



Exporting to ITALY

A guide for clients



#GlobalAmbition

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The **Covid-19 pandemic** has created a new set of challenges for the Italian market.

Enterprise Ireland is responding to the global crisis by working with Irish exporters to help them avail of business response supports announced by the Government. These supports are designed to help businesses stabilise and adapt to the evolving situation, in preparation for getting back on the road to recovery.

Visit the Covid-19 business response





Rome

Capital



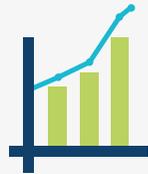
60.24m¹

Population



€28,547²

GDP per capita



0.3%³

GDP Growth in 2019



8th⁴

Largest economy
in the world



€488m⁵ +7%

Enterprise Ireland
Client Exports (2019)



For more information: Watch video



Why Export to Italy

Beautiful landscapes, amazing culinary delicacies, fashion, arts and history, culture, and La Dolce Vita... Italy “the enchanting country” has it all.

The country is well known for its creative and innovative businesses, a large and competitive agricultural sector with the world's largest wine production⁵, and for its influential and high-quality automobile, machinery, food, design and fashion industry.

With an economy of €2.24 trillion⁷, and a total national wealth of €9.41 trillion⁸, Italy is a wealthy country. It is reckoned to be the country with the seventh largest cumulative net wealth globally, accounting for 3.33% of the net wealth in the world in 2018⁹.

Italy has a diversified industrial economy, which is divided into a developed industrial north, dominated by private companies, and a less-developed, highly subsidized, agricultural south, where unemployment is high. Italy is Europe's 2nd largest manufacturer¹⁰, characterised by a smaller number of global multinational corporations than other economies of comparable size and a large number of dynamic SMEs, clustered in several

industrial districts, which are the backbone of the Italian industry.

Italy was the world's ninth largest exporter in 2018. Its closest trade ties are with the other countries of the EU. Its largest EU trade partners, in order of market share, are Germany (12.5%), France (10.3%), Spain (5.2%) and UK (5.2%).¹¹

Italy is the third-largest economy¹² in the Eurozone, but its exceptionally high public debt and structural impediments to growth have rendered it vulnerable to scrutiny by financial markets. It is also facing economic challenges as lack of reforms in the past two decades have led to a loss of competitiveness by Italian companies in general.

In 2019, Italy was the fifth largest export market within the Eurozone for exports by Enterprise Ireland client companies, representing approximately 9% of overall Enterprise Ireland client exports to the Eurozone.¹³

Italy is Ireland's ninth largest export trading partner overall¹⁴ with a total bilateral trade (imports and exports) valued at €13.9 billion in 2017.¹⁵ The range of products and services that are traded between the two nations is considerable – from medical devices to dairy

products, telecommunications equipment to transport equipment.

The world's ninth-largest economy¹⁶, Italy is home to global giants such as Fiat, Lavazza, Gucci, Olivetti, Generali, Ferrero and Zanussi. A globally recognised design hub, “Made in Italy” is a huge selling point in this market. Where Irish companies have been particularly successful is therefore in the B2B space, offering a high level of Intellectual Property (IP) and products that can be integrated into a product or solution sold under a local Italian name.

Despite the presence of global brands, Italy, like Ireland, is a country dominated by SMEs, the vast majority of which are family owned. In fact, the Italian economy is reckoned to have a greater percentage of small and medium sized, family-run businesses than any other European state.

In recent years Enterprise Ireland has witnessed a significant increase in the number of Irish companies with a direct presence in this market. A number of Enterprise Ireland client companies now have some presence, ranging from a single person sales office to manufacturing operations. This is a reflection of the paramount importance of relationships



Why Export to Italy

(continued)

in the building of business networks in Italy. Italy suffered during the financial crisis and as a result its firms in many sectors are looking for ways to compete more effectively, gain market share or improve operations.

Irish companies focusing on innovation and providing niche products are likely to find gaps in the market that might not have been apparent before.

A number of key sectors have been identified as offering the greatest export opportunity for Irish companies targeting the Italian market including financial software and services, traveltech, aviation, life sciences, engineering and food manufacturing.

Opportunities also exist across a variety of growth sectors in the Italian market, including life sciences, financial services, engineering, ICT and telecoms, and Cleantech.



Italy is an advanced and mature market with a **modern and highly developed infrastructure**.



The Italian Government has reiterated its commitment to the nation's technological advancement. policies such as the '**Industria 4.0**' program are intended to provide impetus to R&D in the country.



The Italian Biotech industry is the **fourth largest in Europe**¹⁷, in terms of number of firms active in the market. Italian biotechnology companies totaled **571 in 2017** with a turnover of over **\$12.2 billion**.¹⁸



Get Ready to Do Business in Italy

Italy is the second largest European country for manufacturing, behind Germany but ahead of France and Britain.¹⁹ The “Made in Italy” insignia carries great status and the country has a longstanding reputation for stylish design, epitomised by its leading fashion brands and luxury items such as sports cars.

Establishing consumer brands can be difficult, particularly for products that, in other markets, rely on an “Irish” heritage as part of its marketing strategy.

Italy is also known for its excellence in manufacturing quality industrial products. Three of Europe’s top 20 companies measured by revenue are Italian²⁰, but the country’s business landscape is overwhelmingly made up of SMEs.

Critical factors include being early to market, having competitive product features, price, quality, perceived ability to deliver, and personal relationships. However, the relative importance of these and the way in which they are expressed is different.



Travelling and geography

Italy has a population of approximately 60.4 million (2018). Industrial activity is concentrated in the north from Turin in the west through Milan to Venice in the east. This is one of the most industrialized and prosperous areas in Europe and accounts for more than 50% of Italy’s national income.²¹ By contrast, Italy’s southern region, or “Mezzogiorno” is less developed. While in geographical terms it is a large country, at more than four times the size of Ireland, its commercial and industrial topography makes it much more manageable than might at first appear.

For the most part an Irish business looking to find export opportunities in Italy can expect to do so by looking at just one or two of its northerly regions – Piedmont, of which Turin is the capital, and Lombardy of which Milan is the capital.

In light of global travel restrictions in 2020, we are advising all clients to regularly review the Government of Ireland advice at www.gov.ie/, travel advice from the Department of Foreign Affairs, business continuity advice from the Department of Enterprise, Trade and Employment and the World Health Organisation website.



Get Ready to Do Business in Italy

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Language

Italian customers like to speak Italian, making language one of the main issues to be considered when looking to enter this market. Outside of high-level management in sectors such as pharmaceuticals or aviation, Italians expect to do business in Italian. This is not an insurmountable barrier, as the Irish companies successfully selling into Italy can attest to.

English language skills vary enormously in Italy. Materials should be translated into Italian and, at meetings, bring a translator or have someone on your team who speaks Italian. Initial correspondence and product literature should be professionally translated.

Have part or all of your website translated for the Italian market. Having a strong web presence is as important for the B2B market as for the B2C. Your website should also be optimised for Italian search engines. An .it domain is not essential as the Italian market is comfortable with .com, but .ie is not suited as it may be perceived as too parochial.

ROUTES TO MARKET



Choosing the right route to market in Italy is very important. Local agents and distributors play a crucial role thanks to their deep understanding of informal business practices and networks of relationships. Despite the relative proximity of the market, the nature of Italy's business culture is such that regular visits are an absolute minimum, local presence is essential and a form of a more permanent presence is strongly advised.

If going the distributor route, it must be managed proactively to ensure a good working relationship is maintained over a long period of time. Because of the importance of trusted relationships, "distributor hopping" is to be discouraged. Cancelling an agreement prematurely can damage your reputation.

Joint ventures and acquisitions can be a successful route to market, enabling you to gain a foothold with the advantage of bringing on board established contacts, customers and market knowledge, three elements that are harder to achieve remotely from Ireland or by setting up a new office in the country.



Key Growth Opportunities in Italy



Enterprise Ireland's Paul Maguire (Manager Italy) notes that, "A lot of Irish companies have overlooked the Italian market in the past. However, many of those who have had all their export eggs in the UK market basket will now look further afield."

In the past these tended to follow a path that saw them go into the UK and then look next to France, followed by Germany and then off to Dubai, skipping Italy.

It's for this reason that Italy is relatively underrepresented by Irish companies, despite a population of 60 million people. While there are some barriers to entry to this market, there are huge opportunities too.

Barriers include the fact that English language proficiency is not widespread; that Italians like to buy Italian; and that usurping the close-knit relationships of an existing supplier can be hard.

However, now that the UK is to leave the EU, Irish businesses, particularly those in the OEM space, stand to do well by identifying those Italians that currently buy from UK exporters, and presenting them with a compelling alternative.

"Import substitution in this way offers enormous potential. Most Italians are not very well up on Brexit. If you look at sectors where Italian

companies are already trading with UK ones, you can pitch an alternative solution. You will at the very least be knocking on a door that is already open to overseas trading and is now possibly worried about currency fluctuations and continuity of supply."



Life Sciences - Medical Devices/ Biopharma

Italy has a well-developed manufacturing base in the medical devices market, made up of a small number of large companies (Sorin, Gambro, CID Vascular) and a large number of SMEs, mostly located near Modena in the Mirandola district, with a market size of \$8.7 billion in 2015. Furthermore, the pharmaceutical industry in Italy is one of the country's largest industries, being the fourth European market in terms of size.²²

In the medical devices sector, competitors are mainly local Italian suppliers but there are also American and European (mostly from Germany) suppliers too. Irish companies need to have the right quality/price ratio to be successful in this market.

In the pharmaceutical industry the competitive landscape is dominated by a small number of large multinationals such as Roche or GlaxoSmithKline and local players such as Menarini Industrie Farmaceutiche, Angelini and others. The companies are localised mainly in the following regions: Lombardy, Lazio, Tuscany and Emilia Romagna.



Engineering

Because of its long history of engineering, Italy represents strong opportunities for Irish companies specialising in the sector. The country is highly industrialised and mechanised and has some of the world's biggest engineering firms which represent opportunities for Irish companies in the form of niche products and services that complement those of the larger companies.

The opportunities can be divided into three areas: oil and gas, agritech, and companies that offer finished products rather than components, where local competition would be too strong.



Traveltech

Italy is the fifth most popular tourist destination worldwide.²³ The direct contribution of travel & tourism in Italy to GDP was €232.2bn, 13.2% of total GDP in 2018.²⁴ There are approximately 34,000 hotels throughout the country²⁵ – higher than anywhere else in the EU. Despite the difficult economic scenario in recent years, the market is showing positive trends. A number of Irish companies in traveltech are performing well in the Italian market despite technology adoption within the travel sector being quite low.



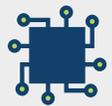
Key Growth Opportunities in Italy

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The hotel industry, which is an important segment for the Irish offering, is fragmented and dominated by family owned hotels and small chains. This is one of the key reasons for the slow take up of new and advanced technology solutions and services.

Good opportunities for Irish companies exist in dynamic segments such as cloud computing, online services on mobile devices, mobile payment, mobile commerce, document digitalisation, the Internet of Things (IoT), social networks and smart communities.



Information and Communications Technology (ICT)

According to Anitec-Assinform, the national association of Information & Communication Technology companies operating in Italy, the Italian ICT market grew 1.9% in 2017 to €66.1 billion. Growth has been driven by segments such as cloud computing, online services on mobile devices, document digitalization, social networks and smart cities²⁶.

Italy is one of the largest mobile communications markets in Western Europe and also one of the most advanced. Smartphone penetration in Italy is among the highest in the world. Italy is also one of the leading users of social media in Europe. Mobile data services represent one of this sector's main drivers and are expected to continue to grow. In 2022, the Italian telecommunication services market is forecast to have a volume of 124.4 million users, an increase of 5.9% since 2017.²⁷



Aerospace/Aviation

With a turnover of US\$20 billion and a workforce of over 50,000, the Italian aerospace industry ranks seventh in the world and fourth in Europe and represents the largest manufacturing sector in Italy in the field of high-tech integrated systems.²⁸ The industry includes commercial airlines, air traffic and fleet management, manufacturing, international services and back-office activities. Other dominant sectors include leasing and financial services, airports, and R&D. These companies are already meeting the needs of airlines, manufacturers and other aviation corporations around the world and could do so in Italy too.

Things to Consider



Market landscape

What is the size of your target market? Is it dominated by a few strong players or fragmented with many small competitors?



Market trends

What are the current market trends for the sectors you will be targeting? If there is an obvious gap in the market, find out why: it may exist for a reason.



Target market

How does your target market make buying decisions? Who are the relevant decision makers - what are their job titles and responsibilities?



Market segmentation

Who are your most likely customers, where are they located, how and what else do they currently buy, who are their influencers and what “need” are you fulfilling?



Competitors

Who are your rivals in the market and how do their offerings compare with and differ from yours?



Market research resources

Being abreast of local market trends, especially in your sector, will help enormously when it comes to building your knowledge about the Italian market. Enterprise Ireland’s Market Research Centre offers client companies access to market intelligence in the form of company, sector, market, and country information to explore opportunities and compete in international markets.



Boots on the ground

Doing business in Italy requires more time and effort than in Ireland because Italians must feel they know and trust someone before they will do business with them. Selling takes time. Socialising over lunch or dinner is an important part of the decision-making process in Italian business but getting to this point takes time. Simply flying in twice a year to take orders won’t work, which is one of the reasons why so many Enterprise Ireland client companies put boots on the ground in this market.



Legal & Taxation Information



Visa requirements

Italy is a member of the European Union (EU) and EEA nationals are free to work in Italy without the need for a work permit.



Corporate structures

Limited Liability Companies

In Italy, there are two main types of limited liability companies:

- Società a responsabilità limitata (S.r.l.) [equivalent to a private limited liability company]
- Società per azioni (S.p.A.) [equivalent to a public limited liability company]

The most commonly selected option is the Srl due to its organisational flexibility and autonomy for its shareholders, however, the choice largely depends on the expected activity level in Italy.

Branches

Foreign corporations operating in Italy can operate as a branch office without the need to incorporate. However, it is generally advisable to incorporate rather than set up a branch office in Italy, given the numerous drawbacks associated with having a branch office. Having said that, foreign enterprises wanting to set up a branch in Italy for lower levels of activity are allowed to do so.

Representative Office

This is the easiest and least expensive type of foreign investment structure to set up and has no registered capital requirements. The defining characteristic of an Representative Office is its limited business scope. An Representative Office is generally forbidden from engaging in any profit-seeking activities, and can only legally engage in preparatory activities such as market research.



Key tax structures

Foreign companies operating in Italy may find it challenging to deal with the complexities of the country's tax system. The primary tax concerns are: Individual Income Tax (IIT) for employees in Italy, social security costs, VAT, withholding tax, business tax and permanent establishment concerns.

While Enterprise Ireland in Milan does not provide direct legal or tax advice to its clients we can facilitate introductions to experts that are both familiar with the Irish and Italian systems. Enterprise Ireland strongly advises companies planning on setting up a presence in Italy to seek professional advice in these matters and especially around employment legislation prior to commencing operations.



Corporate tax

Companies doing business in Italy are subject to a number of taxes, including the corporate income tax (IRES), the regional tax on productive activities

(IRAP), withholding tax, VAT, registration tax, social security taxes, transaction tax and stamp duty.

The current corporate income tax rate is 27.5%.



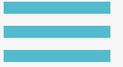
Employment

The Italian labour market is highly regulated and skewed heavily towards employee rights, making it notoriously tricky to navigate. There are numerous legislative requirements for employers to comply with, depending on the type of employee and contract that is of concern, and compliance with Italian labour and employment regulations is often costly and time consuming.

Generally, all employment contracts in Italy are required to be in writing. Given Italy is a member of the EU, the country is also subject to EU directives and legislation.



Helping You Win in Italy



Enterprise Ireland assists clients entering new markets with:

Pre-visit support

- Sector overview
- Validation of the opportunity for your product or service
- Evaluation of your market entry strategy
- Suggested channels to market
- Competitor analysis
- Relevant contacts/suggested itinerary

In-market support

- Introductions to buyers and decision makers
- Identification of potential partners
- Facilitating buyer visits to Ireland
- Assistance with product launches and workshops
- Securing reference sites

International trade events

- Inward buyers' missions to Ireland
- Group stands at international trade fairs
- Overseas trade missions
- Market study visits
- Client knowledge seminars
- Networking events with market contacts

Additional supports

- Introductions to specialists in all areas, including legal, recruitment, PR and taxation
- Access to mentors

Enterprise Ireland has built up an excellent network of individuals in Italy who are available to work with Irish client companies looking to develop their business. This includes market and sector specialists, business accelerators and members of Irish business associations.

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Rialtas na hÉireann
Government of Ireland



Ireland's EU Structural and
Investment Funds Programmes
2014 - 2020

Co-funded by the Irish Government
and the European Union



European Union
**European Regional
Development Fund**

Ireland's European Structural and Investment Funds Programmes 2014-2020.
Co-funded by the Irish Government and the European Union.

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