

## SECTORS OF OPPORTUNITY — *Continued from page VI*

nadian remanufacturing mills and to discuss sales of joinery and furniture-grade species of both hardwoods and softwoods and, where applicable, high-quality board products. *Aggressive marketing by a local rep or distributor is the key to establishing sales* as the client base of small furniture and building product manufacturers is highly fragmented and dif-fused throughout Italy.

### MEDICAL DEVICES

The medical devices sector is one of the most open in Italy, with imports accounting for roughly 80 per cent of the market. Distributors are eagerly seeking new sources of supply and products, including those from non-European Union countries.

Opportunities abound for cost-cutting replacement equipment

and disposable supplies. While the public-sector hospitals suffer from very tight budgets, the long-term growth prospects for capital equipment expenditures remain positive, prompted by pressure to reduce labour costs. However, private health clinics are not subject to the government's deficit reduction efforts.

Italy also has one of the highest ratios of physicians per capita in the world and, with the lowest birth rate in the industrialized world, has a rapidly aging population, boosting demand for products for the elderly and disabled.

*A distributor is essential to market and service the products effectively and especially for pricing and financing cash flow.* The average time for Italian hospitals to pay suppliers of medical products is, according to

one major distributor, 454 days (!); it actually varies from 100 days to 900 days, depending on the hospital. Adjusting pricing to accommodate the payment performance is best left in the hands of a local distributor (who normally adds a hefty 250 per cent to 400 per cent, depending on the client).

There are relatively few Italian-owned manufacturers of medical devices. Most of the home-grown companies have been bought by multinationals, taking advantage of the Italians' cash-flow weakness, or Swiss companies, seeking a close, lower-cost manufacturing base. The remaining Italian-owned companies are mainly in medical furniture and plastics and are generally open to considering alliances with foreign companies.

## When in Rome — *Continued from page IV*

a few general remarks (such as impressions of Italy or their experience, if any, in Canada) before getting to the heart of the matter.

- Pleasantries are usually brief as most Italian business people are very pragmatic and goal oriented. It is expected at the end of a meeting to have jointly reached a conclusion as to any common purpose, precise follow-up, a clearly indicated division of labour, deadlines, whom (identifying the contact for each task within each company) and when the deadlines will be or the next contact should occur.

- Most Italian business people, before agreeing to a meeting, want to establish the objective and proposed key points of discussion. They will then prepare thoroughly for those subjects. "Winging it"

simply "doesn't fly". Italians are also very conscious of matching their counterparts, in level and competency.

- Italians offer more than a generous style and level of hospitality, whether in personalized facility tours or exquisite lunches featuring local specialities. It is important that Canadians reciprocate, demonstrating they recognize the importance of this business relationship and are worthy collaborators willing to devote time and thought to developing it — in the same way they pay attention to quality and detail in their products.

- Developing trust is essential, particularly as it is not easy to evaluate the *bona fides* of an Italian private company except through personal observation and references from clients and their bank(s). Public

information about most companies is lacking and what is available is often unreliable. (With 300 possible taxes applying to businesses and average burden of 50 per cent to 58 per cent, the propensity is high to under-report turnover and minimize reported profits.)

Furthermore, most companies are privately held and the dividing line between personal and company(ies) resources is fluid.

- Italian private companies often have difficulty in obtaining financing in Italy as bank interest rates are extremely high, credit very restrictive and the stock exchange small. Arranging contacts with Canadian financial services is often a "make-or-break" consideration for an alliance or investment.