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Sale and distribution of traditional and regional food in Poland and EU – a benchmark study

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Summary. The purpose of this work was to conduct a benchmark study to find the best solution in the field of the most effective distribution channels and increase the sales of traditional products in Poland. The analysis compared the solutions regarding the functioning of the market of regional and traditional products in various EU countries, including Germany, France, Portugal and Italy. It has been shown that the best strategies for offering regional products exist in Italy. Regional and traditional products in this country are offered in supermarket chains, in the direct sales system or in specialized distribution points, using various marketing strategies. Therefore, the attractiveness of these forms of distribution is increasing. Such a strategy for offering regional products can also be a success in Poland.

Introduction

In recent years consumer demand for products labelled traditional is steadily rising, along with the desire to source products locally or from within a nearby region. Consumers associate this kind of food with attributes such as health benefits, taste and low processing. It has to be also sustainably produced by regional food producers. However, despite the declarative increase in demand for this type of food, the sale of traditional and regional food products in Poland is still too small. There are several reasons for this, and one of them is the lack of sys-

temic solutions regarding the distribution and sale of traditional products, which turns into low availability of these products. Most consumers also value convenience and efficiency and prefer to purchase food from retailers, not only occasionally directly from the producers. Therefore the purpose of this work was to conduct a benchmark study to find the best solution in the field of the most effective distribution channels and increase the sales of traditional products in Poland. Benchmarking was used because it is a structural process for learning from the practices of others, internally or externally, who are leaders in a field or with whom legitimate comparisons can be made.

Food labelled traditional and regional – definitions, legal requirements, distribution system

The European Union, in order to counteract the falsification of food and keeping in mind the preservation of cultural (culinary) identity of regions and even countries, introduced a system of protecting the names of products whose high quality is based on the region of production or the traditional production method. Producers of such products, i.e. protected products, have the right to label them with the appropriate marks that testify to the qualities and uniqueness of this food. Such marks may be: PDO – protected designation of origin, PGI – protected geographical indication and TSG – traditional speciality guaranteed. Products with the PDO/PGI markings are also referred to as GIs (Geographical Indications).

The PDO/PGI/TSG products received support being protected by law in the sense that they are officially registered in the DOORDATABASE. Currently, the system of protection and promotion of regional and traditional products in the European Union operates on the basis of Regulation (EU) No 1151/2012 of 21 November 2012 on quality systems for agricultural products and foodstuffs. Almost 1.4 thousand products have European marks of geographical indications and traditional specialities, including 737 PGI, 634 PDO and 58 TSG. Bearing in mind the different product categories, the largest number of products is in the 1.6 class – fruits and vegetables, as many as 366 products. The second largest class is the category 1.3 – cheese. In both classes, the dominant countries are: Italy, Spain and France (Komisja Europejska, 2018).

In addition, each of the EU countries has its own systems for distinguishing traditional and regional foodstuff. In Poland it is the list of traditional products conducted by the Ministry of Agriculture and Rural Development. This list is regularly announced in the official journal and published on the website Ministerstwo Rolnictwa i Rozwoju Wsi (2018). The list is used to collect information and promote traditional products, region, the culture and culinary tradition. It prepares also to achieve European PDO/PGI/TSG marks. For entry on this list may apply products whose features and exceptional quality result from the use

of traditional methods of production or which are part of the cultural heritage of the region. The name of products is not protected, and the use of the term relating to a geographical area shall not constitute recognition of origin. Products placed on this list are not subject to inspection, the entry on list is based on the product description (specification) (Kafel, 2010; Kiejman, 2011).

It has to be realized that most of regional and traditional products are agricultural products and they range from being relatively durable to highly perishable. This results in the fact that the sale and distribution of these products is not easy. Generally, there are three models of the distribution of such products:

1. Farm to consumer model: producers selling directly to consumers through farmers markets, farm stands, etc.
2. Farm to business/institution model: producers selling to supermarket chains, independent grocery stores, schools, hospitals, institutions, restaurants and other businesses.
3. Hybrid model: a combination of the farm to consumer and farm to business/institution models.

In most European countries a hybrid model of distribution of traditional and regional products is functioning. Regarding to the sales markets, PDO/PGI agricultural products and foodstuffs are mostly sold in their national markets (78% of sales).

Market for traditional and regional products in Poland

Currently only 37 Polish products have European marks of geographical indications and traditional specialities. Poland stands out from the other EU countries in way that it has the most products with the TSG certificate (9). Share of national GI in the national food and drink industry is very small – about 0.8% (Zisidis, 2014). On the list there are registered almost 1,500 products, most of which are from the Podkarpackie (227 products), Malopolskie (213 products) and Pomorskie (178 products) voivodeships.

The real demand for PGI/PDO/TSG products in Poland is very difficult to assess. On the one hand Poles declare that they increasingly use regional and traditional products. Most often they buy regional and traditional products from the category of bakery products and fruit and vegetables. Most of these products are bought in local store and supermarkets; bazaars and direct purchases from farmers are also very popular (*Raport ARC...*, 2017). On the other hand, the results of many studies indicate that Polish consumers do not know the EU food labels, do not understand the differences between the schemes and cannot assign appropriate marks to products (Borowska, 2007a; Chudy, Gierałtowska, 2013; Grębowiec, 2017; Wilczyńska, 2017). Moreover, consumers often are not familiar with the dishes and foods typical to their region that entered in the list maintained by the Ministry of Agriculture.

According to Rejman et al. (2015) in Poland there is practically no food market with PDO/PGI/TSG markings. The products are most often sold directly on the farm or in the producer's factory, at local points of sale, at trade fairs and bazaars, without proper marketing support, and their promotions are served only occasionally organized "flavour festivals" and events promoting regions and national traditions. Many of these products are not packaged at all, so there is no possibility of using the information and promotional function of packaging in order to promote the idea of quality policy and the EU system of their protection. Estimated share of products labelled regional or traditional in the total value of the entire Polish market of food and beverages is below 1%. In this respect, Poland occupies the 18th position, with a group of new member states ahead of it: Cyprus (2 products), Czech Republic (33), Bulgaria (3), Romania (1), Slovakia (15) and Hungary (14), occupying high, sixth position with over 6% indicator.

There may be several reasons for the small share of regional and traditional products in food market. Borowska (2007b) conducting a SWOT analysis for selected aspects of the development of the traditional and regional products market, showed that the weaknesses of this market are, among others, insufficient product recognition, fragmentation of producers' activities and lack of distribution network. The threats included, among others, small-scale production and incomplete flow of information on traditional and regional food. The traditional and regional food market is, according to her, characterized by: difficulties in accessing the product, interest exceeding the supply, difficult access to products (lack of an appropriate distribution network), lack of marketing strategies.

Not only scientists note that one of the causes of the underdeveloped market for traditional and regional products is the non-existent distribution system. In studies on factors affecting the purchase of this type of food, respondents often indicate that the lack of supply or low availability is the cause of low interest in this type of food. Paluch and Stoma (2014) studied the problem of the availability of regional products. In this study, 2% of respondents said that the availability of these products is very high. Another 18% believe that the availability is high. 6% have no opinion and almost half said that these products are sufficiently available. 24% were in favour of a small availability and 3% of respondents chose very low availability. 50% of respondents have difficulty buying regional products and the difficulty is encountered most often in cities.

Analysis of sale and distribution systems of traditional and regional food in selected EU countries

As indicated above, one of the main reasons for the insufficient development of the traditional and regional food market in Poland is the lack of an appropriate

sales and distribution system for these products. It was decided to investigate how other EU countries solve this problem. The sales and distribution systems of products labelled traditional or regional operating, among others, in Italy, France, Portugal and Germany were analysed. The first three countries were chosen due to the very high share of national GI in the national food and drink industry (14.5%, 9.0%, 9.0% respectively). In turn leading countries in terms of the value of production covered GIs are: Italy (33.0% of total), Germany (25.0%), France (17.0%) and the United Kingdom (8.0%). Benchmarking was used because it is a structural process for learning from the practices of others, internally or externally, who are leaders in a field or with whom legitimate comparisons can be made.

Italy has the largest number of registered products with geographical indications (325 agri-food products and 523 vines), at the same time has the largest share in sale value in EU of this kind of products. GIs production area covers 56.0% of whole agricultural crops, production value varies about 13.5 billion EUR and export of PDO/PGI products is 21.0% of agri-food export. The GI system is based on the construction of self-regulated networks involving consortia and operators throughout the production chain. 3/4 of total GIs products are produced by producers associated in protection consortia. More than half (50.6%) of GIs products is sold through large-scale retail trade channel (super-market chains, like Coop, Conad, Selex, Carrefour), 24.5% through wholesalers channel, 8.8% through traditional retail channel (stores), 4.9% through HO.RE.CA. channel (restaurants), 3.4% direct sales channel (bazaars, directly from producers) and 7.8% – other channels. Such a big sale of PDO/PGI products in Italy results not only from the use of various ways of distribution, but also from the use of effective marketing strategies. An example may be the creation of a high-quality agri-food line “Fior Fiore Coop” specifically for Coop super-market chains. These products are advertised using both monthly magazine “Fior Fiore in cucina”, regular promotions by concept and temporary stores pairing food tasting and restaurant experience with product purchase or promotional events in Coop markets (Rosati, 2016).

France ranks second in terms of the number of registered agri-food products (246 agri-food products and 510 vines). France's share in the sales value of GIs products is 17% (third place in EU). The GI sector represent 14.5% of the food and drinks sector, due to the large share of its vineyard under PDO. Nearly 32.0% of EU GI products are sold in France, consumption per capita of GIs products in France stood at 234 EUR, most of the consumption is of domestically produced GIs (*Raport Infringement...*, 2016). Dairy is most important PDO/PGI sector in France, with total 50.0% turnover, although the volume and value the production is decreasing. Over 70.0% of French PDO cheese production is delivered by large-scale retailers. An interesting French solution that

distinguishes the legislation of this country from others, and at the same time making the direct selling market more flexible, is the institution of points of sale. In this type of point, several producers sell their products. Both the point and producers have to be reported to the local prefect. French farmers can sell various products from their farms in such places.

In 2013 Germany had 91 registered agricultural and foodstuff products under the EU quality schemes “protected designations of origin PDO” (30) and “protected geographical indications PGI” (61), respectively. In terms of registrations number Germany is ranked 6th, and it is listed 2nd in terms of sales of GI products (Tanguy et al, 2012). During the period 2005–2010 the sales volume for all geographical indications increased from 3.0 to 3.4 billion EUR, which is equal to an overall growth of 11.0%. The domestic market remained the most important one for German GI products. In 2010 88.0% of all GI products were sold at domestic markets, while 9.0% were traded within the EU and only 3.0% outside the EU markets. In comparison with the average EU-level, the share of exports of German GI products is small. In 2010 the share of the intra-EU trade of GI products of EU member states reached 20.4%. 19.5% of GIs were sold to markets outside the EU, while 60.1% were traded within the domestic markets (Tanguy et al, 2012). The major share of the GI products is marketed via retailers and supermarket chains, however about 30.0% of them is sold directly by producers.

The number of products with protected label (139) in Portugal represent about 10.0% of total European protected labels. Although Portugal registered a large number of protected brand names, its economic turnover (70 mln EUR) is very low when compared to the other southern EU-Member States and the share in sales value is very small – about 0.5% (Zisidis, 2014). The majority of Portuguese products with those protection labels are PDO (58.0%). The share of GIs products in the national production is small and amounts to an average of 8% (from 0.1% for pork to 10.0% for lamb meat). The Portuguese products with PDO/PGI are traded in the national market by producer organizations (57.0%) or individual producers (27.0%). As in Italy, different distribution channels are used to distribute these products; the distribution method depends mainly on the type of products: meat and meat products (i.e. sausages), olive oils and cheeses are sold mainly by supermarkets and hypermarkets, in the case of honey the sale to the traditional retail (30%) and the direct sales (28.0%) is the most important marketing channel, the exportation markets are the principal destination for PDO fruits and in internal market, the middlemen (59.0%) and supermarkets/hypermarkets (27.0%) are the principal channels (Fragata, Tibeiro, Teixeira, 2007).

Conclusions

As it could be seen, Italy, Germany and France have the largest share in GIs product sales. In all these countries most traditional and regional products are sold through hyper- and supermarkets. This may be an indication for Polish producers of this type of food, however, it must be realized that this also depends on the scale of production. The size of the production of the flagship regional product from Italy (Parmigiano reggiano cheese) is about 100,000 kg/month, while the production scale of Polish oscypek is many times smaller; moreover, it can be produced in a limited time period. Worth imitating are also marketing strategies used to sell regional and traditional products in Italy. Such a strategy for offering regional products can also be a success in Poland.

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Sprzedaż i dystrybucja żywności tradycyjnej oraz regionalnej w Polsce i Unii Europejskiej – benchmarking

Słowa kluczowe: żywność tradycyjna, żywność regionalna, sprzedaż, dystrybucja, benchmarking

Streszczenie. W artykule przeprowadzono analizę porównawczą, w celu znalezienia najlepszego rozwiązania w zakresie najbardziej efektywnych kanałów dystrybucji i zwiększenia sprzedaży produktów tradycyjnych w Polsce. W trakcie analizy porównano rozwiązania dotyczące funkcjonowania rynku produktów regionalnych i tradycyjnych w różnych krajach UE, czyli w Niemczech, Francji, Portugalii i Włoszech. Wykazano, że najlepsze strategie dla oferowania produktów regionalnych funkcjonują we Włoszech. Regionalne i tradycyjne produkty w tym kraju oferowane są w sieciach supermarketów, w systemie sprzedaży bezpośredniej bądź w wyspecjalizowanych punktach dystrybucji, przy zastosowaniu różnorodnych strategii marketingowych, co zwiększa atrakcyjność tych form dystrybucji. Taka strategia oferowania produktów regionalnych może również okazać się sukcesem w Polsce.

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Cytowanie

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