Chain approach to improve market access of traditional food products of SMEs

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Campden & Chorleywood Magyarország. Kht.
Criteria for traditional foods

• Time factor: usually 50 years – commercial availability in stores and restaurants - chain members (TRUEFOOD WP5)
• Specific way of production – according to the gastronomic heritage – authenticity
• Associated to a certain area (local, regional, country)
• Distinguished and known because its sensory properties - consumers (TRUEFOOD WP 1)
• Gastronomic heritage: has a story, which can be written down – chain members (TRUEFOOD WP 5)
Hungarian ”Euroterroirs” program – ”Traditions, Tastes, Regions”

• Started in 1998
• 2000: A collection of 300 traditional local products by regions accepted by the National Council
  • Selected from 1148 proposals
• 2001: 1st edition of the Book in two volumes
• 2002: Trademark of ”HÍR” (TTR), owned by the Ministry of Agriculture and Rural Development registered
• 2003: CD version in HU and Book 2nd edition
• 2004: CD version in EN, D and HU
• 2005: 3rd edition of book
Sectorial Distribution of Products listed in the TTR Collection

- Fruit-vegetable: 110
- Meat: 55
- Bakery: 31
- Drinks: 22
- Dairy: 22
- Spice: 13
- Sweets: 13
- Confectionary: 10

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Determinants of bottlenecks and success factors of traditional food supply chains

• Survey on traditional food chains - TRUEFOOD – an integrated EU FP6 project
  • Belgium, Italy, Hungary

Methods
• Qualitative survey
• A quantitative questionnaire survey in 3 countries with direct chains (suppliers – food manufacturers (“focal companies”) – customers)
• Multivariate statistical analysis
## Research sample

<table>
<thead>
<tr>
<th>Item</th>
<th>Italy</th>
<th>Hungary</th>
<th>Belgium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheese</td>
<td>16 chains</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ham</td>
<td>15 chains</td>
<td></td>
<td></td>
</tr>
<tr>
<td>White pepper</td>
<td></td>
<td>5 chains</td>
<td></td>
</tr>
<tr>
<td>Dry fermented sausage</td>
<td></td>
<td>11 chains</td>
<td></td>
</tr>
<tr>
<td>Bakery</td>
<td></td>
<td>14 chains</td>
<td></td>
</tr>
<tr>
<td>Beer</td>
<td></td>
<td></td>
<td>15 chains</td>
</tr>
<tr>
<td>Cheese</td>
<td></td>
<td></td>
<td>15 chains</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>91 chains</strong></td>
<td><strong>(271 respondents)</strong></td>
<td></td>
</tr>
</tbody>
</table>
Typical bottlenecks and success factors of traditional food chains involving SMEs

<table>
<thead>
<tr>
<th>Bottlenecks</th>
<th>Success Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lack of trust</td>
<td>• Quality approach</td>
</tr>
<tr>
<td>• Limited resources</td>
<td>• Collaborative resource use</td>
</tr>
<tr>
<td>• Lack of knowledge</td>
<td>• Common view</td>
</tr>
<tr>
<td></td>
<td>• Networking</td>
</tr>
<tr>
<td></td>
<td>• Collective activities</td>
</tr>
<tr>
<td></td>
<td>(collective marketing, collective market research,</td>
</tr>
<tr>
<td></td>
<td>collective research and training)</td>
</tr>
</tbody>
</table>
Importance of networking and collaboration

• Evidences about the **benefits of collaboration and networking** between
  • partners along the food chain
  • peers
  in **improving the capacities of SMEs** for and **increase their success** in
  • innovation
  • marketing management
  • distribution
• through sharing information, **common thinking and joint use of resources**
Collective marketing of TTR Products
(Agricultural Marketing Centre)

- Publication of the Collection (book, CD, homepage, films)
- Enlargement of the Collection (Transylvania), 2005
- Presentation of the Collection on international exhibitions (e.g. FOODAPEST, IFE Hungary, OMÉK, SIAL, Royal Show, Grüne Woche)
- Support to utilisation of the Collection in the education & research (competition for bakery & confectionery apprentices)
- Promoting the distribution of TTR products (e.g. CORA supermarkets)
Specific character of innovation in the food sector

- 4 categories of sectors by nature of innovation
- In food sector: largely based on innovations in the supplying industries/sectors:
  - new raw materials, ingredients, packaging materials, process control techniques, management methods, ICT, etc.
- Innovation is based on the whole value chain
- Smaller number of breakthrough/high-tech innovations
- More product improvements, line extensions than new to world/new to market products – product diversity
- Traditional foods: typical sensory properties must not be changed by innovation
Collaboration
(TRUEFOOD WP5, EU FP6 project)

- Collaboration on combining capacities and resources of the chain members along the food chain to develop new core competencies for innovation

(TRUEFOOD FP6 PROJECT)

- DIRECT CHAIN MEMBERS
- PARTNERS FROM OTHER DISCIPLINES
- PEERS

(Gellynck et al. 2008)
Soda Water – a typical Hungarian traditional product

- Hungarian invention
- Long traditional know-how – 170 years
- Collaboration of manufacturers since 100 years (nowadays 500 members, 10 000 employees, 1500 businesses)
- High quality, attractive and safe product
- Refreshing drink without energy intake
Soda water – a typical Hungarian traditional product

- Innovation
  - packaging, environment, convenience: refillable light PET bottles
  - catering containers
  - still water
- Cross marketing with wine
  - revival of consumption of the spritzer (“fröccs”)
  - Spread in Europe 12 countries (AT, DE, PL, UK, PT, ES, IT, RO, LV, LT EE)
Collaboration at Hugarian Traditional Food Products

Common initiative of producer groups to apply for TSG registration
(e.g. „kürtős kalács” i.e. chimney cake/ pastry horn in the CEECs)

Traditional Chimney Cake originated from Transylvania (RO), and spread in Hungary and Slovakia and Czech Republic as well.

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Overview of the inventory regarding the number of the examples collected (1)

<table>
<thead>
<tr>
<th>Chapters (heading)</th>
<th>Cases</th>
<th>Cross references</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1. Networking</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>3.2. Chain approach-collaboration</td>
<td>12</td>
<td>13</td>
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<tr>
<td>3.3. Chain approach – balance</td>
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<td>3.4. Resources</td>
<td>3</td>
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<td>3.5. Institutions</td>
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<td>5</td>
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<td>4.1. Market information</td>
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<td>4</td>
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<td>4.2. Market segmentation</td>
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<tr>
<td>4.3. Marketing objective</td>
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<tr>
<td><strong>Total:</strong></td>
<td><strong>31</strong></td>
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Overview of the inventory regarding the number of the examples collected (2)

<table>
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<tr>
<th>Chapters (heading)</th>
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</thead>
<tbody>
<tr>
<td>4.4. Marketing Strategy</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>4.5.1. Product assortment</td>
<td>8</td>
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<tr>
<td>4.5.2. Price</td>
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<tr>
<td>4.5.3. Distribution</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>4.5.4. Product advertising, promotion</td>
<td>19</td>
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<td>4.6. Marketing budget</td>
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<td>4.7. Marketing evaluation</td>
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<tr>
<td>Total:</td>
<td>36</td>
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</tbody>
</table>
Hungarian initiative for enhancing the reputation of traditional foods

- Use of national or regional trademarks – as TTR
- Call for public funding for registration of manufacturers of TTR (will be open in 2009)
- Operating a Traditional Food Working Group of the EOQ in Hungary since 2004
  - 124 experts
  - Regular meetings, seminars, conferences, publications
Types of innovation projects financed by members of traditional food chains

<table>
<thead>
<tr>
<th>Proportion of chain members spending on a typical innovation</th>
<th>Food manufacturers</th>
<th>Suppliers</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product development</td>
<td>71</td>
<td>62</td>
<td>30</td>
</tr>
<tr>
<td>Process development</td>
<td>69</td>
<td>73</td>
<td>22</td>
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<tr>
<td>Market research</td>
<td>53</td>
<td>48</td>
<td>49</td>
</tr>
<tr>
<td>Organisational development</td>
<td>49</td>
<td>54</td>
<td>53</td>
</tr>
</tbody>
</table>

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Innovation capacity of chains by clusters
Innovation capacity of chains

• Small differences between clusters by innovation results
• Large differences between clusters by
  • human efforts
  • financial efforts
  • innovation activities

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Higher innovation capacity is linked to higher perceived profitability and business growth

Perceived profitability and business growth by clusters

- Focal
- Supplier
- Customer

(1=completely disagree; 7=completely agree)
Collaboration by countries

- Belgium: 0.50*
- Hungary: 0.37*
- Italy: 0.43
- Mean-Total: 0.43

* Differences are significant
More intensive collaboration with other organizations in the supply chain leads to higher innovation capacity.

- Positive correlation (0.57) between innovation capacity and collaboration (Italy 0.759**, Hungary (0.476*). ** significant at 0.01; *at 0.05 level.
Collaboration

Most frequent type of joint activity is sharing knowledge. Joint use of equipments rarely applied.
Joint R&D with chain members is a less frequent type of collaboration.

It is less frequent in Hungary than in Italy or Belgium.
Collaboration

Joint R&D with peers and 3rd parties

More frequent in Belgium than in Italy and Hungary. More frequent with third parties than with peers.
Conclusions

• Collaboration have a significant effect on the innovation capacity of the traditional food supply chains.
  • More intensive collaboration leads to higher innovation capacity, which has an influence on the perceived profitability and business growth.
  • Collaboration along the chain provides new opportunities to develop competitive edge
  • Collaboration is an important success factor.
• Different cultural background has an effect on the innovation capacity.
Acknowledgement

• TRUEFOOD:

TRADITIONAL UNITED EUROPE FOOD

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