



## EuroMARC — Mountain Agrofood products in Europe, their consumers, retailers and local initiatives



### Executive summary

## WP2: Survey of retailing of Mountain quality food products

This report on retailers' interest and practices towards mountain quality-food products (MQFP) aims to present, integrate and critically evaluate the empirical research of WP2. The research was conducted in six countries (Austria, France, Norway, Romania, Slovenia and the UK-Scotland) and consisted of three parts: a shelves survey of MQFP in retail outlets, a face to face survey and a postal survey of retailers.

### Shelves survey

The shelves survey studied how MQFP are currently marketed. In total, information was drawn from 550 shelves in 351 retail outlets, and the survey resulted in 1,765 products being observed across the six countries. As regards the shelves, 56.7 per cent of them were observed in mountain areas and 43.3 per cent of the outlets were also located in mountain areas.

### Shelves survey findings

The survey covered issues such as the products available, their packaging, the existence of mountain-related labels or other provenance indicators, the display of these products and their pricing. It also identified non-mountain area competitor products. The research identified:

- A great diversity of products with the most commonly recorded being cheese, followed by mineral water and meat products.
- A wide range of outlets selling MQFPs ranging from supermarkets and hyper markets, specialty shops, mini-markets, and farmers' markets and farmers' shops.
- Mountain products tended to be displayed together in small / speciality outlets, but with other products not of mountain origin in the same category in larger multiple

retailer outlets.

- Whilst a marked proportion of MQFP do not have packaging, those that do may well indicate the products' origin but rarely promote the mountain attribute.
- Promotion of MQFP to in-store customers is generally limited.

### Pricing analysis

The survey data were subjected to a hedonic price regression analysis to explore whether MQFP carry a premium associated with the "mountain" attribute, compared to non-mountain products. This analysis concluded that not all mountain products receive a premium, but a premium was identified for mountain cheeses in Austria, Norway and Slovenia. In some cases the non-mountain products are more expensive, and this was the case with French cheeses.

Thus, the existence of a premium appears to be very situation specific. It may depend on the product type and whether a particular product is regarded as being produced especially in a particular area, in which case the product is fully differentiated. For instance, particular fruits may be associated with fertile low-ground areas and thus a premium may be unlikely for the mountain area product. Similarly, not all mountain areas are the same, with some having very little reputation for food and others being associated with particular specialities. Furthermore, there may be other value creating attributes embodied in the product, such as a particularly strong brand identity which may greatly influence price differentials. Moreover, the complexity and efficiency of the supply chain may well affect costs and thus prices, so that prices of products from different areas may



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be more cost driven than consumer led. Finally, the nature and closeness of the substitute products from the mountain and non-mountain areas may well affect the scale of price differences.

### Face to face and postal surveys of retailers

The face to face interviews (up to 20 in each country) and postal surveys (up to 90 responses in each country) investigated retailers' interest, perceptions and expectations of MQFP, the marketing channels used and attributes of mountain quality food, as well as factors inhibiting the development of MQFP marketing.

### Retail outlets and products

Across the various research countries, the over-riding picture is that MQFP are stocked in a full range of outlets from markets and farm shops to multiple retailers, with slight differences across the countries. Thus in Slovenia (SI) such products are strongly associated with farm shops and markets, whilst in France (Fr) and Austria (Au) they appear to have a good presence in supermarkets and hypermarkets. In addition, there is a wide variety of MQFP across most product categories (particularly in Au, Fr, SI and Norway (No)), but to a slightly lesser extent in Scotland (Sco) and Romania (Ro)).

### Displays and Promotion

Mountain products rarely have separate displays from non-mountain products, especially in multiple retail chains where products are displayed by category. This, along with limited promotional activity, may result in low levels of consumer awareness about the products and their mountain attributes. In such circumstances, it is the package that indicates a mountain origin and not the display.

This observation is consistent with the general view amongst retailers that MQFP are inadequately promoted with a reliance primarily on product packaging and labelling – in the form of an image, symbol or key mountain-related words - to convey a mountain provenance. Personal communication, in the form of direct interaction between the seller and purchasing consumer was mainly practiced in farm shops, market stalls and specialist retailers.

### Packaging and labelling

In addition, the display of MQFP can be problematic, since a considerable proportion of them are not packaged (SI, Fr)

and/or their labelling does not communicate explicitly the mountain provenance and origin (SI, No). Furthermore, the difference between MQFP and regional/local products is not distinctly made by the final consumers (Au, Fr, No, Sco). Moreover, it is frequently necessary for the purchaser / consumer to be familiar with regional geography / culture to fully appreciate the MQFP attributes implied by some product names and labels. So, it is not necessarily the mountain aspect that appeals, rather that the product is of local provenance or from a highly regarded locality.

### Provenance

The majority of retailers in the survey favour highlighting the regional/local provenance over the mountain provenance (Au, Fr, No, SI, Sco), expressing concerns that MQFP labelling may compete with region/locality indications (e.g. PDO, PGI- FR) or labels for premium quality (e.g. Organic) and confuse more the consumers (Au), especially those less familiar with labels (No, SI).

### Pricing

The heterogeneity of products has presented challenges for the price analysis, which is also complicated by the wide range of retail outlet types encountered in the research (supermarkets and hypermarkets frequently have lower prices than other outlets) and the influence on prices of strong brands. In general, where a reasonable comparison can be made between products, MQFP are more expensive than similar non-mountain products, with some exceptions, but this appears to be from higher purchase prices from suppliers rather than a higher retail margin. Some retailers expressed openly their concern that even if an official MQFP designation were introduced, it would be important to keep prices at a competitive level (Fr, Sco, Au), avoiding overpricing. For local customers in Scotland, the availability of affordable food is an issue, so the high prices of MQFP constitute a constraint, cited also in Fr, No, SI and Au. Tourists and visitors, however, are frequently regarded as being able and/or willing to pay more for local provenance and mountain attributes.

### Factors which inhibit market development

Along with insufficient promotion and the shortcomings in the packaging of some MQFP products, factors related to the supply of MQFPs are recognised as inhibiting market development. Particularly, these are the limited volume of supplies, due to small scale of production units (SI, No, Fr, Sco), the occasional inconsistency in quantity and quality



(Au, SI, No) as well as the seasonality of supplies (No, Au). These constitute significant barriers for MQFP producers wanting to supply nation-wide retail chains (No, SI), which additionally require traceability and just-in-time delivery. However, some of the aforementioned factors do not always constitute a problem, for local, independent and specialist retailers (Fr), especially when the consumers are aware of, and accept, these constraints or when MQFPs complement non-mountain products' seasonality with late season produce.

### Supply arrangements

Regarding the supply arrangements, the majority of independent/specialist retailers in mountain areas appear to be supplied directly by producers / processors (i.e. produce being either delivered by the producer (Au, SI, No, Fr, Sco) or picked up by the retailer in Sco and Au) or a distributor/ wholesaler (Ro, Fr, No), whilst the supermarkets and hypermarkets primarily use their own distribution systems (No, Fr, SI) or central purchasing offices (Fr, SI). Consequently, the trading relationships associated with the supply of MQFP are normally informal in the main, with verbal agreements, ordering as required and repeat orders being commonplace in the supply of independent or specialist retailers. Formal agreements (i.e. contracts) between the retailers and producers are wide spread in the case of supplying major retail chains (Fr, No).

### Product attributes of MQFP

Whilst there is some variation from country to country in terms of the most important attributes as indicated by retailers, the one which figures most prominently is taste. The provenance, natural methods of production and the support for the mountain area producers (Fr, SI, Au, Sco) were also rated highly. Further high ranking attributes are the purity of

products or their ingredients, the authenticity, and the natural production environment. Thus, there may be the opportunity to capitalise on the superior quality of mountain products by establishing a MQFP label, given the general recognition of mountains as "pure" and "untouched" and the acceptance of premium prices consumers. Traditional methods of production and natural ingredients offering sometimes a health advantage (e.g. low fat Norwegian lamb) fit well with trends in preferences exhibited by European consumers. The overall picture is of a positive development of the MQFP market.

### A mountain food or MQFP label

Regarding the introduction of a MQFP label in order to address the key weakness identified in MQFP marketing (the lack of promotion and communication by producers and their products – except in a specialist retail environment, e.g. farm shop, farmers' market, specialist shop), the views expressed in the surveys are mixed. There was no clear preference for a MQFP label, and less so for a Mountain Brand. Support for a MQFP label would appear to be greatest if it can be:

- associated with a particular provenance (a mountain area, a mountain range, a particular mountain locality – thereby fitting with the interest in local or locality food);
- is justified from a sustained high quality (Fr, Au; with sensory attributes, and purity and naturalness being important), that reflects attributes that are well valued and understood by consumers (Sco)
- is promoted so that retailers and consumers become aware of the label's existence and its defining characteristics (e.g., communicating advantages and disadvantages of food production in mountain areas –Au)
- and avoids confusion and conflict with existing certification labels.

#### FOR FURTHER INFORMATION...

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