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Summary report on results of brainstorm sessions

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Summary report on results brainstorm sessions

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1. Introduction

Distribution is a very important element of the marketing decision process, involving all decisions about the distribution of the products to the end user. Hence each enterprise should pay high attention to the organisation and optimisation of the distribution process of its products to the consumer (Gudonaviciene and Alijosiene, 2008). In order to achieve competitive advantage the choice of the right distribution channel is crucial in the market relevance (Barjolle and Sylvander, 2002).

Small and medium sized manufacturers of traditional food products face a lot of problems in adapting to the new commercial environment and to modern distribution chains. Mainly short channels are chosen, not providing necessarily high added value (Sylvander, 2004). However, previous research suggest that producers of TFPs need to adopt to different distribution channels in different countries (Rangnekar, 2003).

Hence, in this report, which is part of subtask 5.4, ideas for innovative distribution strategies are presented based on brainstorm sessions conducted in Hungary, Italy and Belgium. For the investigation of distribution problems of traditional food product five product types in three different countries are chosen as case-studies. These are traditional cheese and beer in Belgium, traditional cheese and ham in Italy, and traditional sausages and white paprika in Hungary. These product types were chosen due to their representativeness in the respective country. Furthermore, they were chosen in order to compare more and less successful sectors, learning from best practices and emerging problems.

Since, for this task not the whole supply chain but only the **distribution chain** is considered a model of the distribution chain is presented in Figure 1.

Generally the distribution chain consists of the food manufacturers, intermediaries (whole- salers, retailers) and the consumer. Depending on the intermediaries long chain and short chains are distinguished (see Fig. 1). The direct sale is the short chain, with no intermediaries where the food manufacturers sell their own products directly to the consumers, and when many intermediaries are involved into the distribution then it is the long chain. Hence, in this report three stages are included in the distribution chain: the manufacturer, intermediaries of distribution, and the consumers. Intermediaries consist of wholesalers, retailers, distributors, and sales agents.

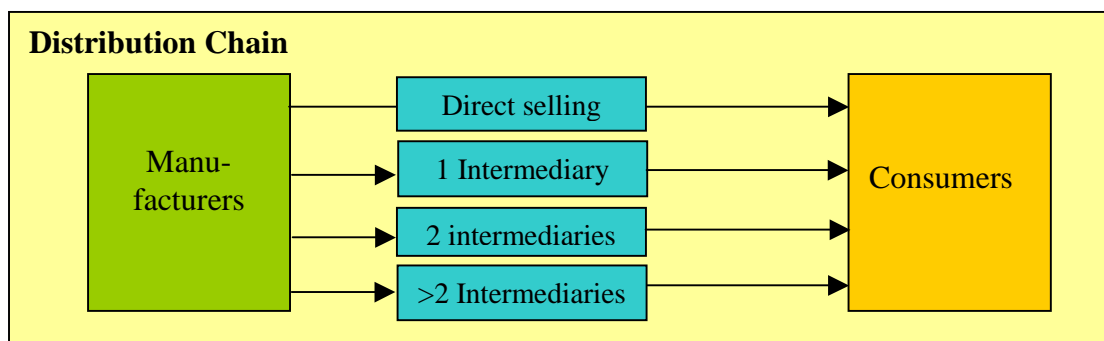


Fig. 1: The distribution chain

2. Methodology

2.1. Sample description

The brainstorm sessions were conducted in the three partnering countries of WP5, namely Hungary, Italy and Belgium. In Hungary and Belgium product-specific brainstorm sessions were conducted, whereas in Italy stakeholders from different sectors were participating at the sessions. Nevertheless, the results of all three countries are comparable due to a similar approach of conducting the brainstorm sessions.

An overview on the composition of the brainstorm sessions in the different countries is provided in Table 1.

Table 1: Composition of brainstorm sessions in Hungary, Belgium and Italy

Country	Product type	Participant characteristics
Hungary	Processed pepper	1 Supplier 2 Manufacturers 1 Distributor/retailer 2 Representatives of logistic service providers
Hungary	Dried, fermented sausage	4 Manufacturers 5 Distributors/retailers 1 Representative of logistic service providers
Belgium	Beer	1 Manufacturer 4 Consultants from governmental and NGO-support organizations
Belgium	Cheese	2 Manufacturers 1 Consultant from governmental support organizations 2 Researchers from Research institutions (University)
Italy	/	3 Manufacturers (different sectors) 3 Food producer associations 2 Specialized journalists 2 Cuisine school experts 2 Retailer 1 Research institution 2 Certifying organizations

2.2. Conduction of the brainstorming sessions

In all three countries the brainstorm session were conducted similarly, following three main steps:

1. Idea finding
 - ▶ Generation of ideas in whole group
 - ▶ Selection of ideas in whole group
2. Idea development
 - ▶ One idea per small groups
3. Idea presentation
 - ▶ By the small groups in front of whole group

The results of this process are presented in the next section.

3. Results

In this section the comprehensive results of the brainstorm sessions of all three countries, Hungary, Italy and Belgium are summarized under three main headings, namely ‘supply chain management’, ‘marketing management’ and ‘innovation’. For each strategy the strengths, weaknesses and unclear aspects are presented. In addition, some ideas collected in the summary report on distribution problems (D 5.4.2) are included.

3.1. Supply chain management

3.1.1. Joint distribution

- ▶ With peers, manufacturers from different sectors, professional logistic suppliers
- ▶ E.g. moving outlets, home delivery service (order by phone, fax, or internet)

Strengths	Obstacles	Unclear
<ul style="list-style-type: none"> - Reach critical mass for economies of scale - Build synergies - Can be applied for traditional products - In particular feasible for non-competing product (e.g. bakery products and sausage) - Successful examples existing - In cooperation export markets can be reached 	<ul style="list-style-type: none"> - Willingness to cooperate among manufacturers - Willingness to invest in common projects - Willingness and ability of cooperation with 3rd parties - To some extent: seasonality - Potential breakdowns of the vehicles/assurance of emergency replacement of transport means - Storage capacities of the transport means - Itinerary of the van 	<ul style="list-style-type: none"> - Marketing tools for introduction and provision of this service

3.1.2. Joint selling

- ▶ With peers, manufacturers from different sectors, small retailers
- ▶ moving outlets
- ▶ tie-in sale (selling non-competing products at production units of another)
- ▶ restaurants and caterers (processed in meals)
- ▶ pick-up points at stations in own or other shops (e.g. bakery)
- ▶ farmer shops
- ▶ joint market stand at the farmer’s market
- ▶ one-stop shopping for traditional food products of the same region
- ▶ specialty shops / branded shops
- ▶ regional corners in supermarkets
- ▶ fast food chains (e.g. NordSee)

Strengths	Obstacles	Unclear
<ul style="list-style-type: none"> - Moving outlets are a very popular alternative for conventional products in 	<ul style="list-style-type: none"> - Official hygiene approval of the vans for distribution 	<ul style="list-style-type: none"> - Marketing tools for introduction and provision of this service

<ul style="list-style-type: none"> - small villages - Also feasible for recreation or holiday areas with variable demand - Direct link to the consumer - Selling at restaurant: strong promotional impact - Product quality and volumes increased - Creation of a strong and diffuse network - 100% territorial niche possible - With tie-in sale turnover of both manufacturers can be increased 	<ul style="list-style-type: none"> - Willingness to cooperate among manufacturers - Willingness to invest in common projects - High investment of producers required - Willingness and ability of cooperation with 3rd parties - To some extent: seasonality - Entry level to large retailers - Consumer loyalty, product selection 	<ul style="list-style-type: none"> - Organized structure to work on the HORECA channel
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3.1.3. Creating facilities for networking

- ▶ Create networking possibilities for manufacturers of same and different products, distributors and 3rd parties in the same region
- ▶ E.g. receptions, forum, study days

Strengths	Obstacles	Unclear
<ul style="list-style-type: none"> - Knowledge exchange - Exchange on problems - Build synergies - Starting point for joint activities - Win-win situation for local economy 	<ul style="list-style-type: none"> - Time constraints for participation - Willingness to cooperate among manufacturers - Willingness and ability of cooperation with 3rd parties - Power position of the large retailers 	<ul style="list-style-type: none"> - Availability of a person, who will organise such events (maybe member of the municipality, who can spend time or someone who is not too expensive in terms of labour cost)

3.1.4. Cooperation

- ▶ Cooperation of manufacturers with:
- ▶ 3rd parties ⇒ knowledge provider
- ▶ Research institutions ⇒ for joint financial resources for R&D
- ▶ Government ⇒ joint approach for simplifying administration and adapting it to needs of SMEs
- ▶ Community/ Municipality
- ▶ Peers ⇒ financial cooperation, risk-capital funds, lobby groups on local, national and EU-level

Strengths	Obstacles	Unclear
<ul style="list-style-type: none"> - Reach critical mass for economies of scale - Build synergies - Create a strong network 	<ul style="list-style-type: none"> - Willingness to cooperate among manufacturers - Willingness and ability of cooperation with 3rd parties and other institutions 	<ul style="list-style-type: none"> - Potential of links to other institutions

	- Trust for joint investments	
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3.2. Marketing management

3.2.1. Publicity of TFPs

- ▶ Increasing the publicity of traditional food products through different approaches:
- ▶ Local level:
 - Agro-tourism
 - Spa-tourism / Health tourism
 - B&B
 - Local caterers, pubs and restaurants (information on menu cards)
 - Regional festivals
 - Typical wagons (links to culture and history)
- ▶ National / International level:
 - Promotional centers with point-of-sales
 - Surprise of the consumer ⇒ sale of TFP at unexpected places (train, ship, airplane, airport, public sport or cultural events, vending machines)
 - Cross-marketing (leveraging on famous brands)
 - TV/radio
 - Local, regional, national, international magazines

Strengths	Obstacles	Unclear
<ul style="list-style-type: none"> - Bring together TFP e.g. of one region or of the same kind in order to provide convenient search-find options - Pleasant time of consumer to get informed ⇒ good experiences ⇒ word-to-mouth advertising - Increasing consumer awareness and his gastronomic knowledge - Product differentiation - Differentiation of target groups (cooking, vacation, sport, health, cultural etc.) - Creating niche markets - Win-win situation for local economy (trade, tourism) and municipality (improving of image) - Local level = best level to start from for expansion of publicity of the TFPs - HORECA has strong promotional impact 	<ul style="list-style-type: none"> - Lost of identity of TFP due to fusions/ acquisitions of smaller companies by larger companies - Too many rules of the agency, which sets the rules for regional labels - Investments does not have direct impact on single business success - Necessity of a certain amount and availability of organisation at local level - On local level: interrupted continuity of legislation period in municipality - Commitment to other sectors necessary for sustainable success - Public expenditures - Competition of retail - Difficulty to convince famous partners for doing cross-marketing 	<ul style="list-style-type: none"> - How can the regional character of the TFP be involved in the campaigns? - Potential of links to other institutions of the community such as schools, youth associations etc. - Maybe possible to link activities to cultural or agricultural council - Existence of association, which identify with the community or region (issue of visibility) - Could more publicity and information be provided via cultural organisations - Promotion of tourism activities via travel agencies? - Will it be a reliable initiative?

- TV/Radio: rewarding, targeted communication method		
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3.2.2. Promotion of TFPs

- ▶ Promotion jointly with other manufacturers
- ▶ Promotion with promotional support organisations ⇒ promotes firm aggregation and standard strategies for external markets
- ▶ New ways of usage / occasions
- ▶ Positive effects of local production ⇒ small ecological footprint etc.
- ▶ Improving image of TFPs (like Slowfood) ⇒ Labelling (by implementing voluntary assured/labelled schemes)
- ▶ New promotional tools (e.g. quiz games about product characteristics, questionnaire for the waiter to explore taste of his customers consequently offering the suited type of TFP)

Strengths	Obstacles	Unclear
<ul style="list-style-type: none"> - Reach critical mass for economies of scale - Build synergies - Create a strong network - Win-win situation for local economy (trade, tourism) and municipality (improving of image) - Reach a wider public (e.g. also the environmental conscious consumer) 	<ul style="list-style-type: none"> - Willingness to cooperate among manufacturers (time and money constraints) - Willingness of cooperation with 3rd parties and other institutions - Promotional support organisation: Risk of overlaps with regional and sectoral initiatives - Misleading use of labels of origin - Low consumer's knowledge and awareness of labels 	<ul style="list-style-type: none"> - Can local promotion be organised by tourist centers and the council of culture? - Can the "chauvinism" / proud of the region of the consumers be improved? How? - What will it cost? - How need these activities to be structured? - Will it be a reliable initiative?

3.2.3. Experiences for the consumer

- ▶ Involvement of consumers in production/manufacturing
- ▶ Do-it-yourself ⇒ One-day-entrepreneur
- ▶ Cooking classes, ~competitions
- ▶ Weekends (e.g. Bed & Beer, adaptable to other products) ⇒ guests of B&B participate in tasting, information session, are able to buy products they tasted etc., can be combined with tours)
- ▶ Product tastings (jointly with other products)
- ▶ Agri-tourism
- ▶ Regional food festivals

Strengths	Obstacles	Unclear
<ul style="list-style-type: none"> - "In vivo" experience very persuasive for participants - Increase consumer awareness and knowledge 	<ul style="list-style-type: none"> - Food safety aspects and control of hygiene of the visitors in small plants - Some plants might be 	<ul style="list-style-type: none"> - How to improve attractiveness of "less interesting" plants? - Support by travel agen-

about production - Increase of consumer trust - Development of loyalty to a certain brand/label or producer	more attractive/interesting than others to the consumer (sausage plant vs. wine cellars) - Necessity of a certain amount and availability of organisation	cies to promote these options? - Sponsors?
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3.3. Innovation

3.3.1. E-commerce

- ▶ Use of the internet
- ▶ Provision of product information and information on points-of-sale
- ▶ For promotional purposes (e.g. via educational games, different target groups)

Strengths	Obstacles	Unclear
- Time-saving solution for consumers and manufacturers - Direct sale (but without personal contact) - Good promotional platform - Possibility to establish direct contacts with the manufacturer - Successful examples exist - Reaching new target groups, e.g. elderly, who are discovering more and more the internet	- Need for training of manufacturers on use of internet and applications - Careful design of logistics of direct delivery at smaller quantities without high additional costs - Collaboration of several manufacturers necessary - Support from institutions or government	- Set up of a minimum quantity or other value of the order fro free of charge delivery? - How to increase consumer's use of internet for such purposes? - How to increase consumer trust in the Internet? - How to reach new/ different target groups?

3.3.2. B-2-B platform

- ▶ Use of the internet
- ▶ Knowledge and information exchange of the manufacturers

Strengths	Obstacles	Unclear
- Platform for balancing shortages in raw materials between manufacturers - Joint help - Way to improve cooperation - Worldwide availability ⇒ easier contact from/to export markets - Low costs and low time-input - Programmes and applica-	- Need for training of manufacturers on use of internet and applications - Trust in the medium Internet	- How to improve trust of SMEs in internet applications? - How to improve awareness of SMEs in high potential of such platforms?

<p>tions are available</p> <ul style="list-style-type: none"> - Successful examples for SMEs or small scale approach existing 		
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3.3.3. Package improvement

- ▶ For easier opening
- ▶ For easier transport (Tin instead of glass, glass-look-alike-plastic instead of glass etc.)
- ▶ All-in-one packages (main components) for preparation of traditional meal

Strengths	Obstacles	Unclear
<ul style="list-style-type: none"> - Improvement of convenience - Facilitation of transport - Reduced risk of breakage - Time-saving shopping (all-in-one) with pleasure of preparing a meal according to the family recipe 	<ul style="list-style-type: none"> - Consumer acceptance and expectations - Investments in R&D and market research 	<ul style="list-style-type: none"> - Feasibility of introduction of package improvement to manufacturing process? - Support from institutions and government?

3.3.4. Product improvement

- ▶ Offering processed products prepared according to several specific traditional recipes in product assortment
- ▶ Improved shelf-life
- ▶ New applications (e.g. in experimental cuisine)

Strengths	Obstacles	Unclear
<ul style="list-style-type: none"> - Improvement of gastronomic knowledge of consumer - Convenience - Responding to global trends 	<ul style="list-style-type: none"> - Consumer acceptance and expectations - Increasing of product range vs. capacity of the manufacturing plant - Willingness to cooperate among manufacturers - Investments in R&D and market research 	<ul style="list-style-type: none"> - Support from institutions and government?

3.3.5. Franchise of specialty shops

- ▶ Reaction to the trend of decreasing number of specialty shops for TFPs in Europe
- ▶ Attractive places would be in spa and health tourism areas offering a specific choice of special and traditional products of one region
- ▶ Might be furnished in traditional style for attracting foreign/domestic tourists and traditional-minded inhabitants
- ▶ (A good description of setting up a franchise system is presented in national report - Hungarian part, p.23)

Strengths	Obstacles	Unclear
<ul style="list-style-type: none"> - Improved availability of TFPs - Can contribute to the image building of a region/country 	<ul style="list-style-type: none"> - Seasonality of spa and health tourism - High costs of investment for establishing the buildings of the shop and franchise system 	<ul style="list-style-type: none"> - Support from the government?

3.3.6. Route-planning and transport traceability systems

- ▶ From D 5.4.2
- ▶ Radio frequency identification (RFID)
- ▶ GPS
- ▶ Improving logistic problems

Strengths	Obstacles	Unclear
<ul style="list-style-type: none"> - Traceability and assurance of continuous supply from the manufacturer to the consumer - Selection of ideal itinerary - Fast correction of delivery schedule in case of changes 	<ul style="list-style-type: none"> - Costs of implementation - Willingness to cooperate among manufacturers 	<ul style="list-style-type: none"> - Support from government?

3.3.7. Traceability and quality/safety assurance

- ▶ From D 5.4.2
- ▶ Along the whole distribution chain
- ▶ Use of EAN 13 or EAN 128 bar codes according to EC 178/2002 regulation

Strengths	Obstacles	Unclear
<ul style="list-style-type: none"> - Traceability and assurance of product quality and safety from the manufacturer to the consumer - In particular applicable for bulk and unpacked fresh foods - Proof of origin, in particular interesting for small shop owners 	<ul style="list-style-type: none"> - Costs of implementation - Willingness to cooperate among manufacturers 	<ul style="list-style-type: none"> - Support from government?

4. Conclusions

A wide range of ideas for innovative distribution strategies was collected at the brainstorm sessions in the three countries, Hungary, Italy and Belgium. In this summary report they are summarized under the main headings “Supply chain management”, “Marketing management”, and “Innovation”.

The described ideas of the brainstorm sessions in the three countries were mainly similar. Hence, no country specific ideas are presented in this summary report. However, when developing innovative distribution strategies in the next step of this research, the researchers have to take care of country specific characteristics. The aim is to develop innovative distribution strategies which are applicable across countries, but still tailor-made to the different country specific characteristics. Acceptance for or objections against a new technology or method might be different in different countries.

5. Future steps

5.1. Development of tailor-made innovative distribution strategies

Based on the ideas from the brainstorm sessions, presented in this summary report and the previous national reports, the partners of WP5 will select innovative distribution strategies. The selected strategies will be described in detail integrating the findings from WP1, 2, 3, and 4 as well as previous results from WP5. The aim is to develop tailor-made distribution strategies for traditional food producers. Thereby, selected traditional food producers will be used as examples.

(Report: Oct 2008)

5.2. Feasibility tests

In continuation, the developed strategies will be tested and adapted by means of feasibility tests. These feasibility tests will be conducted as face-to-face interviews with traditional food producers from each of the selected sectors in Hungary, Italy and Belgium. In each country one traditional food producer of each selected product will be interviewed (2 feasibility tests per country). The aim of the feasibility tests is to test the list of selected and described innovative distribution strategies in order to select those relevant for the strategy-review meetings.

(Reports: Feb & Mar 2009)

5.3. Strategy-review meetings

The strategy-review meetings will be organized with 20-30 food producers in order to evaluate the strategies in a larger research population. During these meetings the suitability, feasibility, and acceptability of the developed strategies will be tested. Possible methods are among others: portfolio analysis, life cycle analyses, and value system analyses. Furthermore, also the cultural fit of the developed strategies will be assessed.

(Reports: Jul & Oct 2009)

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