MARKET SURVEY ITALY

1 GENERAL ECONOMIC SITUATION

The Gross National Income (GNI) in Italy has been slightly growing in the last years due to high exports and consumption. For 2005 there is probably a stagnation while the forecast for 2006 predicts a growth of about 1.0 %. In 2003 the economic growth rate amounted to 2.75 % while in 2005 the rate is around 1.6 %. Italy also ranks in line with the average inflation rates in the other EU countries and Switzerland. The overall inflation rate in Italy was 1.8 % in June 2005. However, Italy is one of the countries ranked in the upper ranks concerning unemployment rates in Western Europe, namely 7.9 % in 2005.

Italy's current population is 58.5 million: the country has developed to an economic level similar to that of countries such as Germany, France or United Kingdom. Before 1945, Italy was quite rural and today the country can still be characterised by an agricultural South with an unemployment rate of 20% and a few big state-owned companies. On the other hand, the 'rich' North has a favourable economic climate and many successful private companies. The presence of the state is a general problem for the whole country, and hinders the full economic development of other European countries. Italy has to deal with illicit work on a large scale. The Italian government is trying to directly reduce the number of unemployed workers and employees by employing them with their national companies.

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2.5 CONSUMER BEHAVIOUR

2.5.1 Consumer preferences

Table 2-1 shows the development of the preferred types of retail channels for clothing from 2000 to 2004. The table indicates that Italian consumers mainly prefer to buy clothing in independent shops. This retail sector still accounts for half of the total Italian clothing retail market. The main reasons why Italian consumers prefer independent retailers is that these shops are 'closer to the consumer'. Furthermore, these 'boutique like' shops offer personal contact and more service. The formerly very strong market position of independent retailers has been weakened, but is still clearly dominating the buying decisions of the consumers. The high share of clothing consumption through independent shops expresses the desire for service and quality. A graphic illustration of the 2005 situation is given in Chapter 4.4.3.1 'Retailers'.

Table 2-1: Clothing retail channels by market shares, 1995 – 1999

in % of total value	2000	2002	2004
Specialists	**69**	**69**	**68**
Independent retailers	52	51	49
Clothing multiples	17	18	19
Non-specialists	**31**	**31**	**32**
Department/variety stores	8	8	8
Hyper- and supermarkets	10	11	12
Sports shops	4	4	4
Home shopping companies	2	2	2
Street markets and other	7	6	6
Total	**100**	**100**	**100**

Source: Trade Estimates, 2005

The fact, that Italians are more and more price oriented as consumers can be derived from the increasing role of hyper- and supermarkets in the Italian retail market, where men's and children's wear in particular is bought. At the same time, consumers have a high 'brand awareness'. This is particularly evident in the segment of children's clothing. Many children love to have clothing with favourable pictures of current trends for kids on it.

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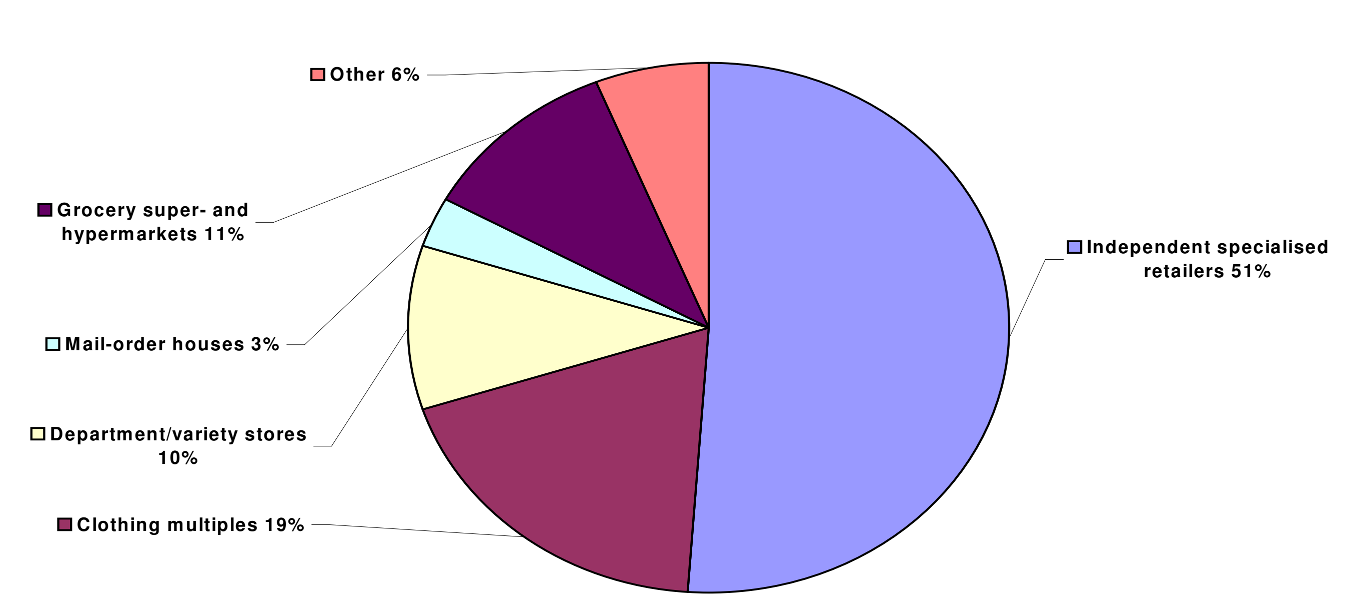
4.3 Distribution Channels

4.3.1 Retailers

Figure 4-3 gives a survey on the structure of the Italian clothing retail market. The graph indicates that independent retailers account for 49% of the clothing retail and therefore represent nearly half of the market. As opposed to other European countries, where multiples have the largest share, in Italy only 19% of the clothing is sold through these clothing chains. Grocery super- and hypermarkets represent 12% whereas department stores stand for 8% of the clothing retail distribution in Italy.

Figure 4-1: Clothing retail channels by market shares, 2004



Source: CBI, 2005 and trade estimates

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