

*International Marketing: Panera Bread in Italy*

**Honors Project**

**In fulfillment of the Requirements for**

**The Esther G. Maynor Honors College**

**The University of North Carolina at Pembroke**

By

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***Business Administration: Marketing, Management, and International Business***

***May 2, 2010***

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## ACKNOWLEDGEMENTS

I would like to recognize my Faculty Mentor and Advisor, Dr. John Spillan, for always inspiring me and making sure that I feel "terrific" each day. I thank you for your enthusiasm and passion for the subjects you teach. Your charisma has kept me interested and motivated to be intellectually curious and motivated to go above and beyond what is expected.

I'd also like to take this opportunity to thank Professor Donald Soucy for guiding me throughout my time at UNC Pembroke. Had I not been presented with the many challenges you threw my way, gave me the tools to make the connection between the concepts I have studied and their application in the business world, which, in my eyes, is the most important lesson I will take away from my undergraduate career.

In addition, the Esther G. Maynor Honors College, which has provided me with the opportunity to study subjects outside the realm of business. Specifically, I would like to thank Dr. Jesse Peters for your support of my undergraduate career as a member of the Esther G. Maynor Honors College. You have been a great advisor and kept me on track throughout my time at UNC Pembroke. I'd also like to thank Dr. Jennifer Bonds-Raacke for your support and understanding during my time in HON4500. You have been great to work with and remained flexible to the many changes this project has undergone and for that I am forever grateful.

To my roommates and best friends, Millicent Davis and Chatham McTindal. Thank you for keeping me focused and supporting me throughout my senior year. I am appreciative of your help with this project and all other obstacles I have faced. You both have made a great impact on my life and I am proud to call you my friends.

Lastly, and most importantly, I'd like to recognize my parents, Michael and Barbara Hanlin. You both have helped shape the person I am today and I am lucky to have been able to make you proud through hard work and perseverance. I would like to dedicate this paper and all the sleepless nights that went into it in honor of you. Thank you for giving me the strength to never give up.

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**ABSTRACT**

INTERNATIONAL MARKETING: PANERA BREAD IN ITALY

by Whitney M. Hanlin

Business Administration: Marketing, Management, and International Business  
The University of North Carolina at Pembroke

May 2, 2010

Italy is very rich in a culture of traditional values, which can be seen from family structure, to food, to art, to religion. As a result, it is extremely important to know how Italians live their daily lives before engaging in an international business venture. Therefore, in order for Panera Bread to succeed in such a traditional society, the company must analyze Italy's culture and economy to fully understand the best way to enter the foreign market and compete with local businesses.

By taking an in depth look at Italian culture and economy several things become clear in terms of market entry and product positioning. Therefore, marketing efforts surrounding this knowledge give Panera Bread, and other foreign businesses, the advantage of the proper knowledge to reach the desired target market in the most effective manner.

## PART I: CULTURAL ANALYSIS

### I. Introduction

Panera Bread was founded in 1981 as the Au Bon Pain Co., Inc. by Louis Kane and Ron Schaich, the current Chief Executive Officer. Over the years, the Au Bon Pain Co. purchased similar entities, but none showed the success and potential for sustainability as Panera Bread. As a result, by May of 1999, Au Bon Pain Co. sold all other entities and ultimately changed its name to Panera Bread. Currently, Panera Bread operates only in the United States and Canada. The company has not made a strong advancement towards franchising internationally. However, through a thorough analysis of Italian culture, it becomes clear that the healthy handcrafted food provided by Panera Bread will be a success in Italy.<sup>1</sup>

### II. Brief Discussion of Italy's Relevant History

Italian business has taken several hits over the past couple of years. Negative gross domestic product growth has placed the economy in a period of recession. The international credit crisis has resulted in less available money for lending, which, in turn, has attributed to less investments being made within the country. There has also been a recent decline in exports. On the positive side, though retail confidence is low, it is currently on the rise.<sup>2</sup>

### III. Geographical Setting

#### A. Location

Italy is located in the Northern Hemisphere on the European continent. As shown in Appendix A, Italy borders France to the west, Switzerland and Austria to the north, and Slovenia to the east. It also shares a border with the two independent states of San Marino and the Vatican.<sup>3</sup> Famously shaped like a high-heeled boot, Italy is a peninsula, meaning "a large mass of land projecting into a body of water"<sup>4</sup>, that extends into the Mediterranean Sea. Not only does Italy include the land that makes up the peninsula, the country includes the islands of Sicily, Sardinia, and about seventy other smaller islands.<sup>5</sup>

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<sup>1</sup> Panera Bread, (2010). Company Overview. Retrieved from <http://www.panerabread.com/about/company/history.php>

<sup>2</sup> EuroHypo. (2008). Market Trends: Italy. Retrieved from [http://www.eurohypo.com/media/pdf/newsletter\\_und\\_marketberichte/08q4\\_Markettrends\\_Italy.pdf](http://www.eurohypo.com/media/pdf/newsletter_und_marketberichte/08q4_Markettrends_Italy.pdf)

<sup>3</sup> Encyclopedia of the Nations. (2010). Italy: Country Overview. Retrieved from <http://www.nationsencyclopedia.com/economies/Europe/Italy.html>

<sup>4</sup> WordNet. (2010). WordNet Search 3.0: peninsula. Retrieved from <http://wordnetweb.princeton.edu/perl/webwn?s=peninsula>

<sup>5</sup> National Geographic. (2010). Italy Facts. Retrieved from <http://travel.nationalgeographic.com/travel/countries/italy-facts/>

*B. Climate*

Italy's climate can be described as Mediterranean<sup>6</sup> with "warm, dry summers and mild winters"<sup>7</sup>. Adequate rainfall occurs year-round in northern and central Italy, which results in a blanket of fog during the winter months.<sup>8</sup> The rainfall in the north also contributes to much colder and wetter winters than in the southern part of the country.<sup>9</sup> "The least number of rainy days and the highest number of hours of sunshine occur during the summer in the extreme south of the mainland and in Sicily and Sardinia."<sup>10</sup>

*C. Topography*

Italian topography is mostly represented by hills that cover 41.6 percent of the land. Second to hills, mountains account for 35.2 percent of Italian land.<sup>11</sup> Most notably, the Alps, running fairly longitudinally, form the northern border of Italy, while the Apennines stretch the country from north to south.<sup>12</sup> Italy's rugged western coastline is also very mountainous and is home to three major active volcanoes, Vesuvius, Etna, and Stromboli.<sup>13</sup> The remaining land is made up of plains, which cover 23.2 percent of the country.<sup>14</sup> The largest plain is the Po River Valley, located in the northern region of Italy's mainland, is the country's "agricultural and industrial heartland".<sup>15</sup>

IV. Social Institution

*A. Family*

1. The Nuclear and Extended Family

Traditionally there are strong regional differences when it comes to Italian family structure. In the north, the nuclear family lives in one residence. While in the south, it is typical for the

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<sup>6</sup> Maps of World. (2010). Italy Facts. Retrieved from <http://www.mapsofworld.com/italy/italy-facts.html>

<sup>7</sup> National Geographic. (2010). Italy Facts. Retrieved from <http://travel.nationalgeographic.com/travel/countries/italy-facts/>

<sup>8</sup> Italian Film Commission. (2010). Profile of Italy. Retrieved from [http://www.filmingitaly.com/production\\_00.aspx](http://www.filmingitaly.com/production_00.aspx)

<sup>9</sup> National Geographic. (2010). Italy Facts. Retrieved from <http://travel.nationalgeographic.com/travel/countries/italy-facts/>

<sup>10</sup> Italian Film Commission. (2010). Profile of Italy. Retrieved from [http://www.filmingitaly.com/production\\_00.aspx](http://www.filmingitaly.com/production_00.aspx)

<sup>11</sup> Italian Film Commission. (2010). Profile of Italy. Retrieved from [http://www.filmingitaly.com/production\\_00.aspx](http://www.filmingitaly.com/production_00.aspx)

<sup>12</sup> Encyclopedia of the Nations. (2010). Italy - Topography. Retrieved from <http://www.nationsencyclopedia.com/Europe/Italy-TOPOGRAPHY.html>

<sup>13</sup> National Geographic. (2010). Italy Facts. Retrieved from <http://travel.nationalgeographic.com/travel/countries/italy-facts/>

<sup>14</sup> Italian Film Commission. (2010). Profile of Italy. Retrieved from [http://www.filmingitaly.com/production\\_00.aspx](http://www.filmingitaly.com/production_00.aspx)

<sup>15</sup> Encyclopedia of the Nations. (2010). Italy - Topography. Retrieved from <http://www.nationsencyclopedia.com/Europe/Italy-TOPOGRAPHY.html>

extended family to live together.<sup>16</sup> Also, nuclear families under one roof are more prominent in urban areas, while extended families occupying the same home are typically found in the countryside.<sup>17</sup> Even though these differences have been long been a trend in Italy, their distinctiveness has decreased over the last half of the twentieth century with an increase in nuclear families living under one roof as opposed to extended families.<sup>18</sup> However, the role of the extended family has been maintained due to the strength of “intergenerational solidarities that allows Italians to overcome difficulties, find jobs, look after children, and ask for loans”.<sup>19</sup>

## 2. Dynamics of the Family

### a. *Parental Roles*

Consistent with tradition, the Italian mother remains the dominant figure in the Italian home and is highly respected by Italian society.<sup>20</sup> Specifically, Italian parents engage in one of five parenting patterns. These patterns are the over-protective, democratic-permissive, self-sacrificing, inconsistent, and authoritarian. Parents who are over-protective tend to caudle their children. Democratic-permissive parents adopt a friend-like relationship with their children. Self-sacrificing parents make personal sacrifices for their children with the expectation that the children will reciprocate such sacrifice. An inconsistent parenting pattern occurs when parents shift from one pattern to another without much consistency. This pattern causes confusion between the parents and children as well as a feeling of insecurity for both. Lastly, the authoritarian pattern is one in which parents make the rules and are inflexible to discussion and compromise.<sup>21</sup>

### b. *Marriage and Courtship*

Courtship in Italy begins with group social interaction. The group setting creates a relaxed environment for people to get to know each other more genuinely. Also, Italian culture focuses on the innocence a young female’s reputation. Therefore, socializing in a group keeps females out of harm’s way by putting them in a situation that allows them to support and protect each other. When a young couple is ready to spend time together one-on-one, they are accompanied by a chaperone until a certain level of trust and respect is reached.

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<sup>16</sup> Kwintessential. (2010). Italy - Language, Culture, Customs and Etiquette. Retrieved from <http://www.kwintessential.co.uk/resources/global-etiquette/italy-country-profile.html>

<sup>17</sup> Marriage and Family Encyclopedia. (2010). Italy - Marriage And Children, Education And Gender Roles And People Living In The Parental Family. Retrieved from <http://family.jrank.org/pages/981/Italy.html>

<sup>18</sup> Marriage and Family Encyclopedia. (2010). Italy - Marriage And Children, Education And Gender Roles And People Living In The Parental Family. Retrieved from <http://family.jrank.org/pages/981/Italy.html>

<sup>19</sup> Marriage and Family Encyclopedia. (2010). Italy - Marriage And Children, Education And Gender Roles And People Living In The Parental Family. Retrieved from <http://family.jrank.org/pages/981/Italy.html>

<sup>20</sup> Entry Park. (2010). Customs and Traditions. Retrieved from [http://www.entrypark.com/career\\_advice/81/customs\\_and\\_traditions/](http://www.entrypark.com/career_advice/81/customs_and_traditions/)

<sup>21</sup> AllExperts. (2010). Italian Culture - Italian Family Structure. Retrieved from <http://en.allexperts.com/q/Italian-Culture-2880/Italian-Family-structure.htm>

Once a parent feels comfortable with the couple spending time together alone, the privilege is granted.<sup>22</sup>

Trends in marriage have changed drastically since 1970. "People marry later and less frequently, have fewer children, divorce more often, and create new family models such as cohabitation, extramarital births, single parenthood, and one-person households."<sup>23</sup>

### 3. Female/Male Roles

The role between men and women in Italy has remained quite traditional. Men participate in very little, if any, housework and often do not make much contribution in childcare. While women continue to fill the role of wife and mother, it is seen more of a necessity than a choice as it was traditionally viewed. Therefore, women have ventured into the workforce on top of maintaining their household and raising their children.<sup>24</sup> This trend has also contributed to Italy's low birthrate, which is among the very lowest in the world.<sup>25</sup>

## B. *Education*

### 1. The Role of Education in Society

#### a. *Primary Education*

The journey through Italian education, as shown in Appendix B, begins with the option of attending scuola materna, or preschool. Preschoolers are between the ages of 3 and 5. Preschool is free for Italian citizens, with the exception of private preschools.<sup>26</sup>

At the age of six, schooling becomes mandatory for all Italian children. If a child did not attend scuola materna, he/she starts into scuola primaria, or primary school. During their five years in scuola materna, students read, write, study mathematics, geography, Italian, English, science, music, computer studies, and social studies. Religion is also available for study, but is not mandatory.<sup>27</sup>

#### b. *Secondary Education*

Upon completion of scuola primaria, students enter scuola media, or lower secondary school, which lasts a minimum of three years. Students follow the national curriculum set by

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<sup>22</sup> Love Guide. (2010). Courtship in Italy. Retrieved from <http://www.loveguide.me/courtship/courtshipitaly.html>

<sup>23</sup> Marriage and Family Encyclopedia. (2010). Italy - Marriage And Children, Education And Gender Roles And People Living In The Parental Family. Retrieved from <http://family.jrank.org/pages/981/Italy.html>

<sup>24</sup> Marriage and Family Encyclopedia. (2010). Italy - Education And Gender Roles Retrieved from <http://family.jrank.org/pages/979/Italy-Education-Gender-Roles.html>

<sup>25</sup> Marriage and Family Encyclopedia. (2010). Italy - Education And Gender Roles Retrieved from <http://family.jrank.org/pages/979/Italy-Education-Gender-Roles.html>

<sup>26</sup> AngloInfo. (2010). Italian Education & Schooling in Italy. Retrieved from <http://rome.angloinfo.com/countries/italy/schooling.asp>

<sup>27</sup> AngloInfo. (2010). Italian Education & Schooling in Italy. Retrieved from <http://rome.angloinfo.com/countries/italy/schooling.asp>

the Ministry of Public Education. Upon completion of each student's third year, they take written and oral exams. If a student succeeds in passing the exams, he/she is granted a diploma and moves into higher secondary school.<sup>28</sup>

Higher secondary school, or scuola superiore typically begins at the age of fourteen. Students complete two years of general studies and then choose between a path towards the university or a vocational school. Depending on the student's choice, he/she completes the final three years of higher secondary school in one of three university-oriented studies (classical, scientific, or fine arts) or one of four vocational school-oriented studies (teacher training, artistic, technical, or professional).<sup>29</sup>

c. *Higher Education*

"As defined by law, the main purpose of higher education, is twofold - to promote scientific progress of the nation and to provide all citizens with education and training that will lead to employment."<sup>30</sup> Currently, enrollment in Italy's higher educational system is 1,892,542 students in a total of 77 universities across the country.<sup>31</sup>

2. Literacy Rates

Perhaps a result of obligatory education for all Italian citizens, the literacy rate for the population of Italy is 98%.<sup>32</sup>

C. *Political Systems*

1. Political Structure

The Italian government is run by three branches, the executive, legislative, and judicial. The government is led by President of the Republic, currently Giorgio Napolitano<sup>33</sup>, who has the power to lead the armed forces, veto legislation, disband parliament and call elections.<sup>34</sup> The executive branch is made up by the President of the Republic and the Council of Ministers, which is led by the President of the Council, currently Silvio Berlusconi.<sup>35</sup> The legislative branch is a bicameral Parliament comprised of two houses, the Chamber of Deputies, 630 members

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<sup>28</sup> AngloInfo. (2010). Italian Education & Schooling in Italy. Retrieved from <http://rome.angloinfo.com/countries/italy/schooling.asp>

<sup>29</sup> AngloInfo. (2010). Italian Education & Schooling in Italy. Retrieved from <http://rome.angloinfo.com/countries/italy/schooling.asp>

<sup>30</sup> AngloInfo. (2010). Italian Education & Schooling in Italy. Retrieved from <http://rome.angloinfo.com/countries/italy/schooling.asp>

<sup>31</sup> Encyclopedia of the Nations. (2010). Italy - Education. Retrieved from <http://www.nationsencyclopedia.com/Europe/Italy-EDUCATION.html>

<sup>32</sup> Kwintessential. (2010). Population in Italy. Retrieved from <http://www.kwintessential.co.uk/articles/article/Italy/Population-in-Italy/311>

<sup>33</sup> Wikipedia. (2010). Politics of Italy. Retrieved from [http://en.wikipedia.org/wiki/Politics\\_of\\_Italy](http://en.wikipedia.org/wiki/Politics_of_Italy)

<sup>34</sup> China.org.cn. (2010). Italy's electoral system cripples government stability. Retrieved from <http://www.china.org.cn/english/international/241686.htm>

<sup>35</sup> Wikipedia. (2010). Politics of Italy. Retrieved from [http://en.wikipedia.org/wiki/Politics\\_of\\_Italy](http://en.wikipedia.org/wiki/Politics_of_Italy)

representing 26 constituencies, and the Senate, 315 members representing 20 regions.<sup>36</sup> While legislative power is primarily vested in the Chamber of Deputies and the Senate, it is secondarily vested in the Council of Ministers.<sup>37</sup> The judicial branch is a separate entity from the executive and legislative branches. Italy's supreme court is known as the Constitutional Court of Italy. It is made of up fifteen judges: "one-third appointed by the President, one-third elected by the Parliament, and one-third elected by the ordinary and administrative supreme courts".<sup>38</sup>

## 2. Political Parties

- 1 Italy has six strong coalitions, or political parties. These parties are People of Liberty, Democratic, Northern League, Italy of Values, Union of the Center, and Movement for Autonomy.<sup>39</sup> Each of these parties has a firm position on the political spectrum, as depicted in Appendix C. During elections these coalitions make alliances in order to win seats in the Chamber of Deputies and Senate. Most recently, People of Liberty, Northern League, and Movement for Autonomy became allies. In response, the Democratic coalition allied with Italy of Values to capture ten percent of the vote. While Union of the Center chose to remain independent to capture 5.6 percent of the vote.<sup>40</sup>

## 3. Stability of Government

The main flaw of the current proportional representation system in the Chamber of Deputies and Senate is that it produces highly fragmented parliaments and unsteady coalitions in government.<sup>41</sup> Since coalitions form alliances with the objective of winning seats in both houses, it is vulnerable to collapse should the allied coalitions disagree. Also, in regards to political coalitions, the Italian government has been accused of "Partitocracy", which has given coalitions too much power and has resulted in voters simply expressing their preference for a list of candidates, rather than each candidate individually.<sup>42</sup> Lastly, the region-based system implemented in both houses does not guarantee a clear majority, which could cause resistance when making decisions.<sup>43</sup>

## 4. Special Taxes

There are three types of direct taxes in Italy, the IRPEF, IRES, and IRAP. The IRPEF is a personal tax based on a percentage of an individual's earnings and shares held. The IRES is a corporate tax paid twice a year on annual turnover. Lastly, the IRAP is a regional business tax on 4.25% of taxable profit with the addition of interest and labor cost. Along with direct taxes, Italy also

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<sup>36</sup> Darlington, Roger. (2010). Italian Political Systems. Retrieved from <http://www.rogerdarlington.me.uk/Italianpoliticalsystem.html>

<sup>37</sup> Wikipedia. (2010). Politics of Italy. Retrieved from [http://en.wikipedia.org/wiki/Politics\\_of\\_Italy](http://en.wikipedia.org/wiki/Politics_of_Italy)

<sup>38</sup> AllExperts. (2010) Court of Cassation (Italy). Retrieved from [http://en.allexperts.com/e/c/co/court\\_of\\_cassation\\_%28italy%29.htm](http://en.allexperts.com/e/c/co/court_of_cassation_%28italy%29.htm)

<sup>39</sup> Travel Document Systems. (2010). Government. Retrieved from <http://www.traveldocs.com/it/govern.htm>

<sup>40</sup> Wikipedia. (2010). Italian general election, 2008. Retrieved from [http://en.wikipedia.org/wiki/Italian\\_general\\_election,\\_2008#Analysis\\_of\\_party\\_performances](http://en.wikipedia.org/wiki/Italian_general_election,_2008#Analysis_of_party_performances)

<sup>41</sup> China.org.cn. (2010). Italy's electoral system cripples government stability. Retrieved from <http://www.china.org.cn/english/international/241686.htm>

<sup>42</sup> Wikipedia. (2010). Parliament of Italy. Retrieved from [http://en.wikipedia.org/wiki/Parliament\\_of\\_Italy#Criticism](http://en.wikipedia.org/wiki/Parliament_of_Italy#Criticism)

<sup>43</sup> Wikipedia. (2010). Parliament of Italy. Retrieved from [http://en.wikipedia.org/wiki/Parliament\\_of\\_Italy#Criticism](http://en.wikipedia.org/wiki/Parliament_of_Italy#Criticism)

imposes three types of indirect taxes, which are the VAT, ICI, and Registration tax. The VAT, or Value Added Tax, taxes goods and services. The ICI is a property tax that is paid by a property's registered owner. Finally, the Registration tax is paid when setting up a company or increasing a company's capital.<sup>44</sup>

#### 5. Role of Local Government

Italian government is broken down into twenty regions. Each region is responsible for initiating "parliamentary legislation, propose referenda, and appoint three delegates to assist in presidential elections".<sup>45</sup> From there, regions are broken into one hundred provinces. Each province has three main functions: local planning and zoning, provision of local police and fire services, and transportation regulation.<sup>46</sup> Provinces are then broken down even further into communes. "The communes issue ordinances and run certain public health services, and are responsible for such services as public transport, refuse collection and street lighting."<sup>47</sup>

### D. *Legal System*

#### 1. Organization of the Judiciary System

Italy's Judiciary System is broken into two courts, civil and criminal law. Civil law cases are decided by the Justice of the Peace if they are of low financial value. The Court (Tribunale) takes on cases of higher financial value and appeals from cases heard by the Justice of the Peace. In criminal law cases, the Court (Tribunale) handles cases that are not being exclusively handled by the Court of Assizes. If a person wishes to appeal the decision of the Tribunale in a civil or criminal case, he/she will then go to the Court of Appeals.<sup>48</sup>

#### 2. Code, Common, Socialist or Islamic-Law Country?

Italy's Supreme Court held that questions it has already answered need not be resubmitted, which brought common law principle into Italian jurisdiction.<sup>49</sup>

#### 3. Participation in Patents, Trademarks, and Other Conventions

The Italian Patent and Trademark Office processes applications and relative documentation to issue patents and trademarks to Italian organizations.<sup>50</sup> The office also works internationally

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<sup>44</sup> Studio Nassini & Associati. (2010). Taxes in Italy. Retrieved from [http://www.studionassini.it/studionassini/english/art\\_taxes\\_ita.html](http://www.studionassini.it/studionassini/english/art_taxes_ita.html)

<sup>45</sup> Just Landed. (2010). Government in Italy. Retrieved from <http://www.justlanded.de/english/Italy/Articles/Culture/Government-in-Italy>

<sup>46</sup> Wikipedia. (2010). Provinces of Italy. Retrieved from [http://en.wikipedia.org/wiki/Provinces\\_of\\_Italy](http://en.wikipedia.org/wiki/Provinces_of_Italy)

<sup>47</sup> Just Landed. (2010). Government in Italy. Retrieved from <http://www.justlanded.de/english/Italy/Articles/Culture/Government-in-Italy>

<sup>48</sup> AngloInfo. (2010). Living in Italy - The System. Retrieved from <http://rome.angloinfo.com/countries/italy/life.asp>

<sup>49</sup> Wikipedia. (2010). Common Law. Retrieved from [http://en.wikipedia.org/wiki/Common\\_law#Alternatives\\_to\\_common\\_law\\_systems](http://en.wikipedia.org/wiki/Common_law#Alternatives_to_common_law_systems)

<sup>50</sup> The Institute for Industrial Promotion. (2010). Italian Patent and Trademark Office. Retrieved from <http://www.>

under the Patent Cooperation Treaty, which "provides a unified procedure for filing patent applications to protect inventions in each of its contracting states."<sup>51</sup>

## E. *Social Organizations*

### 1. Group Behavior

Italians are very personal and interactive. They look intensely into each other's eyes and expect the same in return. In keeping with tradition, elders are highly respected, men stand for women, and children stand for adults. Self-importance is very prominent in Italian culture and can be seen by a general disregard for lines. Younger women are expected to take a social back seat to men, while older women engage in the give and take of a conversation.<sup>52</sup>

### 2. Social Classes

According to the Italian Institute of Statistics, there are six social classes that make up the Italian population. As shown in Appendix D, the majority of the population fits into the urban working class, followed by the white collar middle class, urban petit bourgeoisie, the bourgeoisie and rural petit bourgeoisie, and finally, the rural working class.<sup>53</sup> Speech, level of education, and personal style are all indicators of social class standing in Italy.<sup>54</sup>

### 3. Race, Ethnicity, and Subcultures

Various races and ethnicities can be found in the northern and southern regions of Italy. In the north, German-, French-, and Slovene-Italians can be found. Whereas, in the south, Albanian- and Greek-Italians are prominent.<sup>55</sup> In terms of subcultures, Italy is broken into three different categories: Etruscan, Venetian, and Sicilian. The Etruscan subculture is best known for their great farming skills and attention of aesthetics. Etruscans are skilled artists and architects.<sup>56</sup> Venetians are known for their extraordinary past that shows in their modern-day music and theatre.<sup>57</sup> Finally, Sicilians are most known for their pride. The subculture boasts about their strong family values, cuisine, and devotion to the church.<sup>58</sup>

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ipi.it/en\_inside.asp?id=297&id\_madrP=36&id\_modu=615&id\_serv=5

<sup>51</sup> Wikipedia. (2010). Patent Cooperation Treaty. Retrieved from [http://en.wikipedia.org/wiki/Patent\\_Cooperation\\_Treaty](http://en.wikipedia.org/wiki/Patent_Cooperation_Treaty)

<sup>52</sup> Countries and Their Cultures. (2010) Italy. Retrieved from <http://www.everyculture.com/Ge-It/Italy.html>

<sup>53</sup> Encyclopedia of Nations. (2010). Italy - Poverty and wealth. Retrieved from <http://www.nationsencyclopedia.com/economies/Europe/Italy-POVERTY-AND-WEALTH.html>

<sup>54</sup> Countries and Their Cultures. (2010) Italy. Retrieved from <http://www.everyculture.com/Ge-It/Italy.html>

<sup>55</sup> InfoPlease. (2010) Ethnicity and Race by Countries. Retrieved from <http://www.infoplease.com/ipa/A0855617.htmlFirefoxHTML%5CShell%5COpen%5CCommand>

<sup>56</sup> Choose Tuscany. (2010) Tuscany People. Retrieved from [http://www.choose-tuscany.com/tuscany\\_people.html](http://www.choose-tuscany.com/tuscany_people.html)

<sup>57</sup> Last Minute. (2010). Venice Culture Guide. Retrieved from [http://travelguides.lastminute.com/sisp/index.htm?fx=location&loc\\_id=135295&sub\\_section=Culture](http://travelguides.lastminute.com/sisp/index.htm?fx=location&loc_id=135295&sub_section=Culture)

<sup>58</sup> Trifter. (2010). Overview of Sicily and The Sicilian Culture. Retrieved from <http://trifter.com/europe/italy/overview-of-sicily-and-the-sicilian-culture/>

F. *Business Customs and Practices*

Dealing business in Italy relies heavily on personal relationships and connections. It is important to treat clients and/or partners with the utmost respect. Proper titles should be used unless the person has requested you call them otherwise. Along with establishing respect to gain trust, it is essential to realize that Italians do not utilize the traditional organizational chart. The hierarchy is based on seniority and experience per case, rather than status within the company. Lastly, business dinners must be carefully planned out right down to who one invites. The people in attendance can create a sense of importance that may further the development of a relationship.<sup>59</sup>

V. Religion and Aesthetics

A. *Religion and Other Belief Systems*

Roman Catholicism is by far the majority religion of Italy. 85 percent of native-born Italians are Catholic.<sup>60</sup> Though the Vatican is located within Italy, in order to establish freedom of religion, Italy chose to recognize it as an "independent, sovereign entity" through the Lateran Pacts of 1929, which were amended in 1984.<sup>61</sup> Along with Roman Catholicism, several significant minorities exist within Italy. Religious minorities include Protestants, Jews, Jehovah's Witnesses, Buddhists, Scientologists, Waldensians, and Mormons. Even fourteen percent of the Italian population consider themselves to be atheists.<sup>62</sup>

B. *Aesthetics*

1. The Arts

As the birthplace of the Renaissance in the 14<sup>th</sup> century, Italy boasts an array of art and architecture that exemplifies the cultural tradition of its people. Famous artwork and sculpture by Leonardo da Vinci, Michelangelo, Donatello, and Raphael are still on display today.<sup>63</sup> Not only is Italy rich in art, architecture, and sculpture, but also it is considered to be the home of opera, since Italian Claudio Monteverdi created opera in the 17th century. Since then "opera music has become an institution in the world of Italian music and widely appreciated around the world".<sup>64</sup> Along with opera, theatre and ballet are staples in Italian performing arts. Various festivals celebrating these performing arts take place throughout the year all over Italy.<sup>65</sup>

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<sup>59</sup> Conaway, Wayne. (2004). *Doing Business Abroad*. Italy. Retrieved from [http://www.getcustoms.com/2004XE/Articles/oag\\_9.html](http://www.getcustoms.com/2004XE/Articles/oag_9.html)

<sup>60</sup> See Italy. (2010). Religion. Retrieved from <http://www.seeitalia.com/essentials/religion/>

<sup>61</sup> See Italy. (2010). Religion. Retrieved from <http://www.seeitalia.com/essentials/religion/>

<sup>62</sup> See Italy. (2010). Religion. Retrieved from <http://www.seeitalia.com/essentials/religion/>

<sup>63</sup> ItaliaMia. (2010). The art of Italy: An introduction. Retrieved from <http://www.italiamia.com/art.php>

<sup>64</sup> Kwintessential. (2010). Italian Culture Guide: Music in Italy. Retrieved from <http://www.kwintessential.co.uk/articles/article/Italy/Italian-Culture-Guide:-Music-in-Italy/295>

<sup>65</sup> Suzanne's Files. (2010). *Spire*. Italy's Top Opera, Music & Ballet Festivals. Retrieved from <http://www.spire.com/s-file/italys-great-opera-music-and-ballet-festivals>

## 2. Folklore and Relevant Symbols

Italian folklore comes in many shapes and sizes. Stories have been told about almost anything imaginable throughout the generations. Luckily, in 1956, Italo Calvino published a collection of 200 stories of Italian folklore entitled *Italian Folktales*.<sup>66</sup> As with all folklore, the stories are meant to teach the reader a lesson. Similarly, Italians believe in many symbols meant to protect against the “evil eye”. Symbols include the corno, mano cornuto, and mano fico.<sup>67</sup>

## VI. Living Conditions

### A. *Diet and Nutrition*

The typical daily diet for a native Italian starts with breakfast that can be as simple as “breads and jam to a huge buffet of meats, cheeses, cereals, breads, eggs, juice and coffee.”<sup>68</sup> Lunch is taken between 12:30PM and 4:00PM and typically takes place at one of three places: the rosticceria, trattoria, or alimentari. Starting with the quickest option, the alimentari is a place to mix and match food to build a meal. Next is the rosticceria, which is much like a sandwich shop, selling sandwiches, salads, and, the Italian staple, slices of pizza. Lastly, the trattoria is a sit-down restaurant for people wanting to have a hot meal in the middle of their day. Following lunch, dinner takes place much later in the evening than it does in most other countries. Starting around 8:00PM, with 9:30PM being the peak hour, dinner comes in four courses. The first course is the antipasti (appetizer), followed by the primo piatto (first plate), which is typically comprised of a pasta dish. Following the primo piatto is the secondo piatto (second plate), consisting of meat or fish.<sup>69</sup> Interestingly, Italians consume 26.3 kilograms of meat and vegetables per capita per year, which is the ninth most in the world.<sup>70</sup> At the conclusion of the meal, Italians enjoy dolce (dessert), which is often very rich in taste.<sup>71</sup> Like many other aspects of Italian culture, food staples vary from north to south. In the north, rice and polenta is a typical food, while pasta is much more common in the southern parts of the country. Also, “pasta is typically served with a white cheese sauce in the north and a tomato-based sauce in the south.”<sup>72</sup> Italians are also known for cooking with herbs and incorporating various types of cheeses into their dishes.<sup>73</sup>

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<sup>66</sup> Wikipedia. (2010). Italian Folktales. Retrieved from [http://en.wikipedia.org/wiki/Italian\\_Folktales](http://en.wikipedia.org/wiki/Italian_Folktales)

<sup>67</sup> Italiansrus.com. (2010). Folklore/Legends. Retrieved from <http://www.italiansrus.com/resources/folklore.htm>

<sup>68</sup> Travels with Friends. (2010). Meals in Italy. Retrieved from [http://www.travelswithfriends.com/Travel\\_Tips-Eating\\_In\\_Italy.htm](http://www.travelswithfriends.com/Travel_Tips-Eating_In_Italy.htm)

<sup>69</sup> Travels with Friends. (2010). Meals in Italy. Retrieved from [http://www.travelswithfriends.com/Travel\\_Tips-Eating\\_In\\_Italy.htm](http://www.travelswithfriends.com/Travel_Tips-Eating_In_Italy.htm)

<sup>70</sup> U.S. Census. (2000). Per Capita Consumption of Meat and Poultry, by Country. Retrieved from [http://www.allcountries.org/uscensus/1370\\_per\\_capita\\_consumption\\_of\\_meat\\_and.html](http://www.allcountries.org/uscensus/1370_per_capita_consumption_of_meat_and.html)

<sup>71</sup> Travels with Friends. (2010). Meals in Italy. Retrieved from [http://www.travelswithfriends.com/Travel\\_Tips-Eating\\_In\\_Italy.htm](http://www.travelswithfriends.com/Travel_Tips-Eating_In_Italy.htm)

<sup>72</sup> Food in Every Country. (2010). Italy. Retrieved from <http://www.foodbycountry.com/Germany-to-Japan/Italy.html>

<sup>73</sup> Food in Every Country. (2010). Italy. Retrieved from <http://www.foodbycountry.com/Germany-to-Japan/Italy.html>

*B. Housing*

Italian housing very much reflects the trends of family living. Nuclear families tend to live under one roof in urban areas and in the northern part of Italy. Therefore, the housing in these areas are flats with 2 to 3 bedrooms.<sup>74</sup> Extended families tend to live under one roof in the south of Italy and in the countryside, which is where large houses with large gardens are located.<sup>75</sup> Also, “in Italy 21 percent [of people] have received their property as a bequest, 2 percent as a gift, and 11 percent have had help from their family.”<sup>76</sup>

*C. Clothing*

Though fashion is a very large industry in Italy and is often based off of seasonal trends, Italians do not change style along with the trends. Both men and women focus on building a wardrobe of quality pieces that can be mixed and matched.<sup>77</sup> This reigns true for business attire as well. The main difference between casual clothing and business attire is that business attire is very conservative and often in dark colors. Men are expected to wear dark colored, conservative suits, while women are expected to wear suits or conservative dresses.<sup>78</sup> For both casual and business attire, accessories are the main attraction. Women love to accessorize with hats and scarves.<sup>79</sup>

*D. Recreation, Sports, and Other Leisure Activities*

While sports are prevalent in Italy as they are in most countries around the world, most Italians prefer to expand their knowledge of the world around them when engaging in recreation and leisure activities. The most popular activities include guided art history visits, seeing a performing art, attending the cinema (movie theatre), mountain-biking, and wine tasting.<sup>80</sup>

*E. Social Security*

In Italy, social security is commonly referred to as social insurance. The National Institute for Social Security is the main entity that controls Italy’s social security system. Under the Institute are several state agencies that help run the program throughout the various regions of the country. “Social

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<sup>74</sup> Answers.com. (2010) What do homes in Italy look like?. Retrieved from [http://wiki.answers.com/Q/What\\_do\\_homes\\_in\\_Italy\\_look\\_like](http://wiki.answers.com/Q/What_do_homes_in_Italy_look_like)

<sup>75</sup> Answers.com. (2010) What do homes in Italy look like?. Retrieved from [http://wiki.answers.com/Q/What\\_do\\_homes\\_in\\_Italy\\_look\\_like](http://wiki.answers.com/Q/What_do_homes_in_Italy_look_like)

<sup>76</sup> Kohli, Martin. (24 Jan 2005). Housing and Living Arrangments. Retrieved from <http://www.eui.eu/Documents/DepartmentsCentres/SPS/Profiles/Kohli/HousingLivingArrangements.pdf>

<sup>77</sup> Life Around You. (2010). Italian Clothing Is Elegant With An Attitude. Retrieved from <http://www.lifearoundyou.com/italian-clothing.html>

<sup>78</sup> Kwintessential. (2010). Italy - Language, Culture, Customs and Etiquette. Retrieved from <http://www.kwintessential.co.uk/resources/global-etiquette/italy-country-profile.html>

<sup>79</sup> Life Around You. (2010). Italian Clothing Is Elegant With An Attitude. Retrieved from <http://www.lifearoundyou.com/italian-clothing.html>

<sup>80</sup> Italian Language School. (2010). Sport and Leisure Time. Retrieved from <http://www.scuolaleonardo.com/Italian-language-sport-and-leisure-time.html>

insurance provides benefits for unemployment, sickness and maternity, accidents at work and occupational diseases, as well as old-age, invalidity and survivor's pensions, and family allowances."<sup>81</sup>

*F. Healthcare*

Healthcare is provided to all Italian citizens. Organized by the Ministry of Health, each person is assigned a family doctor. Any surgery or hospitalization is completely free of charge for everyone, regardless of income. Virtually the only time copay is required is when a family doctor has referred a patient to visit a specialist or to get diagnostic tests. However, referrals are free for the poor.<sup>82</sup>

VII. Language

The official language of Italy is, of course, Italian. The Italian language derived from Latin and the Tuscan dialect, which is most prevalent in the city of Florence. Along with Italian, several Romance languages are spoken in the country. However, mandatory schooling has blurred the differences between Italian and other Romance languages spoken across the country. Therefore, the other Romance languages, including Emiliano-Romanolo, Friulian, Ladin, and Lombard, have become variations of Italian that are essentially regional dialects.

VIII. Executive Summary

Traditional family structure along with male and female roles are a dominant factor shaping the culture of Italy. Regional differences in housing, lifestyles, social class standing, and food also contribute to the artistic and classical culture that Italy is famously known. A deep connection with family values and country history make Italians seasoned in their way of life and continue to instill ideals generation after generation, creating a strong identity that makes Italians who they are.

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<sup>81</sup> Just Landed. (2010). Social Security: The Italian social security system. Retrieved from <http://www.justlanded.com/english/Italy/Italy-Guide/Jobs/Social-Security>

<sup>82</sup> Wikipedia. (2010). Healthcare in Italy. Retrieved from [http://en.wikipedia.org/wiki/Healthcare\\_in\\_Italy](http://en.wikipedia.org/wiki/Healthcare_in_Italy)

## PART II: ECONOMIC ANALYSIS

### I. Introduction

Italy's economy shows much opportunity for new international business. Many of the benefits that apply to domestic companies are also applied to foreign firms, therefore encouraging foreign investment. Also, Italians are very dependent on many imports since the country itself does not have many natural resources. Therefore, foreign involvement in the Italian economy is both necessary and successful.

### II. Population

#### A. Total

Italy's total population is approximately 58,133,509 people<sup>83</sup> and is growing at a rate of .68 percent.<sup>84</sup> The positive growth rate can be attributed to a relatively high life expectancy and a low death rate of 9.82 deaths per one thousand people.<sup>85</sup> In support of Italy's growing population, the number of live births in 2009 reached 553,590.<sup>86</sup>

#### B. Distribution of Population

##### 1. Age

Appendix A shows the age distribution of the Italian population, with the largest representation being 15 to 64 years of age totaling 66.3 percent of the population. Second, representing 20.2 percent of the population, is Italians 65 years of age and older. The remaining 13.5 percent of the population falls between birth and 14 years of age.<sup>87</sup>

##### 2. Sex

As visually represented in Appendix A, the sex distribution in Italy is mostly male dominated between birth and age 64. On the other hand, citizens 65 years and older are mostly represented by females. However, as a whole, the Italian population is fairly equal between males and females with .96 males to every one female.<sup>88</sup>

##### 3. Geographic Areas

As shown in Appendix B, the Italian population is most dense in urban areas, including Milan, Venice, Florence, Rome, and Naples, accounting for 67.9 percent of the population.<sup>89</sup>

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<sup>83</sup> Maps of World. (2010). Italy Population. Retrieved from <http://www.mapsofworld.com/italy/italy-population.html>

<sup>84</sup> Maps of World. (2010). Italy Population. Retrieved from <http://www.mapsofworld.com/italy/italy-population.html>

<sup>85</sup> Maps of World. (2010). Italy Population. Retrieved from <http://www.mapsofworld.com/italy/italy-population.html>

<sup>86</sup> Statistics Estonia. (2009). Number of live births. Retrieved from <http://www.stat.ee/29946>

<sup>87</sup> CIA World Factbook. (6 April 2010). Europe: Italy. Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/it.html>

<sup>88</sup> CIA World Factbook. (6 April 2010). Europe: Italy. Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/it.html>

<sup>89</sup> La Poste. (2010). Population Structure: Italy. Retrieved from <http://www.laposte-export-solutions.co.uk/uk/markets/country-profiles/italy/population-structure>

#### 4. Migration Rates and Patterns

Currently, the net migration rate for Italians is 7.5 percent.<sup>90</sup> The migration of immigrants into Italy is heavily employment based. Therefore, the Italian government has placed quotas on employers who utilize the skills of foreign workers. In comparison, Italians migrating out of the country also seek employment opportunities in emerging foreign markets. For example, "Brazil was in need of workers to embrace the vast coffee plantations, and Italian immigrants became the main source of manpower for that country."<sup>91</sup>

#### 5. Ethnic Groups

As of 2000, the ethnic groups present within the Italian population can be best represented by the pie chart shown in Appendix C. Obviously, the largest ethnic group is the native Italians, representing 96 percent of the population. Italians are followed by North American Arabs (0.9%), Italo-Albanians (0.8%), Albanians (0.5%), Germans (0.4%), Austrians (0.4%), and Italo-Greeks, French, and other (1%).<sup>92</sup>

### III. Economic Statistics and Activity

#### A. *Gross National Product (GNP)*

Ranked eleventh in the world, Italy's Gross National Product is \$1.756 trillion with a growth rate of -5%.<sup>93</sup>

#### B. *Personal Income per Capita*

Italy's personal income per capita is the 20<sup>th</sup> highest in the world at \$19,276.10.<sup>94</sup>

#### C. *Average Family Income*

The average Italian family income is spent on food (23%), education (17%) fuel (12%), and health care (3%).<sup>95</sup>

#### D. *Distribution of Wealth*

Wealth is distributed more unequally in Italy than income. While the top ten percent of the population holds 42 percent of the total net worth, they only have 28 percent total disposable income.<sup>96</sup> Appendix E shows the distribution of wealth by percentage share.

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<sup>90</sup> Maps of World. (2010). Italy Population. Retrieved from <http://www.mapsofworld.com/italy/italy-population.html>

<sup>91</sup> Taiwan DNA. (2010). Italian. Retrieved from <http://www.taiwandna.com/ItalianPage.html>

<sup>92</sup> World Statesmen. (2010). Italy. Retrieved from <http://www.worldstatesmen.org/Italy.htm>

<sup>93</sup> CIA World Factbook. (6 April 2010). Europe: Italy. Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/it.html>

<sup>94</sup> Nation Master. (2010). Economy Statistics. Retrieved from [http://www.nationmaster.com/graph/eco\\_gro\\_nat\\_inc\\_percap-gross-national-income-per-capita](http://www.nationmaster.com/graph/eco_gro_nat_inc_percap-gross-national-income-per-capita)

<sup>95</sup> Encyclopedia of the Nations. (2010). Italy - Income. Retrieved from <http://www.nationsencyclopedia.com/Europe/Italy-INCOME.html>

<sup>96</sup> OECD. (2008). Country Note: Italy. Retrieved from <http://www.oecd.org/dataoecd/44/44/41524626.pdf>

*E. Minerals and Resources*

Italy has very limited mineral and natural resources. However, the primary minerals found in the country are petroleum and natural gas.<sup>97</sup> Therefore, Italy relies heavily on imports, especially to fill their energy requirements.<sup>98</sup>

*F. Surface Transportation*

Italians are particularly partial to traveling by train or bus. The Eurostar is a quick way to travel all across the country. However, in areas where trains are less accessible, bus travel is heavily used. Therefore, when traveling long distances, trains are most often used, while buses are used when traveling in urban areas. Followed by trains and buses, Italians who wish to explore more freely opt to utilize a car.<sup>99</sup> Less commonly used are boats and airplanes. However, ferries are available to move people from the mainland to the many islands, including Sicily.<sup>100</sup> Italian ports can be found in Augusta, Genoa, Livorno, Ravenna, Sarroch, Taranto, Trieste, Venice<sup>101</sup>

*G. Communication Systems*

While Internet is quickly becoming the most common means of communication in the world today, broadband Internet only reached 18.1 percent of the Italian population.<sup>102</sup> Therefore, 80% of the Italian population relies on the television for communication purposes.<sup>103</sup> Radio and newspapers are also present in Italy, but take a backseat to both television and the Internet. In terms of telephones, 55,918,000 Italians either own or have access to a cellular phone.<sup>104</sup> However, public telephones are available throughout Italy for making local calls.<sup>105</sup>

*H. Working Conditions*

In Italy, a strict hierarchy that says the employee must do the work the employer is paying for defines the employer-employee relationship.<sup>106</sup> This hierarchy is also maintained by a contract all employees must sign that prohibits them from competing with their employer while working for him/her.<sup>107</sup> However, according to the Italian Constitution, all employees have the right to participate in management decisions within the limits of their job.<sup>108</sup>

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<sup>97</sup> Wikipedia. (2010). Economy of Italy. Retrieved from [http://en.wikipedia.org/wiki/Economy\\_of\\_Italy#Energy\\_and\\_Natural\\_resources](http://en.wikipedia.org/wiki/Economy_of_Italy#Energy_and_Natural_resources)

<sup>98</sup> InfoPlease. (2010). Italy Economy. Retrieved from <http://www.infoplease.com/ce6/world/A0858951.html>

<sup>99</sup> Not a Mall. (2010). Italy...Transportation Tips. Retrieved from [http://www.notamall.com/travel/italy\\_tips\\_transportation.php?key=transport](http://www.notamall.com/travel/italy_tips_transportation.php?key=transport)

<sup>100</sup> WhyGo. (2010). Transportation in Italy. Retrieved from <http://www.italylogue.com/transportation>

<sup>101</sup> Nation Master. (2010). Transportation Statistics. Retrieved from

[http://www.nationmaster.com/graph/tra\\_por\\_and\\_ter-transportation-ports-and-terminals](http://www.nationmaster.com/graph/tra_por_and_ter-transportation-ports-and-terminals)

<sup>102</sup> Wikipedia. (2010). Internet in Italy. Retrieved from [http://en.wikipedia.org/wiki/Internet\\_in\\_Italy](http://en.wikipedia.org/wiki/Internet_in_Italy)

<sup>103</sup> BBC News. (31 Oct 2006). The press in Italy. Retrieved from <http://news.bbc.co.uk/2/hi/europe/4373775.stm>

<sup>104</sup> Canadian Content. (2010). Italy. Retrieved from <http://www.canadiancontent.net/profiles/Italy.html>

<sup>105</sup> In Italy. (2010). Phone Services. Retrieved from <http://www.initaly.com/travel/info/phone.htm>

<sup>106</sup> In Italy. (2010). Phone Services. Retrieved from <http://www.initaly.com/travel/info/phone.htm>

<sup>107</sup> Mammone, Giovanni. (4 Sept 2006). Non-competition clauses in labour contracts. Retrieved from <http://www.ilo.org/public/english/dialogue/ifpdial/downloads/judges06/italy1.pdf>

<sup>108</sup> SEEurope. (2010). Italy. Retrieved from <http://www.seeurope-network.org/homepages/seeurope/countries/italy.html>

Interestingly, there is no set minimum wage in Italy. Therefore, workers must rely heavily on union influence. The benefits for Italian workers are also quite unique. During Christmas, employees are paid salary for a “thirteenth month” of the year. A “fourteenth month” salary may also be available during the summer months.<sup>109</sup>

*I. Principal Industries*

The principle industries in Italy are agriculture, industry, and services. Services account for 72.9 percent of the GDP, followed by industry at 25 percent and agriculture at 2.1 percent.

*J. Foreign Investment*

“There is no discrimination between benefits granted to foreign investors and those granted to local investors”.<sup>110</sup> Therefore, foreign investors should look into the insurance and service sectors, particularly in the machinery and banking/insurance industries.<sup>111</sup>

*K. International Trade Statistics*

In 2009, Italy exported \$369 billion worth of goods and services.<sup>112</sup> The country’s major exports include fashion and automobiles, including motorcycles.<sup>113</sup> Also in 2009, Italy imported \$358.7 billion worth of products and services from around the world.<sup>114</sup> Italy’s major imports include engineering products, chemicals, transport equipment, energy products, mineral and nonferrous metals, textiles and clothing, food, beverages, and tobacco.<sup>115</sup> As of March 25, 2010, the Euro is worth 1.33 US Dollars. Consequently, one US Dollar is worth 0.74 Euros.<sup>116</sup>

*L. Trade Restrictions*

Italy is one of the founding countries of the European Union and therefore abides by all trade restrictions put in place by the organization. The EU’s Common Military List places arms embargoes on several identified products. The List also puts provisions on related financial and technical assistance related to military goods.<sup>117</sup> Along with the embargoes of the Common Military List, the EU and Italian policy enforces non-tariff barriers, such as “agricultural and manufacturing subsidies,

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<sup>109</sup> Expat Forum. (2010). Italy Jobs. Retrieved from <http://www.expatsforum.com/expats/italy-jobs/18997-jobs-italy.html>

<sup>110</sup> Worldwide Tax. (2010). Italy foreign Investments incentives. Retrieved from [http://www.worldwide-tax.com/italy/ita\\_invest.asp](http://www.worldwide-tax.com/italy/ita_invest.asp)

<sup>111</sup> U.S. Commercial Service. (2010). Investment Climate. Retrieved from [http://www.buyusa.gov/italy/en/investment\\_climate.html](http://www.buyusa.gov/italy/en/investment_climate.html)

<sup>112</sup> Workman, Daniel. (16 Mar 2009). Italy Trade Statistics 2009. Retrieved from <http://import-export.suite101.com/article.cfm/italy-trade-statistics-2009>

<sup>113</sup> Economy Watch. (2010). Italy Trade, Exports and Imports. Retrieved from [http://www.economywatch.com/world\\_economy/italy/export-import.html](http://www.economywatch.com/world_economy/italy/export-import.html)

<sup>114</sup> Workman, Daniel. (16 Mar 2009). Italy Trade Statistics 2009. Retrieved from <http://import-export.suite101.com/article.cfm/italy-trade-statistics-2009>

<sup>115</sup> Economy Watch. (2010). Italy Trade, Exports and Imports. Retrieved from [http://www.economywatch.com/world\\_economy/italy/export-import.html](http://www.economywatch.com/world_economy/italy/export-import.html)

<sup>116</sup> Travel Italy. (2010). Current Currency Exchange Rates. Retrieved from <http://www.travel-italy.com/currency.php>

<sup>117</sup> European Commission. (15 Sept 2009). External Relations. Retrieved from [http://ec.europa.eu/external\\_relations/cfsp/sanctions/docs/index\\_en.pdf#2](http://ec.europa.eu/external_relations/cfsp/sanctions/docs/index_en.pdf#2)

quotas, import restrictions and bans for some goods and services, market access restrictions in some services sectors, non-transparent and restrictive regulations and standards, and inconsistent regulatory and customs administration".<sup>118</sup> As far as tariffs are concerned, the European Union's average tariff rate is 1.3 percent.<sup>119</sup> Licensing is controlled by the Harmonized System, which assigns classification numbers to products that correspond with the obtaining of import licenses.<sup>120</sup> Finally, in terms of customs duties, the value-added tax (VAT) is applied. The type of product and where it fits into the VAT scale determines the tax percentage.<sup>121</sup>

#### *M. Labor Force*

The Italian labor force is made up of 24.95 million people, the 24<sup>th</sup> largest in the world.<sup>122</sup> However, like most countries, Italy still suffers from unemployment. The current unemployment rate is 7.5 percent.<sup>123</sup>

#### *N. Inflation Rates*

The current inflation rate in Italy is 0.6 percent.<sup>124</sup>

### IV. Channels of Distribution (Macro Analysis)

Distribution channels in Italy typically include "department stores, food retailers, health and beauty retailers, clothing and footwear retailers, home furniture and household goods retailers, durable goods retailers, and leisure and personal goods retailers."<sup>125</sup> Alternate distribution channels exist, such as kiosks, home shopping, online shopping, to name a few.<sup>126</sup>

### V. Media

As previously discussed, in terms of communication, Italians are most exposed to television as the most popular form of media. However, major cities do distribute daily newspapers and radio stations operate as well. In terms of agency assistance, the Fleg is in place to protect freedom of the press, "economic viability of publishing companies, promotes the development of broadcasting media, develop field studies".<sup>127</sup> Other powerful agencies affecting the media are the Italian Publishers' Association (FIEG) and

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<sup>118</sup> Index of Economic Freedom. (2010). Italy. Retrieved from <http://www.heritage.org/index/Country/Italy#trade-freedom>

<sup>119</sup> Index of Economic Freedom. (2010). Italy. Retrieved from <http://www.heritage.org/index/Country/Italy#trade-freedom>

<sup>120</sup> U.S. Commercial Service. (2010). Trade Regulations, Customs and Standards. Retrieved from [http://www.buyusa.gov/italy/en/trade\\_regulations.html](http://www.buyusa.gov/italy/en/trade_regulations.html)

<sup>121</sup> U.S. Commercial Service. (2010). Trade Regulations, Customs and Standards. Retrieved from [http://www.buyusa.gov/italy/en/trade\\_regulations.html](http://www.buyusa.gov/italy/en/trade_regulations.html)

<sup>122</sup> CIA World Factbook. (6 April 2010). Europe: Italy. Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/it.html>

<sup>123</sup> CIA World Factbook. (6 April 2010). Europe: Italy. Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/it.html>

<sup>124</sup> CIA World Factbook. (6 April 2010). Europe: Italy. Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/it.html>

<sup>125</sup> EuroMonitor. (Feb 2010). Retailing in Italy. Retrieved from [http://www.euromonitor.com/Retailing\\_in\\_Italy](http://www.euromonitor.com/Retailing_in_Italy)

<sup>126</sup> EuroMonitor. (Feb 2010). Retailing in Italy. Retrieved from [http://www.euromonitor.com/Retailing\\_in\\_Italy](http://www.euromonitor.com/Retailing_in_Italy)

<sup>127</sup> Federazione Italiana Editori Giornali. (2010). FIEG. Retrieved from <http://translate.google.com/translate?hl=>

the Federation of Television Broadcasters, which are both powerful lobbies. The UPA also exists, which is an organization for advertisers.<sup>128</sup>

#### VI. Executive Summary

The economy of both the European Union and Italy itself is beneficial as the most successful economic union in the world. Though it may be threatening for outsiders to enter into a business venture within an EU country, such as Italy, it is clear that the country is open to foreign involvement in their domestic economy.

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<sup>128</sup> European Journalism Centre. (2010). Media Landscape - Italy. Retrieved from [http://www.ejc.net/media\\_landscape/article/italy/](http://www.ejc.net/media_landscape/article/italy/)

### PART III: MARKET AUDIT AND COMPETITIVE MARKET ANALYSIS

#### I. Introduction

By applying the preceding information regarding Italian culture and economics to the concepts and theories of international marketing, it becomes clear that Panera Bread can succeed should the company be introduced in the right location to the right target market.

#### II. Cultural Analysis Application

##### a. *Geographic Setting*

Though the northern region of Italy has a greater fluctuation of weather throughout the year than the south, the Po River Valley, is the country's "agricultural and industrial heartland."<sup>129</sup> Since Panera Bread focuses on handcrafted bread, soups, and sandwiches, their connection to agriculture provides a gateway to appeal to the local traditions.

##### b. *Social Institution*

The matriarchal society in Italy also lends a hand to Panera Bread's tradition of handmade, fresh products. Family and group gatherings are also quite prevalent in Italian culture, so Panera Bread's open atmosphere should be inviting to Italians.

Education also makes a great impact on Italian society. Children must attend school and are expected to perform well in all areas. Since Panera Bread stores provide free wireless Internet access to their customers, students may wish to utilize the relaxed environment to work on their studies. Mandated education in Italy has also contributed to the 98% literacy rate<sup>130</sup>, which allows marketers to utilize print advertisements as a strong media source.

Italy's political system is much like that of the United States. Therefore, making the transition from the United States to Italy would allow a Panera Bread franchisee to make connections between the home and international stores.

Like Italy's political system, the country's legal system is also related to that in the United States. Though laws vary, their application and enforcement does not differ so greatly to make a hard adjustment.

The culture of social organizations in Italy shows that the white-collar middle class, that tends to dwell in urban areas, is the second largest social class of the Italian population. Also, the Etruscan subculture is closely related to the agricultural environment in the north. Therefore, the marketing efforts of Panera Bread in Italy should focus on the Etruscan subculture due to

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<sup>129</sup> Encyclopedia of the Nations. (2010). Italy - Topography. Retrieved from <http://www.nationsencyclopedia.com/Europe/Italy-TOPOGRAPHY.html>

<sup>130</sup> Kwintessential. (2010). Population in Italy. Retrieved from <http://www.kwintessential.co.uk/articles/article/Italy/Population-in-Italy/311>

their connection with agriculture and the white-collar middle class since they dwell in urban areas of both the north and the south.

*c. Religion and Aesthetics*

The main point shown in the aspects of religion and aesthetics in Italian culture is the foundation of tradition. Italy is strong in their Roman Catholic religion and continues to combine the traditions of the Italian Renaissance and other influential artistic periods with the art, music, and performing arts of modern day.

*d. Living Conditions*

The Italian daily diet gives strength to the idea that Panera Bread will be accepted into the culture because each day between 12:30PM and 4:00PM, Italians eat lunch. Sometimes they eat in rosticceries, which are the direct competition of an establishment like Panera Bread. As previously discussed, rosticceries are much like sandwich shops. They sell sandwiches, salads, and slices of pizza. Therefore, Panera Bread fits into the mold of a rosticceria.

*e. Language*

Obviously since Italian is the main language of Italy, Panera Bread's menus must be converted into the language. However, the city of Florence is known for the Tuscan dialect, so should the franchise choose to locate in Florence, the Tuscan dialect should be taken into consideration.

III. Economic Analysis Application

*a. Population*

The Italian population is most dense in the major cities, including the northern city of Florence. Also, male and female distribution is about equal, so marketing efforts should be gender neutral. The largest age group is 15 to 64, which is a large gap between generations. Therefore, Panera Bread's marketing efforts should narrow their target market within this age group.

*b. Economic Statistics and Activity*

Italy's Gross Domestic Product is ranked eleventh in the world, meaning that Italy has a high standard of living. This plays in perfectly with Panera Bread's pricing strategy. The company keeps prices at a level that positions their product above that of fast food companies, but still keeps them in the casual dining environment rather than a competitor for sit-down restaurants.

The communication system in Italy is becoming more intertwined with the use of the Internet. However, since Internet access only reaches about 18.1 percent<sup>131</sup> of the population, Panera Bread can further appeal to Italians with their wireless Internet access. Also, in terms of communication, Italians rely on television for their information. Therefore, marketing in Italy

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<sup>131</sup> Wikipedia. (2010). Internet in Italy. Retrieved from [http://en.wikipedia.org/wiki/Internet\\_in\\_Italy](http://en.wikipedia.org/wiki/Internet_in_Italy)

should definitely focus a good amount of their efforts on television advertisements. Due to the presence of newspapers in major cities and a high literacy rate, marketers should also utilize print ads.

*c. Channels of Distribution*

Food retailers are a very common form of product distribution in Italy. Therefore, Panera Bread should not be an exception.

*d. Media*

As discussed in terms of communication, television and newspapers are the best forms of media to use when marketing in Italy. Both mediums allow marketers to convey their message to a large amount of people.

## PART IV: PRELIMINARY MARKETING PLAN

### I. Marketing Mix

#### a. *Product*

The overall menu of Panera Bread (as shown in Appendix A) will not undergo a major overhaul of changes. However, specialty drinks, both hot and cold, will not be a strongly featured item as they are in the United States. Italians have proven to be quite picky about their taste for coffee and other specialty drinks that Panera Bread may be met with animosity should the company try to penetrate the beverage market.

#### b. *Price*

Panera Bread's pricing strategy shall remain the same as it is in the United States. Obviously, prices must be converted from U.S. dollars to the Euro, but other than directly following the exchange rate, prices will not differ from those in the United States.

#### c. *Place*

Panera Bread will open its first international franchise in the city of Florence in northern Italy. This is because much of the population density resides in cities such as Florence and the Etruscan culture is rich there. Panera Bread will be able to appeal to the agricultural ways of both the surrounding region of the Po River Valley and that of the Etruscan subculture.

#### d. *Promotion*

Panera Bread will utilize both television and print advertisements to reach the people of Florence and Italy as a whole. Marketing efforts will be designed to create a sense of homemade comfort and a relaxing place to gather with friends and family. In store wireless Internet access will be a main feature of all advertisements including the idea that all bread is handmade fresh each morning.

### II. Target Market

Panera Bread will target teenagers to young adults, ages 15 through 35. These people will be targeted through the appeal of Panera's social atmosphere and wireless Internet access to utilize for both entertainment and education.

## **PART V: CONCLUSION**

After examining the culture and economy of modern-day Italy, it becomes apparent that the company policies and procedures of Panera Bread can succeed within the country. Therefore, Panera Bread should expand their business practices into the international environment. Through the use of international marketing and knowledge of the country's customs and traditions, transition should be smooth and profit should be achieved.

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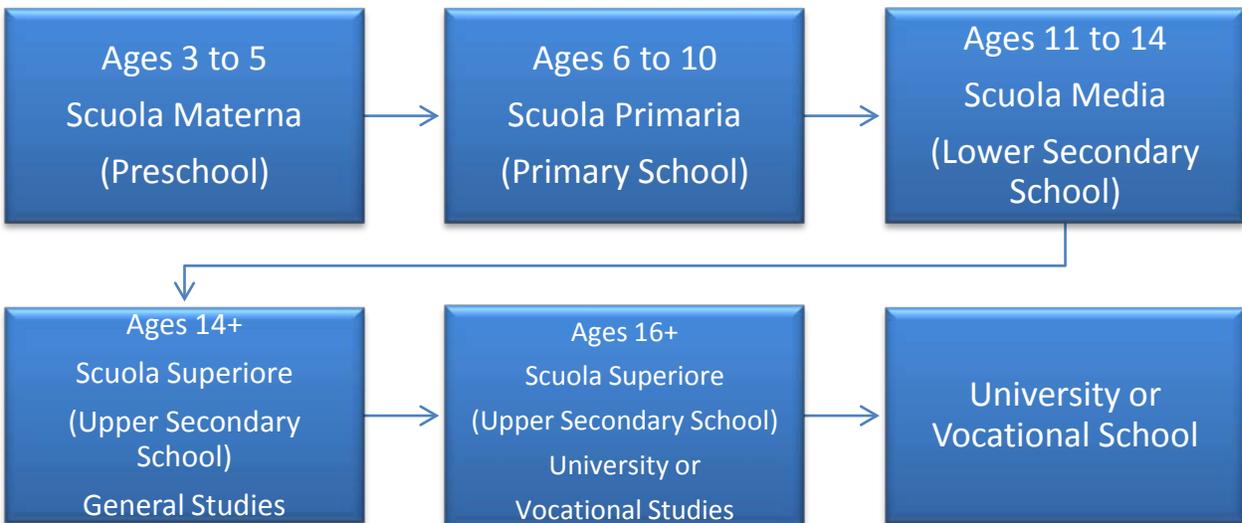
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**PART I: CULTURAL ANALYSIS APPENDICES**

A. *Map of Italy*<sup>132</sup>

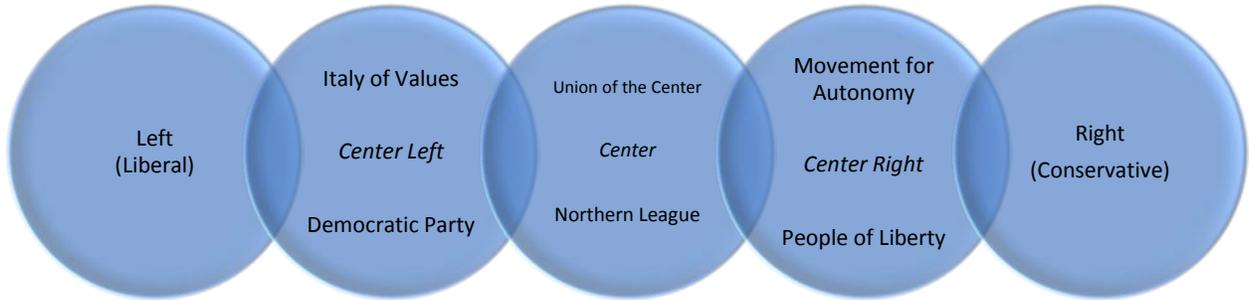


B. *Educational Flow Chart*



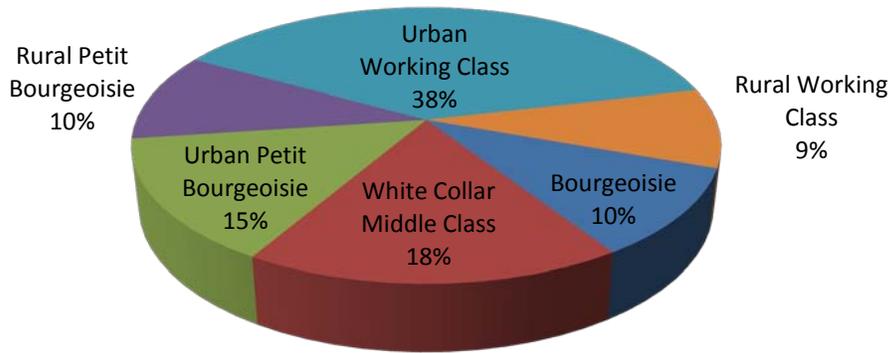
<sup>132</sup> World Atlas. (2010). Italy. Retrieved from <http://www.worldatlas.com/webimage/countrys/europe/lcolor/itcolor.gif>

C. *Political Coalition Spectrum*



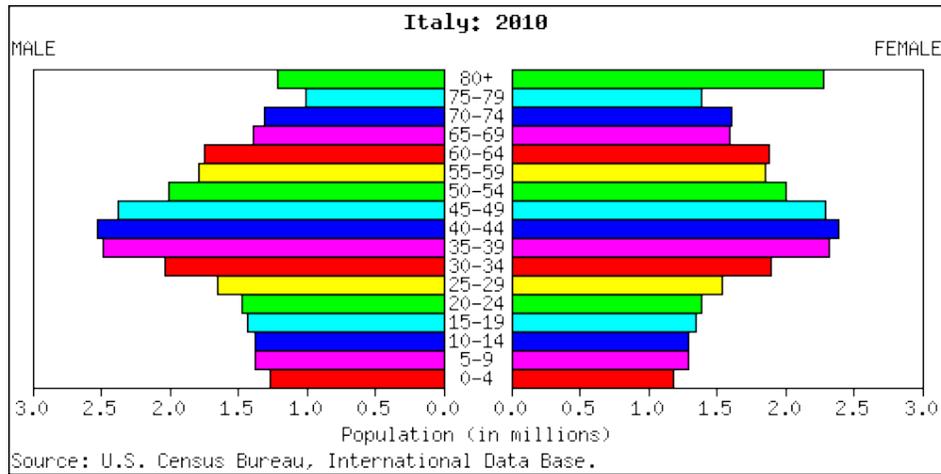
D. *Social Class Distribution Pie Chart*

### Italian Social Class Distribution

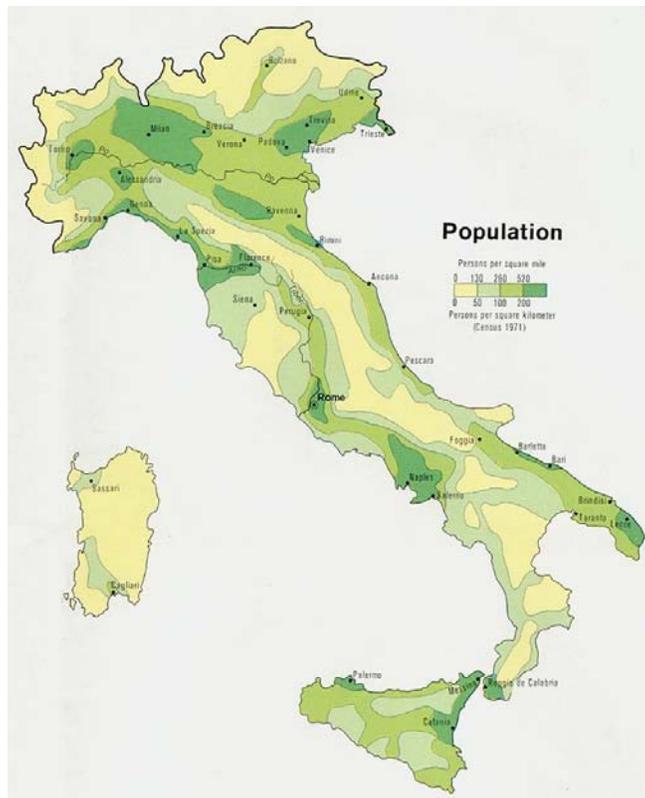


**PART II: ECONOMIC ANALYSIS APPENDICES**

**A. Age and Sex Distribution Chart<sup>133</sup>**



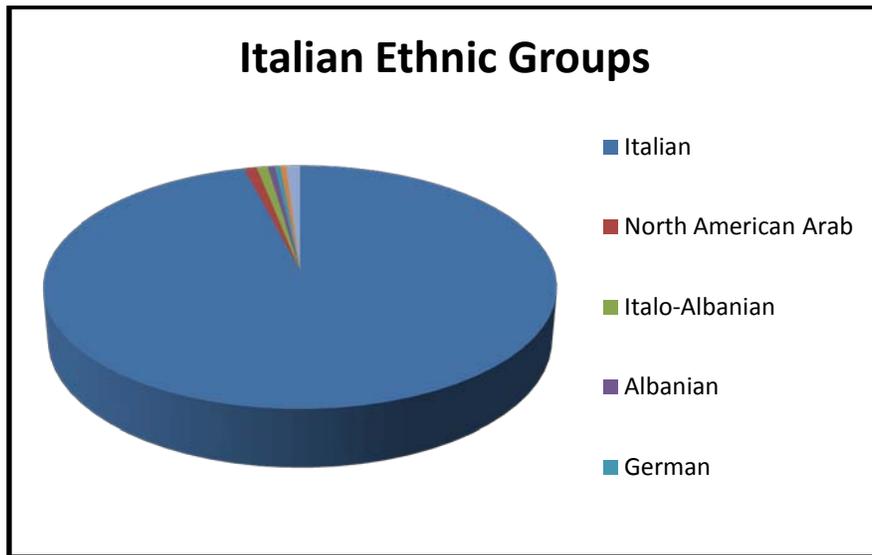
**B. Geographic Distribution Map<sup>134</sup>**



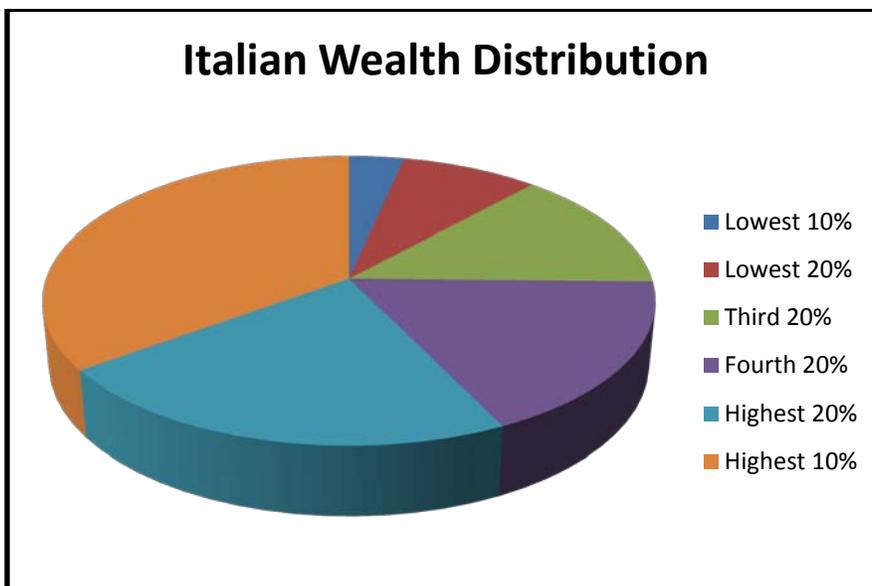
<sup>133</sup> U.S. Census Bureau. (2010). International Data Base. Retrieved from <http://images.nationmaster.com/images/pyramids/it-2010.png>

<sup>134</sup> University of Texas Library. (2010). Italian Population 1972. Retrieved from [http://www.lib.utexas.edu/maps/europe/italy\\_pop\\_1972.jpg](http://www.lib.utexas.edu/maps/europe/italy_pop_1972.jpg)

C. Ethnic Group Pie Chart



D. Wealth Distribution



**PART IV: PRELIMINARY MARKETING PLAN APPENDICES**

*A. Panera Bread Bakery-Cafe Menu*

See Attached