

Chapter 27

Entry Strategies and Distribution Channels of Italian SMEs in the Chinese Market

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ABSTRACT

The present chapter explores the internationalization process of Italian SMEs in the Chinese market, focusing on entry and distribution choices, in the framework of facilitating factors and perceived difficulties. The following main research questions were formulated: how do Italian SMEs enter the Chinese market and distribute their products? Which are the main facilitating factors and difficulties perceived by Italian companies selling in the Chinese market? This exploratory study that is part of an extensive field research was conducted through two steps: a quantitative research, based on a structured questionnaire; and a qualitative research, with open-ended interviews. The findings could provide marketing executives useful insights in developing entry and distribution strategies for SMEs in the Chinese market.

INTRODUCTION

The interest of the international business literature for emerging markets is particularly evident in the case of China (Fetscherin et al., 2010), and it is expected to expand in an economic context characterized by a growing polarization of world

markets' performance. In this environment, advanced economies such as Europe and the USA face high uncertainty in post-crisis growth; however, emerging markets forecast a continuous development of Gross Domestic Product (GDP) (Fardoust et al., 2010). In this economic context where emerging economies become a driving force

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for the advanced ones, entering these markets and distributing products and services become a necessity more than a simple opportunity. Despite a strong “Made in Italy” (Bucci et al., 2011), exports of Italian products in China have difficulty taking off, with a value of just over eight billion Euros (Ice, 2011). This issue concerns overall Small- and Medium-Enterprises (SMEs), which are often considered inexperienced when it comes to internationalization, but often even larger companies cope with some problems (Johnson & Tellis, 2008; Yeh & Bounds, 2006). Companies which are successful in this market recognize that entry modes and distribution channels are important key factors (de Luca et al., 2011; Solberg, 2006; Bello & Gilliland, 1997).

The present chapter explores the internationalization process of Italian companies in the Chinese market, focusing on entry and distribution choices in the framework of facilitating factors and perceived difficulties. The importance of China and that of other emerging markets in general, has only recently become more and more evident as there is a growing polarization of global market performance. There are, on one hand, advanced economies such as Europe and the USA, which are characterized by a weak and unstable recovery from the severe economic crisis. On the other hand, there are emerging markets, such as China, who are experiencing an impressive growth.

In this context, for many Italian companies, especially those of small or medium dimensions, dealing with internationalization is a risky process, especially in culturally distant markets such as China. The great opportunities for development and the concrete facilitating factors are not always enough to deal with the considerable entry difficulties and high investment risks adequately. For products made in Italy such as food & beverage, fashion, furniture, and automation, China is the second export country outside the European Union (EU) after the USA. The Italian export to China is growing but still very low compared to other European countries (Pegan, 2011). In this complex

business context, some research questions arise. How do Italian SMEs enter the Chinese market and distribute their products? Which are the main facilitating factors and difficulties perceived by Italian companies selling in the Chinese market? To contribute to the knowledge on these issues, the chapter aims to answer to these research questions.

Research has an exploratory purpose and integrates a quantitative and qualitative approach. This mixed methods research (Creswell, 2003; Thashakkori & Teddlie, 1998; 2003) has become increasingly common in recent years, also in management studies (Bryman, 2006). According to the scheme developed by Green et al. (1989), the justifications for combining quantitative and qualitative research refers to “complementarities,” because this mixed method “seeks elaboration, enhancement, illustration, clarification of the results from one method with the results from another” (Green et al., 1989, p. 259). On this basis, information was collected using both structured questionnaires (quantitative research) and open-ended interviews (qualitative research). A sample of Italian SMEs, on a wide range in terms of size and business sectors, was considered. After the quantitative phase, some open-ended interviews were used in order to obtain in-depth contributions to the explanation of data gathered through the structured questions.

The findings could provide marketing executives useful insights in developing entry and distribution strategies for Italian SMEs in the Chinese market.

DISTRIBUTION IN CHINA: BACKGROUND

Several economic, political, and social transformations have characterized the country in recent decades. They have contributed, first of all, to a more than tenfold increase in GDP since 1978. In 2010, China became the second-largest economy in the world after the USA on the basis of Purchas-

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