

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

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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)



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Hungarian "Euroterroirs" program – "Traditions, Tastes, Regions"

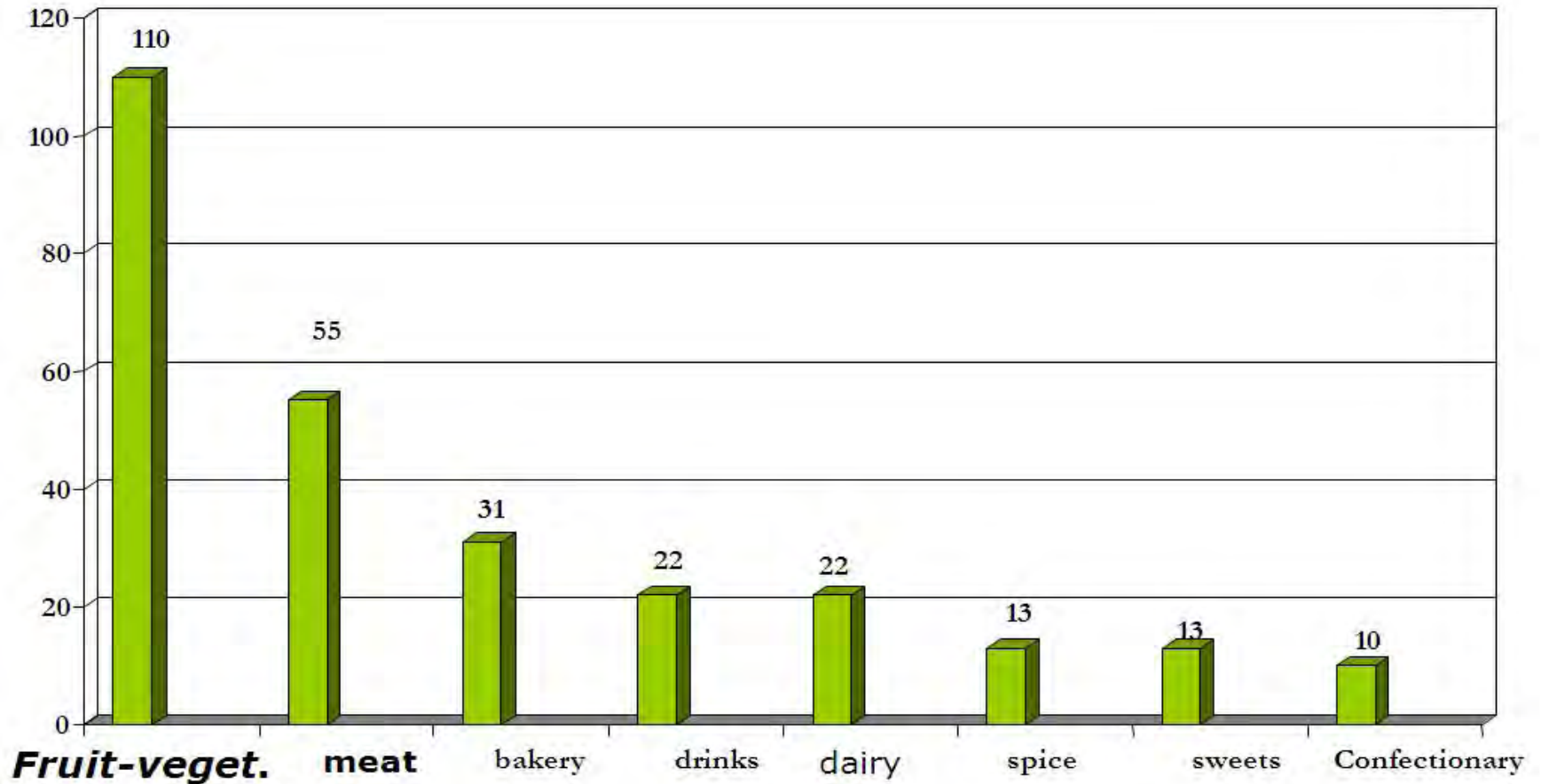


- Started in **1998**
- **2000: A collection of 300 traditional local products by regions** accepted by the National Council
 - Selected from 1148 proposals
- **2001:** 1st edition of the Book in two volumes
- **2002: Trademark of "HÍR" (TTR)**, owned by the Ministry of Agriculture and Rural Development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

Pallóné dr. Kisérdi Imola 2009



Sectorial Distribution of Products listed in the TTR Collection



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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

	Italy	Hungary	Belgium
Cheese	16 chains		
Ham	15 chains		
White pepper		5 chains	
Dry fermented sausage		11 chains	
Bakery		14 chains	
Beer			15 chains
Cheese			15 chains
Total	<i>91 chains (271 respondents)</i>		





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Typical bottlenecks and success factors of traditional food chains involving SMEs

Bottlenecks

- Lack of trust
- Limited resources
- Lack of knowledge

Success Factors

- Quality approach
- Collaborative resource use
- Common view
- Networking
- Collective activities (collective marketing, collective market research, collective research and training)

Importance of networking and collaboration

- Evidences about the **benefits of collaboration** and **networking** between
 - partners along the food chain
 - peersin **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

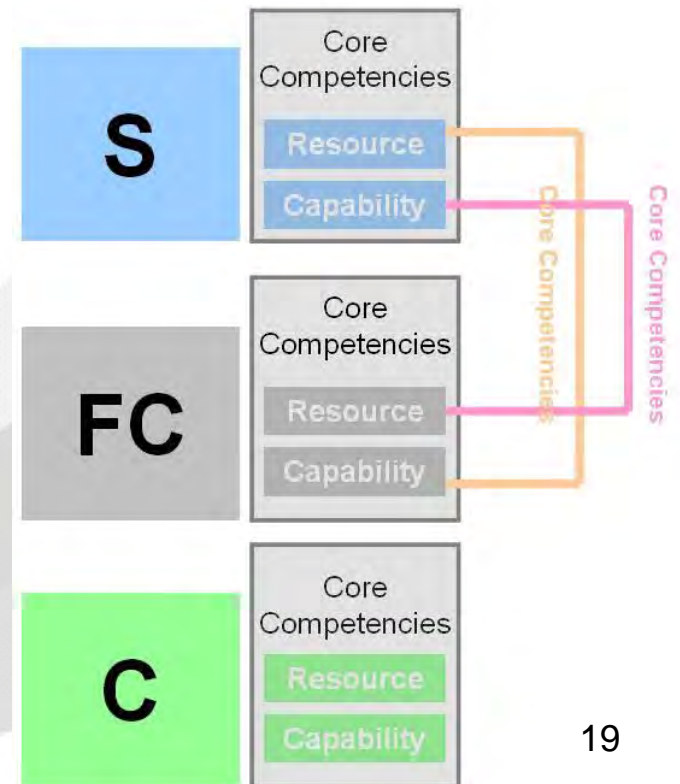
Collaboration (TRUEFOOD WP5, EU FP6 project)

- 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 Hungarian 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.

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

Chapters (heading)	Cases	Cross references
3.1. Networking	5	10
3.2. Chain approach-collaboration	12	13
3.3. Chain approach – balance	0	0
3.4. Resources	3	11
3.5. Institutions	11	5
4.1. Market information	0	4
4.2. Market segmentation	0	16
4.3. Marketing objective	0	0
Total:	31	

Overview of the inventory regarding the number of the examples collected (2)

Chapters (heading)	Cases	Cross references
4.4. Marketing Strategy	4	3
4.5.1. Product assortment	8	20
4.5.2. Price	0	
4.5.3. Distribution	5	
4.5.4. Product advertising, promotion	19	
4.6. Marketing budget	0	0
4.7. Marketing evaluation	0	0
Total:	36	

Hungarian initiative for enhancing the reputation of traditional foods

- Use of national or regional trademarks – as TTR

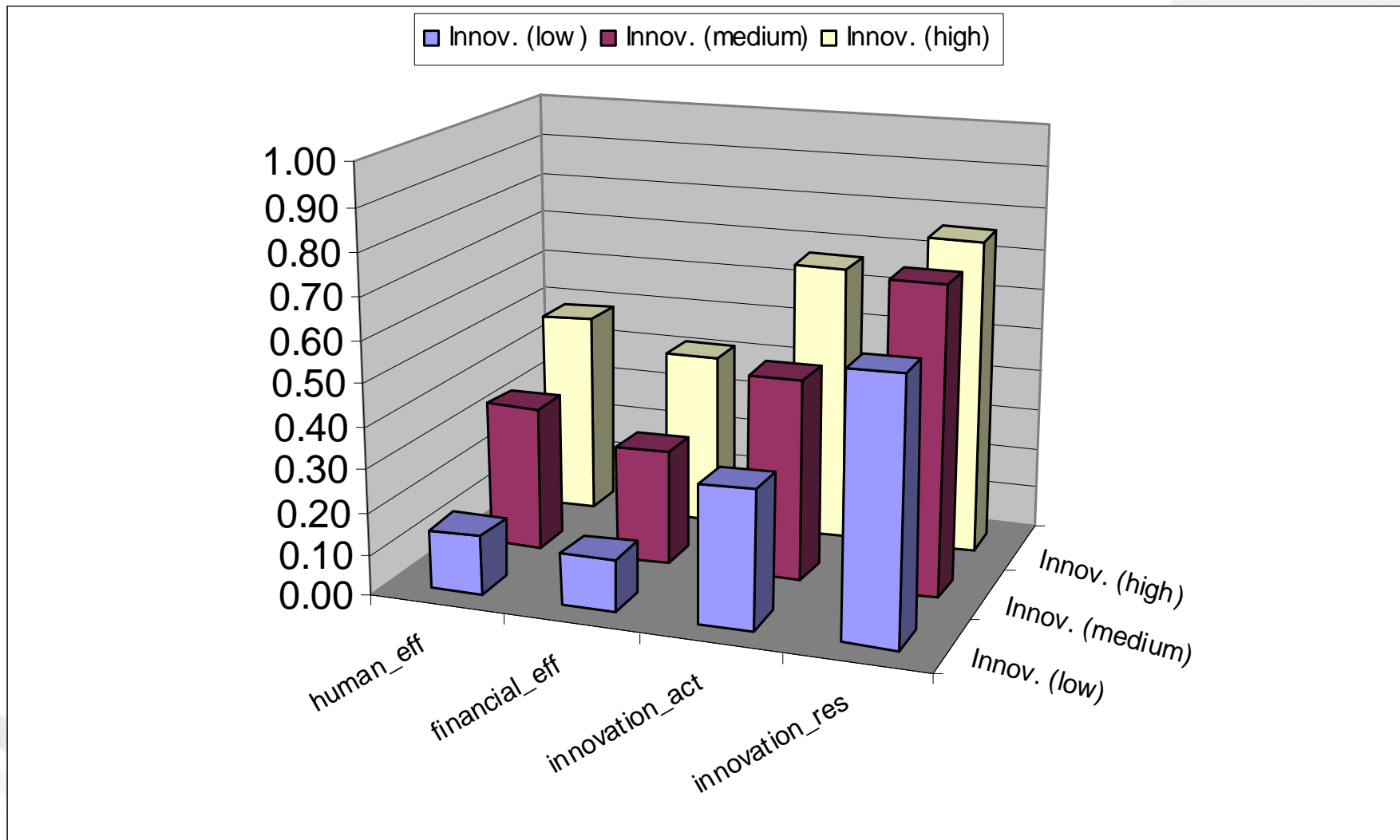


- Call for public funding for registration of manufacturers of TTR (will be open in 2009)
- Operating a Traditional Food Working Group of the EOQ in Hungary since 2004
 - 124 experts
 - Regular meetings, seminars, conferences, publications

Types of innovation projects financed by members of traditional food chains

	Proportion of chain members spending on a typical innovation		
	Food manufacturers	Suppliers	Customers
Product development	71	62	30
Process development	69	73	22
Market research	53	48	49
Organisational development	49	54	53

Innovation capacity of chains by clusters



Innovation capacity of chains

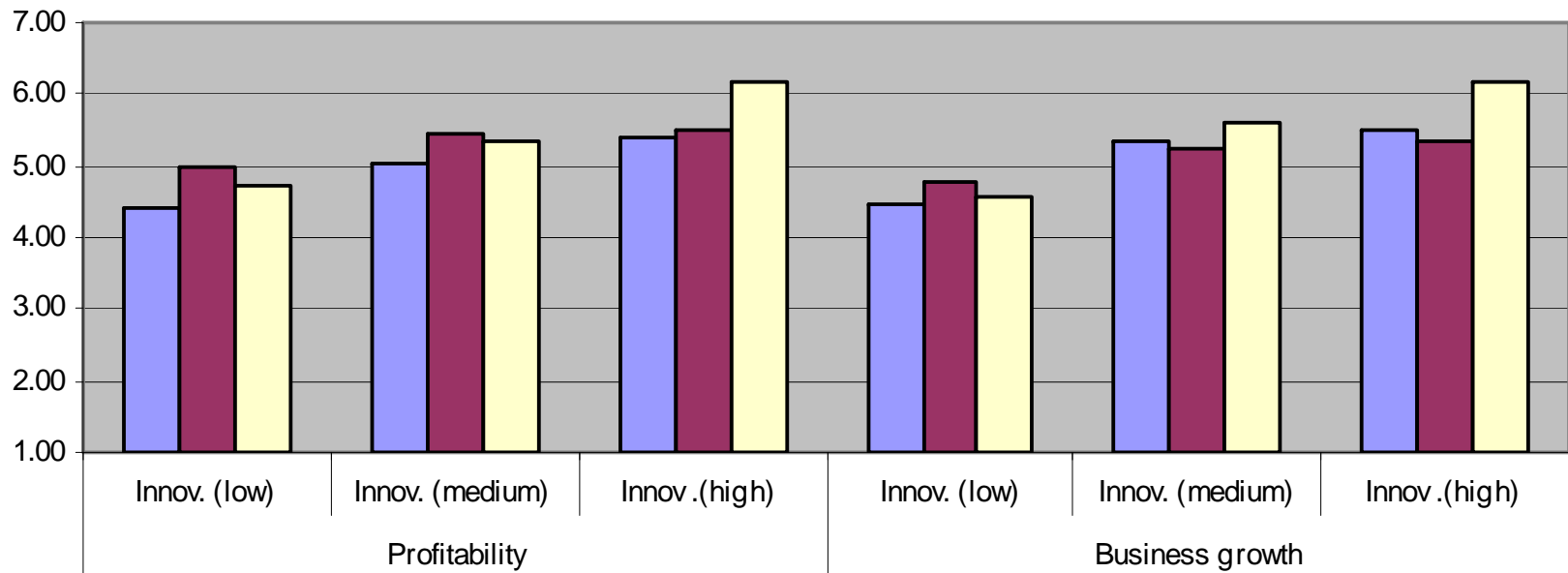


- Small differences between clusters by innovation results
- Large differences between clusters by
 - human efforts
 - financial efforts
 - innovation activities

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

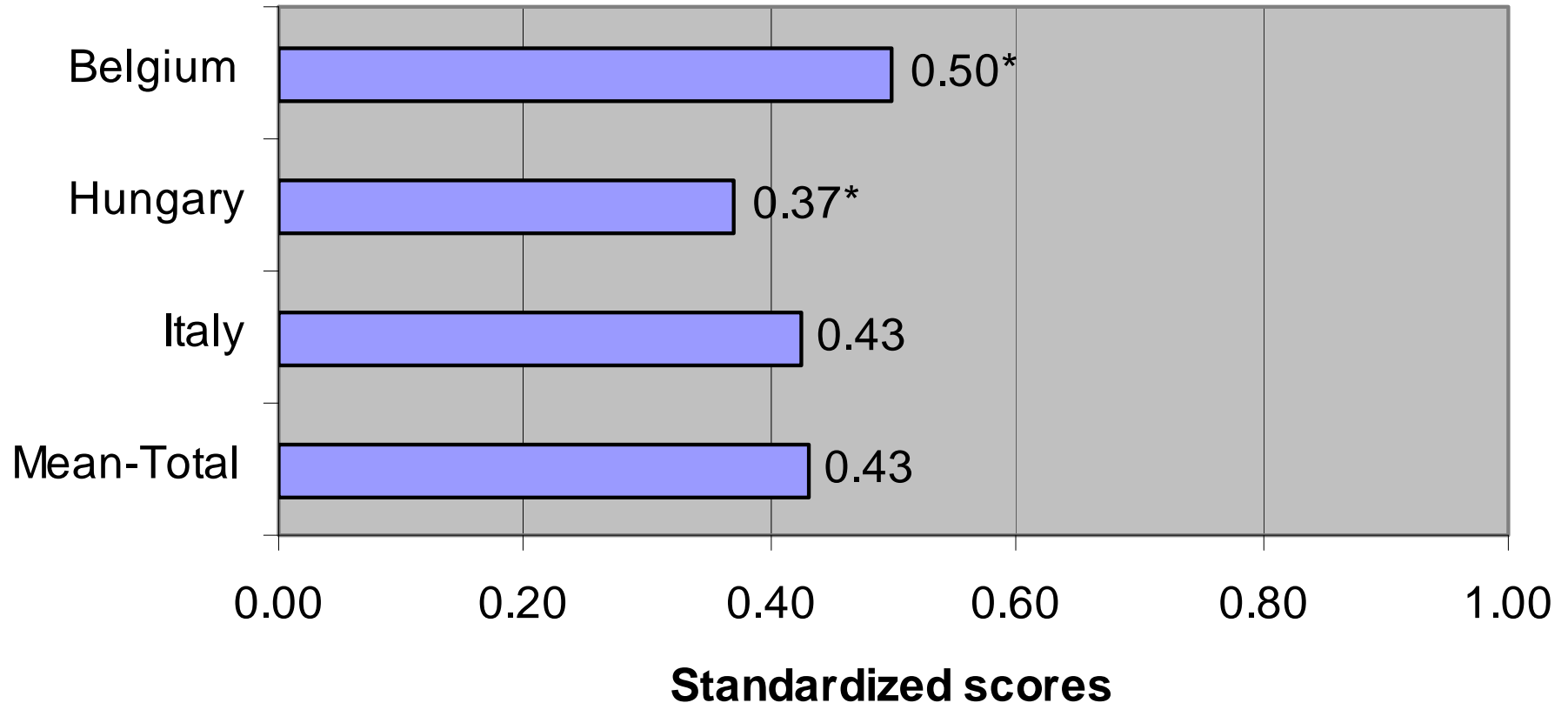
Perceived profitability and business growth by clusters

■ Focal ■ Supplier ■ Customer



(1=completely disagree; 7=completely agree)

Collaboration by countries

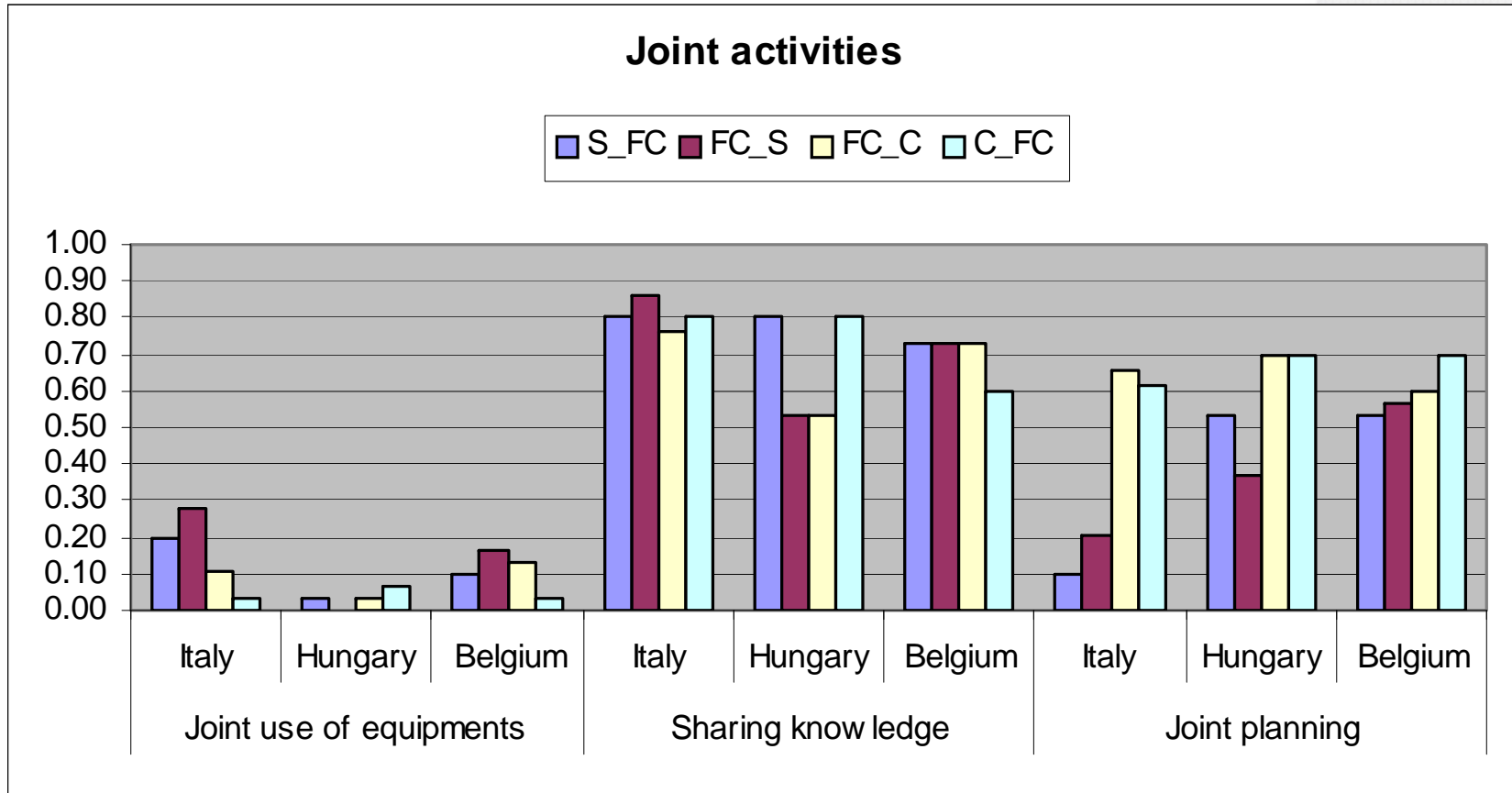


* Differences are significant

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*).*

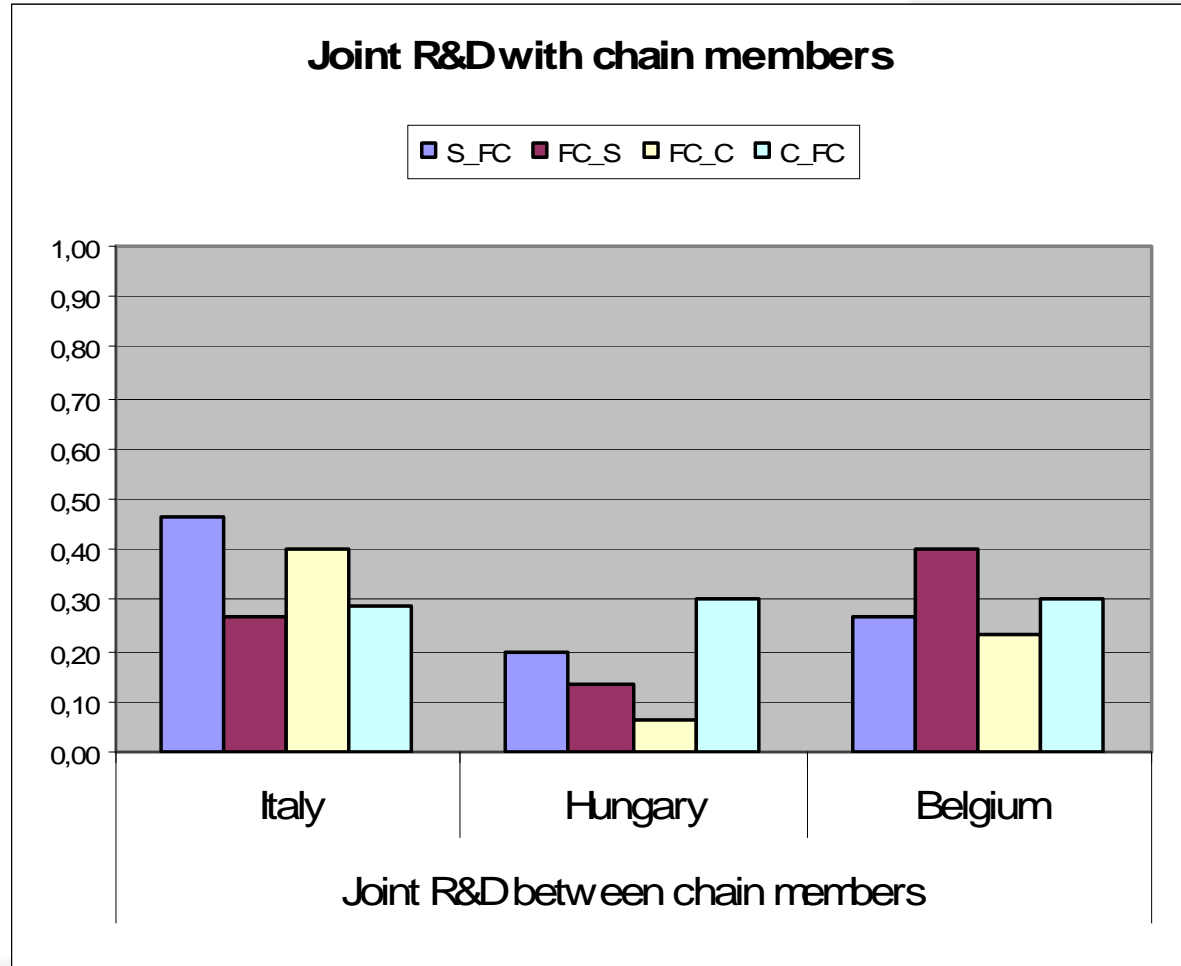
*** significant at 0.01; *at 0.05 level*



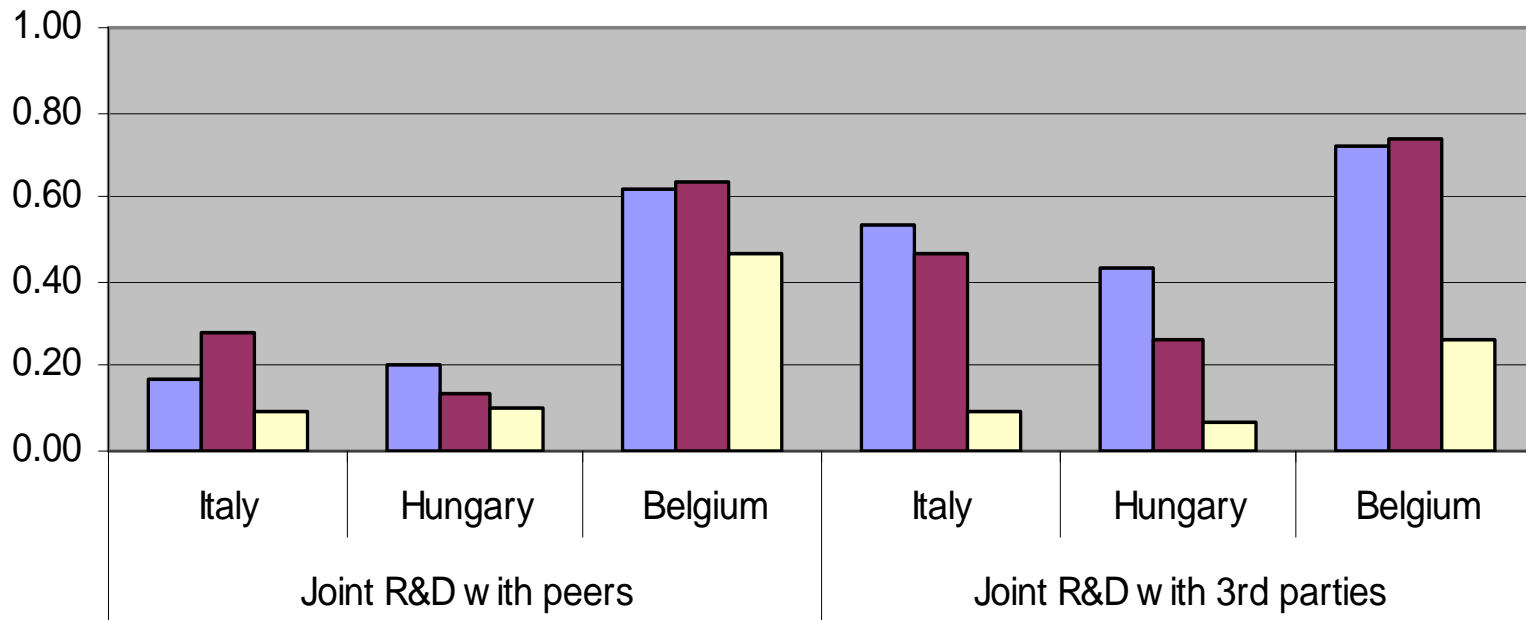
Most frequent type of joint activity is sharing knowledge.
 Joint use of equipments rarely applied

Joint R&D with chain members is a less frequent type of collaboration.

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



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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