

2009 World Chamber Congress Competition – Best International Project From Concept to Car – Torino Chamber of Commerce

EXECUTIVE SUMMARY

Piemonte region, located North West of Italy, can be defined as the cradle of the automotive industry, mainly because it produces 40% of the overall Italian turnover and 37% of the national export in this sector, with around 1.000 SMEs.

In the year 2002-2003, the heavy restructuring affecting FIAT group, with a sensible slow-down in internal production, linked to the strong dependence of Piemonte suppliers from FIAT demand (on average 40% in 2001) made the market and client diversification a top priority for the whole regional automotive industry.

For this reason the Torino Chamber of commerce launched in 2002 a marketing program, named From Concept to Car.

The mission of FCTC is, on the one hand, to enhance the international visibility of the Piemonte automotive cluster, and on the other hand, to promote business opportunities between Piemonte local suppliers (SMEs) and leading world car manufacturers and system suppliers.

It is developed and financed by the Torino Chamber of Commerce and co-managed by Piemonte Agency for Investments, Export and Tourism, with the financial support of the European Union and Piemonte Regional Government.

FCTC targets two kinds of beneficiaries: automotive suppliers located in Piemonte and international automotive car manufacturers or major system integrators. With reference to the first group, out of 1.400 companies in the automotive sector in Piemonte, only a selected group of 270 direct end-users, 75% of which are SMEs, were taken on board. The selection criteria are basically two: companies readiness to operate on international markets and the need to propose potential buyers the complete bill of components and technologies involved in the production of a vehicle.

The main activities implemented in the period 2002-2008 by FCTC were:

1. organization of trade missions abroad with FCTC companies (18)
2. organization of B2B meetings between local suppliers and international car manufactures (achieved result: 957 meetings; 70 buyers);
3. direct one-to-one assistance to local suppliers for their commercial contacts and negotiations with potential clients (achieved results: 145 actions);
4. Invitation to international automotive buyers to Torino (achieved results: 45 buyers).

FCTC introduces a very innovative marketing approach, with the following distinctive features that make it particularly original:

1. the long-term commitment of the sponsors of the project (3 years, renewed for 3 more years);
2. the cluster approach: the project is not only serving the interest of the individual participants, but it is primarily promoting an entire territorial system of industrial competence;
3. the selection of the participants based on quality criteria;
4. the expertise of the managing team, with professionals specialized in the automotive sector;
5. all the above points are tightly linked together and made visible by the branding of the project;
6. the performance evaluation system adopted by FCTC (in 2008), based on the "Balanced Scorecard" model, allowing to evaluate the economic return on the project in terms of increase in turnover for FCTC companies.

The overall cost of the project in the period 2002-2009 is € 4,8 million. The performance evaluation system focused on one year of activity (2007) pointed out the following results:

1. Out of 118 contacts established by FCTC suppliers with foreign buyers in 2007, thanks to FCTC, 23 offers are currently under negotiation, worth 2.200 k €. 9 contracts were concluded for an estimated value of 4.375 k €. At present, the success rate of the contacts established is 7,6%;
2. The FCTC budget for 2007 of 658,5 k € generated a turnover for the end-users of 4.375 k €.

1. DESCRIBE HOW YOUR PROJECT ORIGINATED.

Piemonte region, located North West of Italy, can be defined as the cradle of the automotive industry, not only because it is home to the national automotive car maker, Fiat Group, but especially because it produces 40% of the overall Italian turnover and 37% of the national export in this sector, with around 1,000 SMEs. It is estimated that about 100 million vehicles in the world contain design, know-how and components made in Piemonte.



Given the importance of the automotive industry in Piemonte, the Torino Chamber of commerce has played since decades a key role in the promotion of this sector on international markets.

The most significant activity proposed has been, throughout the years, the participation in international automotive exhibitions such as SAE International, Detroit-U.S.; Automechanica, Frankfurt-Germany; Midest, Paris-France; AutoExpo, New Delhi-India.

In the year 2002-2003, the heavy restructuring affecting FIAT group, with a sensible slow-down in internal production, linked to the strong dependence of Piemonte suppliers from FIAT demand (on average 40% in 2001) made the market and client diversification a top priority for the whole regional automotive industry.

For this reason the Torino Chamber of commerce launched in 2002 an ambitious international marketing program, named From Concept to Car, specifically addressing the needs of the small and medium size local automotive suppliers.

2. DESCRIBE YOUR PROJECT ON THE CATEGORY SELECTED.

From Concept to Car is a long term project for the promotion of the Piemonte automotive cluster on international markets. It is developed and financed by the Torino Chamber of Commerce and co-managed by Piemonte Agency for Investments, Export and Tourism – with the financial support of the European Union and Piemonte Regional Government.

Mission and objectives

The mission of FCTC is, on the one hand, to enhance the international visibility of the Piemonte automotive cluster, and on the other hand, to promote business opportunities between Piemonte local suppliers and leading world car manufacturers and system suppliers. With this mission in mind, a number of short-medium term goals have been set to achieve this objective:

1. facilitate the capacity of local automotive suppliers to operate on foreign markets and increase their turnover originated from international contracts;
2. increase the awareness in major strategic international markets that Torino is the centre of a unique technical competence and know how in the world automotive industry;
3. support the collaboration between local companies at technical and commercial level in order to facilitate business opportunities linked to the supply of complex systems;
4. favour the development of innovation within and between local companies;
5. revive the imagine of Torino and the Piemonte region, as a pole for international events.

Cost and investment

The overall cost of the project, in the period 2002-2009, is € 4.8 million and it has been fully covered by the investment of the Torino Chamber of Commerce, with a co-funding from the European Union and the Piemonte Regional Government of € 1 million and an additional contribution from the participating companies of about € 360,000.00. A very significant commitment, considering that on average, the Chamber has devoted annually about 17% of its budget for international activities to FCTC. Specific attention has also been given to the investment in human resources to ensure the most adequate and qualified technical support to the implementation of the project.

A dedicated team has been set up, made of 5 full-time professionals, with at least 20 years expertise ranging from project management to marketing, commercial, engineering and communication, specifically recruited from the automotive sector.

Activities

Despite the public nature of the Torino Chamber, most of the activities implemented follow a marketing approach, strictly tailored to companies needs. The key actions undertaken by FCTC are:

3. business scouting of new international buyers in the automotive industry ;
4. organization of B2B meetings between local suppliers and international car manufactures, through business missions abroad, invitation of buyers to Torino, company visits and participation to "Supplier's Days";
5. direct one-to-one assistance to local suppliers for their commercial contacts and negotiations with potential clients;
6. company innovation check-ups.

Beneficiaries

FCTC targets two kinds of beneficiaries: automotive suppliers located in Piemonte and international automotive car manufacturers or major system integrators.

With reference to the first group, out of 1,400 companies in the automotive sector in Piemonte, only a selected group of 270 direct end-users, 75% of which are SMEs, were taken on board.

The selection is made annually, through a call of interest (in the first year the applications were 800). On average, yearly the group of FCTC participants are around 150. The selection criteria are basically two:

1. Companies readiness to operate on international markets: quality certification; core business in automotive (min. 30% of turnover); language knowledge by commercial and technical managers;
2. the need to propose potential buyers the complete bill of components and technologies involved in the production of a vehicle, ranging from styling to engineering, from systems and components to equipment.

The ultimate selection is made by the foreign purchasing managers involved in the specific B2B meetings organized by the project. Each time a buyer is introduced to FCTC companies, as a standard working rule, FCTC team makes a preliminary screening and proposal of potential suppliers and leaves the final selection to the buyer.

The second target group that benefits indirectly from the project's activities is the purchasing units of foreign car producers. 70 international buyers have taken advantage of the services provided by FCTC since the beginning of the project.



In short, FCTC is providing to them a qualified one-stop-service for the selection of new suppliers, enabling them to save effort in screening, save money in scouting and save time in organizing meetings with suppliers.

Methodology and innovative character

FCTC introduces a very innovative marketing approach, compared to the traditional promotional activities carried out by institutions such as chambers of commerce or business associations.

There are some distinctive features of the project that make it particularly original:

1. the long-term commitment of the sponsors of the project (3 years, renewed for 3 more years), ensuring a efficient and effective planning of activities and returns;
2. the cluster approach: the project is not only serving the interest of the individual participants, but it is primarily promoting an entire territorial system of industrial competence, by marketing the idea that Piemonte has the know how to produce a complete car, from the concept to the final production and delivery;
3. the selection of the participants based on quality criteria, moving away from the idea of indiscriminate support of everyone. This allows to build up on the reputation of FCTC as a reliable partner for international buyers and on the idea of Piemonte as a hub of excellence;
4. the expertise of the managing team of FCTC, with professionals specialized in the automotive sector, with a background from the private sector, capable of providing a high level consultancy service to the companies;
5. all the above points are tightly linked together and made visible by the branding of the project. For six years, FCTC has been constantly committed to the international marketing of the Piemonte automotive cluster as a brand of quality. A logo, a dedicated website, a number of videos, specialized advertisement campaigns, sponsorship of international events, corporate communication material, gadgets, participation in international fairs are just some examples of the marketing of FCTC brand;
6. the performance evaluation system adopted by FCTC (in 2008), based on the "Balanced Scorecard" model, allowing to evaluate the economic return on the project in terms of increase in turnover for FCTC companies.

Problems and adjustments

With a fast changeable economic trend of the global automotive industry in the past 6 years, various and challenging have been the difficulties met by FCTC since its beginning in 2002. Here below are some of he most significant problems:

1. On average the small size of FCTC member companies (75% SMEs) is often a hindrance in terms of the capacity to supply complete modules.
 - ⇒ FCTC adopted adjustment: act as a facilitator for the aggregation of companies around pilot projects. As a case study, between 2006-2008, 4 personal mobility vehicles have been developed by a group of 6 FCTC companies, the Politecnico of Torino and the regional Laboratory on Hydron applications, putting together the best local know how and technologies to produce a 3 prototypes of ecological vehicles powered by hydrogen fuel cell system.
2. Some of the most promising markets in the future of the automotive industry, such as China, India and Brazil are also the most distant and complex ones and therefore require an on-going presidium by suppliers on site.
 - ⇒ FCTC adopted adjustment: establish a FCTC representative office in Hefei, China, representing 11 companies and granting a direct and on-site contact with two major Chinese automotive manufacturers (JAC and Cherry).
3. The long term financial investment of the Torino Chamber in the project is linked to the yearly renewed commitment of the executive board in granting the necessary funding.

The need to present to the executive board the positive results and returns of FCTC, on a yearly basis, is a primary task of the project.

⇒ FCTC adopted adjustment: in 2008 an innovative performance evaluation model has been developed and implemented for FCTC.

3. WHAT HAVE BEEN THE RESULTS AND INFLUENCE OF THIS PROJECT?

The performance achievements of the project from 2002 to 2008 are structured in quantitative and qualitative results.

Quantitative results

Objectives	Indicators	Results
Facilitate international business opportunities of local companies	📁 Foreign buyers involved in FCTC	👉 70
	📁 Trade missions abroad with FCTC companies	👉 18
	📁 One-to-one meetings between FCTC suppliers and foreign buyers	👉 957
	📁 Business scouting missions	👉 6
	📁 One-to-one company assistance on marketing issue	👉 145
	📁 Foreign representative office established	👉 1 representative office in China, Hefei with 11 FCTC companies
Promote Torino as a hub of a unique technical competence and know how in the world automotive industry	📁 Invitation to international automotive buyers to Torino for presentation of purchasing policy and B2B meetings	👉 45
	📁 Promotional videos	👉 1 general video on Piemonte key competences in automotive 👉 3 video on specific automotive clusters
	📁 Foreign buyers visits at FCTC suppliers' premises in Piemonte	👉 288
	📁 Advertisement	👉 40 advertisements in foreign professional media, 45 articles published in foreign professional magazines
Favour innovation within and between companies	📁 Company innovation check-ups	👉 11 check-ups by independent third parties
	📁 One-to-one company assistance on innovation of products issues	👉 145
	📁 Technical papers presented at international events	👉 10 technical papers delivered at SAE International in Detroit
	📁 Agreements with innovation clusters	👉 1 agreement with French Pole du Vehicule du Future
Support collaboration between companies	📁 Projects jointly developed by companies	👉 4 prototypes developed of mobile personal mobility vehicles (HysyRider, ATrix, H-Due, H-Due)
	📁 Companies involved in joint projects	👉 6
Promote Torino as a pole for international events	📁 Sponsorship of international events	👉 Automotive News Europe Annual Congress organized in Torino in 2008 👉 SAE International Group (2 nd in Italy) established in Torino in 2008

Qualitative results

From 2002 to 2006 the qualitative results of the project have been measured basically through customer satisfaction surveys and on a case study basis. During this period a performance evaluation of FCTC companies was not systematically implemented for two reasons: firstly, the timing for negotiation in the automotive industry is quite long (usually 1-2 years for evaluation, testing and selection of a new supplier); secondly, a structured evaluation working methodology was missing.



The need to elaborate a more systematic approach to collect and evaluate the performance of the project was strongly felt by the Torino Chamber of commerce. In 2008 a pilot performance evaluation project was implemented, in collaboration with the European School of Management in Torino (ESCP-EAP), based on the Balanced Scorecard model (B.S.). The pilot lasted one year and a dedicated budget was allocated.

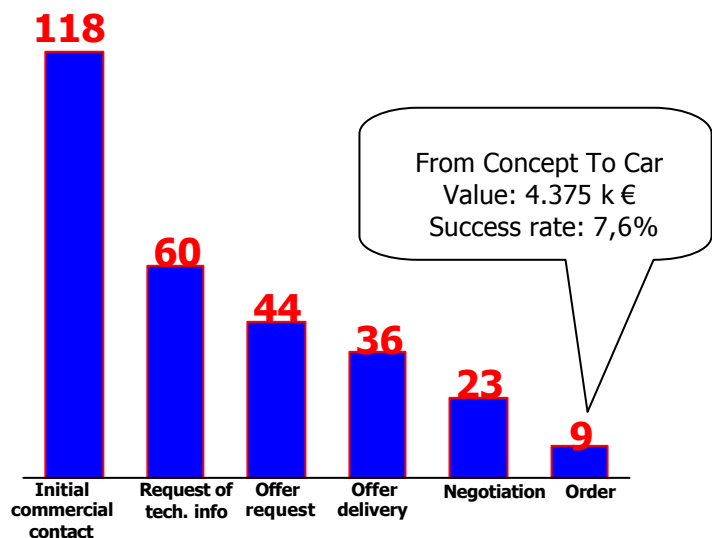
The Balanced Scorecard, widely used in the private sector, is more and more adopted also in the public sector, in particular in the U.S. In Italy, there are some cases of evaluation with the B.S., also by chambers of commerce (e.g. Milano), but mainly focused on financial and budgeting issues. To our knowledge, this is the first attempt in Italy to evaluate a marketing and promotional program addressed to companies with this model.

The evaluation approach implemented by FCTC matches the economic-financial measurement with the qualitative ones, taking into consideration three of the 4 traditional perspectives of the B.S.: Customer perspective; Internal business perspective and Innovation & Learning perspective. First, a B.S. model has been developed by mapping the strategic plan of the Torino Chamber of commerce according to the above mentioned perspectives; then a specific map of FCTC has been drawn, by setting the strategic project's objectives and the economic, qualitative and statistical indicators. Finally the model has been applied to the performance measurements of the project activities in 2007.

The process implemented comprises three phases: data collection; data analysis; and evaluation.

The analysis was mainly focused on the following performances:

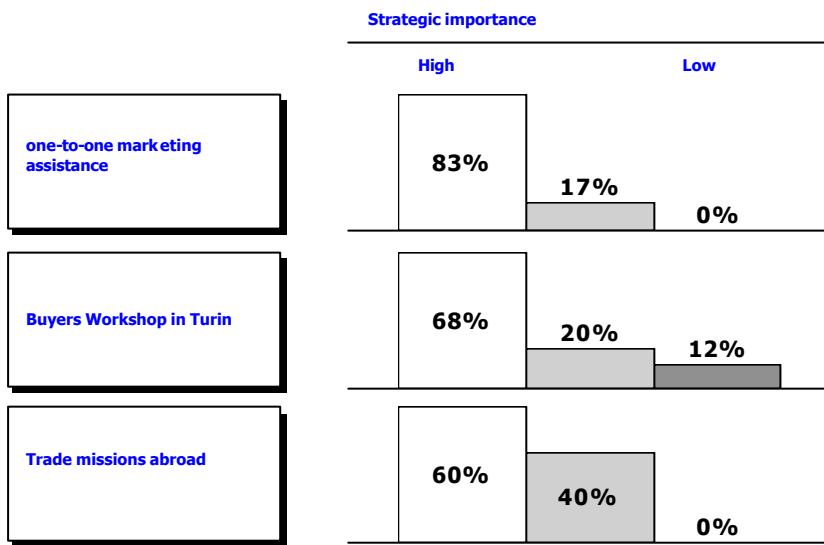
1. FCTC companies overall Sales Funnel originated from the project activities: out of 118 contacts established by FCTC suppliers with foreign buyers in 2007, thanks to FCTC, 23 offers are currently under negotiation, worth 2,200 k €. 9 contracts were concluded for an estimated value of 4,375 k €. At present, the success rate of the contacts established, finalized in an order, is 7,6%.



2. The relation between specific projects activities → orders closed by companies and → FCTC budget: FCTC budget for 2007 was 658.5 k € and the turnover for the end-users generated directly by the project was 4,375 k €. According to the results, the most cost effective activity of the project was “One-to-one marketing assistance”.

Activity	Order value (k €)	Nr. orders	FCTC budget (k €)
Trade missions	1,025	2	95
Buyers workshops in Torino	1,450	3	194.5
One-to-one marketing assistance	1,900	4	44.9

3. The strategic importance given to the key project activities by the end-users – the companies.



The evaluation of the project, based on the data analysis, was structured in a summary scheme to be used as a management dashboard by the project manager and to be updated at least every 3-4 months.

Action	Activity	Rationale
Keep	<ul style="list-style-type: none"> - Networking between companies; - Buyers workshops in Torino; - Trade missions 	Networking between companies was worth 1 mil. € of orders closed. Grouping of companies are more interesting for buyers. Workshops and missions performed well in terms of economic results.
Intensify	<ul style="list-style-type: none"> - One-to-one assistance - Representative office in China - Opening of new offices abroad 	FCTC is a mature project. There is a strong need for focused activities, addressed to specific markets
Reduce	<ul style="list-style-type: none"> - Branding/Advertisement 	Less direct advert.; more press office activity

4. CAN YOUR IDEA BE APPLIED IN OTHER PARTS OF THE WORLD?

The idea can be successfully applied to other parts of the world, given some major requirements:

1. an entrepreneurial local community deeply rooted in its territorial traditions;
2. the ability of companies to come together into a cluster and to produce positive externalities, showing a stable practice overtime;
3. interactive vertical competencies and a high level of specialization in the job factor;
4. the spreading and sharing of the technological knowledge inside the cluster;
5. an international oriented business mindset;
6. a strong trustworthy relationships among the companies;
7. a proactive mindset of the local Chamber of Commerce or Association of Companies;
8. a selected team of professionals devoted to the support and the promotion of the cluster.

If one of these elements is missing the project goal might be jeopardized, given that the project framework relies on the promoters pro-activity, their interaction and a shared common objective capable of guaranteeing the overall cluster success, generating high scale economies.

Besides, the presence of a group of companies based in the same area, able to stay on the market even on their feet and placed on different stages of the supply chain is crucial. Thanks to these elements, the overall cluster might generate an increasing goods or services surplus marketable outside the cluster area.

The advantages of large scale production could be attained either by setting up few big companies or grouping a number of SMEs in a defined area, since for most of goods and services it is possible to split the production process in different phases, each one of that could be completed in a small plant by maximizing profits and reducing costs.

Another scale economy is achievable by setting strong reliable relationships among the companies involved in the project. A trustworthy climate allows the companies to make use of a smaller number of information than those needed by a big and isolated company and, in doing so, proportionally reducing the transaction costs.

In addition, in the long run SMEs are bound to be overwhelmed by large companies, according to some economists. Large companies are able to exploit more efficiently plants and machinery, gaining edge from a more functional purchasing and selling structure and investing more of its revenues on advertising. The industrial clusters, at the end of the day, could be penalized by:

1. the lack of a strategic vision, since each single company doesn't have enough data on market trends and technological innovations;
2. the escalation of technology development costs;
3. the rise of skilled human resources costs;
4. the rise of communication costs on a global economic scenario.

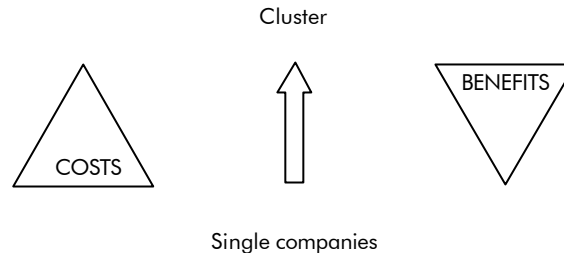
In this picture a Chamber of Commerce or an Associations of Companies, have a crucial role, because they can step in rectifying possible distortions in the industrial cluster pattern, setting the basics to reach the common objective, thanks to:

1. spreading strategic information within the group of companies involved in the project (i.e. technical, scientific and commercial information), crucial to fill their lack of competitiveness in an always changing market and technological status;
2. promoting dependable relationships between the companies involved in the project, pushing them to share strategic information (i.e. technical, scientific and commercial information), in order to boost the cluster overall quality level;
3. supporting business development activities of the companies involved in the project, providing them with information on market trends or with services that could cater for their lack of competences (i.e. training courses to increase their marketing, sales or business development skills);

4. marketing the cluster abroad, with the twofold effect of supporting each single company, lacking the financial strength to invest in this specific activity, and enhancing the entire region image;

Besides, in order to successfully market a cluster abroad it's important to sort out among all the companies based in the same area only the best in class, since it's crucial to export an image of dependability expertise and technical competency. For this reason the FCTC project is focused on applicants profiles assessment and beneficiaries selection.

Doing so, over a reasonable period of time, can slash costs and increase benefits for the overall cluster, changing the mindset makes costs and benefits change accordingly.



Given the features of the Piemonte automotive cluster, the project can be adapted to other part of the world such as the Indian cluster of Pune, the Turkish cluster of Bursa, the Moroccan cluster of Casablanca.

Furthermore, the industrial cluster pattern allows interacting on an institutional level with other clusters to set up cooperation agreements and best practices exchange programs.

According to this we can mention the Memorandum of Understanding undersigned by the Torino Chamber of Commerce and the Belfort "Pôle Véhicule du Futur" (France) with the aim to put in contact the relative's clusters companies and have them develop common innovative projects.

In the end, even if, the idea, in the first place, was to set up a project aimed at the automotive market, it can equally and successfully be applied to other activity sectors. Its replicability is well testified by other two projects, exploiting the same methodology, started by the Torino Chamber of Commerce, in 2007, one focused on the aerospace sector (Torino Piemonte Aerospace: www.torinopiemonteaerospace.com) and the other on the IT sector (Think Up: www.thinkupict.org).

5. WHY DO YOU FEEL YOUR PROJECT SHOULD BE SELECTED AS A FINALIST AND PRESENTED AT THE 6th WORLD CHAMBERS CONGRESS?

The From Concept to Car project should be selected on the basis of its main features, listed as follows:

1. the idea can be applied to other parts of the world and to other sectors of activity;
2. the project responds to a major market rule: offer/demand matching, where a chamber of commerce can play the role of the process' facilitator;
3. it's possible to target specific services or support activities to fill the lack of competitiveness of the cluster' companies on foreign markets;
4. since the project is a long-term initiative, it is tuneable and adaptable to market changes;
5. main results come in a medium period;
6. it's possible to gauge the results of the project in monetary terms;
7. the project has a multiplier effect: each Euro spent by the project sponsors generates a turnover of more than one Euro in beneficiaries companies;
8. the success of a single company on the market enhances the cluster legacy, putting the entire region under the spotlights of international players and viceversa: the wider the resonance of the cluster, the wider the opportunities of a single company to be sorted out by foreign potential partners.

For further reference

Torino Chamber of commerce - www.to.camcom.it

Piemonte Agency for Investments, Export and Tourism - www.centroestero.org

From Concept to Car - www.fromconcepttocar.com

ftpslide From Concept to Car - <ftp://89.31.74.109> (Username: ceip; Password: c31p; Folder: FCTC)