- Import prices will be under pressure and the decrease in average import prices will put further pressure on Italian producers, forcing them to take measures as described above in chapter 2.

Useful sources

- Euratex Bulletin (http://www.euratex.org)

- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/
  Go to: trade statistics.
- Eurostat – official statistical office of the EU - http://epp.eurostat.cec.eu.int
  Go to: 'themes' on the left side of the home page - 'external trade' - 'data – full view' - 'external trade - detailed data'.

3. Trade structure

Trade channels

Importers on the outerwear market in Italy are:

- domestic manufacturers, an increasing part of them with production activities abroad (see chapter 2);
- agents or selling offices for foreign manufacturers;
- wholesalers/importers, selling to retail organisations;
- retailers, of which the larger players or buying groups of independents import by themselves.
- For more general information we refer to the survey The outerwear market in the EU.

Wholesale trade

Wholesalers play an important role in distribution, accounting for 50-60% of the purchases of retailers. Wholesalers are generally used by manufacturers of cheaper, mass market and standardised products. Manufacturers of classic and exclusive, higher-priced clothing sell mainly directly to retailers or through own outlets - either fully owned or franchised.
The Italian importers operate nation-wide and mainly demand the "exclusive distribution rights" for the whole of Italy. Importers/wholesalers in the classical sense are faced with fierce competition within the distribution system and the strong position of the clothing brands which have their own efficient outlets. The importers can often only position themselves by "a low price strategy", e.g. by sourcing in developing countries.
Foreign manufacturers will often set up their own sales organisations or work through an exclusive importer for the market. The latter company may in turn sell through a network of regional wholesalers or agents. Foreign manufactures can also set up an agency for Italy, which can be found through the USARCI (http://www.usarci.it).

Retail trade

The Italian clothing market is highly fragmented in comparison to many of its European neighbours, and remains dominated by small, independent players, and domestic/regional chains.
68% of spending on clothing was through the specialist channel in 2005, reflecting both the strong profile of independent retailers in the market, and the growing profile of the multiples. Major developments in the Italian clothing retail trade in the period under review were growth in sales by super- and hypermarkets and by clothing chains, to the detriment of independent retailers. Because of the entrance of foreign chains and their rapid expansions, it is expected that this development will be continued in the coming years.
Specialists account for two thirds of clothing sales and specialised **independent retailers** still dominate the Italian clothing retail sector. The decreasing but still important market share of independent retailers was realised by around 98,000 companies.

Table 3.1 Market shares of retail distribution of clothing in Italy, 2001-2005 (in % of value)

	2001	2003	2005
Specialists	**69**	**68**	**68**
- Independent retailers	52	50	49
- Clothing multiples	17	18	19
Non-specialists	**31**	**32**	**32**
- Department/variety stores	8	9	9
- Hyper- and supermarkets	10	10	11
- Sports shops	4	4	4

- Home shopping companies	2	2	2
- Street markets and other	7	7	6
Total	**100**	**100**	**100**

Source: Trade estimates

The leading general **clothing multiple**, with own production facilities, is Benetton (5,200 stores in 120 countries), also operating with brands like Sisley, Playlife and Killerloop. Important Italian chains are mentioned in the table below.
Most Italian chains are owned by manufacturing companies, except for example Gruppo Coin. Besides textiles companies, Gruppo Miroglio owns the wholesaler Vestebene, which exploits several brands/formula (including franchising) such as Caractère, Elena Miro, Motivi, Oltre etc., totally 850 shops. Vestebene is also active in China and other Asian countries.

The number of foreign companies operating on the Italian market is limited but growing rapidly. Examples are some formula of Auchan Mulliez, of which Pimkie (59 stores) is the most important, some formula of Inditex (in total 80 stores, of which Zara (37) and Bershka (13) and Hennes & Mauritz (10).

Table 3.2 Major specialised clothing and sports chains from Italian origin in Italy, 2005/2006

Clothing retail chain for:	Parent company	Website	Number of outlets
Family			
Benetton/Sisley	Benetton Group	http://www.benetton.com	2200/5000*
Oviesse	Gruppo Coin	http://www.gruppocoin.it	248
Original Marines	Imap Export	http://www.originalmarines.it	400
Bernardi	Bernardi	http://www.bernardi.it	150
Terranova	Terranova	http://www.terranova-on-line.com	210/407*
Women			
Stefanel	Stefanel Group	http://www.stefanel.it	400
Mariella	Burani Group	http://www.mariellaburani.it	22/28*
Liolà	Liola	http://www.liola.it	100/190*
Men and women			
Happening	Preca Brummel	http://www.precabrummel.com	20
Children			
Prenatal	Gruppo Artsana	http://www.prenatal.it	183
Chicco	Gruppo Artsana	http://www.chicco.com	378
Brums	Preca Brummel	http://www.brums.com	228
Bimbus	Preca Brummel	http://www.bimbus.it	74
Sports			
Giacomelli Sport		http://www.giacomellisport.com	73

* respectively shops in Italy and global

The major **department stores** in Italy are Coin with 80 stores and owned by the Coin Gruppo (http://www.gruppocoin.it) and La Rinascente with 18 stores and owned by Auchan/Gruppo Rinascente (http://www.rinascente.it).
The Coin Gruppo owns the family clothing chain Oviesse, too, while Auchan/Gruppo Rinascenta covers a mid-market variety store Upim (140 own stores and 200 affiliated stores; http://www.upim.it).
The Italian **sports chain** Giacomelli Sport competes with the French chain Déclathon (40 stores) and with 400 outlets of members of the buying group Intersport. Sport 2000 is also active in Italy and is represented by 52 outlets. The sports retail market in Italy is improving and further expansion is expected from Decathlon and Footlocker. Sports goods retailers have grown in importance in the clothing market due to the popularity of branded sports and leisure clothing as casual wear.
The Italian **home shopping** sector remains relatively underdeveloped, primarily due to problems with distribution and the generally poor postal delivery service. Domestic clothing specialist Bernardi is the most significant player in the sector, following its acquisition of the Postalmarket catalogue (http://www.postalmarket.it). Germany's Otto is a major player in the

market, trading through the Euronova (http://www.euronova-italia.it) and Bonprix (http://www.bonprixsecure.com) catalogues.

Super- and hypermarkets: Hypermarkets grew in number, as did the clothing sales by these channels. Important chains are the French Auchan with 42 hypermarkets and 218 SMA and Cityper supermarkets; Coop Italia (http://www.e-coop.it), Euromercato (http://www.euromercato.it), Supermercati PAM (http://www.e-pam.it) and Il Gigante (http://www.ilgigante.it).

Increased sales in clothing are also reached via super- and hypermarkets, of which much can be ascribed to foreign supermarket chains like Carrefour, Metro and Lidl.

Trends

- The entrance of foreign multiples into the Italian market, such as Pimkie, H&M and Inditex will be followed by other internationals;
- Independents are likely to retain a strong presence in the less developed South of the country, as this will represent a less attractive option for leading players until the infrastructure and economic climate there is significantly improved.

Opportunities

- Wholesalers, importing manufacturers, clothing multiples and non-specialised chains, like hypermarkets, department stores and sports chains are potential trade channels for exporters in developing countries.

The decision of an exporter, as to which market entry strategy can be chosen, depends on many internal (own manufacturing and organisational capabilities etc.) and external factors (direct or indirect exporting and in the latter case which intermediaries are the most suitable). Nearly all of the above mentioned retail organisations are active in the mid-market and/or lower-market segments. Chapters 8 and 11 of CBI's *The outerwear market for the EU* give detailed information on this subject.

Useful sources

Apparel Retailing in Western Europe, Retail Forward (http://www.retailforward.com); Clothing Retailing Europe and European Retail Handbook 2005/6, Retail Intelligence/Mintel (http://www.mintel.com); Euromonitor publications (http://www.euromonitor.com); Sistema Moda Italia (http://www.sistemamodaitalia.it/home.php3), national statistics and websites of organisations mentioned in this survey.

4. Prices and margins

Prices and margins

- Analysis of clothing prices in 2004 relative to 2000:
- Consumer prices + 7.0%
- Import prices - 15.6%
- Developments in the period 2004-2005 have been given in previous chapters.
- The Italian clothing market faced a decrease in consumption, increased consumer prices being accompanied by a relatively sharp cut in import prices.

Price is an important selling factor, especially in the lower segments of the clothing market (hypermarkets, market stalls), whereas in the higher segments (higher added value) factors like quality and fashion are more important than price. In the lower segments of the clothing market, retailers have little room to manipulate prices because competition is very fierce and margins are low.

An indication of differences in price levels by types of outlets has been given in chapter 4 of *The outerwear market in the EU* and an overview of margins valid for the distinguished levels in the clothing market can be found in chapter 9 and 11.5 of the same survey.

Useful sources
Window-shopping in the prospective market place, at several retail shops, is a good way of obtaining information about prices at retail or consumer level, but also about fashion, colours and qualities.
Alternatively, an impression of average prices can be formed by browsing through the catalogues of home shopping companies on Internet. Comparisons can also be found in the prices given in catalogues from large multiples, department stores or from company websites. For websites we refer to the previous chapter.

5. Market access requirements

As a manufacturer in a developing country preparing to enter the Italian market, you should be aware of the market access requirements of your trading partners and the Italian government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.

Legislative requirements
National legislation in EU countries is compulsory for all products traded within the country concerned. Therefore, as an exporter in a developing country you have to comply with the legislative requirements that are applicable to your products. For information on legislation for outerwear go to 'Search CBI database' at http://www.cbi.nl/marketinfo, select your market sector, and the EU country of your interest in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation in your country of interest.

Non-legislative requirements
Social, environmental and quality related market requirements are of growing importance in international trade and are often requested by European buyers through labels, codes of conduct and management systems. For information on non-legislative requirements applicable to outerwear, go to 'Search CBI database' at http://www.cbi.nl/marketinfo, select your market sector and the EU country of your interest in the category search, click on the search button and click on your subject of interest under non-legislative requirements for an overview of all documents on the subject concerned in your country of interest.

Packaging, marking and labelling
Mandatory labelling requirements in Italy are valid for the composition of textiles and for care-labelling/washing instructions (see: http://www.ginetex.org). Optional labelling includes origin marking and size marking. Labelling has to be formulated in the Italian language.
An overview of these aspects, including the differences between countries or cluster of countries, is given in chapter 10.3 of the CBI survey *The outerwear market in the EU*.

Tariffs and quota
Detailed information about tariffs and quota can be found in the CBI market survey *The outerwear market in the EU*.
The VAT tariff for clothing for adults and for children in Italy is 20%.

Useful sources
Euratex Bulletins; EU websites; national Customs.

6. Business practices

General information on business practices can be found in the CBI market survey *The outerwear market in the EU* and in CBI's *Export planner.*
Knowledge of English is reasonably extensive in Italian business, except in the south. It is advisable to arrange means of communicating in Italian with agencies and potential partners.

Clothing exporters to Italy need to be aware of cultural issues when doing business in Italy and to establish an effective and committed relationship at a personal level.
Several websites, providing practical on Italian business culture and etiquette, can be found, such as http://www.kwintessential.co.uk/resources/global-etiquette/italy-country-profile.html.

Selecting a suitable trading partner
Selling to Italy is best achieved by using a wholesaler or importer as distributor. Italy is one of the principal centres in the EU for fashion and international trade fairs for textiles and clothing are organised in this country. Some important trade fairs in the international fashion are for men's wear - Pitti Immagine Uomo and for children's wear - Pitti Bimbo (Firenze) – see for these fairs: http://www.pittimmagine.com. This would be a good place to make contacts. The clothing trade association will also be able to provide advice on selecting the type of contacts best suited to your own business.

Reaching an agreement with your trade partner
Italians prefer to do business with only the most important people in any organisation. Ensure that you are confident and know the organisation you are dealing with before you attempt to finalise any agreement.
Ensure that you have a carefully planned, logically organised presentation when you meet your trade partner. All presentation materials should look good. Italians are also receptive to new ideas and concepts. It can sometimes take a long time for decisions to be reached.
In Italy, "gentlemen's" verbal agreements can be legally binding, but a proper written contract is always advisable.
Much business is now conducted via e-mail, although some smaller companies may still prefer to use the fax or normal post. Be sure you use the medium most suited to your potential partner.

Drawing up an offer
Provide as much detail as possible when drawing up the offer. A sample may be required, depending on the specification of the items. This is preferable for the first order, but good photography of items may be acceptable thereafter.

Methods of payment
It is advisable to obtain bank references before undertaking business in Italy. You may also wish to run a credit check on the organisation. Before agreeing on a method of payment, contact the international division of your bank. Payment can sometimes be secured in 60 days or less, but Italians can take anything from 90 to 120 days to pay, amongst the highest in Europe. The payment method depends on the degree of trust between the parties.

- *Open account* is the simplest and most flexible method. Payments are made via electronic funds transfer (e.g. SWIFT), bankers draft or the buyer's own cheque.
- *Cash against documents* is done through a bank and is a more secure method. Documents are only released in accordance with the exporter's instructions.
- *Letters of credit* are not popular in Italy, but is the **most effective** way of ensuring payment.
- *Rapporti interbancari diretti* enables the creditor, via the bank, to collect funds due at agreed times.

Terms of delivery
FOB (Free on Board) terms and CIF (Cost, Insurance, Freight) terms are the most usual terms of delivery in the outerwear sector, as discussed in chapter 14.4 of CBI market survey *The outerwear market in the EU* . For details on delivery terms please check appendix 2 of CBI's *Export planner*.
An essential requirement for companies wishing to do business is to get the goods to the market on time. In the case of any delay, inform your client immediately.

Sales promotion
Personal communication is highly rated in the Italian clothing trade. This is not a substitute for formal written or printed communication, but it is an important part of the overall sales and communication process. The communication value of a website cannot be understated, but the printed medium is particularly well used.
The trade association in Italy, Sistema Moda Italia (SMI) can be reached at http://www.smi-ati.it
There are several fashion and clothing magazines in Italy, such as Donna Collezioni, Uomo Collezioni and Bambini Collezioni (mailto:Zanfi.editori@mo.nettuno.it); Fashion (http://www.fashionmagazine.it); Pinker Moda (http://www.miramedios.com).

More information can also be found in CBI's *Export planner* and *Your image builder.*

This survey was compiled for CBI by Fashion Research & Trends.