Italian and Indian gold and jewelry SMEs, marketing practices in the USA

A comparative case study

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Abstract

Purpose – The purpose of this paper is to examine current patterns of international marketing activities of Italian gold firms with a special emphasis on the US market and to juxtapose them with those adopted by Indian gold firms.

Design/methodology/approach – A sample of small- and medium-sized enterprises (SMEs) from Italy and India served as the study setting. Data were collected via depth interviews from the owners/managers of four Italian and three Indian firms.

Findings – The paper finds that the competitive behavior of Italian SMEs is primarily reactive, whereas Indian companies strategically focus on the expanding Indian immigrant community.

Research limitations/implications – This is a case study evaluating small companies based in two regions (Arezzo, and Hyderabad, India).

Originality/value – A strategic comparison of the competitive conducts of SMEs based in an old economy country and a new economy emerging market-based firms.

Keywords Exports, Competitive strategy, Economic change, United States of America, Italy, India

Paper type Case study

Introduction

Italy is the largest exporter and second largest manufacturer of gold products in the world despite the competitive emergence of India, which has increased the value of its exports almost fivefold in the last five years. The competitiveness of Italian gold firms as measured in market share in the international markets has however been steadily eroding.

The goal of the study is to investigate the erosion of the Italian gold firms' competitiveness in international markets with a special focus on the US export market, which has traditionally been their main target. We will juxtapose the competitive behavior of Italian small- and medium-sized enterprises (SMEs) with that of Indian firms that are increasing their market share in the USA.

The decline of Italian exports and the ascendency of India

Italy is a worldwide leader in the production of gold products. The relevant importance of the gold products industry for the country's economy is shown by the data reported

in the Appendix. The gold industry, which also includes jewelry and silver products, is one of the traditional "Made in Italy" sectors and it is characterized by a geographic concentration of production in three clusters: Arezzo (Tuscany), Valenza Po (Piemonte), and Vicenza (Veneto); these firms represent 87 percent of the Italian gold products export. The industry is also fragmented into numerous small and medium firms that have a limited value in the global market when considered individually, but that collectively are as important as some large multinational companies in terms of size (Fortis, 2006). About 70 percent of Italian gold production is exported, which makes Italy the most important European country in the processing of gold from its raw form to a finished good. Despite its prominent role in world markets, Italy has experienced a significant decline in the production and exports of gold products since 2002.

The problems of Italian firms are even more evident when one analyzes the US market (Rasheed, 2005). Between 1996 and 2005, the Italian gold industry lost 29.2 percent of its share in the US market while that market was rapidly growing. Its decline has been steady, with a 36.1 percent drop by the end of 2005.

Several macro-environmental factors negatively impact the performance of Italian SMEs. These include the punishing €/$ exchange rate, fluctuation of gold price, duties and non-tariff barriers, and increased competition from emerging markets such as India, Thailand, and Turkey.

On the other hand, the Indian gold jewelry sector is becoming very competitive with the traditional popular Italian lines. As more and more shoppers, especially in the USA, become familiar with the history and styles of Indian design, the demand for decorative items that are unique to the Indian culture are flourishing in the USA (www.christianet. com/jewelery 2007). Recently, India exports more than $2 billion a year in jewelry worldwide, almost two-thirds in the USA India's Gem & Jewelry Export Promotion Council has set the ambitious goal of selling combined exports of gems and jewelry to $16 billion by 2007. Since India has already gained the lion's share of the world's diamonds, this growth will come mainly from jewelry exports (www.professonaljeweler. com/archives/sept.04). Indian-made jewelry's presence is particularly noticeable when examining mass merchants such as Wal-Mart, Sears, and JC Penny. Owing to its highly respected quality and design reputation, its presence is increasing dramatically at market chain and independent retailers throughout the USA. Other key success drivers include attention to business relationships and US consumer tastes (www.professionaljeweler.com/archives/may05). India has been an emerging force in the gold and jewelry sector. We have chosen India due to the surge of its overall economy in recent years and because the jewelry and gold business captures an important share of the Indian GDP. Furthermore, small and large companies are making significant inroads to international markets including the USA. Indian firms are becoming more profitable due to India's booming economy and can significantly affect export markets.

In addition, regulatory changes in India have made it easier to acquire overseas companies and one of their objectives is to become a major player in the US market. Thus, for example, an Indian company (name is confidential) is currently involved in an acquisition negotiation of a chain of 100 US jewelry stores. Up until recently, India has been known as a center for the cutting, polishing, and manufacturing of quality diamond jewelry, which is sold to retail stores worldwide. Recently, Indian companies are increasing by moving into the area of jewelry design. Acquisitions, especially of US

jewelry chains, will allow brand recognition upfront and the possibility of establishing brand equity for imported Indian brands (Knowledge Wharton 2006).

The study draws from the theoretical framework that examines the relationship between the firm's resources and performance in overseas markets. The literature in this field is abundant and has been examined in various frameworks (Ohmae, 1989). The resource-based view (RBV) and its applications have been particularly useful when analyzing conduct and performance of SMEs (Acedo *et al.*, 2006). A major component of the resource-based approach is understanding the relationship between resources and includes financial and managerial capabilities. While resources are the source of a firm's capabilities, capabilities are the main source of its competitive advantage (Grant, 1991). Specifically, the relationship between resources, capabilities, and performance in international markets has been extensively examined in a cross, disciplinary research evaluating the behavior and strategies associated with SMEs exporting (Coviello and McAuley, 1999). All those elements impact the conduct and performance of exporting SMEs and their ability to address environmental changes.

Export performance and SMEs: literature review
Growth and performance issues
A fair amount of research was conducted in the field of the internationalization process of SMEs. In their comprehensive study, Ruzzier *et al.* (2006) argue that the driving forces of performance for SMEs in export markets include the incremental nature of the internationalization processes in terms of activities and the basic building blocks of conduct in terms of resources.

Historically, a large number of studies have dealt with the questions of what factors influence the performance of firms (Bilkey and Tesar, 1997; Bijmolt and Zwart, 1994). An excellent evaluation of empirical research conducted in the field of export performance measurement has been presented in the work of Sousa (2004). In this context, factors internal to the firm as well as external macro-environmental considerations were thoroughly examined. Whereas, literature evaluating export performance covers both large and small companies; the focus here is on small- and medium-sized companies. Moderating variables include SME export manager inputs (Anderson, 2006), propensity to grow through geographical expansion (Barringer and Greening, 1998; Lu and Beamish, 2001), the quality of supplier-customer relationships (Bradley *et al.*, 2006) the choice of a niche strategy (Zuccella and Palamora, 2006), public programs (Alvarez, 2004) and the like. Relevant literature also examines the relationships and interaction of two streams of international business inquiries – internationalization and business strategy. This body of literature emphasizes the significance of strategic foundations such as knowledge, skills, and experience, collaboration and networking in relation to the internationalization of firms' activities (Bell *et al.*, 2004; Jones and Coviello, 2005; Haahti *et al.*, 2005; Wu *et al.*, 2007; Majocchi *et al.*, 2005).

SMEs: exporting and competitive advantage
The literature on the internationalization activities and performance evaluation of small exporting firms has been covered by many authors (Ruzzier *et al.*, 2006; Hudson *et al.*, 2001). More recently, researchers have concluded that internalization and various

measurements of export performance need to be examined by integrating major theoretical frameworks (Coviello and McAuley, 1999). In a similar vein, other researchers have suggested that SMEs follow a wide range of options when becoming active in export markets (Rodriguez, 2007) including import-led activities, strategic alliances and countertrade (Fletcher, 2001). As indicated elsewhere, the resource-based perspective and to some extent its derivative competence-based view (Zerbini *et al.*, 2007) might provide a useful framework to integrate competing conceptualizations (Bell and Young, 1998; Loane and Bell, 2006). Its basic premise is that it is the firm's ability to generate and build or leverage resources and competencies that is the key to competitive advantage and organizational survival. Small firms will respond differently in their efforts to overcome resource/competence deficiencies (Bell *et al.*, 2004). In the Italian competitive landscape-small exporting firms are more often than not "micro" firms, i.e. very small and in dire need for human, financial, and knowledge resources (Rabino *et al.*, 2008; Majocchi *et al.*, 2005).

Italian SMEs that traditionally assumed a leadership role in export markets such as the USA have been losing market share. It appears that these SMEs represent the "old-economy" a set of supply-driven strategies where customers used to "absorb" the production of the producers (e.g. Italian gold firms). In his seminal work, Kash, 2001 suggests that the "new economy", the economy of the twenty-first century, has experienced a fundamental transformation to a demand-side economy. Wickranansinghe and Sharma (2005) characterize the new economy as one, which is built on information technology and the sharing of knowledge and intellectual capital. They argue that in such a knowledge-based economy, competitive advantage will be with those countries that have the capacity to deliver fast and have innovative forms of work organizations that raise productivity. In this new economy, many new competitors (e.g. Indian firms) enter nearly every marketplace and cause supply to outstrip demand. The US gold market provides a classic example as to how old world SMEs with an "old economy" mind-set experience the challenges emanating from entrants originating from emerging markets such as India, Thailand, and Turkey.

In this exploratory research, we apply a case study approach to investigate and improve the understanding as to why Italian SMEs are losing market leadership and share in the lucrative US export market while "new economy" SMEs from India are now moving on a high growth trajectory. These SMEs represent a fundamental aspect of globalization – the advent of low cost but highly skilled competitors in international markets (Audretch and Turik, 2001). The study design and structure are heavily influenced by the RBV and the strategic internationalization behavior of small firms which includes the network perspective of resources (Ahokangas, 1998). In the context of the current study, we follow the premise that both Indian and Italian SMEs are dependent on the development of potential key internal and external resources, which can be adjusted/developed within the firm and between firms and their environments (Ruzzier *et al.*, 2006).

The collective perspective of resource-based perspective, evaluation of macro-environmental international competitive trends, the findings of an earlier longitudinal empirical study of gold and jewelry firms in the industrial district of Arezzo (Rabino *et al.*, 2008), as well as data indicating the surge of India as an international competitor in the US market yield the following propositions:

P1. In addition to the overall global economic trends that negatively affect their competitiveness, the share erosion of Italian SMEs is attributable to limited resources, capabilities, and strategic vision.

We generated *P1* based on the primary data obtained by the collection and analysis of a series of structured surveys conducted by Istituzione dei Distretti Industriali twice a year, from 2004 to 2006, on a panel of 110 firms located in Arezzo, Tuscany (Mattiacci *et al.*, 2007). The best performers in international markets according to earlier studies were found to be those firms that have been able to invest in value chain activities that were different from the ones that traditionally supported their earlier success. The focus of their competitive efforts shifted from a primarily production advantage that resides in operations to one that is more based on the development of resources and competencies in other areas. Based on this longitudinal set of studies, we have constructed the current follow-up research project. The resource, based perspective, the ascendency of Indian entry and expansion activity of Indian SMEs in the US market and the collaboration between the government and exporting SMEs suggest that.

P2. At present, Indian SMEs' entry to the US market is agile and quicker to develop capabilities to set up activities and exploit business opportunity than Italian SMEs that led the market in the last few decades.

Methodology
The study, aims to gain insight into the evolution of export strategies of Italian companies confronted by the challenges of competing with new importers originating in emerging economies juxtaposing the international strategies adopted by selected Italian firms with approaches adopted by Indian firms that are transforming the nature of international competition. The comparative case study methodology used in this study follows similar approaches examining small business strategies in export markets (Barringer and Greening, 1998). As discussed elsewhere, the case study approach represents an intense study of a single unit for the purpose of understanding a larger class of similar cases (Gerring, 2004). The in-depth interviews of small firms in this context is employed in the studying of the export behavior and strategies of Italian and Indian firms in relation to the US market. The companies were selected using the following criteria:

- their size as measured by their number of employees (medium-large firms);
- their leading role in the gold products industry in Italy; and
- the inclusion of the USA among their target markets.

The interviews were conducted with senior management and typically included at least two on-site visits.

With regard to the Indian companies, two were interviewed in Hyderabad, India and one in the USA. The two sets of Indian interviews were conducted by a local (Indian) marketing research firm and followed the same questionnaire protocol that have been adopted by the Italian researchers. A third interview has been conducted by one of this study's principals and reports information in the format preferred by the interviewee. All interviews were conducted in a semi-structured format. The selection criterion of the

Indian firms was the same employed in the selection of the Italian participants in Italy. The two companies located in Hyderabad have annual revenue in the $25-30 million range each. Jewelry design typically takes place in Mumbai and each company employs up to ten goldsmiths on premise.

In developing the set of questions that ultimately were used during the in-depth interviews with the Italian and Indian exporters, we have heavily relied on earlier and extant scholarly work dealing with export strategies. In particular, we have generated interview questions based upon the issues articulated by Cooper and Kleinschmidt (1985) examining the relationship between export strategies and sales performance, the comprehensive study of SMEs internationalizing process and the specific factors affecting entrepreneurship identified by Ruzzier *et al.* (2006). The results of the comparative study of the export performance of the USA and Canadian small- and medium-sized exporters performed by Dhanaraj and Beamish (2003) were also incorporated into the research instrument. We have employed a set of open-ended questions when developing and structuring the final questionnaire.

Background information on each of the case study firms and the content of the interviews with the participating firms is detailed in the Appendix.

Findings
We will briefly present in this section pertinent information gleaned from the in-depth interviews from each of the study's participants. Next, we will identify the common themes that emerge from the Italian and the Indian companies that were included in the sample.

Italian. Company A. Up until recently, 20 percent of its revenue were derived the from sales to the USA. This percentage declined to 6 percent in the past two years. The company prefers to only maintain a foothold in North America while focusing on other markets due to the decline of the dollar and the fact that Italy does not belong to the US list of preferred countries. The company also failed to establish meaningful brand recognition in the USA even though the brand is very well recognized in the more lucrative markets of the Middle East.

Company B. In the 1990s, roughly 25 percent of its revenues were derived from the USA. This percentage has declined to 5 percent due to the large advertising and promotional outlays required to maintain brand visibility in the US market.

Company C. Traditionally, this company's core business is focused on the low end of the market. The entrepreneur cited credit issues that especially affect companies targeting the low end of the market. Furthermore, The US laws favor low-cost producers when it comes to enforcing gold-purity regulations.

Company D. This company's main business interest lies in the high-grade gold segment. In the opinion of its director, the Italian origin of the gold product still counts in the US market, but not enough to stem the competition from low-cost countries. American SMEs also compete successfully with this firm and are better positioned to provide their customers with rapid and reliable deliveries. Some of these firms also use flexible manufacturing and are better equipped to meet erratic demand than their Italian counterparts.

Indian. Company I. This firm focuses on the small jewelry market segment in the USA. It designs its product to meet the needs of Indian immigrants originating from different regions of India. The company considers other Indian firms, especially those

that have been operating in the USA for a while, as their primary competitors. The company is experiencing growth and expresses its desire to directly sell in the US market as opposed to selling through small Indian-owned retail outlets.

Company II. Also focuses on the Indian-immigrant market, specifically on those originating from Hyderabad. Whereas, their sales are also growing, the director of the company also complains about the administrative barriers and regulations impacting visas, licenses to conduct trade shows, etc. The company is planning to expand its reach within the USA by increasing its participation in exhibitions and trade shows.

Company III. This is a firm that specialized in diamond trading and processes, designs, cuts, and sells diamonds throughout the USA. As opposed to the other interviewees, it sells diamonds employing non-ethnic, exclusive US retail chains and distributors. The marketing efforts are aimed at both Indian and American women who are interested in high-end products. According to its director, the firms are planning to simultaneously make new product announcements in Asia (Singapore) and the USA (New York) to communicate its international reach and branding in both regions. The company plans to expand its promotional efforts in the USA and to increase its spending on magazines' ad placements, press releases, and point-of-sale promotions.

The comparative analysis of the cases clearly shows significant differences in the approaches to the US market adopted by the Italian and Indian companies.

First, Indian firms appear to be focusing their marketing effort onto a very specific target of the market that consists of Indian immigrants. Their products, usually characterized by a higher use of diamonds and other stones than the Italians', are therefore designed to meet the preferences of customers they know well. As such, these firms consider other Indian firms, including importers and jewelry designers, as their main competitors. Italian firms on the other hand tend to adopt an undifferentiated segmentation approach to the US market and do not customize their product offerings to better fit the preferences of American consumers or sub-segments of the US market. Italian firms' awareness and understanding of these preferences is in all likelihood much lower than that of Indian firms.

For the promotion of their brands and products, the participation in exhibitions and trade shows are important for both Indian and Italian companies. The fact, however, that one of the most prominent trade shows worldwide is located in Italy may be acting as a disincentive for Italian companies to participate in smaller trade shows that take place in the USA. This kind of initiative also requires relatively large investments that Italian firms seem to consider too high when compared to the perceived possible returns they could obtain from such activities. Italian firms do not seem to invest in updating their international knowledge and expertise.

The interviews with Italian exporters suggest dependency on the American importers and distributers which is based more on an historical exporter-import relation rather than on the execution of the local (US) marketing campaign.

Indian firms seem to be more likely to exploit the internet as a channel and a medium for advertising and selling their products than the Italian firms.

Regarding the barriers to enter the US market, Italian companies mainly complain about custom duties and an unfavorable rate of exchange. Indian firms are more concerned with non-tariff barriers, especially red tape (visas, trade show permits, and the like). It is also evident that the two governments have different sets of priorities when it comes to supporting the competitiveness of their respective gold industries

in the US market. In addition, India seems to be more effectively facilitating direct investments in the US market. This is very critical in a market where products tend to be difficult to differentiate in the eyes of the end buyers. These are typically non-branded products and are not likely to be accompanied by large enough promotional outlays and where there is a lot to be gained with a more effectively controlled and more personally managed channel of distribution. The Indian exporters also indicated that they consider themselves to be part of a network which includes government agencies and financial institutions. This supportive network helps them enhance their market positions.

Finally, Indian companies are actively planning to expand their penetration into the US market appealing to American consumers and not only American with an Indian heritage. They are planning to invest more in promotion and distribution to fortify their presence in that market and to acquire a larger share of the market. Surveyed Indian exporters have rapidly incorporated experiences from other markets into their US strategy transforming knowledge from these experiences to expand market share and product positioning. In contrast, Italian firms are trying only to maintain a hold in the US market with minimal defensive activities directing their marketing efforts toward more profitable markets where they believe that the competitive setting is more favorable to their marketing approach.

It should also be noted that at this stage Indian companies are not using "Made in India" as a selling point. Rather, they appeal to Indian ethnic groups based on their region of origin.

The results support for the most part that small- to medium-sized exporting Italian firms are lacking some resources and competencies and are more likely to be reactive than proactive in the competitive US market. It is our sense, however, that US tariff barriers are considered to be more of an impediment to their market performance than direct competition. The proposition that Indians are quick to seize upon business opportunities is supported by our findings. However, it should be noted that Indian companies' success in the US market attributable to a large extent to the fact that well-defined ethnic concentrations are committed to their products and designs.

Conclusions

The research presented in this paper is particularly concerned with the competitive behavior of Italian SMEs that are struggling in the US market, especially when compared to the surge of new entrants from emerging markets. Our principal findings suggest the following: Italian gold firms are not as competitive as they used to be in international markets for medium and medium-low priced products, where companies based in lower labor cost countries are gaining a stronger and more defensible competitive advantage. Moreover, Indian firms are likely to find a way to expand their share position in the US market and expand their customer base to include non-ethnic customers.

The analysis shows at least four major weaknesses of the Italian gold firms. They do not adjust their brand strategy to meet changing customer requirements in areas such as price, service, customer analysis, and information technology. They have continued to try to leverage on the "country of origin" brand image despite the fact that this selling point has become less important. The "Made in Italy" feature needs to be accompanied by the support of existing brands offering unique products and market

segmentation skills (Ahmed *et al.*, 2002, 2004; Chao, 1998; Hayden and Edwards, 2001; Jaffe and Nebenzahl, 2006). The "Made in Italy" effect is not sufficient anymore to cope with increasingly fierce global competitors who are able to offer high-quality products and fine and creative designs at attractive prices. Italian gold firms are falling behind other competitors, primarily Indian, especially when considering the movement towards more personal and professional marketing strategies that involve integration of activities along the supply chain. These activities include the opening of showrooms in the USA, brand-building strategies, effective and targeted communication, and online sales and promotion initiatives. A review of their competencies reveals another weakness – a persisting propensity toward manufacturing – a characteristic of an "old economy" rather than investing in developing marketing capabilities. The prevalent use of extended distribution channels limits the contact and understanding of the American end-user. Indian firms seem to have been successful because they tend to serve Indian-American consumers and they use short distribution channels (including the internet). Italian firms have begun to respond to the profound changes in the competitive setting of international gold markets albeit at a slow pace. Possibly, the legacy of a glorious past on a global scale has created complacency and over-reliance on more traditional product development protocols and competitive positioning competencies. This practice might have inhibited (or slowed down) the revitalization of the historical Italian competitive advantage. The exceptions are the leading companies that have developed excellent capabilities in marketing as well as innovative distribution models including a more effective direct international marketing approach. The penalty of delays in the development of adequate marketing capabilities to successfully compete in the global market is very high, especially in a mature and very demanding market such as the USA. More in general, concerns related to the need for developing resources and competencies in other functional areas besides operations are confirmed. A third weakness is missed opportunities. Italian companies have missed the potential that Indians' SMEs have been able to exploit in serving market niches (Dalgic, 2006; Linneman and Stanton, 1992; Shani and Chalasani, 1992). The importance of immigrants has previously been examined as a variable that favors new entrepreneurship, while the research that evaluates immigrants consumer behavior has been comparatively more limited. Socio-cultural-related attributes and technical features of products seem to influence this behavior. Our interviews with the Indian exporters suggest that the decision to target a specific but often large community can be a very productive strategy for relatively young companies that focus their sales effort on the market segment they are most familiar with. Indian firms on the other hand appear to have a loyal and growing market. For the most part, their market consists of Indian immigrants that are being presented with high-quality products that are often custom tailored to meet the requirements of customers from different regions of India. They are also more willing than Italian companies to invest in downward integration in order to achieve a better control of the distribution in addition to benefiting from the Indian Government support. Finally, the competitive behavior of Italian firms in the US market is, at best defensive. They give up and exit with minimal resistance from a very large market in order to divert limited resources to serve less competitive markets. The Indian firms in this study appear to have a more positive outlook, take more risks, possess a global orientation and aggressively pursue market opportunities. With few exceptions

(such as the case of the Italian firm Nomination that, after 9/11, significantly increased its market penetration selling gold "I love NY" pendants while all of its Italian competitors where struggling to curtail their losses in the US market), the entrepreneurial ability to transform risks into market opportunities (Bjerke and Hultman, 2002; Carson *et al.*, 1995) that Italian gold firms used to have is fading.

Strategic and policy implications

While it is understood that small firms will respond differently in their efforts to overcome resource/competencies deficiencies, this study yields several managerial and strategic implications. It appears that the competitive behavior and performance of Italian SMEs in the USA is not dissimilar from that of other SMEs in mature industries located in industrialized countries with a long tradition of success in international markets. They should take several actions in order to preserve their competitiveness in those mature markets (Bello *et al.*, 2003). They need to develop and streamline their resources and competencies and relocate investments from manufacturing to other activities of the value chain. Global competition increasingly demands a continuous way of adding value, not only in the firm's core strength and technologies, but across the broad spectrum of activities that form its business. These firms can get locked into their current strategies because of tradition. In order to prosper in the global market, they need to continuously recognize and incorporate new competitive trends into their export plans and constantly update and revitalize their competencies. These conclusions are consistent with recent entrepreneurship research that includes the notion of a need for creative insights that reframe old ways of conducting business as an important component in the identification of environmental opportunities. Another component of a "survival" strategy is the need to bring together knowledge about opportunities and changing market needs with resources at a specific location in a point in time (Dew *et al.*, 2004; Phan, 2004). The incumbents that conquered a dominant position in foreign markets through indirect export strategies would be better off substituting their traditional approach (i.e. selling through intermediaries) with a more direct presence in export markets, even if it requires partnering with retailers in host markets. These firms need to be better engaged in networking with customers and prospective partners alike. Improving sales performance in mature export markets requires foreign direct investments, assigning competent staff, and managerial structures to local direct organizations that can be more rapid and effective to introduce adaptations and to accommodate changing tastes and preferences.

Additional recommendations that specifically address the need of Italian SMEs include a better leveraging of their international experience and expertise, repositioning product offerings to appeal to higher end market segments (i.e. brand strategies need to focus on niche markets) create stronger and more strategic relationships between the SMEs and affiliates of Italian multinationals located in the USA, exploit the physical proximity to large fashion firms, and leverage upon craftsmanship capabilities that could be found in Italy and countries with a long tradition of artisan and niche production skills such as France and Spain. It is also evident that Italian firms need to better define the role and responsibilities of their American importers in order to gauge and fine-tune their performance that should include the ability to perform marketing tasks.

Ultimately, Italian firms need to convince foreign customers that they offer products with higher perceived quality, originality, and creativity content that provide a higher value than the competitors.

From a public policy perspective, the poor performance of incumbents located in highly industrialized countries in mature export markets reflects the rapid rate of change in the international competitive mix and its impact on performance in export markets. Data suggest the need for developing public policies intended to restructure and contribute to improving the competitiveness of SMEs in traditional industries that also include a collective national strategy aimed at:

- guaranteeing reciprocity of the terms of trade to achieve the goals of totally eliminating tariffs among OCSE countries and progressively terminating non-tariff barriers towards non-OCSE countries;

- contributing to improve communication of the "country of origin" value in its various components that might include design, craftsmanship, history, culture, etc.;

- introducing and enforcing effective legislation against illegal practices (anti-counterfeit efforts, quality control to avoid product "dilution", etc.) on a global scale; and

- measure to support inward technology transfer and assisting small companies to develop networks and supply-chain relationships with larger Italian companies might also be considered.

The research contributes to the analysis of SMEs conduct in export markets by juxtaposing and empirically examining performance and competitive mind-sets of "old world" and emerging markets' SMEs. Considering the major contribution of small businesses in recent decades in the areas of job creation and regional and industrial clustering it is vital to understand and perhaps correct the decline the competitive capabilities of SMEs based in mature economies such as Italy. In light of intensified competitive efforts originating in emerging markets, understanding success drivers as the need to adapt to the ever-changing terms of trade becomes critical to the survival of the more traditional SMEs regardless of the more typical internal and external obstacles that need to be addressed.

As with any study, this study has several limitations, which present opportunities for further research. First, it must be noted that the research is based on case studies where a larger set of data would be required. Second, firms evaluated in this study were drawn out of firms selected from two regions – one in India and one in Italy. Nevertheless, the trends and performance of the Italian SMEs in Arezzo are very similar to other industrial clusters in Italy. In the same vein, literature review suggests that the Indian firms' competitive behavior analyzed here is typical to the behavior of other Indian firms in the US market. Based on the finding emanating from the exploratory research undertaken in this study, we suggest that future research will investigate national samples drawn out of SMEs in emerging markets such as India and the "old economy" markets such as Italy. We also believe that a future comparative study will compare and contrast how different SMEs develop their resource base in the face of competition and evolving customer requirements.

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Appendix. Interviews with Italian and Indian firms

- *Company A.* Revenues in 2006 reached €13 million, 110 employees. Recent focus – "ready-to-wear" jewelry, 75 percent of sales overseas. Its principle distribution method-wholesalers.
  Main concerns – low recognition, cheap knock-offs.

- *Company B.* Revenues in 2006 – €20 million, 100 employees. The company is heavily invested in production technology and primarily employs exclusive distributors. The company is experiencing a major decline in market share in the US market.
  Concerns – fit of the product with US markets tastes and preferences; custom duties.

- *Company C.* A large manufacturer of gold products. Its products are targeting the low end of the market though the company aspires to move to a higher end products and customers. It sells it products in the USA through wholesalers. Market share in the USA has significantly declined.
  Concerns – The exchange rate of the Euro and low-priced competition from Asia.

- *Company D.* The company focuses on high-end products. More than 80 percent of revenues are generated in the USA via TV shopping networks, and exclusive distributors.
  Main concerns – exchange rates, high custom duties, and high-quality US competitors.

Cases of Indian gold firms and their international marketing approach in the US market

- *Company I.* Revenues: $25-30 million. It targets Indian immigrants and uses trade shows and online for distribution and promotion. Its exports sales account for 2-5 percent of revenues.
  Main concerns – other Indian firms and red-tape dealing with US customs and immigration.

- *Company II.* Essentially – a very similar profile except it also has a sales office in the USA.

- *Company III.* The firm represents a large trading group that processes, cuts, and sells diamonds employing US retail chains and distributors. It targets high-end customer. The firm did not indicate any major concerns regarding its US activities.

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