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1. Introduction

Traditional foods represent taste, pleasure, culture, choice being traditionally characteristic for given regions or locations and significantly contribute to the quality and diversity of life and maintaining work places in a globalised world. A significant proportion of them is produced by small and medium-sized businesses (SMEs) in relatively limited quantities. SMEs usually have limited financial and human resources which represent barriers in accessing major regional and the globalised market through usual distribution channels. This document summarizes the recommendations based on the results of the WP5 of TRUEFOOD project for improving the market access of traditional food products produced by SMEs through the use of advanced food supply chain management and marketing management methods.

Supply chain management deals with the management of multiple relationships (accompanying products, services, finances, information and/or knowledge flows) – focusing on harmonizing the use of

- resources
- capabilities
- competencies

along the entire food chain (instead of focusing on only on the individual steps) to deliver higher added value is achieved by improving the quality of chain relationships. Enhanced customer service and economic value through improving trust and collaboration between supply chain partners.

TRUEFOOD – Traditional United Europe Food (Contract number: FOOD –CT-2006-016264) – is an Integrated Project (IP) financed by the European Commission under the 6th Framework Programme for RTD. The project started 1 May 2006 and has been running for nearly 4 years. The overall aim of TRUEFOOD is to introduce suitable innovations into traditional food industry to maintain and increase the competitiveness of the industry in an increasingly global European market place. This is achieved through close integration of R&D activities, demonstration and training and dissemination activities.

The project is coordinated by the European Economic Interest Group SPES GEIE comprising 11 European Food and Drink Federations. The project partners are “centres of excellence” in food related R&D, with strong experience in the European traditional food sector.

TRUEFOOD represents a unique and pioneering initiative because it directly involves the SMEs which are a large part of the European food industry, but normally does not have such direct access to the benefits of high quality R&D.

Traditional Food Products intends to include not only protected and patented food, but also all regional and national products in cooking traditions. The project focuses on increasing value to both consumers and producers and on supporting the development of realistic business plans for all components of the food chain, using a fork to farm approach. The main strategic objectives are therefore to:

- Identify and quantify consumer perceptions, expectations and attitudes with respect to (a) safety and quality characteristics of traditional foods, and (b) innovations that could be introduced into the traditional food industry.

- Identify, evaluate and transfer into the industry innovations which guarantee food safety, especially with respect to microbiological and chemical hazards.
- Identify, evaluate and transfer into the industry innovations which improve the nutritional quality, while at the same time maintaining or improving other quality characteristics recognised by traditional food consumers (e.g. sensory, environmental)
- Support the marketing and supply chain development of traditional food products.
- Establish an effective and sustainable system of knowledge and technology transfer of innovations (those developed within the TRUEFOOD projects and in other EU, national and industry funded R&D projects) into traditional food industry, focussing specifically to SMEs.

Work Package 5 deals with improved marketing and food supply chain organisation methods for traditional food products

The overall aim of Work Package (WP) 5 is to improve marketing and supply chain structures for TFP.

The specific objectives of WP 5 are:

- To identify and quantify the determinants of bottlenecks and success factors that SMEs active in the sector of traditional foods are confronted with.
- To compare the functioning of six traditional food supply chains (meat, dairy, vegetables, beverages) within and across Member States (2 chains in 3 member states).
- To compare food producers' perspective on bottlenecks and on success factors with that of consumers.
- To develop a benchmark instrument relative to marketing effectiveness enabling traditional food companies to evaluate their current position.
- To develop indicators to determine the overall chain performance.
- To evaluate the feasibility and acceptability of possible approaches to improve marketing capabilities.
- To analyse the potential impact of innovative distribution systems for traditional foods.

To achieve the specific objectives of WP 5 the following tasks and subtasks were carried out:

Task 5.1. Identification of determinants of bottlenecks and success factors of traditional food producers and development of tools for elimination and reduction of bottlenecks and strengthening of success factors

Task 5.2, Development of a benchmark for evaluating marketing management capabilities of traditional food producers

Task 5.3. Development of indicators of overall traditional food supply chain performance and innovative chain strategies

Task 5.4. Development of innovative distribution strategies for traditional food products

This document contains a short summary of the main results, followed by the recommendations grouped for the main target groups involved into the actions for

improvement of access to market of traditional food chains such as SMEs, support organisations, policy makers and knowledge providers.

2. Summary of the main results

2.1 Determinants of bottlenecks and success factors of traditional food producers (Task 5.1.)

2.1.1 Definition of traditional foods

2.1.1.1 Although there are several descriptions of the notion of traditional foods there is not a widely acknowledged definition for research purposes. A coherent definition including the chain members' view, checked by qualitative research, focus group discussions and the consumers view determined through a quantitative consumer survey was developed.

2.1.1.2 2.1.1.2 The amalgamated criteria of traditional foods are the followings:

- The product is regularly consumed or associated to specific celebrations and/or seasons – consumers (WP1);
- Time factor: usually 50 years – commercial availability in stores and restaurants – chain members (WP5);
- Specific way of production – according to the gastronomic heritage – authenticity (recipe, origin of raw material, production process);
- Associated to a certain area (local, regional, country);
- Distinguished and known because its sensory properties;
- Gastronomic heritage: has a story, which can be written down – chain members (WP 5)

For more details please consult D.5.1.15 "Comparison of views of producers versus consumers and support organisations" at the TRUEFOOD website: www.truefood.eu

2.1.1.3 This definition can be used as a verified, practically applicable starting point for quantitative and qualitative research. This definition was developed solely for research purposes and it was not intended to be used for legislative category definition.

2.1.1.4 This definition shows a good agreement between the consumers' and chain members' perspective because both stakeholders groups highlighted strong connection to the region (locality) of production, the specific way of production, gastronomic heritage, and the authenticity and time factor and stated that the traditional products can be distinguished and known because of their sensory properties.

2.1.1.5 The complementary element of the perspective of the consumers and chain members was that the chain members underlined the importance of commercial availability, reliable quality and safety of the products and stressed the importance of a distinguishable specific story in writing and the consumers mentioned the importance of specific dates, celebrations for consumption of traditional foods.

2.1.1.6 On the round-table discussion in Italy it was established that there are strong differences in the perception of traditional food products between Northern European and Mediterranean consumers. For example, in the case of wine, Northern European

consumers associate products with a specific local area to a significantly smaller extent than French and Italians do.

In Italy, consumers are usually interested in products strongly related to a specific geographical area. The consumer perceives this as an element of value, he knows it and he defends it. The link region-territory is utilised both by consumers and producers.

In addition to the products the culture of associating value to the local, regional traditions and exploiting this for adding value should be exported as well.

- 2.1.1.7 The cultural heritage can be exploited by differentiating the regions and the countries. Within a region, each producer should develop its own identity – try using specific attributes including peculiar features of the territory, the manufacturing process, sensory properties, etc. This should be communicated to the consumers meanwhile creating if possible their own region or country specific stories.

2.1.2 Practical use of Food Chain Management for SMEs

- 2.1.2.1 The main benefits of implementing food chain management principles for traditional food producing SMEs are the followings
- creating sustainable competitive advantage based on chain competencies through combination of complementary resources, capabilities, competences of the chain members
 - improving the efficiency of using resources along the food chain from suppliers to consumers
 - improving the efficiency of flow of material, information, labour, money
 - improving the efficiency of accessing capabilities of chain partners
 - Improving access to market;
 - Improving delivery of sales and services to customers;
 - Exploiting the synergy opportunities among the supply chain partners;
 - Assistance in design of effective collaboration between supply chain partners and peers.

2.1.3 A tool for identifying bottlenecks and success factors

- 2.1.3.1 The business success of food chain members is strongly influenced by the effectiveness of the use of internal and external resources and capabilities along the chain and a systematic analysis can highlight the opportunities for improvement.
- 2.1.3.2 A systematic approach was developed for identifying bottlenecks and success factors in traditional food chains which can be adapted to other food chains as well. This tool can be used for designing actions on which the improvement of the effectiveness of chain operation and the access to the market can be based.
- 2.1.3.3 Bottlenecks are deficiencies or insufficiencies blocking the effective use of external and internal resources of a member of a supply chain of traditional food products for

improving market access and marketability of its products and the generation, uptake and introduction of innovations to upgrade these.

- 2.1.3.4 Success factors are defined as the facilities, assets stimulating the effective use of external and internal resources of the chain members along the chain for improving market access and marketability of its products and the generation, uptake and introduction of innovations to upgrade these.
- 2.1.3.5 External resources manifested in supply chain resources comprise organisational structures and measures, flow of information, skills, material and financial resources in supplier-buyer relations and relations with third actors and the knowledge, skills and facilities increasing their efficiency and effectiveness in all areas of the business. Internal resources manifested in marketing capabilities stand for knowledge, skills, facilities for selecting, targeting and positioning the product and for increasing the efficiency and effectiveness of the use of marketing management tools.
- 2.1.3.6 This tool for analysing bottlenecks and success factors of food chains is based on a checklist for screening the determinants of the supply chain and marketing management capabilities and resources. The findings are evaluated whether they represent a bottleneck or a success factor and their cause is specified as well. At each aspect it is checked systematically whether the lack of availability/existence of information, chains organisational structure/measure and physical/financial/human resource is a hurdle or an enabler. The main aspects of the analyses of chain management capabilities are networking, chain approach-collaboration, chain approach-balance among the chain members, resources, institutions, while the main aspects for marketing management capabilities are, market information, market segmentation, marketing objectives, marketing strategy, marketing mix, marketing budget, marketing evaluation.
- 2.1.3.7 At analysing bottlenecks and success factors of food chains and developing solutions for the elimination of the bottlenecks and success factors, the macro and microeconomic environment of the country and the differences in the resources of the micro, small and medium sized companies should be considered.
- 2.1.3.8 Having established the bottlenecks and success factors of supply chain and marketing management capabilities of traditional food, the potential for improving the effectiveness of their use through innovative methods was investigated. First the methods of innovative use of supply chain and marketing resources in traditional conventional and other food chains were collected and grouped according to the main aspects used for the analysis tool for bottlenecks and success factors. In the second step it was considered how these innovative methods/approaches can be adapted to the traditional food chains under investigation. It was identified which innovative forms of using supply chain resources and marketing capabilities are necessary to introduce these changes in the traditional food chains under investigation. An additional version of the tool was developed for investigating bottlenecks and success factors of innovation in chains producing traditional processed foods. It was checked whether these innovative solutions can be established in the traditional food chain under investigation. By using the adapted tool it was identified whether there are bottlenecks blocking, success factors stimulating the introduction of these innovations. Finally the bottlenecks and success

factors of introducing innovation into traditional food chains were evaluated: areas, where bottlenecks are blocking both existing resources and their innovative use are long-lasting bottlenecks; areas where success factors are stimulating both existing resources and their innovative use can be used for developing strategies for improvement; finally areas, where bottlenecks can be reduced or eliminated by innovative solutions provide potential for significant improvements.

This tool can be used for design of surveys and analysing information from literature review, expert interviews, practical experiences and questionnaire surveys.

2.1.3.9 These tools were used for a questionnaire survey carried out with selected traditional food supply chains (dried fermented sausage and processed paprika, bakery products in Hungary, Belgian cheese and beer, Parmigiano cheese and Parma Ham in Italy and for interviewing food federations, innovation supporting organisations on their view on bottlenecks and success factors, marketing capabilities of the traditional food manufacturers in Italy, Belgium and in Hungary.

2.1.4 Typical bottlenecks and success factors of traditional food chains

2.1.4.1 Three major bottlenecks of traditional food chains are identified related to the chain and marketing resources of traditional food producers, particularly of

1. The lack of understanding the importance and benefits of improving supply chain and marketing resources, e.g.
 - The lack of collaboration, trust and confidence between peers and chain members
 - The improper use of the existing networks because of the lack of understanding.
2. The lack of knowledge about appropriate methods and skills, e.g.:
 - The satisfaction imbalance due to the huge bargaining power of the supermarket(/hypermarket chains and their low price policies
 - The inefficient use of alternative distribution channels (like specialized shops HORECA)
 - The difficult access of traditional foods to the international market
3. The lack of financial, infrastructure and human resources, e.g.:
 - The low availability of financial resources caused by the limited own internal resources and the low availability of external resources (like the lack of governmental support or institutional support);
 - The low marketing budget due to the limited financial resources which hampers the use of systematic marketing and market research activities.
4. The non-satisfactory level of managerial skills in the business as such.

2.1.4.2 The main success factors related to the supply chain and marketing resources of traditional food producers:

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

A detailed description is available in the report D.5.1.3. “Summary report on Focus Groups”) at the Truefood website: www.truefood.eu

2.1.5 Guideline for carrying out a questionnaire survey

2.1.5.1 An additional tool, a guideline was developed for providing advice to researchers how to carry out a questionnaire survey with interrelated food chain members. This guideline is intended to focus on the main differences in preparing and conducting surveys with interrelated members of a food chain compared to interviewing individual companies or consumers for users who have some experiences in conducting surveys in general. Researchers can find many practical advices in that e.g.: how to recruit the direct chain partners, how to motivate them, which types of questions should be asked. Good and wrong examples for questioning are presented in it as well.

2.1.5.2 The main chapters of the guideline are:

1. Introduction
2. Preparation of the survey
 - Problem definition and objectives
 - Questionnaire design
 - Length of the questionnaire
 - Timing, scheduling
 - Pilot testing of questionnaire
3. Recruitment criteria
 - General aspects of selection of respondents
 - Making contacts
 - Probability of random sampling
 - Non-probability sampling
4. Research design and methods
 - Research design
 - Appropriate methods for the surveys with food chain members
 - Advantages and disadvantages of survey methods
 - Carrying out the interviews
 - Practical experiences
 - How to use training and dissemination opportunities for collecting data
5. Recording and reporting

Data preparation
Data analysis
Characterisation of different aspects/ variable through chain
Writing reports

6. Conclusions

7. Glossary

8. References

More details are available at the TRUEFOOD website: www.truefood.eu

2.1.6 An inventory of best practices of traditional food chains on exploiting supply chain management and marketing management resources.

- 2.1.6.1 Small and medium size enterprises producing traditional foods often have to face difficulties in market access, in achieving the targeted efficiency of operation of the chain. Experiences show that a significant part of the bottlenecks can be reduced or even eliminated by more effective use of the internal and external resources.
- 2.1.6.2 An inventory of successful cases was developed for motivating SMEs, manufacturing traditional food to explore new methods, techniques for identifying new opportunities of innovation through combining resources and capabilities of the chain members along the whole chain. This may be a useful practical tool, since many SMES prefer to learn from each other and to follow successful examples.
- 2.1.6.3 The objective of this inventory is to provide structured information for SMEs and other food businesses manufacturing, producing, and handling traditional foods and for the organizations supporting them on methods and solutions, which have already been applied successfully in traditional and conventional food supply chains for elimination or reduction of bottlenecks and to improve access to market and the effectiveness of using resources of traditional food manufacturers.
- 2.1.6.4 These successful examples demonstrate that there are several ways how SMEs can improve the performance of the supply chain in which they operate and demonstrate also the benefits of implementing the supply chain management approach, e.g. the management of multiple relationships through focusing on harmonising the use of competencies, resources and capabilities along the entire food chain (instead of focusing on the individual steps) to deliver enhanced customer service and economic value through improving trust and collaboration between supply chain partners.
- 2.1.6.5 This tool helps the users to understand better how to develop new core competencies and provides a source for ideas for developing appropriate solutions for their specific problems.
- 2.1.6.6 84 case studies were collected on successful approaches applied by SMEs all over the world. Examples of innovative use of supply chain resources cover networking, collaboration of chain members, resources, institutions. Examples of innovative use

of marketing management resources cover market information, marketing strategy and marketing mix. A detailed information is available in the report D.5.1.19 “Inventory of best practices for reducing bottlenecks and promoting success factors of traditional food chain members” at the TRUEFOOD website: www.truefood.eu

2.1.6.7 The frequency of the different chain management and marketing management approaches in the successful cases is the following (one case frequently represents 2 or more approaches):

| <u>Supply chain resources</u> | <u>Number of cases</u> |
|---------------------------------------|------------------------|
| Networking | 32 |
| Chain approach-collaboration | 43 |
| Chain approach – balance | 1 |
| Resources | 24 |
| Institutions | 29 |
| <u>Marketing management resources</u> | |
| Market information | 12 |
| Market segmentation | 13 |
| Marketing objective | 3 |
| Marketing Strategy | 21 |
| Marketing mix | |
| Product assortment | 20 |
| Price | 4 |
| Distribution | 11 |
| Product advertising, promotion | 28 |
| Marketing budget | 0 |
| Marketing evaluation | 1 |

2.1.7 Sources of knowledge by geographical distance

2.1.7.1 Based on the results of the questionnaire survey carried out in Belgium, Italy and in Hungary it was established that the majority of the members of traditional food chains use external support for innovation.

The food manufacturers seek sources of knowledge mainly at national and international level rather than local level.

2.1.7.2 It was concluded that the external knowledge sources of supply chain members are located at different geographical scales; the food manufacturers are seeking and receiving external knowledge support from longer distances than the suppliers and the customers. However there are significant differences by countries. Italy shows a different pattern than Hungary and Belgium and the local and regional support for innovation is more frequent there. The geographical scale depends also on the type of knowledge sought from external source. In Hungary food manufacturers seek external source of knowledge for product, process development, market research and organisational development mainly from national level, rather than from regional and local level. Suppliers use also external support for innovation mainly from national level, except organisational development, where the regional support is the most

frequent one. Even at customers level the use of national sources of knowledge is leading except for product development. In Belgium for product and process development food manufacturers use external support most frequently from national, for market research and organisational development from regional level. At suppliers' level, the use of support from Europe is the most frequent one except product development.

The food manufacturers seek sources of knowledge mainly at national and international level rather than local level.

- 2.1.7.3 The innovation capacity of the companies has an influence on the geographical distance of knowledge sources. The companies with low innovation capacity prefer local help, while for the SMEs with higher innovation capacity find the support they need from longer geographical distances, mainly from national, but to a certain extent at European level.

More details are described in the report D.5.1.12. "Summary report on the quantification of the determinants of bottlenecks and success factors" at the Truefood website: www.truefood.eu.

2.1.8 Importance of innovation along the chain

- 2.1.8.1 Based on the multivariate statistical analysis results of the quantitative survey carried out in Belgium, Italy and in Hungary, it was concluded that:

- higher innovation capacity is linked to higher perceived profitability and business growth;
- there are national differences in components of innovation capacity and intensity of different types of innovation activities (The standardized score of the results of innovation was the highest in Belgium (0,47), followed by Hungary (0,44) and Italy (0,42)),
- more intensive collaboration with other organizations in the supply chain results in higher innovation capacity because the correlation between the standardized scores of innovation and collaboration showed positive relationship between the variables. The correlation coefficient was in total 0.573. The total innovation capacity of the participating countries did not show significant differences but the comparison of the different aspects of innovation shows different patterns. These results confirm that the different cultural background has an effect on the innovation capacity, but the results shall be considered by the different aspects of innovation. The amalgamation of the results on the different aspects may hide the differences. The type of innovation activities shows quite different patterns in the investigated countries. In Italy and in Hungary the most frequent activity was the improvement of the quality and packaging. The main innovation activities applied in Belgium are networking, improving the quality, entering new geographical markets and improvement of packaging. It is important to mention that the frequency of networking is at a remarkable higher level in Belgium than in Italy or Hungary.

More details are described in the report D.5.1.12. “Summary report on the quantification of the determinants of bottlenecks and success factors“ at the TRUEFOOD website: www.truefood.eu .

2.1.9 Importance of networking and collaboration

- 2.1.9.1 Evidences were found for the benefits of collaboration and networking between partners along the food chain and peers in improving the capacities of SMEs for and increasing their success in innovation, marketing management and distribution. The main areas of collaboration were sharing knowledge, common thinking and joint use of resources.
- 2.1.9.2 Collaboration of peers (both farmers and food processing SMEs) within a sector can provide an opportunity to balance the strong bargaining power of some of the chain members. who are dominating in the chain.
- 2.1.9.3 Collaboration along the chain provides new opportunities to develop a competitive edge through combination of complementary resources, capabilities and competences. In general the most frequent joint activity is sharing knowledge, followed by planning joint activities in traditional food chains and joint R&D consecutively. Joint use of equipments is a rarely applied type of collaboration.
- 2.1.9.4 It is worth to mention that significant differences can be observed between countries and different types of chain members. (The level of collaboration along the chain was significantly higher in Belgium than in Hungary.)
- 2.1.9.5 For an overview please consult D.5.1.12. “Summary report on the quantification of the determinants of bottlenecks and success factors “at the TRUEFOOD website: www.truefood.eu .

2.1.10 A new potential for support organisations to assist SMES in market access and innovation

- 2.1.10.1 A qualitative survey was carried out on the level and accuracy of available information concerning chain management and innovation practices among different types of support organizations, such as food industry federations, research centres, innovation support organizations, marketing support organizations, chambers of commerce and others. Similar questions were used as in the quantitative survey for traditional food chains.

For an overview please consult D.5.1.10. “Summary report on support organizations” at the TRUEFOOD website: www.truefood.eu .

- 2.1.10.2 It was established that the level of knowledge on activities of food businesses in the traditional food sector, related to chain management and innovation practices, is significantly variable. A significant proportion of the support organizations reported,

that they have very limited information on the performance of the traditional food chains as well as some relational variables such as trust, satisfaction, reputation, dependency and conflict among chain partners, while others, particularly some of the food industry federations had fairly good knowledge on these activities between the chain members.

2.1.10.3 This result is not surprising, since usually the SMEs themselves are not familiar with the basic principles of chain management, marketing management and building up innovation based on collaboration along the chain.

2.1.10.4 Currently only a small part of the support organizations is promoting the collaboration between chain members. Both the traditional food SMEs and the majority of the support organizations need training on the principles of chain management. There are unexploited opportunities for SMEs in the systematic application of chain management and marketing management principles and the support organizations, particularly the food industry federations are well placed to provide assistance in that for their chain members.

2.2 Development and use of a benchmark for evaluating marketing management capabilities of traditional food producers (Task 5.2)

2.2.1 Methodology for collecting data

2.2.1.1 An on-line survey was carried out with more than 400 SMEs in the EU member states in order to investigate their marketing management capabilities.

To evaluate the marketing management capabilities of traditional food producers, an interactive questionnaire, available on the web (<http://users.unimi.it/truefood>) has been developed as benchmarking tool.

A link on the Truefood web site is working since November 2007 (<http://www.truefood.eu/>). The questionnaire was translated in all the EU languages in order to make easier the filling up for the SMEs.

2.2.1.2 The evaluation of the marketing management capabilities was made through the main steps of the marketing management process (Kotler, 2004; Padberg et al. 1997), as the analysis of marketing research (Information), marketing strategy (Objectives), planning and implementation (Organisation), control and evaluation (Evaluation). In this way, we divided the questionnaire into four building blocks, in addition of an introductory section about general data of the firm and an additional section about the importance of innovation aspects (Development). This self-registered questionnaire gave back to the respondents a report with the results and the score in each aspects of the marketing management. Each question is formulated with a Likert-scale from 1 to 5, indicating the worst performance and the best one, respectively.

2.2.1.3 The University of Milano (UMIL) implemented an internet web-site where the firms were able to complete the benchmark questionnaire on line. The web-site was created respecting the following criteria:

- easy for the access and the consultation by the firms,
- directly linked to the site of the project (www.truefood.eu).

In this web-site UMIL implemented also specific software for the analysis of answers provided by the firms and for the evaluation of their marketing management capabilities. This software elaborate the information provided by the firm interviewed and provide an evaluation about the marketing management capabilities directly to the firms who fill in the questionnaire. In this way the firms are motivated to apply to the benchmark questionnaire.

The web-site implemented by UMIL is able to communicate automatically the score of the benchmark questionnaire with a report sent by e-mail to each firm interviewed. In this way firms can immediately evaluate their marketing management capabilities and compare their situation with those of the other firms interviewed. Indeed, on the home page of the questionnaire's web site, the updated situation of the average score reached by all the firms answered until that moment is reported.

2.2.2 Main results

2.2.2.1 It was found that the most problematic aspects for SMEs are “Organisation” and “Evaluation”, Namely, the main weaknesses of SMEs related to marketing management lie in the area of planning and implementation as well as control and evaluation of their marketing activities. SMEs appear to analyse the situation of the market, to set a strategy, but they are not able to organise well their resources in order to obtain profits, they do not plan in advance, and just react when there is an effective need. Consequently, they also do not check the results obtained, and if they are in line with the pre-determined objectives.

For an overview please consult D.5.2.6 and D5.2.8 The assessment of marketing management capabilities at the TRUEFOOD website: www.truefood.eu .

2.2.2.2 Possible solutions were recommended for increasing the marketing management capabilities of SMEs producing traditional food products, based on the critical points underlined in the deliverable 5.2.9 related to the WP 5.2 survey.

A detailed description is available in the report D.5.2.9. “Updated list of critical points on marketing management capabilities” at the TRUEFOOD website www.truefood.eu.

2.2.3 Targeted action plan

2.2.3.1 A targeted action plan was developed for increasing the marketing management capabilities of SMEs. Hence, managerial and policy implications are indicated. However, micro and small firms must be treated differently than medium and large firms because they have limited financial and human resources.

For micro and small firms, regarding the managerial implications, it is important to shift the firms' orientation from the product to the market. The firms should be more

aware of the competitive situation of the market where they operate by analysing the sector starting from the local level. For more details see recommendations for SMEs (3.2.1.1), and policy makers (3.2.1.2).

A detailed description is available in the report D5.2.10. “List of possible solutions for SMEs for increasing marketing management capabilities” at the TRUEFOOD website www.truefood.eu).

2.2.4 Benchmark extension

2.2.4.1 Moreover, a more extended questionnaire was developed for investigating the competitiveness of the traditional food sector. Therefore, more aspects of resources, capabilities and competences of SMEs in the traditional food sector are included.

2.3 Determine indicators of overall traditional food supply chain performance (Task 5.3.)

2.3.1 A graphical and conceptual tool to map chains

2.3.1.1 Small and medium-sized firms operating in the traditional food sector should be aware and know the chain they are involved, i.e. their direct business partners as well as their partners backwards and forwards. By understanding the needs of remote chain partners, the firms can reframe and redesign products and services meeting them, increasing the value of the overall chain. For instance, the deep knowledge of final consumers acquired by retailers should be transmitted up to the raw material supplier and not only to the manufacturer.

2.3.1.2 A graphical and conceptual tool was produced to map chains. It builds upon a network representation where all members of the chain are illustrated in one sheet (as nodes) and the linkages between them are indicated (as arrows). By drawing the whole structure of the chain, a complete outlook of the structure of the chain is made transparent. The graphical and conceptual tool to map chains can depict and lay down the quality of the interrelationships, by assigning meanings to the colours of the arrows.

A detailed description is available at www.truefood.eu (D 5.3.3).

2.3.2 A systematic approach for identifying chain goals

2.3.2.1 For a chain, to maintain its long-term functioning and to outperform its rivals, setting up a well chosen chain strategy and implementing it collaboratively is absolutely necessary (Jarillo, 1988, Lorenzoni and Lipparini, 1999). By its nature, a chain strategy should account for goals shared by all the chain members and be agreed upon by them. As such, a chain strategy is built on common goals of chain members. However, besides commonly shared goals, conflicting and/or divergent individual

goals of chain members may also coexist. While conflicting goals are individual goals of the different chain members that may hinder the achievement of each other (Kochan et al., 1976, Huxham and Vangen, 2005) divergent goals are simply goals that are shaped by the problems or tasks of individual chain members (Rosenberg and Stern, 1970) and not pointing to the same direction as the goals of other chain members. While common goals stabilize chain relationships - because goal commonness also serves as an integrating mechanism (Winkler, 2006) - conflicting and divergent goals could lead to a chain's collapse. Therefore, chain members should devote additional efforts to identify common, conflicting and divergent goals.

- 2.3.2.2 A systematic approach was developed for identifying common, conflicting and divergent goals of chain members of traditional food chains which can be adapted to other food chains as well. This tool can be used for setting chain goals, based on which chain performance measurement instruments can be developed. Depending on the chain members' interest, economic, ecological, as well as environmental goals can be included in the analysis.
- 2.3.2.3 The systematic approach consists of four steps: 1) Identification of chain actors' goals via focus groups or in-depth interviews with chain members, 2) Consolidation of chain actors' goals (evaluating the chain actors' goals based on their common or conflicting/divergent nature and eliminating them if only one type of the chain actors - suppliers, food manufacturers or customers - endorsed them). 3) Identification of potential sub-goals by literature review (helps with narrowing down each chain goal to a practical, measurable set of underlying sub-goals), 4) Selection of the key chain goals and key sub goals (pilot test on the importance of each chain goal and sub-goal).
- 2.3.2.4 This approach was used to set chain goals via focus groups and in-depth interviews (84 chain members, 3 European countries, 5 traditional food categories) (step 1), via literature review (step 2) and small scale survey (26 chain members, 3 European countries, 3 traditional food categories) (step 3). A detailed description is published in (Molnár et al., 2009).

2.3.3 Chain goals and underlying sub-goals

- 2.3.3.1 Five key chain goals and 11 sub-goals are identified related to traditional food chains. These are the followings:
 - To maintain traditionalism (Traditionalism)
 - To maintain authenticity (Authenticity)
 - To maintain the unique and memorable gastronomic identity of the food product and to remain part of the gastronomic heritage (Gastronomic heritage)
 - To increase efficiency (Efficiency)
 - To lower distribution cost (Distribution cost)
 - To increase profit (Profit)

- To improve responsiveness (Responsiveness)
 - To improve lead time (Lead time)
 - To reduce customer complaints (Customer complaints)
- To improve quality (Quality)
 - To improve safety (Safety)
 - To improve attractiveness (Attractiveness)
 - To improve environmental friendliness (Environmental friendliness)
- To create chain balance (Chain balance)
 - To ensure that the risks and benefits are distributed in a balanced way along the chain (Distribution of risks and benefits)
 - To better understand other chain members' interest (Chain understanding)

A detailed description is published in (Molnár et al., 2009).

2.3.3.2 In addition to that chain goals related to increase local employment should also be considered.

2.3.4 Supply chain performance measurement tool

2.3.4.1 Organizations nowadays no longer compete as independent entities, but as supply chains (Christopher, 1998; Cox, 1999; Lambert and Cooper, 2000), therefore they more and more realize the performance potential of supply chains (Pearson and Samali, 2005; Gellynck et al., 2007). Being part of a well performing supply chain generates important performance benefits for the individual organization¹. A theoretically grounded performance measurement tool was developed to measure traditional chain performance.

2.3.4.2 Chain performance of traditional food chains can be measured with a theoretically grounded performance measurement tool. The performance measurement tool for supply chains of traditional foods consists of the following performance indicators and was based on the previously identified chain goals: 1) Traditionalism (Authenticity, Gastronomic heritage), 2) Efficiency (Distribution cost, Profit), 3) Responsiveness (Lead time, Customer complaints) 4) Quality (Safety, Attractiveness, Environmental friendliness), 5) Chain balance (Distribution of risks and benefits, Chain understanding).

¹ As a result, there is increasing interest in the performance of supply chains as a whole (Beamon, 1998). An adequate supply chain performance measurement instrument should identify how well the supply chain is performing, draw attention to where improvements are possible, facilitate detection of problems and choose what to focus on (Cohen and Roussel, 2005). Consequently, it affects decision making through the assessment of past actions and through benchmarking (Aramyan, 2007). Further, it can assist the distribution of resources, measure and communicate improvement towards strategic goals and assess managerial practices (Iltner and Larcker, 2003). In addition, it can help managers recognize good performance and make tradeoffs between profit and investments, provide ways to set strategic targets and enable managers to get involved if performance is distracting (Neely et al., 1995).

2.3.4.3 This supply chain performance measurement tool was used to measure supply chain performance with 270 chain members from 90 traditional food chains from 3 European countries in 6 traditional food product categories. The quantitative survey demonstrate that performance is linked with the quality of chain relationships in a way that higher performing chains score significant higher trust, economic satisfaction, social satisfaction, dependency, non-coercive power and reputation than lower performing chains, while lower coercive power and conflict than lower performing chains. Reputation is the relationship measure showing the largest discriminating power between the different performing chains. It means that traditional food chains, composed of chain members having a highly appreciated business reputation, score the best. More in general, traditional food chains are characterised by high level of trust and reputation. In addition, a fairly high score is obtained for economic satisfaction. Still country / sector specific differences can be observed especially regarding the level of trust between chain members.

2.3.5 Taxonomy for chain governance structure identification

2.3.5.1 The quality of the interrelationships can also be considered in terms of chain governance structure. A theoretically grounded taxonomy was developed to identify governance structures in selected traditional food chains. The identification of chain governance structures is especially useful in case of chains where one chain member has a significant power over the others and there is a need to rebalance this. This is a very vital and critical precondition in each step of the supply chain to make business profitable, however it is particularly important for traditional food producer SMEs.

2.3.5.2 The taxonomy consists of

- 1) Chain governance structures, 2) Determining variables, 3) Unit of analysis: 1) Chain governance structures: Spot market (S), non-contractual relationship with non-qualified partner (Sp), non-contractual relationship with qualified partner (Sp_p), contractual relationship (C), relation-based alliance (Rba) and equity-based alliance (Eba) and vertical integration (Vi).
- 2) Determining variables: “irrelevance of identity”, “length”, “ex-ante restriction on the choice of the partner”, “written contract”, “contract specifications”, “resource sharing”, “joint forces for mutual benefits”, focus of control”, and “intensity of control” (Webster, 1992, Gardner et al., 1994, Van der Vorst et al., 1998, Steele and Beasor, 1999, Davies, 2000, Mair, 2000, Jagdev and Thoben, 2001, Peterson et al., 2001, Claro et al., 2003, Humphreys et al., 2003, Raynaud et al., 2005, Trent, 2005, Lu et al., 2006, Szabó and Bárdos, 2006)
- 3) Unit of analysis: T1. Between farmers and their input suppliers, T2. Between farmers and the first processing step, T3. Between the first and the second processing step, T4. Between the last processing step and wholesalers, T5. Between wholesalers (or the last processing step) and the retailers (Raynaud et al., 2005).

2.3.5.3 This approach was used to identify chain governance structures via individual interviews with 54 companies (suppliers, food processors and customers) belonging to traditional food chains in Belgium, Italy and Hungary. Belgium: cheese and beer;

Italy: cheese and ham, Hungary: white pepper and sausage. A detailed description is published in (Gellynck and Molnár, 2009a).

2.3.6 Instrument to measure the quality of chain relationships

- 2.3.6.1 The quality of chain relationships is one of the central questions in chain performance measurement (Cousins and Hampson, 2000, Molnár et al., 2007, Molnár et al., 2007) because of several reasons. Managers as well as practitioners believe in the importance of enhancing chain the quality of chain relationships and getting close to chain partners(Spekman et al., 1998, Lambert and Cooper, 2000, Benton and Maloni, 2005), since flexible and successful chain relationships are the key success drivers in today's world of globalization(Mentzer et al., 2001). Successful and unique chain relationships hold the potential of being a source of competitive advantage (Barney, 1991, Lamming et al., 1996, Russo and Fouts, 1997, Coff, 1999, Alvarez and Busenitz, 2001, Barney, 2002, Gellynck, 2006) and the ability to form valuable, compatible and complementary relationships are considered being necessary to reach chain success (O'Keefe, 1998, Quinn, 2004). This suggests that relationship measures should be included in chain performance measurement instruments as possible performance determinants. Still, relationship measures are not extensively included into chain performance measurement (Molnár et al., 2007)
- 2.3.6.2 A theoretically grounded instrument was developed to measure the quality of chain relationships. The instrument consists of the following relationship variables: 1) Trust, 2) Economic satisfaction, 3) Social satisfaction, 4) Dependency, 5) Non-coercive power, 6) Coercive power 7) Reputation, 8) Conflict
- 2.3.6.3 This instrument was used to measure the quality of chain relationships 270 chain members from 90 traditional food chains from 3 European countries in 6 traditional food product categories

2.3.7 Quality of chain relationships and chain performance

- 2.3.7.1 Based on the multivariate statistical analysis results of the quantitative survey carried out with 270 chain members from 90 traditional food chains from 3 European countries in 6 traditional food product categories, it was concluded that:
- There is no significant difference in the total performance of the different chain members, although significant differences are found on logistic cost ($p=0.02$), lead time ($p=0,023$), safety ($p=0,000$), attractiveness ($p=0,00$) and chain understanding ($p=0,043$).
 - Traditional food chains are characterised by high levels of trust and reputation. In addition, a fairly high score is obtained for economic satisfaction.
 - Performance is linked with the quality of chain relationships. Higher performing chains score significantly higher in indicators of trust, economic satisfaction, social satisfaction, non-coercive power and reputation. In lower performing chains, power is exerted in a more coercive way, leading to stronger conflicts

- The relationship measure showing the largest discriminating power between the different performing chains is reputation. It means that traditional food chains composed of chain members having a highly appreciated business reputation score the best.
- These findings are valid across member states, sectors and company size.

2.3.7.2 These specific results and the general insight that the quality of the interrelationship is a powerful element in the supply chain remains acceptable for practical purposes. More details are described in the report D.5.3.8. at the TRUEFOOD website: www.truefood.eu or consult one of the following publications: Molnár et al., (2008), Molnár and Gellynck (2009), Gellynck and Molnár (2009b).

2.3.8 Chain strategies

2.3.8.1 To improve the overall chain performance it thus important to select common goals and devise chain strategies that involve all partners in a common effort. This goes beyond classical firm strategies that take the stances of the chain partners as given and is particularly important for SMEs that tend to be highly dependent on partners for their own performance.

2.3.8.2 In this approach, a strategy is conceived “as a coherent set of moves aimed at durable, sustainable and long term appropriation of goal, whose choice depends on the vision and the mission of the organization, which in turn are embedded in their starting condition and in their weak and strong points” (p. 8, D.5.3.9).

2.3.8.3 12 chain strategies were developed as example of possible goals, action plans, responsibilities and resources. The twelve strategies have been articulated in detailed Action plans, submitted to the enquiry and judgement of traditional food chain members in three countries (Italy, Belgium and Hungary), collecting their reactions and suggestions. In particular, the participants have evaluated the moves included in the Action plans in terms of the effort required to be performed and how to allocate the responsibility of taking action among the chain members

- Product Improvement
- Product Modification
- Make finance more robust
- Improve flexibility
- Improving the quality of the production process throughout the chain
- Improvement of the price-value rate in the supply chain
- Branding traditional food production based on the chain
- Increase the environmental compatibility of the business
- Reformulate logistics
- Increase the reputation of the firm in the chain
- Enhance and take advantage of the networks
- Make the communication effective

2.3.8.4 The choice was made taking into account the key factors that affect chain performance as well as suggestions from stakeholders’ view collected during the

surveys. The 12 developed innovative chain strategies are shortly described below. Each of them involve several members of the chain in delivering actions to obtain the overall goal.

2.3.8.4.1 Product Improvement

This strategy aims at widening the product range, with the introduction of new versions, possibly targeted to specific consumer segments, beside the current ones. New potential niches can be found by brainstorming on the needs of consumer segments and their habits, which can be used as a starting point for generating a palette of possible improvements.

2.3.8.4.2 Product Modification

This strategy aims at re-styling of the traditional product, to meet new dominant trends in consumer needs and expectations. The older though surviving version should be kept on archive as a reference for developments of new variants of the product maintaining the original key attributes. Various improvements (technical and not technical) are tested. New solutions and marketing value propositions are evaluated. Market research data are created and analyzed. Product tests are performed in small areas or with restricted groups of consumers. Distribution channels may be involved to test the modified product and collect feedback data. It involves the identification of those product features that may be an obstacle to meet current consumer requirements and a procedure for consideration of modification alternatives that ensure that the identity of the product is maintained untouched. The concept of positioning of the new version in terms of prices can be done by limited number of tests and then generalised.

2.3.8.4.3 Make finance more robust

This strategy aims at protecting the business from negative financial shocks (such as payment failures, late payments of the retailers mainly, banks request of paying back due loans, prolonged recession, etc.). Increasing the resilience of SMEs is an imperative for economic stability as a system. It involves a thorough internal and external analysis of financial assets and liabilities along the chain and the consensual implementation of steps such as the sale of non-core assets, the swap of a debt with an activity to be carried out, and other financial restructuring.

2.3.8.4.4 Improve flexibility

This strategy aims at reducing productive and organizational rigidities in order to improve the ability of the business to cope with changing circumstances and business environment. An extensive analysis of the different sources of rigidities, including historical organizational concept, structure and procedures lead the way to the exploration of possible solutions, by encouraging local solutions for elimination of the supply chain bottlenecks and delegating power by problem not by discipline.

2.3.8.4.5 Improving the quality of the production process throughout the chain

This strategy aims at focusing attention to quality through mutual cooperation between chain members and incentives supported by adequate procedures. By comparing the expectations of the consumers with the properties of the product, as well as by technological audits, an assessment of quality improvements can be laid down, also involving partners and third parties.

2.3.8.4.6 Improvement of the price-value rate in the supply chain

This strategy aims at restructuring costs, volumes and margins, so that is possible to obtain better results in the chain, including negotiations between retailers and food producers. It's important to examine, for instance, the opportunities for the agreement with the suppliers taking into consideration the mutual advantages and cost-savings as well as mapping the opportunities for outsourcing.

2.3.8.4.7 Branding traditional food production based on the chain

This strategy aims at providing a unique distinctive image of the product, usually rooted in the territory, to boost visual image and enhance recognition by consumers, by emphasizing positive attributes. The brand might be related to the distinguishable product features and elements connected, even if only emotionally, to the territory where the product is localized, non only in terms of materials but also of gastronomic heritage.

2.3.8.4.8 Increase the environmental compatibility of the business

This strategy aims at strengthening the corporate social responsibility at chain level, transforming it into a competition leverage. The new attitude of consumers towards the environment should be matched by real and acknowledged practices in production, distribution and consumption occasions. Labels can play a role in communicating with mainstream and green consumers.

2.3.8.4.9 Reformulate logistics

This strategy aims at optimizing transport, storage and procedures in terms of timing and costs. The starting point is the list of the most important resources, capabilities and core competencies of your traditional food firm in terms of logistics. By sitting together with suppliers and customers and discussing their most important resources, capabilities and core competencies related to of logistics, it's possible to reformulate the logistics flows, for eliminating the inefficiencies and disfunctions.

2.3.8.4.10 Increase the reputation of the firm in the chain

This strategy aims at facilitating the diffusion of positive opinion on the product and the business by third parties, which widens the probability of accessing further partners. It leverages the performance feedback to suppliers' expectations and customers' expectations, when the products and the activities of the firm are fulfilling them successfully.

2.3.8.4.11 Enhance and take advantage of the networks

This strategy aims at multiplying the contacts with businesses and other entities to collaborate on identification and understanding of consumer trends and coordinate actions, also sharing resources and costs. The occasions to meet and establish links with a number of possible partners can be exploited better by making an inventory of the attributes of relevant networks for the traditional food firm.

2.3.8.4.12 Make the communication within the chain effective

This strategy aims at choosing the right channel and the strong message to convince key counterparts. A proposed tool for implementing this strategy is to organize suppliers' days and customers' days to discuss which key aspects of business relationships needs to be improved with suppliers and customers. A coherent, concise message integrating the needs of all chain partners tend to be understood better along the chain.

2.3.8.5 A detailed description is available in the report D.5.3.10. "Summary report testing and adapting innovative chain strategies" available at the TRUEFOOD website: www.truefood.eu In particular, the full list of actions, resources needed and how to share responsibility for execution are provided.

2.4 Innovative distribution strategies for traditional food products (Task 5.4.)

The main results of the work package 5.4 "Innovative distribution strategies for traditional food products" are listed below and are explained more in detail in this chapter.

- Overview of the complexity of the distribution chain
- 12 developed innovative distribution strategies based on stakeholder evaluation
- Evaluation tool for strategic orientation (SWOT-analysis)
- Detailed Action plans for each developed strategy
- Indication of relative resource intensity for each strategy
- Benefits of involving chain partners and third party experts for sharing risks and cost

2.4.1 Overview of the complexity of the distribution chain

2.4.1.1 The distribution chain can have a number of levels. The simplest level exists, when there is a direct contact between producer and end-user with no intermediaries involved. The next level, when there is one intermediary (e.g. in consumer goods a retailer, for industrial goods a distributor). In large markets (such as larger countries) a second level, a wholesaler for example, is now mainly used to extend distribution to the large number of small, neighbourhood retailers.

2.4.1.2 Figure 1 provides a detailed overview for the distribution chain of traditional food products. A detailed description of the different levels is provided in the report D 5.4.2 "Summary report on distribution problems" available at the TRUEFOOD website: www.truefood.eu .

Solid lines (except light green ones) indicate long distribution chain, i.e. all partners of the distribution chain are involved. Dashed lines indicate medium distribution chain, i.e. where the manufacturer is selling directly to the retail level. Finally, the light green solid lines indicate the shortest distribution chain, i.e. where the traditional food manufacturer is selling directly to the consumer.

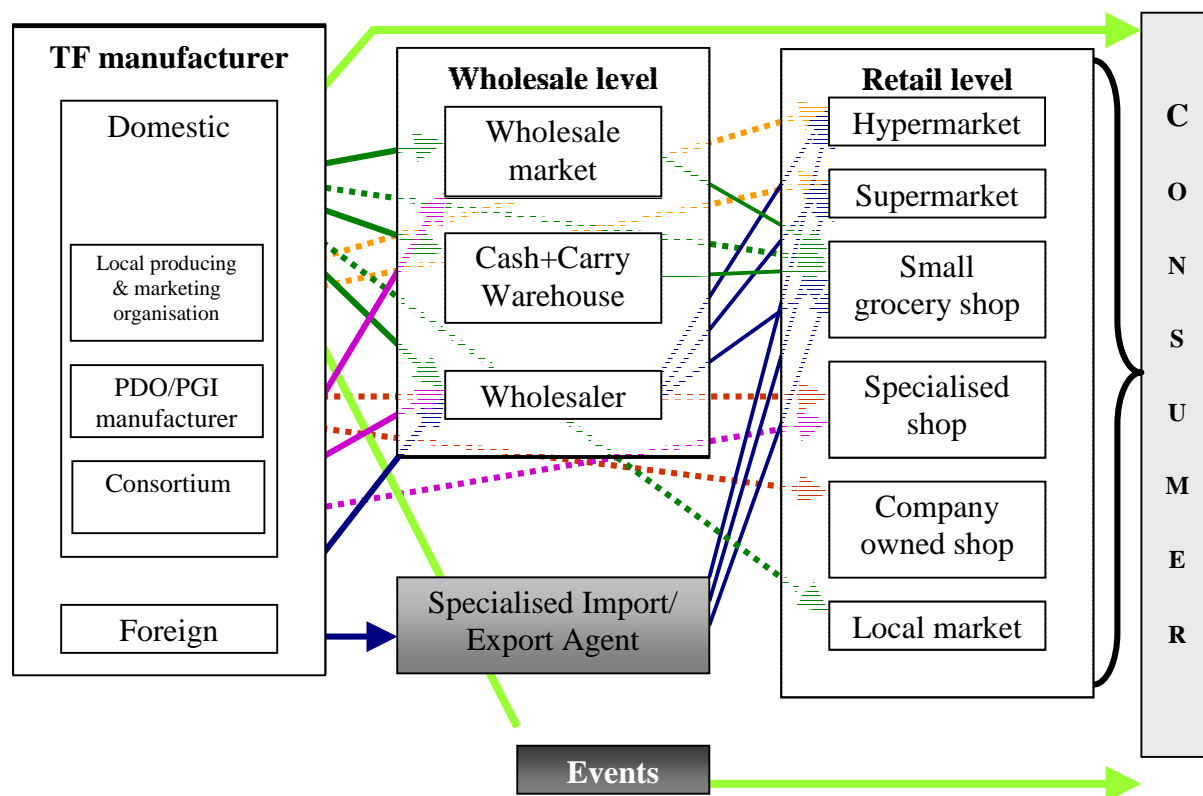


Figure 1: Distribution chains in the traditional food sector

2.4.2 12 developed innovative distribution strategies based on stakeholder evaluation

The 12 developed innovative distribution strategies are described shortly below. These strategies are developed for traditional food products as alternatives to the usual distribution channels. Special attention was paid to avoiding any harm for the special character of traditional food products.

Detailed information about the 12 developed and evaluated strategies is available in D5.4.10&11 “National and summary report on evaluation of innovative distribution strategies” at the TRUEFOOD website: www.truefood.eu.

2.4.2.1 Joint distribution

This strategy aims at bringing traditional food manufacturers together which work in different food sectors on complementary products in order to share their limited financial resources for collaboration on joint transportation and renting an outlet in which their products can be sold to the consumers.

2.4.2.2 Joint promotion

The aim of this strategy is to increase the low level of consumer awareness and to overcome the constraints of limited resources for promotion at the level of traditional food manufacturers. An idea for implementation is the set-up of an umbrella brand for traditional food products, e.g. on regional or product type level.

Examples from the Italian round table:

- Common web site for four typical kinds of cheese: Provolone Valpadana, Taleggio, Quartirolo Lombardo, and Salva Cremasco; initiative started from the collaboration of the consortia (www.altiformaggi.it)
- Il degree consortium: including all PDO-PGI products of the Valtellina area (mountain region in the North Lombardy)

2.4.2.3 Agro-tourism

The aim of this strategy is to show the manufacturing place of a traditional food regularly as a tourist sight of a certain region to tourists making excursions in the region/place. Furthermore, in the frame of a guided or non-guided tour, e.g. organized by a special travel agency, direct sale in-place is a possibility. This specific strategy has different importance and evolution stage in the selected countries.

Comment from Italian round table:

- already well developed in Italy

2.4.2.4 All-in-one packaging

The aim of this strategy is to develop, manufacture and sell a convenience traditional food product taking into account the consumer's expectations, such as long shelf life, convenience aspects, appearance of the already packed product etc. This traditional food product would be part of a whole package which includes all necessary ingredients for e.g. preparing a traditional meal. There are special target consumer groups consisting of several people, e.g.: families or traditional party participants. For this strategy the application of a special technology and the right choice of the most suitable package size are very important. Furthermore, it is aimed to improve the knowledge of the consumers about the traditional food products and to widen the product assortment of traditional food products.

2.4.2.5 Regional corner

Regional corners will be a temporary or permanent display featuring a range of traditional food products of a given territory. This display can be either inside a traditional point of sale or inside a super/hypermarket. The aim is to increase the visibility and sales in distribution channels of traditional food products of a given region or territory.

2.4.2.6 E-commerce B2B&B2C

The aim of this strategy is to create a virtual store as a key distribution channel to feature and sell different traditional food products belonging to several producers of a given territory or a group of territories. This strategy is meant as a less costly alternative to the obstacles of high costs and complexities for setting up a traditional store and for reaching consumers potential (new) consumers located in different geographical areas. Furthermore, proper communication to the consumers is aimed about the characteristics of the traditional food products, the quality certifications (if available) and the proper way of usage that will enhance product taste and

justify the price premium. Further, the usage of an appropriate IT-platform will enable to integrate both virtual and traditional channel management with only one tool in order to optimize distribution and logistics. Synergies in selling various traditional product categories in B2C could offer particular benefits.

2.4.2.7 Fast food chains

The objective of the strategy is to create fast food chains of traditional food products is that it would be desirable to associate the experience of eating traditional food products with the “mass market”-logic of fast food eating. This could be in principle achieved by extending certain opportunities of the so called fast food chains to products that are different from those normally distributed and consumed in usual fast food restaurants. There are existing examples such as “Nordsee” where a successful combination is achieved (fresh fish products for to go, but also prepared as full meals for immediate in-house consumption).

Comment from the Italian round table:

- the term ‘fast food’ risks to compromise the initiative

2.4.2.8 Small-area territorial penetration

The aim of this strategy is to reach a critical mass of repetitions of messages across different media and with a large presence in distribution channels to reap the abrupt and strong answer of the consumer to an intensive campaign. Taking into account the high budget necessary for campaigns at national level it is the idea to drastically reduce the area covered by the distribution chain and advertising campaign to manageable dimensions while keeping the intensity of the campaign very high.

2.4.2.9 Speciality shops

The aim of this strategy is the (re)establishment of speciality shops in order to increase the market share and to better valorise the traditional food products. Furthermore, traditional food manufacturers often do not have the capacity to sell via large distribution channels; therefore an adjustment of the distribution channel to the characteristics and features of traditional food products is necessary. Synergies mentioned in point 2.4.4.6 could be considered here as well.

2.4.2.10 Involvement of consumer

The aim of this strategy is to increase consumer’s loyalty and trust in traditional food products resulting in improved publicity and word-of-mouth advertising. Therefore the consumer will be (to some extent) involved in the production process, being e.g. a one-day-entrepreneur. Finally, this should lead to an improved market share of traditional food products and increased revenues of the members of the traditional food chain.

2.4.2.11 Network facilities

The aim of this strategy is to bring together potential business partners as well as to provide a platform for exchanging information among the business partners. This should lead to the improvement of product or regional features, e.g. through higher product quality and safety, assured supply, wider product range or better differentiation.

2.4.2.12 Moving outlets

The aim of this strategy is to install moving outlets (wagons) to reach areas where the establishment of stationary outlets is not applicable and/or not profitable. Also seasonality is considered as an important factor on revenues, which could be bypassed by this strategy.

Comment from the Italian roundtable:

- very interesting distribution concept for the Italian SMEs, some local examples are known
- however, not much accepted in other two countries

2.4.3 Evaluation tool for strategic orientation (SWOT and SOR analysis)

2.4.3.1 Each business idea should be evaluated for its feasibility prior to implementation. An appropriate decision-making tool is the analysis of internal strengths and weaknesses and external opportunities and threats (SWOT-analysis). The SWOT-analysis is helping firms to be aware of trends in the firm's environment, anticipate on the constantly changing future, maintaining a long-term vision while still focusing on the day-to-day business and to ensure that objectives and actions are coherent. Thereby, it is very important to not formulate general points but to specify and verify each of the SWOTs as much as possible.

2.4.3.2 However, the identification of SWOTs alone is not providing a good base for further strategy development. It is necessary to structure the items and subsequently confront the internal with the external constraints. This step is also called strategic orientation round (SOR). With SOR-analysis it is possible to identify those opportunities and threats which match best strengths and weaknesses of an organization and to attain an explicit link between diagnosis and assessments for strategic decisions and action plans. However, the quality of the SOR-analysis is heavily dependent on the quality and clarity of the SWOT-analysis. Based on the SOR-analysis several strategic options can be identified. These options should be enough to have an impact, but not be too many, in order to still be manageable.

2.4.3.3 For an overview please consult D 5.4.11 "Summary report on evaluation of innovative distribution strategies" at the TRUEFOOD website: www.truefood.eu .

2.4.4 Detailed Action plans for each developed strategy & Indication of relative resource intensity for each strategy

2.4.4.1 An action plan includes a list of action steps (tactics) listed in chronological order. Those steps, taken together, accomplish the intended strategy. Additionally, the necessary resources for each step can be estimated, allowing a more objective evaluation of the feasibility of the developed strategy. Following resources are considered to be evaluated: human resources, financial resources, necessary equipment, and information resources.

2.4.4.2 The final choice of the best fitting innovative distribution strategy is in the hand of the traditional food manufacturer and his/her chain members. The successful implementation of a strategy is dependent on the product's requirements, the firm's/chain's resources and capabilities, as well as on the environment the traditional food manufacturer and his/her chain is operating in.

2.4.4.3 For an overview please consult D 5.4.11 "Summary report on evaluation of innovative distribution strategies" at the TRUEFOOD website: www.truefood.eu .

2.4.5 Benefits of involving chain partners and third party experts for sharing risks and cost

- 2.4.5.1 The European food sector is mainly composed of small and medium sized enterprises (SMEs). In particular SMEs producing traditional food products are facing difficulties by entering the classical distribution channels, such as wholesalers and supermarkets. For these SMEs alternative distribution methods (with fewer or more specialized intermediaries) provide opportunities, among others for applying cost saving methods.
- 2.4.5.2 Recent developments show that organizations do not compete as independent firm anymore, but rather as chains. Thereby a chain is a set of three or more organizations directly involved in the upstream and downstream flows of products, services, finances, information and/or knowledge from a source to a customer. Implementing a distribution chain strategy collaboratively with the other members of the chains generates additional mutual gains and savings for chain members. Though, chains lacking a chain strategy and having short-term perspectives face difficulties in envisaging and implementing cooperative solutions to problems they cannot manage alone.
- 2.4.5.3 Consequently, each firm needs to find/develop a strategy that is best fitting to its business. For the successful implementation of the chosen strategy it is beneficial to involve other players of the firm's business environment, such as the direct supplier and customer, but also third parties, such as governmental and non-governmental support organizations of the sector, research institutions, business consultants etc.
- 2.4.5.4 For a well-performing collaboration it is necessary to clearly state the distribution of tasks and responsibilities in the action plan from the very beginning of strategy implementation. This will assure that the individual goals of every partner are respected by the common goals in the collaboration network.

In case of synergies a way to reduce the costs might be the joint buying of raw material, packaging or any other auxiliary materials in bigger volumes for SMEs operating in similar businesses.

- 2.4.5.5 For an overview please consult D 5.4.11 "Summary report on evaluation of innovative distribution strategies" at the TRUEFOOD website: www.truefood.eu.

3. Recommendations

3.1 Determinants of bottlenecks and success factors of traditional food producers (Task 5.1.)

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3.1.1 Recommendations for food SMEs

3.1.1.1 Exploiting opportunities in chain management

Practice:

Exploit opportunities in chain management for creating competitive advantage through harmonised activities between food chain members for meeting customer and consumer requirements better and using resources and capabilities more effectively. Learn the chain management approach and principles and start to implement them as soon as possible. Practical trainings can assist you in application of chain approach.

Tools

A modular TRUEFOOD training course is available on principles of food chain management, chain performance and on chain strategy development and implementation. An inventory is also available on successful cases on using supply chain and marketing management resources and capabilities. Identify your partners in the food chain and initiate discussions on developing joint actions on harmonising activities, improving the efficiency of flow of material, information, labour, money for mutual benefits of all chain members.

Reference: Detailed information on best practice examples is available in D.5.1.19. “Inventory on best practices on reducing bottlenecks and promoting success factors at traditional food supply chains” Issue 2 at the TRUEFOOD website: www.truefood.eu

3.1.1.2 Identification of bottlenecks and success factors of the food chain

Practice

Identify bottlenecks and success factors in the operation of your specific food chain and develop strategies for elimination or reduction of bottlenecks and strengthening success factors

Tools

A tool is available for food chains producing traditional foods for identification of bottlenecks and success factors of efficient use of supply chain and marketing management resources and capabilities. This tool can be adapted to other food chains by screening the specific determinants of supply chain and marketing management resources and capabilities of these chains. Carry out the following steps in sequence:

1. Identify the members of your specific food chain and your place and function in it.
2. Identify the bottlenecks and success factors of your food chain
3. Review available methods and successful solutions, whether they can be used as an input for elimination or reduction of bottlenecks and strengthening success factors. Consider the national, regional, local macro- and microeconomic environment carefully. Consider the limited resources of micro- and small businesses compared to the medium-sized businesses.
4. Specify your priorities. Consider which chain partnerships, measures, additional resources and capabilities are necessary including real innovative solutions and also those which are new only for your specific food chain for elimination or reduction of the bottlenecks and strengthening the success factors.
5. Liaise with your chain partners and peers and initiate discussions for agreeing joint actions. Consider opportunities for consistent quality approach, collaborative use of resources along the chain and with peers, combining complementary resources and capabilities along the food chain, networking, and collective activities through joint use of resources and sharing costs for marketing, market research, research and training. Consider to ask the assistance of your food industry federation, branch association or other relevant support organization.

Reference

Detailed descriptions are available in D.5.1.1. “National reports on the selected traditional food supply chains” and in D.5.1.12. “Summary report on the quantification of the determinants of bottlenecks and success factors “D.5.1.19. Inventory on best practices on reducing bottlenecks and promoting success factors at traditional food supply chains” Issue 2 at the TRUEFOOD website

3.1.1.3 Strengthening collaboration

Practice

Explore collaboration opportunities with your chain partners and peers for identification of joint chain goals, for developing new specific competencies, which will result in a competitive edge, for improving the efficiency of using resources and capabilities for improving access to market, for improving delivery of sales and services to customers. Develop unique chain partnerships.

Tools

By combining complementary resources, capabilities and competences of the chain members and peers along the food chain new joint competences can be developed, the existing ones can be improved to such level, which are superior to the competences of the individual chain members. Since on the current global food market customers and consumers choose from different products by evaluating them together with their related services your collaborative efforts will increase their ability to provide a more attractive offer for them than your competitors. Consider collaboration opportunities also with your suppliers from other sectors such as packaging material manufacturers, IT solution and, logistic service providers etc. since they may result in innovative solutions. Unique partnerships along the chain can help in entering new markets, for creating new opportunities for existing brands. Raw materials, packaging materials, services, etc. having unique quality attributes can provide identity to traditional food products and support effective marketing arguments.

Collaboration along the chain can also help to eliminate unnecessary costs and increase the speed of delivery of the products, to operate new distribution channels. Collaboration with peers can be made on joint use of limited resources and sharing costs for marketing, market research, research and training. Collaboration of peers (both farmers and food processing SMEs) within a sector can provide an opportunity to balance the strong bargaining power of some of the chain partners, who are dominating in the chain.

Consider to ask the assistance of the national food industry federation, branch association or collective marketing organisation. The main steps are the followings:

1. Identify joint chain/associated peer's goals which are acceptable and important for all partners involved
2. Identify joint strategies for achieving these goals. Always consider mutual interests and aspects which increase trust between you and your partners
3. Specify actions for implementing these strategies.
4. Evaluate the necessary resources and capabilities and develop a sensible allocation of tasks, responsibilities, inputs.
5. Share benefits in a fair way.
6. Review the results and experiences of the collaboration and improve it systematically.

A modular TRUEFOOD training course is available on developing chain strategies and collaborations with peers and collection of successful examples on chain collaboration is also available.

Reference

Detailed information can be found in the reports D.5.1.10 “National report on the view of innovation support organisations”; D.5.1.12. “Summary report on the quantification of the determinants of bottlenecks and success factors” and in D.5.1.19. “Inventory on best practices on reducing bottlenecks and promoting success factors at traditional food supply chains” Issue 2; D.5.1.15 “Report on the similarities and differences of views of producers, consumers and support organisations on the bottlenecks and success factors”; at the TRUEFOOD website (www.truefood.eu)

3.1.1.4 Strengthening innovation

Practice

Make ongoing efforts to develop and implement innovative solutions in the business. Explore opportunities in innovation based on collaboration of other organisations within your food chain.

Tools

Experiences show that more intensive collaboration with other organisations results in higher innovation capacity and higher innovation capacity is linked to higher perceived profitability and business growth.

For more detailed explanations of the tools see Recommendations 3.1.1.3.

Reference

See Recommendation 3.1.1.3.

3.1.1.5 Participation in networking**Practice**

Participate in networks to create better opportunities for collaboration and innovation

Tools

Networking is the preparatory activity of collaboration, collective marketing, collective market research, research, collective training etc. and innovation.

Food industry federation, branch associations, national food technology platforms, clusters, industry panels provide excellent opportunities for networking. For more detailed explanations of the tools see Recommendation 3.1.1.3.

Reference

See Recommendation 3.1.1.3

3.1.1.6 Focus on values of traditional foods**Practice**

Always keep in mind consumers' perception and view of the businesses along the food chain on the distinguishable benefits of traditional foods. Association of traditional foods to a certain area is not imitable. Educate agents and representatives of the HORECA sector on the values of the traditional foods and the related cultural benefits.

Tools

A definition is available which is reflecting consumer's perception and view of businesses participating in traditional food chains. Key attributes like authenticity, based on specific way of production (including origin of the raw materials, recipes, and production process), distinguishable sensory properties and association to a certain area reflect the primary importance of quality approach for the business success of traditional foods.

When this definition is used as an input for the marketing and chain strategy the specific cultural background of the consumers in the target market should be considered. There might be significant differences in the consumer's perception of the value of the different attributes in different countries, regions in Europe.

Reference

A detailed description is available in the D. 5.1.15. "Report on the similarities and differences of views of producers, consumers and support organisations on the bottlenecks and success factors" at the TRUEFOOD WEBSITE: www.truefood.eu

3.1.1.7 Exploiting service potential of food industry federations and industry branch associations.

Practice

Support establishing and strengthening food chain management and innovation supporting services at your food industry federation and/or industry branch association. Exploit opportunities based on the joint membership of big, medium and small size companies in the same association by focusing on the common interests. For evaluating and representing the specific SMEs lobby aspects special working groups and task forces should be established.

Tools

Food industry federations and industry branch associations are ideally placed for providing food chain and collective market information to chain members. Member companies should acknowledge the importance of such services for the success of their businesses and support the establishment and operation of such functions and development of such skills of the staff of these organisations.

Different tools are available to support the operation of these functions such as a collection of successful cases on chain management and marketing management along the chain and a modular training course on chain management, chain performance and chain strategies.

References

Detailed information can be found in the reports on D.5.1.10. "National report on the view of innovation support organisations" D.5.1.19. "Inventory on reducing bottlenecks and promoting success factors at traditional food supply chains", D.5.1.15. "Report on the similarities and differences of views of producers, consumers and support organisations on the bottlenecks and success factors" at the TRUEFOOD website: www.truefood.eu

3.1.2 Recommendations for support organizations (e.g. food federations, consumer associations, chambers of commerce, local authorities, consumer protection agencies, trade associations)

3.1.2.1 Provision of support services on chain management

Practice

Provide information services on chain management and coordination, organisation support for collaboration along the chain. Promote SMEs participation in networks.

Tools

Food industry federations, food manufacturers' branch associations and other support organisations are ideally placed for provision of chain information and collaboration and networking coordination, organisation services for their members. They can organise workshops PR events. Local events may have a greater impact. There is a major unexploited potential for support organisations to provide assistance to their members for improving their food chain management practices and networking. Systematic efforts have to be made for informing companies about the availability and benefits of those trainings. Support organisations can act as facilitators of links between manufacturers, suppliers and customers. A matchmaking service can be established for chain members and knowledge providers on food chain management.

References

Detailed information can be found in the reports on D.5.1.10. "National report on the view of innovation support organisations" D.5.1.19. "Inventory on reducing bottlenecks and promoting success factors at traditional food supply chains" Issue 2, D.5.1.15. "Report on the similarities and differences of views of producers, consumers and support organisations on the bottlenecks and success factors" at the TRUEFOOD website: www.truefood.eu

3.1.2.2 Creating awareness on good practices of food chain management at traditional food chains

Practice

Organise workshops, seminars, round table discussions for creating awareness of food manufacturers on good practices of food chain management. This is particularly important for SMEs. This should be done primarily for traditional food chains, but the concepts and the principles can be easily adapted to other food chains. These activities can cover the following subjects:

- To explain the concept, basic principles and benefits of food chain management and to explain successful cases of implementing chain approach;
- To establish a matchmaking service between their members and training providers on chain management;
- Support organizations should learn the principles of chain management because particularly the food industry federations are well placed to provide assistance in the systematic application of chain management and marketing management principles. They should get their staff trained and develop skills and capabilities to provide such assistance to their members;
- To help companies to recognize their bottlenecks and success factors. This can be carried out with appropriate "role playing initiatives" e.g.: chain games with chain members,

- Strategic support should be provided e.g.: to show the right way to the food manufacturers for carrying out product, process, or organization innovation along the chain or explain the opportunities for and benefits of collaboration and networking between the chain members and peers;

Confidentiality issues should always be considered.

References

Detailed information can be found in the reports on D.5.1.10. “National report on the view of innovation support organisations; D.5.1.19. “Inventory on reducing bottlenecks and promoting success factors at traditional food supply chains”, Issue 2, D.5.1.15. “Report on the similarities and differences of views of producers, consumers and support organisations on the bottlenecks and success factors” at the TRUEFOOD website: www.truefood.eu

3.1.2.3 Coordination of collective activities

Practice

Organize collective activities such as collective marketing, collective market research collective research and training. Stimulate national and local networks.

Tools

Food industry federations, national technology platform, food manufacturers’ branch associations, industrial food research organizations and other support organizations are ideally placed to organize collective activities for their members. They can facilitate their networking activities between their members. The members can benefit from the collective knowledge, learning from each others experiences and sharing costs. Product knowledge of consumers and distributors can also be improved collectively. A guideline is available as effective knowledge transfer to food SMEs.

Reference

Detailed information can be found in the reports on D.5.1.12. “Summary report on the quantification of the determinants of bottlenecks and success factors “, D.5.1.19. “Inventory on reducing bottlenecks and promoting success factors at traditional food supply chains” Issue 2, and D.8.2.9. “Guideline an effective knowledge and technology transfer activities to SMEs in the food sector with particular focus on traditional food manufacturers” at the TRUEFOOD website: www.truefood.eu

3.1.3 Recommendations for policy makers

3.1.3.1 Supporting exploitation of opportunities in chain management

Practice:

Develop measures for making the industry aware of opportunities in chain management and support their exploitation for creating competitive advantage through harmonised activities between food chain members for meeting customer and consumer requirements better and using resources and capabilities more effectively. Learn the chain management approach and principles and develop policies following these.

Tools

A modular TRUEFOOD training course is available on principles of food chain management, chain performance and on chain strategy development and implementation. An inventory is also available on successful cases on using supply chain and marketing management resources and capabilities. Consider chain management aspects when developing regulations. Develop policies and support schemes for training and implementation of chain management principles with specific attention to SMEs. Provide support and funding for food industry federations, industry branch associations and industry research organisations to inform their members and promote the use of chain management among them. Provide support for training and implementing chain approach and make applications simpler.

Reference: Detailed information on best practice examples is available in D.5.1.10. “Summary report on support organizations”; D.5.1.19. “Inventory on best practices on reducing bottlenecks and promoting success factors at traditional food supply chains” Issue 2; D.5.1.15 “Report on the similarities and differences of views of producers, consumers and support organisations on the bottlenecks and success factors” at the TRUEFOOD website: www.truefood.eu

3.1.3.2 Support innovation of food SMEs, particularly of traditional food manufacturers

Practice:

Develop policies and provide funding for supporting the innovation of food SMEs, particularly traditional food manufacturers to enhance competitiveness. Provide support to food industry federations, industry branch associations, industry research associations, national food technology platforms, which can facilitate innovation and provide assistance for improving competitiveness. Ensure that SMEs will be properly informed about the available funding opportunities.

Tools:

Experiences show that more intensive collaboration with other organisations results in higher innovation capacity and higher innovation capacity is linked to higher perceived profitability and business growth.

By combining complementary resources, capabilities and competences of the chain members along the food chain and peers new joint competences can be developed, the existing ones can be improved to such level, which are superior to the competences of the individual chain members. Since on the current global food market customers and consumers choose from different products by evaluating them together with their related services collaborative efforts will increase their ability to provide a more attractive offer for them than your competitors. Consider to support their collaboration opportunities also with their suppliers from other sectors such as packaging material manufacturers, IT solution and, logistic service providers etc. since they may result in innovative solutions. Provide systematic information to support organisations on available funding opportunities for innovation that they could make their members aware of these.

References:

Detailed information can be found in the reports D.5.1.10 “National report on the view of innovation support organisations”; D.5.1.12. “Summary report on the quantification of the determinants of bottlenecks and success factors” and in D.5.1.19. “Inventory on best practices on reducing bottlenecks and promoting success factors at traditional food supply chains” Issue 2; D.5.1.15 “Report on the similarities and differences of views of producers, consumers and support organisations on the bottlenecks and success factors”; at the TRUEFOOD website (www.truefood.eu)

3.1.3.3 Sources of knowledge by geographical distance

Practice

At designing regional innovation support and funding policy do not limit funding of sources of knowledge to the region, where the food business operates but support the broader sourcing of knowledge.

Tools

Food SMEs, particularly those, which deal with traditional food usually need external source of knowledge for their innovation. Since it was established that the traditional food SMEs with higher innovation capacity find the support they need from longer geographical distances, mainly from national, but to a certain extent at European level while companies with low innovation capacity prefer local help, it is feasible to support that SMEs could involve the best available knowledge from national and international level also for project funded by regional schemes

References:

Detailed descriptions are available in the report D.5.1.12. “Summary report on the quantification of the determinants of bottlenecks and success factors“ at the Truefood website: www.truefood.eu .

3.1.4 Recommendations for knowledge providers

3.1.4.1 Definition of the traditional foods

Practice

Use the definition of traditional foods, which integrates the view of consumers’ and chain members.

Tools

A verified definition of traditional foods is available, which was developed specifically for research purposes and its applicability was verified through different research tasks. It can be particularly helpful in qualitative and quantitative research on consumer, marketing and chain management subjects.

When this definition is used as an input for marketing and chain strategy the specific cultural background of the consumers in the target market should be considered. A more detailed interpretation should be developed, which should reflect the priorities of the consumers in perception of the value of the different attributes in different countries, regions in Europe.

Reference

For more details please consult D.1.2.1.3 "National and Cross-National reports of the consumer survey" and D.5.1.15 "Comparison of views of producers versus consumers and support organisations" at the TRUEFOOD website: www.truefood.eu

3.1.4.2 A systematic approach for analysing bottlenecks and success factors in food chains

Practice

Analyse bottlenecks and success factors of traditional food chains by using a systematic approach. Analyse other food chains by following the concept used for traditional foods by adapting it for the specific determinants of supply chain and marketing management resources and capabilities.

Tools

A tool is available for food chains producing traditional foods for identification of bottlenecks and success factors of efficient use of supply chain and marketing management resources and capabilities. This tool can be adapted to other food chains by screening the specific determinants of supply chain and marketing management resources and capabilities of these chains.

Reference

Detailed information on best practice examples is available in D.5.1.19. "Inventory on best practices on reducing bottlenecks and promoting success factors at traditional food supply chains" Issue 2 at the TRUEFOOD website: www.truefood.eu.

3.1.4.3 Specific requirements of chain surveys

Practice

Consider that for a survey on food chains interrelated members from the same chain have to be involved resulting in specific hurdles and requirements for conducting the survey. Develop deep knowledge about the sector you try to research before visiting the companies.

Tools

A guideline is available for conducting chain surveys focused on the main differences in preparing and conducting surveys with interrelated members of a food chain compared to interviewing individual companies or consumers for users who have some experiences in conducting surveys in general. Researchers can find many practical advices in that.

Reference

Detailed information can be at the TRUEFOOD website (www.truefood.eu)

3.1.4.4 Innovative solutions for eliminating bottlenecks and strengthening success factor in food chain

Practice

Use chain approach to assist companies in solving their competitiveness and market access problems. Explore opportunities for elimination or reduction of bottlenecks and strengthening success factors in traditional and other conventional and specific food chains by combining complementary resources and capabilities of chain members and/or peers. Explore opportunities in development of new knowledge based on interdisciplinary research and adaptation of successful solutions from other disciplines. Collect successful experiences in networking from all over the world and good practices for initiating and operating networks.

Tools

By combining complementary resources, capabilities and competencies of the chain members along the food chain and between the peers improved joint competences can be developed. Research targeted for developing new methods and mechanisms for improving collaboration of chain members along the chain and particularly with suppliers from other disciplines like packaging material manufacturers, IT solution and logistic service providers, etc. can result in new innovative, practically applicable solutions. An inventory is available on successful examples of innovative solutions in food chain management and marketing management.

Reference

Detailed descriptions are available in D.5.1.12. “Summary report on the quantification of the determinants of bottlenecks and success factors” and in D.5.1.19. “Inventory on best practices on reducing bottlenecks and promoting success factors at traditional food supply chains” Issue 2 at the TRUEFOOD website (www.truefood.eu)

3.2 Development and use of a Benchmark for evaluating marketing management capabilities of traditional food producers (Task 5.2)

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3.2.1 Recommendations for food businesses

Practice

SMEs should understand the market better, by investigating the needs of customers and final consumers, the strategy of the competitors, the skills of the suppliers, the situation of the marketplace.

With relation to the managerial implications they should reorganise internally their marketing activity giving more importance to the evaluation of the achievement of the results. Within the firms the roles, the tasks and the liabilities should be clearly defined, by directing specific human resources to the marketing activities, especially planning and evaluation.

Tools

The manager should put more efforts into collecting information about the market, by investing in buying market research reports which could give an idea of the situation of the market and competitors. Moreover, a self-evaluation questionnaire is still available on the Truefood website (www.truefood.eu), allowing the SMEs to find out their marketing capabilities in comparison with those of other European SMEs.

Furthermore, managers should define the objectives and the strategy, and also fix internal periodical deadlines in order to facilitate their achievement. In order that the strategy could be improved continuously, the results achieved have to be checked and reviewed, to understand if the objectives previously set have been reached. If not corrective actions should be taken. For example, inside the firms money incentives could be established to those employees who are able to reach particular sales objectives, and, on the contrary, a penalty could be imposed to the ones that are careless.

Training courses on marketing management should be organised in order to obtain specialised human resources to be employed in the food firms.

Reference

Detailed descriptions are available in D.5.2.10. “Targeted Action plan”.

3.2.2 Recommendations for support organizations (e.g. food federations, consumer associations, chambers of commerce, local authorities, consumer protection agencies, trade associations)

Practice

More intensive and effective dissemination activities are needed about the sources, where market information is available. Above all the firms should be informed about those websites, available market reports, and any other sources of data from which the firms can extend their knowledge about the market.

Tools

Support organizations should organize conferences and “open days” for food SMEs focused on the marketing management capabilities. A consulting desk at local/regional/national level should be installed for finding solutions for the problems of SMEs concerning marketing.

Food industry federations, food manufacturers’ branch associations and other support organisations are ideally placed for provision of information, collaboration and networking coordination, organisation services for their members. There is a major unexploited potential for support organisations to provide assistance to their members for improving their marketing management capabilities.

Reference

Detailed descriptions are available in D.5.2.10. “Targeted Action plan”.

3.2.3 Recommendations for policy makers

Practice

It is recommended to organize some competitions among firms at sector level for awarding a prize for reaching some fixed goals related to the marketing management.

More effective dissemination of information is needed regarding the market, above all by keeping the firms informed about the websites, the market reports, and any other sources of data useful for the firms to know the market where they operate better.

Tools

Policy makers should support food SMEs by establishing a funding in the national budget and offer them opportunities for participating in the projects for improving the marketing management capabilities of the food SMEs.

Training courses have to be organised to make the firms more aware of the importance of the marketing management also in the micro and small organisations. Micro and small firms should be helped in entering the European research programs. Also, the academic research should be stimulated to develop marketing models focused on micro firms.

Reference

Detailed descriptions are available in D.5.2.10. “Targeted Action plan”.

3.2.4 Recommendations for knowledge providers

Practice

Training courses should be organised for chain members to make the firms more aware of the importance of the marketing management also in the micro and small organisations. and to extend the marketing skills of their employees.

Tools

Organise trainings on the evaluation of marketing activities of the SMEs during which individual exercises with the own cases of the SMEs can be carried out.

The academic research should be extended to participation in the development of marketing models focused on micro firms and it is necessary to promote the subject on micro and small firms and their involvement into the European research programs.

Trainings should be provided for marketing managers of the food businesses to make them informed about the possible strategies of the firms in the market.

Reference

Detailed descriptions are available in D.5.2.10. “Targeted Action plan”.

3.3 Determine indicators of overall traditional food supply chain performance (Task 5.3.)

Contact for further information on the recommendations 3.3.1.1 – 3.3.1.4; 3.3.4.1 – 3.3.4.4 in this Chapter:

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3.3.1 Recommendations for food SMEs

3.3.1.1 Identification of chain goals

Practice

Identify chain goals in the operation of your specific food chain

Tools

A systematic approach is available for food chain members for identifying common, conflicting and divergent goals of chain members of traditional food chains which can be adapted to other food chains as well. This tool can be used for setting chain goals, based on which chain performance measurement instruments can be developed. For identifying common goals, a common ground, and a certain level of trust is necessary between the chain members.

Carry out the following steps in sequence:

1. Identify the members of your specific food chain
2. Identify the goals of the members of your chain
3. Consolidate the goals of the members of your chain by evaluating the goals based on their common or conflicting/divergent nature and eliminating them if only one type of the chain actors (suppliers, food manufacturers or customers) endorsed them
4. Identify potential sub-goals
5. Select the key chain goals and key sub goals.

Reference

Detailed descriptions are published in (Molnár et al., 2009).

3.3.1.2 Identification of chain governance structures

Practice

Identify governance structures along your specific food chain

Tools

A theoretically grounded taxonomy was developed to identify governance structures in selected traditional food chains. The identification of chain governance structures is especially useful in case of chains where one chain member has a significant power over the others and there is a need to rebalance this.

Carry out the following steps in sequence:

1. Identify the following transactions in your specific food chain
 - T1. Between farmers and their input suppliers.
 - T2. Between farmers and the first processing step.
 - T3. Between the first and the second processing step.
 - T4. Between the last processing step and wholesalers.
 - T5. Between wholesalers (or the last processing step) and the retailers.
2. Identify the governance structures of each transactions using the taxonomy (value the determining variables).

Reference

Detailed descriptions are published in (Gellynck and Molnár, 2009a). A detailed description is available at www.truefood.eu (D 5.3.2)

3.3.1.3 Chain performance measurement

Practice

Measure chain performance of your specific food chain

Tools

A theoretically grounded performance measurement tool was developed to measure traditional chain performance.

Carry out the following steps in sequence:

1. Identify the members of your specific food chain
2. Identify the performance of the members of your chain with the help of the performance measurement tool developed
3. Identify performance gaps along your food chain

Reference

Detailed descriptions are published in (Gellynck and Molnár, 2009a).

A detailed description is available at www.truefood.eu (D 5.3.3) and (D 5.3.8)

3.3.1.4 Measurement of the quality of chain relationships

Practice

Measure the quality of the chain relationships in your specific food chain

Tools

A theoretically grounded instrument was developed to measure the quality of chain relationships.

Carry out the following steps in sequence:

1. Identify the members of your specific food chain
2. Identify the quality of chain relationships your chain with the help of the instrument developed

Reference

Detailed descriptions are published in (Gellynck and Molnár, 2009a).

A detailed description is available at www.truefood.eu (D 5.3.8)

3.3.1.5 Improving the performance of the whole chain**Practice**

Small and medium-sized firms operating in the traditional food sector should aim at increasing the overall performance of the whole chain, not only on their own one.

Success and failure of traditional food will be decided chain-wide, not solely at the level of any specific firm, especially if it is small or medium-sized. Cooperation along the chain is necessary to generate a substantial and sustainable high performance at chain level.

Small and medium-sized firms operating in the traditional food sector should assess and be aware of the quality of the relations present in the chain. Good and bad relationships, cooperative and conflicting interrelationships, characterized by symmetric or asymmetric power, leading to even or uneven balance of strength, can exert a significant influence on how the overall performance of the chain is distributed back to each member.

To improve the overall performance and to increase their own share in it, firms should take into consideration and, sometimes should make efforts to modify the quality of the relations that unite the chain.

SMEs should devise strategies aimed at improving the performance of the chain, highlighting common goals, an Action Plan and responsibilities distributed along the chain.

SMEs have an overarching interest in "thinking big" and proposing their strategies to the partners, because the adoption of strategies can't be imposed hierarchically. SMEs should take the lead, informally and formally and carry out consultations with their near and distant partners of the chain. They should initiate a process of mutual adjustment and harmonization of the objectives and activities, which can result in elimination of many bottlenecks and the enhancement of change.

Tools

SMEs can explore an initial set of 12 chain strategies developed by WP5.3 as example of possible goals, action plans, responsibilities and resources. Each of them involves several members of the chain in delivering actions to obtain the overall goal.

- Product Improvement*;
- Product Modification*;
- Make finance more robust;
- Improve flexibility;
- Improving the quality of the production process throughout the chain;
- Improvement of the price-value rate in the supply chain;
- Branding traditional food production based on the chain*;
- Increase the environmental compatibility of your business;
- Reformulate logistics;
- Increase the reputation of your firm in the chain*;
- Enhance and take advantage of your networks*;
- Make your communication within the chain more effective.

* recommended for micro enterprises as well

The 12 developed innovative chain strategies have been shortly described earlier in 2.3.8.3 – 2.3.8.4.12

Reference:

A detailed description is available in the report D.5.3.11. “Summary report testing and adapting innovative chain strategies” available at the TRUEFOOD website: www.truefood.eu In particular, the full list of actions, resources needed and how to share responsibility for execution are provided.

3.3.2 Recommendations for support organisations (SOs)

3.3.2.1 Promoting awareness and knowledge of SMEs on benefits of chain approach and the importance proper performance of the whole chain

Practice:

Support organisations (e.g. food industry federations, consumer associations, technopoles, chambers of commerce, local authorities, consumer protection agencies, trade associations, etc.) should act on-goingly as regular and on-demand-consultants to increase chain awareness of served firms

Tools:

Support organizations can set up and spread glossaries to help understanding the chain, in order to make companies aware of the chain philosophy . SOs can do this by producing and adjusting:

- booklets on chain description, glossaries, chain charts and definitions;
- different booklets for different chains, emphasizing the defining key aspects of each chain and describing the key features of these chains;
- booklets and short information on specific knots or ring of the chain;

SOs play a major role in protecting the identity and self-perception of companies at district and branch level. The chain approach should be promoted among companies with a low rate of awareness of it by strengthening the vision with frequent messages and proper tools to reduce ignorance of this aspect. Recurrent sessions to check progress of served firms and to spread practices are organized on the basis of defined targets (at territorial or branch level).

3.3.2.2 Role playing and strategic games with chain simulations

Practice

Support organizations should organize conferences and “open days” focused on both chain belonging and strategy building. Firms should be helped to:

- recognize their chain affiliation by identifying their place and function in the chain, by representing their own position in it and by appreciating interrelationships with other chain members. This can be done with appropriate “role playing initiatives” in context of simulated chain games in training sessions or other collective initiatives;

Tools

Strategic games with chain simulations are effective tools for presenting SMEs their role in devising new techniques and approach to old problems. Much could be gained by repeated occasions of contacts with firms beyond traditionally adopted programs. Companies, including SMEs, are receptive to new language and favour new design for collective information.

Role playing is very conducive for such exercises to provide support both in terms of short, easy to understand publications, to associate with role playing strategic games, possibly with the help and assistance of strategic tutors to guide firms in adopting a strategic attitude and mentality. SOs can gain a lot from using an innovative approach in their own trade proposals and should insert new competences and skills into their programs to overcome the scepticism and the disillusion of affiliated companies.

3.3.2.3 Provision of neutral meeting place

Practice:

Support organizations provide a neutral meeting place to chain summits to discuss controversial issues regarding chain balance and conveniences

Tools:

- SOs can invite firms operating in the same chain to start a dialogue and discuss with them problems related to the efficacy and efficiency of the chain.
- SOs can accompany companies with their expertise to reinforce negotiating capacity of the chain (a typical example could be building up a negotiating position of small and medium-sized producers facing large retailers.
 - An important attribute could be linked to the mediating role what they can exercise on occasions as a “chamber of compensation” for tackling with major difficulties in intra-chain or “chain-to-extra chain” negotiations. This role can be

of value for SMEs whose interests are often under-represented in similar processes.

3.3.2.4 Support to SMEs for monitoring and understanding customer trends

Practice

Support organizations should support firms in winning consumer confidence by deploying reliable information about processes and practices adopted by industrial subjects.

Tools:

Monitoring and summarizing current trends in consumers preferences on non sensorial issues in the purchasing behaviour (ethical issues, environment, health and nutritional claims, social issues associated to food production, manufacturing and trade, etc.) through user-friendly means of information (newsletters, on line information, etc.) and keep companies informed about the regulatory developments at both branch and sectorial levels to signal new and evolving themes;

Investment into training to support company staff to learn and understand themes and issues of consumer concern in order to help them to give timely and technically appropriate response to questions raised by the consumers.

These actions take into account the role of SOs in designing areas of interest and competence that are not readily implemented at company level. Consumers' attitudes and concerns are general issues that cross cut the branches and specializations of food manufacturers and are better designed within processes of collective actions.

3.3.3 Recommendations for policy makers

3.3.3.1 Support implementation of chain strategies, which are in harmony with public interest

Practice

Policymakers (ministries of economy, industry, trade, agriculture, regional development agencies) and funding bodies (banks, venture capital, financial cooperatives, foundations, fundraisers) should act in the interest of developing chain based provisions for firms.

Tools

Careful analysis of the overlapping areas between chain strategies and public interest (as for instance in terms of national and regional development, sustainability, and labour markets, etc.) and, in those areas, provide complementary factors to the success of the strategies.

Mapping the chains and exploring which are the strategies explicitly and implicitly adopted along the chain by the leading firms but also by horizontal networks. Policymakers should be

able to grasp the complexity of the traditional food sector by using the common tool of conceptual and graphical representation the large number of chain members and complexity of their relationships provided by the TRUEFOOD project They should elicit their strategies both by surveys, as carried out in the TRUEFOOD project and by direct and indirect interacting with them.

By comparing national and regional strategies with those put forth by the chains, policymakers can evaluate and rank these strategies and select those ones that deserve a particular treatment, since they contribute to the public goals. The success of those chains / strategies which deserved public support should be enhanced by providing tangible and intangible resources and assets to generate positive externalities. Chains developing common goals and implementing chain strategies for serving public interest as well should receive better rating, because they are likely to make a better use of resources, by enhancing actions throughout the chains following a common strategy.

3.3.4 Recommendations for knowledge providers

3.3.4.1 A systematic approach for identifying chain goals

Practice

Analyse chain goals by using a systematic approach.

Tools

A tool is available for identifying common, conflicting and divergent goals of chain members of traditional food chains which can be adapted to other food chains as well. This tool can be used for setting chain goals, based on which chain performance measurement instruments can be developed. In order to be able to use the tool properly, trust-based relationship should be developed between the knowledge providers and the chain members participating in the analysis.

Reference

A detailed description is published in (Molnár et al., 2009).

3.3.4.2 Identification of chain governance structures

Practice

Identify governance structures along a specific food chain

Tools

A theoretically grounded taxonomy was developed to identify governance structures in selected traditional food chains.

Reference

Detailed descriptions are published in (Gellynck and Molnár, 2009a).

3.3.4.3 Supply chain performance measurement

Practice

Measure chain performance of a specific food chain

Tools

A theoretically grounded performance measurement tool was developed to measure traditional chain performance.

Reference

Detailed descriptions are published in (Gellynck and Molnár, 2009a).

A detailed description is available at www.truefood.eu (D 5.3.3) and (D 5.3.8)

3.3.4.4 Measurement of the quality of chain relationships**Practice**

Measure the quality of the chain relationships in a specific food chain

Tools

A theoretically grounded instrument was developed to measure the quality of chain relationships.

Reference

Detailed descriptions are published in (Gellynck and Molnár, 2009a).

A detailed description is available at www.truefood.eu (D 5.3.8)

3.3.4.5 Mutual communication with the industry**Practice**

Knowledge providers should act regularly in the interest of SMEs with dedicated services

Tools

Knowledge providers should

- diffuse and disseminate knowledge to firms, especially to SMEs, in the form of industry friendly outputs, particularly informative tools like user's manuals and short instructions aimed at capacity building on specific technical issues. These documents should promote reliable self-learning practices at company level;
- collect contributions to publications (journals and magazines) from the R&D and technical departments of the companies, soliciting articles and contributions e.g.: interviews) from the industry research staff, so that information flows from practices as they evolve from problem solving activities in firms and not only from idealistic scientific procedures. By collecting experience, company staff comparing company cases and showing simple solutions, the publishing facilities help building communities of practices, with recognized leaders and audience.

The results of the survey carried out by WP5 (D. 5.1.4. - questionnaire question 4) demonstrated the prevalence of self-study as a method to keep knowledge within firms updated. This pro-active attitude should be leveraged and nurtured.

3.3.4.6 Job exchange between researchers and company staff

Practice

Knowledge providers should encourage programs aimed at a kind of cross-organizational border “job exchange”(namely researchers should temporarily work in the production facilities and company workers in experimental laboratories).

Tools

- academic personnel should have time, money coverage and genuine occasions to see how scientifically underpinned solutions can be feasible once transferred into the practice;
- company’s people should have time, money coverage and genuine occasions to “taste” the logic of scientific discovery and its implementation.

The habit to build up mixed teams for increasing the awareness of businesses. of the importance of innovation can be obtained with intensive work on “switching the roles” between production line and laboratories in order to shape problem solving communities with different skills working “hand in hand”.

3.3.4.7 Enhance knowledge transfer

Practice

Knowledge providers should encourage more flexibility and spread the technology transfer business.

More specifically:

- networks of competence for technology transfer should be put in a position to cooperate and learn from each other’s experience of enhancing the formation of “critical mass” that increase the impact of innovation initiatives;
- technology transfer competences should include quick response service units, i.e. task forces that can be mobilized on demand for specific assistance by firms quick response to their requests and are willing to learn from experience of others and tailor made problem solving. This may lead to services, which can be self-financed from fees, after an introductory period with public support.

Technology transfer activities are frequently associated to various organizational formulae, often with a sponsoring or financial role of supporting organizations together with knowledge providers (consortia dedicated to innovation are a common way to tackle this delicate issue). In many cases technology transfer risks to be an objective in the interest of SOs themselves, as public funding is quite often given to Support Organizations as mediating partners between research and industrial applications. This can lead to self-centred interests to the detriment of the real needs of the companies with loss of impulse in providing good reasons for innovation and a clear damage of reputation for many knowledge providers.

3.3.4.8 Acting as mediators between the chain members

Practice

Knowledge providers should use “shuttle diplomacy” approach with all members of the chains.

Knowledge providers must be perceived in the food chain as resources and independent, impartial and pervasive helpers to the food industry.

Tools

Tools include:

- generating favourable occasions of meetings among chain members to cope with controversial issues, leading to conflicts of interest between focal companies suppliers and clients;
- laying down basic discussion drafts of dossiers of strategic value for chain members with inputs from all sides, helping evolving a consensus;
- proposing experiences and best practices from the repositories of research activities for actions for determining a “win-win” strategy.

3.4 Innovative distribution strategies for traditional food products (Task 5.4.)

Contact for further information on the recommendations in this Chapter:

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3.4.1 Recommendations for SMEs – micro, small, and medium sized enterprises

3.4.1.1 Choice of right distribution strategy

Practice:

Alternative, innovative distribution strategies, developed in work package 5.4 might not fit equally well for every traditional food product.

Comment from Hungarian round table:

- Different distribution strategies need to be chosen for different target markets: local market, regional, national through retailer chains, export

Tools:

Due to the wide variety of types of traditional food products it is necessary that any (traditional) food producer is evaluating which strategy is best fitting to the product’s requirements, the firm’s/ chain’s resources and capabilities, as well as on the environment the traditional food manufacturer and his/her chain is operating in.

Hence, two major steps need to be considered prior to strategy implementation:

1. Thorough analysis for the decision-making is necessary, i.e. by means of SWOT and SOR analysis.
2. Subsequently a detailed action plan, including a resource estimation and involvement of chain partners and third party experts in order to overcome problems related to lack of financial, human, and/or knowledge resources and for sharing risks, costs and benefits.

Reference:

A summary of the 12 developed and evaluated strategies is provided under point 2.4.2 in this document. Detailed information about the 12 strategies is available in D5.4.10&11 “National and summary report on evaluation of innovative distribution strategies” at the TRUEFOOD website: www.truefood.eu

3.4.1.2 Decision-making

Practice:

Do not let the choice of the right innovative distribution strategy be a coincidence. Use appropriate decision-making tools, such as SWOT and SOR analysis, and Detailed Action plan including the involvement of chain members and third parties.

Tool:

For the SWOT analysis the formulation of specific and verified internal strengths and weaknesses, and external opportunities and threats according to a particular situation is necessary. Subsequently, the strengths and weaknesses need to be confronted with the opportunities and threats (SOR analysis). The confrontation allows the identification of those strengths and weaknesses which match best the opportunities and threats. Furthermore, sound decision making is possible based on the outcome of the SOR analysis, e.g. in case when strengths are not sufficient to benefit from the opportunities and to cope with the threats it is very probably that the strategy does not fit to the product’s requirements, the firm’s/ chain’s resources and capabilities, and the environment of the traditional food producer.

Reference:

For an overview please consult D 5.4.11 “Summary report on evaluation of innovative distribution strategies” at the TRUEFOOD website: www.truefood.eu .

3.4.1.3 Detailed action plan

Practice:

Set up of a detailed action plan and resource estimation.

Tool:

An action plan includes a list of action steps (tactics) listed in chronological order, necessary for accomplishing the intended strategy. Additionally, the necessary resources for each step can be estimated, allowing a more objective evaluation whether the developed strategy is realizable with the available resources and capabilities of the firm and the chain. Following resources are considered to be evaluated: human resources, financial resources, necessary equipment, and information resources

Reference:

For an overview please consult D 5.4.11 “Summary report on evaluation of innovative distribution strategies” at the TRUEFOOD website: www.truefood.eu .

3.4.1.4 Mutual gains and savings – Involvement of chain partners and third party experts**Practice:**

Generate mutual gains and savings during strategy development and implementation together with chain partners and third party experts.

Tool:

For the successful implementation of the chosen strategy it is beneficial to involve other players of the firm’s business environment, such as the direct supplier and customer, but also third parties, such as governmental and non-governmental support organizations of the sector, research institutions, business consultants etc. Implementing a distribution chain strategy collaboratively with the other members of the chains generates additional mutual gains and savings for chain members. Though, for a successful strategy implementation it is important to have a clear chain strategy and long-term perspectives. For a well-performing collaboration it is necessary to state clearly the distribution of tasks and responsibilities in the detailed action plan from the very beginning of strategy development and/or implementation. This will assure that the individual goals of every partner are respected by the common goals in the collaboration network.

Reference:

For an overview please consult D 5.4.11 “Summary report on evaluation of innovative distribution strategies” at the TRUEFOOD website: www.truefood.eu .

3.4.2 Recommendations for support organizations**3.4.2.1 Initiate and support of development of alternative distribution strategies****Practice:**

Initiate and support of development of a distribution strategy as an alternative to the usual distribution channels, such as supermarkets, which respond better to the special character of traditional food products. Consider the consequences of the differences in the resources and capabilities of the micro and small businesses compared to the medium-sized ones. Pay specific attention to those micro-farmers who are producing their own processed products, mostly for local sales.

Tool:

For the development of alternative distribution channels for traditional food products best practice examples can be used as starting point. In a next or simultaneous step traditional food producers should be involved in the development phase, because they know best the special characteristics of their traditional food products.

Thus, the development phase should start with idea collection phase of which the most promising ones are selected unanimously with all concerned partners. Following, for each selected idea a strategy should be developed (formulation of vision and mission and conduction of SWOT analysis). In order to identify the best fitting/most promising strategy SOR analysis should be conducted and a detailed action plan, including a thorough resource assessment, should set up.

Reference:

An overview of the development process and the decision-making tools are provided in D 5.4.11 “Summary report on evaluation of innovative distribution strategies” at the TRUEFOOD website: www.truefood.eu. A compilation of best practice examples is available in D.5.1.19 “Inventory on best practices on reducing bottlenecks and promoting success factors at traditional food supply chains – Issue 2” also available at the TRUEFOOD website.

3.4.2.2 Support traditional food producers at the decision-making step

Practice:

Offer trainings for the conduction of SWOT and SOR analysis (in forms of seminars, workshops etc.) for traditional food producers and their chain partners.

Tool:

The identification of the internal strengths and weaknesses, and the external opportunities and threats (SWOT analysis) as well as their confrontation (SOR analysis) is an important part of the decision-making process. The success of SWOT and SOR analysis depends strongly on clear and specific formulated internal strengths and weaknesses, and external opportunities and threats according to a particular situation. In particular traditional food producers, which are mainly SMEs, could benefit from support on this matter.

Reference:

For an overview please consult D 5.4.11 “Summary report on evaluation of innovative distribution strategies” at the TRUEFOOD website: www.truefood.eu.

3.4.2.3 Support traditional food producers at setting up a detailed action plan

Practice:

Provide support for setting up a detailed action plan including estimation of resources

Tool:

An action plan includes a list of action steps (tactics) listed in chronological order, necessary for accomplishing the intended strategy. Additionally, the necessary resources for each step can be estimated, allowing a more objective evaluation whether the developed strategy is realizable with the available resources and capabilities of the firm and the chain. The following resources should considered to be evaluated: human resources, financial resources, necessary equipment, and information resources

Traditional food producers could be supported for setting up a detailed action plan by individual monitoring or by group exercises, such as trainings or seminars about the topic.

Reference:

For an overview please consult D 5.4.11 “Summary report on evaluation of innovative distribution strategies” at the TRUEFOOD website: www.truefood.eu .

3.4.2.4 Increasing the awareness of the importance of involving chain partners and third party experts

Practice:

Create and increase awareness and provide support to traditional food producers for successful ways of achieving mutual gains and savings during strategy development and when involving chain partners and third party experts in the strategy development and the implementation process.

Tool:

For the successful implementation of the chosen strategy it is beneficial to involve other players of the firm’s business environment, such as the direct supplier and customer, but also third parties, such as governmental and non-governmental support organizations of the sector, research institutions, business consultants etc. Though, for a successful strategy implementation it is important to have a clear chain strategy and long-term perspectives.

During the TRUEFOOD project, work package 5 conducted several trainings on chain management, chain strategy and chain performance. These three aspects are covering in particular, how successful involvement of chain partners and third parties can be achieved. The best training formula is the conduction of an interactive workshop, where the participants of the training receive a short introduction after which they are asked to participate in exercises, where they can try to put in practice what they just have learned.

Reference:

For an overview on the involvement of chain partners and third party experts please consult D 5.4.11 “Summary report on evaluation of innovative distribution strategies” at the TRUEFOOD website: www.truefood.eu.

3.4.3 Recommendations for policy makers

3.4.3.1 Support the development and implementation of alternative distribution strategies for traditional food products

Practice:

Policy makers could ease the administrative burden of applying for financial and non-financial support by simplifying the application procedure. Consider the consequences of the differences in the resources and capabilities of the micro and small businesses compared to the medium-sized ones. Pay specific attention to those micro-farmers who are producing their own processed products, mostly for local sales.

Tool:

During the whole TRUEFOOD project traditional food producers stated repeatedly that burdens of administration are high and that policy roles and implications are not always clearly formulated.

In order to support traditional food producers and their chains to develop and implement alternative distribution strategies tailored to the specific characteristics of their product, policy makers could provide better accessibility to the support options existing. This could be through (helpdesk) support during the application procedure, easier understandable explanations of the implications, and, on the long-term, more tailor-made regulations and laws. Simple, clear requirements following a risk based approach and simple, clear, quick procedures for approval of the production sites for artisan products and authorisation of sales activities can significantly help the market access of traditional food products.

Reference:

For an overview please consult D 5.4.11 “Summary report on evaluation of innovative distribution strategies” at the TRUEFOOD website: www.truefood.eu .

3.4.3.2 Encourage the involvement of chain partners and third party experts

Practice:

Encourage the involvement of chain partners into joint activities along the chain beyond the aspects of food safety and transparency. Chain partners and third party experts can and should be also involved in areas, such as (distribution) chain management, strategy development and implementation, and/or the innovation process which would improve the regional and national economic situation.

Tool:

The traditional food producer could be encouraged stimulated to involve chain partners and third party experts for (distribution) chain management, strategy development and implementation, and/or the innovation process by e.g. implementing positive stimulation actions.

Reference:

For an overview on the involvement of chain partners and third party experts please consult D 5.4.11 “Summary report on evaluation of innovative distribution strategies” at the TRUEFOOD website: www.truefood.eu.

3.4.4 Recommendations for knowledge providers

3.4.4.1 Input und support for development of alternative distribution strategies

Practice:

Provision of input and support for the development of innovative alternative distribution strategies tailor-made for traditional food producers in particular and food SMEs in general.

Tool:

Through repeated review of the scientific and technical literature an inventory of possible distribution problems can be maintained, which can be used as starting points/ideas for innovative or alternative distribution strategies for traditional food producers. Following,

traditional food producers should be involved in the strategy development phase, because they know best the special characteristics of their traditional food products.

Thus, the development phase should start with idea collection phase of which the most promising ones are selected unanimously with all concerned partners. Following, for each selected idea a strategy should be developed (formulation of vision and mission and conduction of SWOT analysis). In order to identify the best fitting/most promising strategy SOR analysis should be conducted and a detailed action plan, including a thorough resource assessment, should set up.

Reference:

An overview of the development process and the decision-making tools are provided in D 5.4.11 “Summary report on evaluation of innovative distribution strategies” at the TRUEFOOD website: www.truefood.eu. A compilation of best practice examples is available in D.5.1.19 “Inventory on best practices on reducing bottlenecks and promoting success factors at traditional food supply chains – Issue 2” also available at the TRUEFOOD website.

3.4.4.2 Support traditional food producers at the decision-making step

Practice:

Offer trainings for the conduction of SWOT and SOR analysis (in forms of seminars, workshops etc.) for traditional food producers and their chain partners.

Tool:

The identification of the internal strengths and weaknesses, and the external opportunities and threats (SWOT analysis) as well as their confrontation (SOR analysis) is an important part of the decision-making process. The success of SWOT and SOR analysis depends strongly on clear and specific formulated internal strengths and weaknesses, and external opportunities and threats according to a particular situation. In particular traditional food producers, which are mainly SMEs, could benefit from support on this matter.

Reference:

For an overview please consult D 5.4.11 “Summary report on evaluation of innovative distribution strategies” at the TRUEFOOD website: www.truefood.eu.

3.4.4.3 Support traditional food producers at setting up a detailed action plan

Practice:

Provide support for setting up a detailed action plan including estimation of resources.

Tool:

An action plan includes a list of action steps (tactics) listed in chronological order, necessary for accomplishing the intended strategy. Additionally, the necessary resources for each step can be estimated, allowing a more objective evaluation whether the developed strategy is realizable in according with the firm’s and chain’s resources and capabilities. Following resources are considered to be evaluated: human resources, financial resources, necessary equipment, and information resources.

Traditional food producers could be supported for setting up a detailed action plan by individual monitoring or by group exercises, such as trainings or seminars about the topic.

Reference:

For an overview please consult D 5.4.11 “Summary report on evaluation of innovative distribution strategies” at the TRUEFOOD website: www.truefood.eu .

3.4.4.4 Increasing the awareness of the importance of involving chain partners and third party experts

Practice:

Create and increase awareness and provide support to traditional food producers for successful ways of achieving mutual gains and savings during strategy development and when involving chain partners and third party experts in the strategy development and the implementation process.

Tool:

For the successful implementation of the chosen strategy it is beneficial to involve other players of the firm’s business environment, such as the direct supplier and customer, but also third parties, such as governmental and non-governmental support organizations of the sector, research institutions, business consultants etc. Though, for a successful strategy implementation it is important to have a clear chain strategy and long-term perspectives.

During the TRUEFOOD project, work package 5 conducted several trainings on chain management, chain strategy and chain performance. These three aspects are covering in particular, how successful involvement of chain partners and third parties can be achieved. The best training formula is the conduction of an interactive workshop, where the participants of the training receive a short introduction after which they are asked to participate in exercises, where they can try to put in practice what they just have learned.

Reference:

For an overview on the involvement of chain partners and third party experts please consult D 5.4.11 “Summary report on evaluation of innovative distribution strategies” at the TRUEFOOD website: www.truefood.eu.

4. Glossary

Action plan

An action plan includes a list of action steps (tactics) listed in chronological order. Those steps, taken together, accomplish the intended strategy. Additionally, the necessary resources for each step can be estimated, allowing a more objective evaluation of the feasibility of the developed strategy. Following resources are considered to be evaluated: human resources, financial resources, necessary equipment, and information resources.

Distribution chain

The distribution chain can have a number of levels. The simplest level exists, when there is a direct contact between the producer and the end-user with no intermediaries involved. The next level, when there is one intermediary (e.g. in consumer goods a retailer, for industrial goods a distributor). In large markets (such as larger countries) a second level, a wholesaler for example, is now mainly used to extend distribution to the large number of small, neighbourhood retailers.

SOR

In order to evaluate the identified items of the SWOT analysis it is necessary to structure the items and subsequently confront the internal with the external constraints (strategic orientation round (SOR)). With SOR-analysis it is possible to identify those opportunities and threats which match best strengths and weaknesses of an organization and to attain an explicit link between diagnosis and assessments for strategic decisions and action plans. However, the quality of the SOR-analysis is heavily dependent on the quality and clarity of the SWOT-analysis. Based on the SOR-analysis several strategic options can be identified. These options should be enough to have an impact, but not be too many, in order to still be manageable.

Support organisations

Food industry federations, food manufacturers' branch associations, R&D institutions, universities, technology partners – licensors and licenses, information technology providers, consultants etc.

SWOT

An appropriate decision-making tool is the analysis of internal strengths and weaknesses and external opportunities and threats (SWOT-analysis) in order to evaluate the business ideas prior to implementation. Thereby, it is very important to formulate specific point for each of the SWOTs.

Traditional food products

Traditional Food Products intends to include not only protected and patented food, but also all regional and national products in cooking traditions. The project focuses on increasing value

to both consumers and producers and on supporting the development of realistic business plans for all components of the food chain, using a fork to farm approach.

- The product is regularly consumed or associated to specific celebrations and/or seasons – consumers (WP1);
- Time factor: usually 50 years – commercial availability in stores and restaurants – chain members (WP5);
- Specific way of production – according to the gastronomic heritage – authenticity (recipe, origin of raw material, production process);
- Associated to a certain area (local, regional, country);
- Distinguished and known because its sensory properties;
- Gastronomic heritage: has a story, which can be written down – chain members (WP 5)

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