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Confindustria's function in delocalisation processes

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In this month's article I would like to give an overview of trade associations and agencies, both private and public, supporting trade and industry and how these are involved in the internationalization process of the Italian system. This starting in particular from my personal experience in the markets of South East Asia and Central Asia, on the one hand as manager of an Italian SME abroad for 20 years, on the other as director of Confindustria Kazakhstan.

Until 2001, Italian companies experienced in a certain sense a positional income on an export made up of many industrial sectors and excellences: from the chemical sector, to the mechanical sector, to the textile sector and to the entire manufacturing sector in general, leading Italy in various periods from the 90s until 2009 to become among the top 6 global economies.

When China entered the WTO in 2001, its disruptive role in the world economy due to its productivity and competitiveness in terms of labor costs reduced and completely almost disintegrated those positional gains of the Italian manufacturing industry that had brought over the For two decades, many Italian companies, perhaps for the first time, have had to go abroad to carve out market segments occupied by emerging economies.

The new challenges/objectives we had to encounter essentially concerned:

- 1. Access to new markets: Italian businesses have sought growth opportunities beyond national borders, exploiting emerging and established markets around the world.**
- 2. Production relocation: Many companies have moved part of their production activities abroad to exploit competitive advantages such as lower labor costs or access to specific resources.**
- 3. Growing competition: International competition has pushed Italian companies to seek new strategies to maintain and increase their competitiveness, both in terms of costs and product differentiation.**

In this context, Italian companies, in this case the smaller ones, often have undefined expectations and turn to organizations such as Confindustria, mistakenly identifying them as consultants and expecting a sort of preliminary market research service which is not a specific prerogative of our reality.

What I feel like saying instead is that this type of preliminary activity is fundamental and is carried out very well by professionals in the sector. Only subsequently can Confindustria become a valid ally by playing a role in facilitating the achievement of the challenging objectives mentioned above.

In our experience, companies that do this preliminary work manage to obtain concrete results.

Companies that have prepared themselves and already have knowledge of the market at least from an economic, financial, geopolitical and strategic point of view in the sector of their reference industry are able to focus their effort. This way they can direct the company towards achievable and feasible commercial objectives. From here Confindustria comes into play with its added value and acts as a facilitator on various fronts such as: reducing bureaucratic times to register a legal entity, identifying licenses and basic services to start a business in the country, having access to the most reliable, reduce qualification times in the relevant industrial sectors.

When the first point is reached and there is a clear industrial plan integrated with an equally well-developed production delocalization plan, it must always be kept in mind that production must in any case go hand in hand with an in-depth analysis of the new market.

It is not enough to create a production base in order to be competitive, sometimes the biggest mistakes are made in the evaluation phase. It may happen that you think that you can intercept a demand that in reality is not developed, because it is in some way inaccessible or characterized by economic barriers of various kinds put in place by domestic competition. Again, many of these mistakes can be avoided with our support essentially because we live the economic reality of the country and as such we can guide businesses with full knowledge of the facts. Sometimes a business could be a loser from the start due to the sole fact that the "business model" may be inapplicable in the country (culturally, legislatively or due to hidden monopolistic barriers)





Generally speaking, regarding Italian companies that conquer foreign markets, at a certain point in their history, it emerges that the majority of profitability is represented by the foreign sector and in particular an ever-increasing percentage of foreign production. Production volumes generated on site but not only to satisfy the local market but also for further and different markets.

The competition is therefore played directly on the foreign field, often taking advantage of lower labor costs but above all the possibility of being directly on the desired market.

For Confindustria it certainly becomes effective to support companies that already know two fundamental steps: the value of the market and the competition present in the country.

When these two preconditions are satisfied, Confindustria can accelerate, direct and propose different production localization solutions based on:

- Relevance of logistics efficiency
- SEZ (special economic zones) dedicated to the industrial sector
- Identification of local partners or local distributors
- Implementation of a commercial strategy connected to the competitiveness of the local production reality

What must always be kept in mind is that this relocation must be characterized by flexibility. The company's commercial strategy must integrate and evolve in parallel with the commercial strategy of the country in which it is implemented.

This is also a point on which Confindustria, due to the nature of the associative life of companies and the role that each member brings with their own wealth of industrial and commercial experience in contexts of delocalisation, can contribute enormously.

In a certain way there is a sort of immune system that is created if the information within the system of business relations is put at the service of those who participate in it.

Confindustria is therefore not a service agency, but the vehicle that intermediates that wealth of expertise of the companies that constitute it, which is opened to new members.

This reduces relocation and internationalization times, sometimes even 12 to 16 months less, compared to entering a market without any support.

For this reason, and here I close, I hope that the companies, especially in the first cognitive meeting with Confindustria, in a certain sense have clear ideas about what our organization can do for them, but even more so, they have knowledge of what the companies they must first formulate their real expectations on the foreign market of interest.

