

FRiDGE

Results Survey challenges in the Food industry

Hans De Steur, Xavier Gellynck

FRiDGE project meeting 18-11-2020

Content

SURVEY

SUMMARY: Challenges (SWOT)

- Strengths
- Weaknesses
- Opportunities
- Threats
- **KEY FIGURES**
- DETAILED FINDINGS
 - Sample
 - Productivity
 - Market innovation
 - Regional Support



Survey

Scope

- EU interregional survey
- ► 6 regions



Region

East-Flanders, Belgium Ostrobothia, Finland Bavaria, Germany Western Macedonia, Gre Tolna, Hungary Harghita, Romania Total

Drivers of **PRODUCTIVITY**

Role of **REGIONAL GOVERNMENTAL SUPPORT** for innovation

Barriers to MARKET INNOVATION

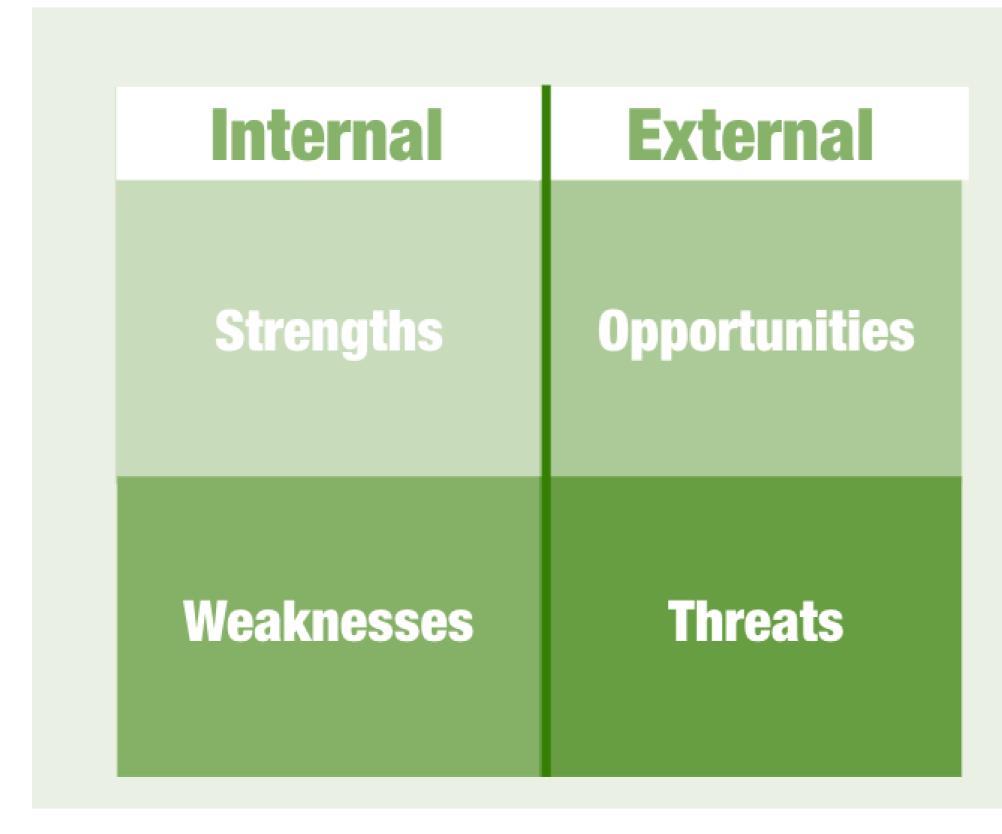
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SUMMARY CHALLENGES (SWOT)

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STRENGTHS

- Company strategy:
 - Diversity of strategies (mostly: differentiation)
- **Employment:** Positive trend (often = or \uparrow)
- Profitability & business growth: optimistic

• Export:

- Diversity in strategies (diversification, market development, both)
- Expected increase (existing/new products)
 - Adoption ↑
 - Expected contribution \uparrow

STRENGTHS

- Productivity drivers (less important bottleneck)
 - Managerial skills & management practices
 - Strategic planning
 - Business networks
 - ICT and digitalization
 - (Most important drivers often not considered a key bottleneck)

- Market innovation barriers: less important & lower impact
 - Technical
 - Lack of excess production capacity
 - Difficulty to meet export product quality standards
 - Psychological
 - Lack of motivation
 - Manager resistance to change
 - Marketing
 - Lack of a clear export strategy

WEAKNESSES

• **Turnover**: Negative trend (often = or ψ)

Export:

Nearly 2/3 of sample is not exporting

• Exporters' share of exports is still low (av. 16% intra-EU, 7% extra-EU)

• Productivity bottlenecks:

Scale of production

- Pricing & payment conditions
- Workforce skills (important driver!)

WEAKNESSES

- Market innovation barriers: important/impact • Financial
 - High costs
 - Excessive transportation costs
 - Lack of own financial resources
 - Pay-off period is too long
 - Technical
 - Lack of gualified personnel for market innovation
 - Psychological
 - Excessive risk
 - Industry
 - Transportation problems

OPPORTUNITIES

• Market innovation barriers: less important & lower impact

- Marketing
 - Limited access to research institutions
- Institutional
 - Currency risks in new markets

Important regional government support efforts for innovation:

- Providing subsidies
- Providing marketing support (retail/customer)

THREATS

- Market innovation barriers: important/impact
 - Financial
 - Difficult access to external financial resources
 - Institutional
 - Insufficient government support
 - Governmental bureaucracy
 - Unfavorable policies & regulations in new markets
 - Marketing
 - Access to foreign distribution channels
 - o Industry
 - Competition
 - Innovation too easy to copy

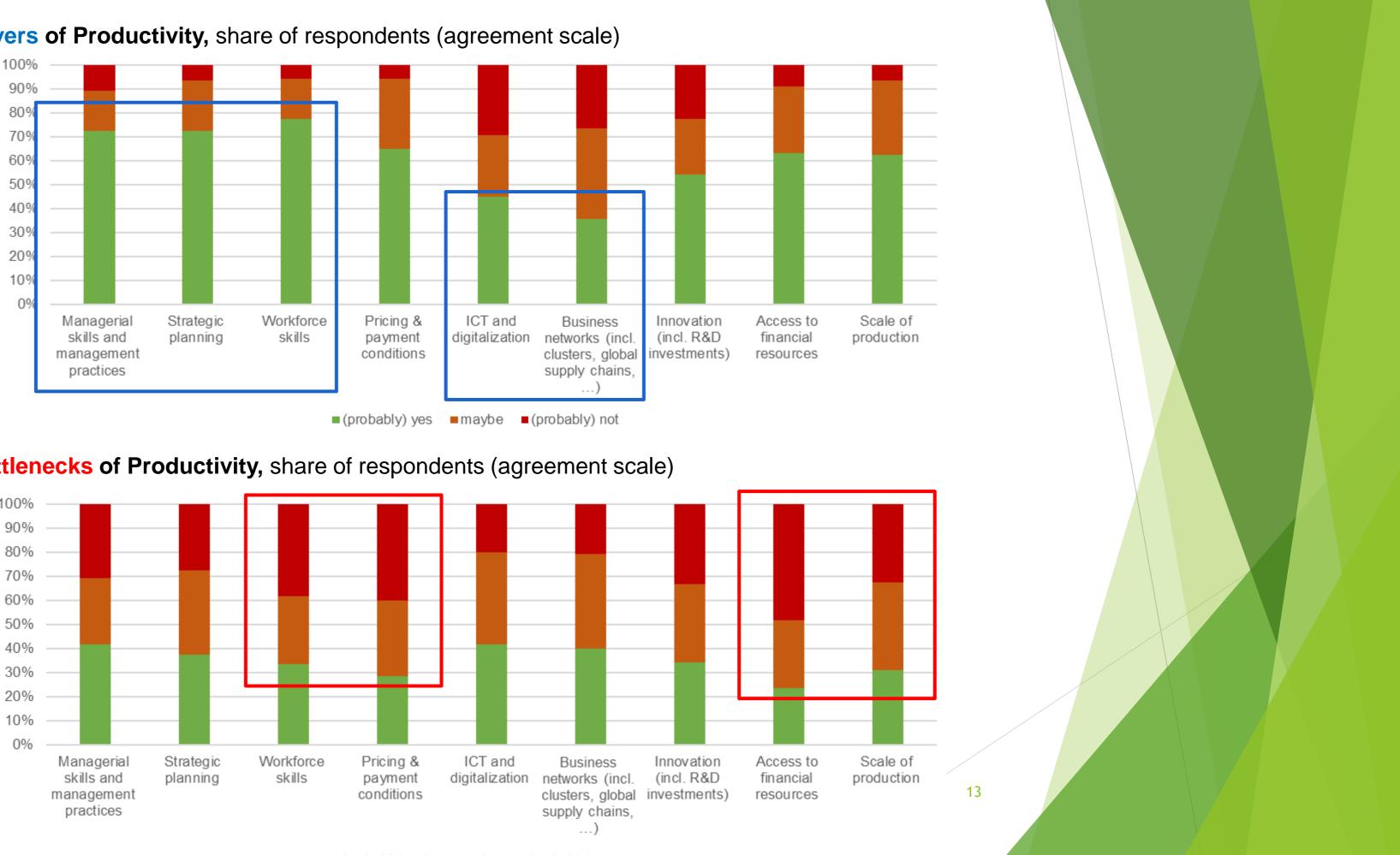


KEY FIGURES

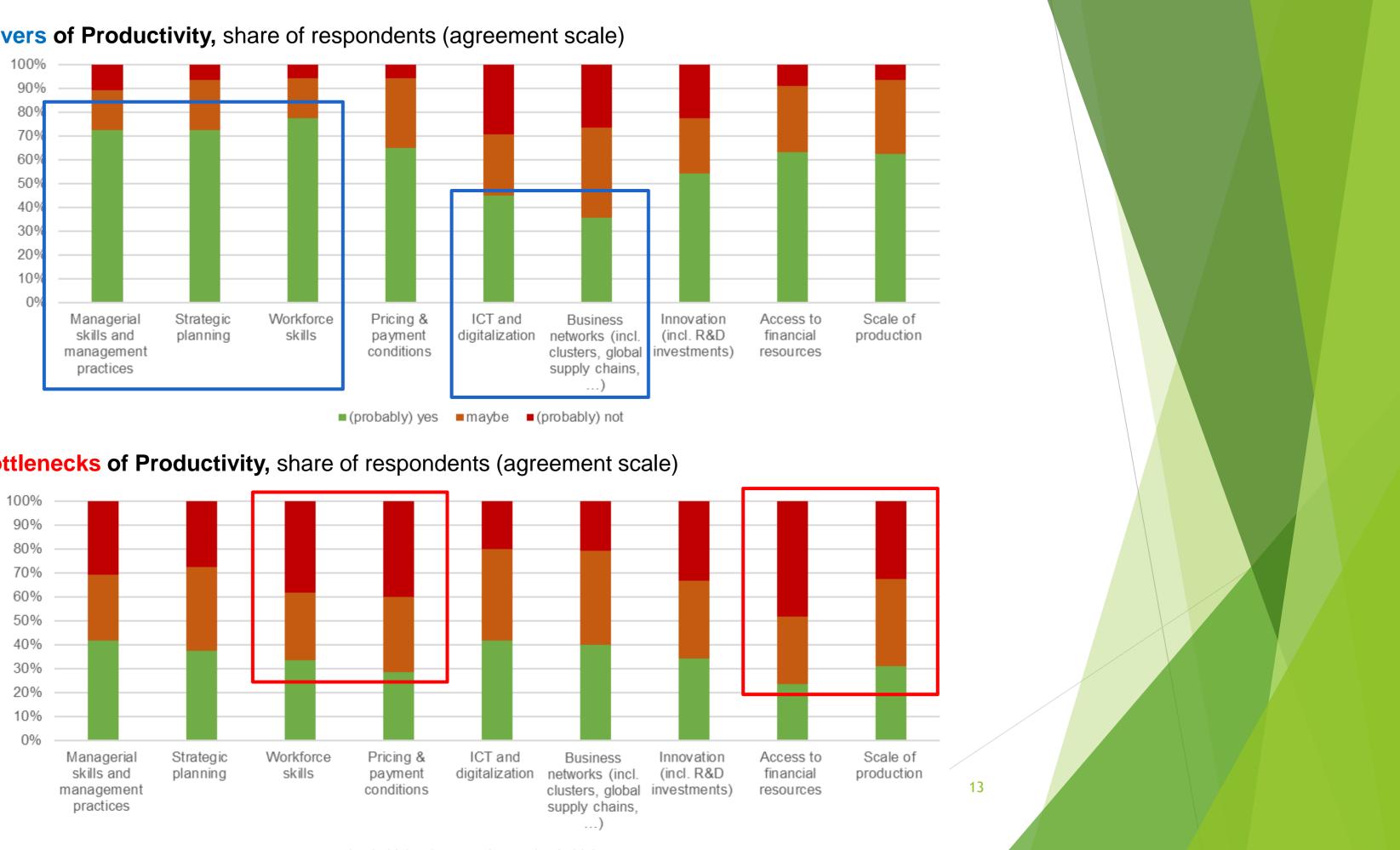
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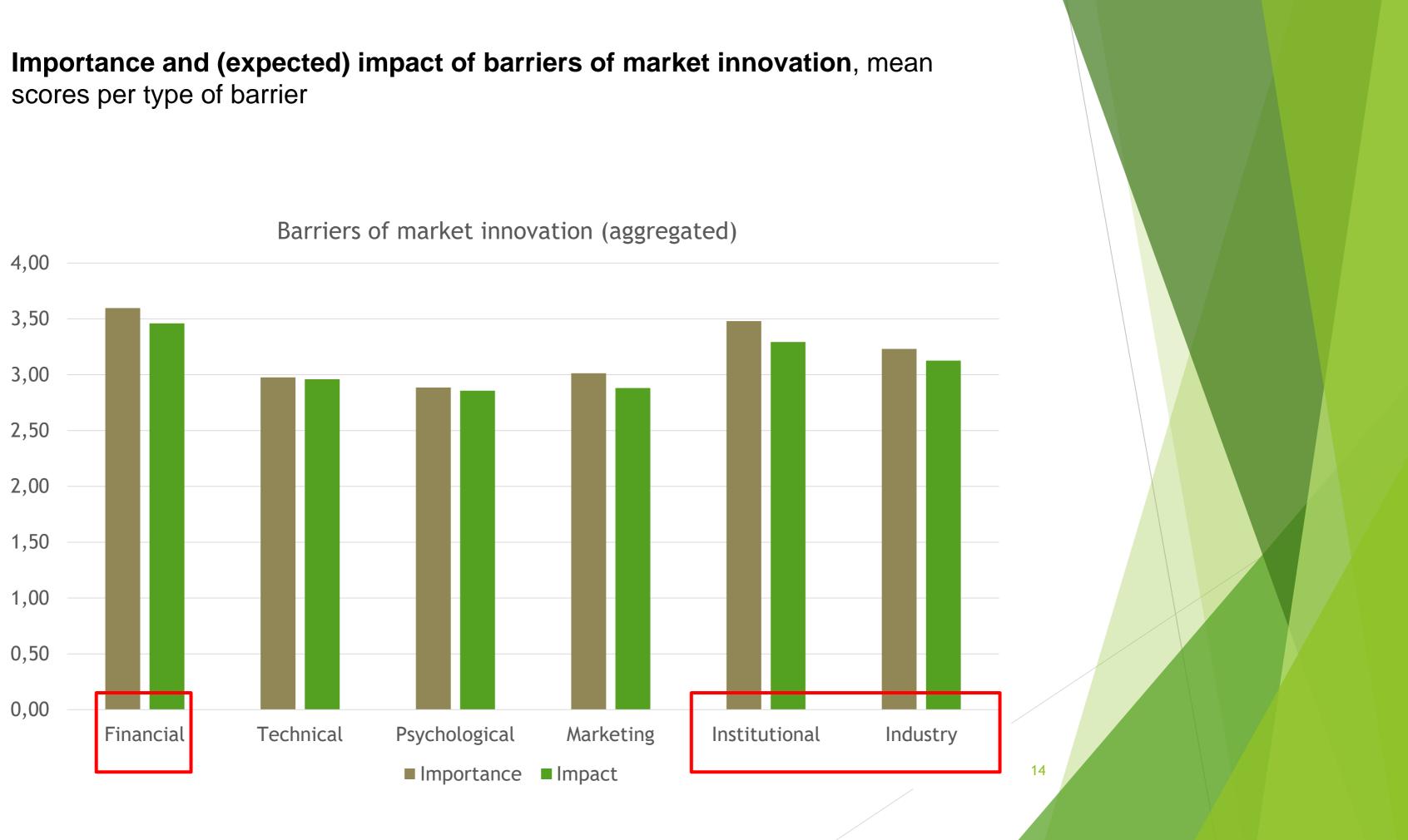
Drivers of Productivity, share of respondents (agreement scale)



Bottlenecks of Productivity, share of respondents (agreement scale)



■ (probably) not ■ maybe ■ (probably) yes



Importance of regional government support for innovation, rank and mean scores Note: Importance, based on a 5-point importance scale

Importance of regional support

Providing subsidies (for R&D, investments, training, ...)

Providing marketing support (e.g. promotion activities for the local food sect

... towards the retail/distribution sector

... towards consumers/customers

Stimulating networking ... between food companies

Organizing training activities

Stimulating networking ... between knowledge institutions & food companies

Stimulating export, through ... facilitating participation in fairs

Stimulating export, through ... organizing market studies

	Impor	tance
	Rank	Mean
	1	3,92
tor)		
	2	3,80
	3	3,79
	4	3,56
	5	3,52
5	6	3,45
	7	3,10
	8	2,82

DETAILED FINDINGS

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Sample

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Company characteristics	#	%
Company type		
Family	88	73,33
Non-Family	23	19,17
Cooperative	9	7,50
Education level (managing director)		
Primary School	1	0,97
Secondary School	27	26,21
Professional Training	29	28,16
University Degree	46	44,66
Main customer		
Local agent/distributor	26	21,67
Foreign agent/distributor	5	4,17
Wholesaler	29	24,17
Retailer	13	10,83
End user	40	33,33
Main business activity (NACE code)		
Meat	12	10,00
Fruit and vegetables	20	16,67
Oils and fats	3	2,50
Dairy	13	10,83
Flour and grain mill products	6	5,00
Bakery and farinaceous products	15	12,50
Cocoa, chocolate and sugar confectionery	6	5,00
Tea and coffee	8	6,70
Condiments and seasonings	2	1,70
Prepared meals and dishes	1	0,80
Other food products	6	5,00
Spirits, wine, cider & other non-distilled fermented beverages	15	12,50
Beer	3	2,50
Soft drinks and bottled waters	1	0,80
Other	18	15,00
	Mean	Std.Dev
Years of operation	25,69	16,22



Employment	Mean	Std. Dev.
Excl seasonal	12.30	22.45
Total (incl seasonal)	16.92	25.72

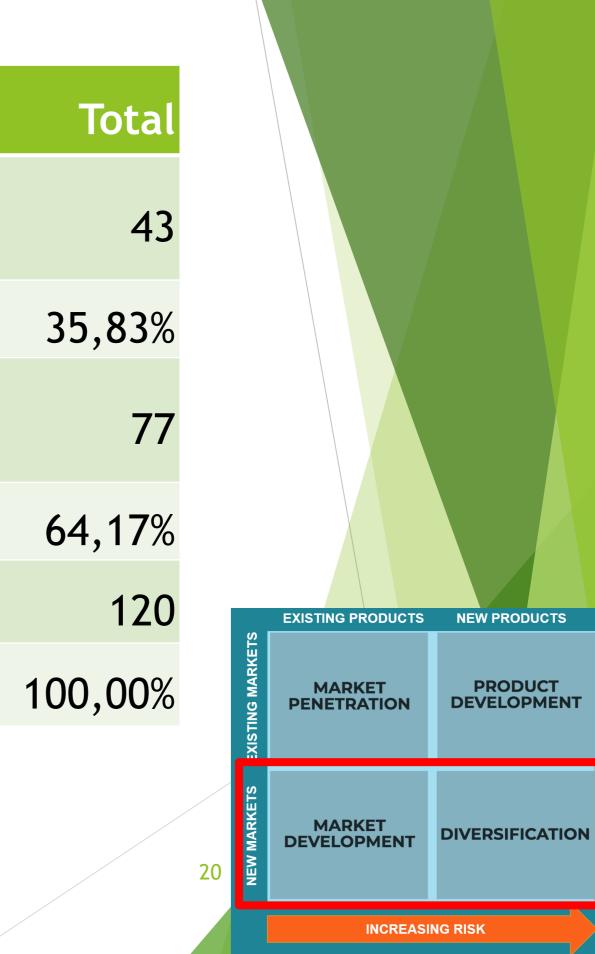
Turnover	#	%
< € 500,000	70	58,33
€ 500,000 - 1 million	13	10,83
€ 1 million - 2,5 million	19	15,83
€ 2,5 million - 5 million	11	9,17
€ 5 million -10 million	5	4,17
€ 10 million - 25 million	2	1,67

Employment/	E	mployment		Turnover
	(cf.	3 years ago)	(cf	. 3 years ago)
turnover	#	%	#	%
Decreased	13	11,02	44	36,67
Remained the same	57	48,31	41	34,17
Increased	48	40,68	19	15,83

		Profitable	Bus	siness growth
Success	(pa	ast 3 years)	(p	ast 3 years)
	#	%	#	%
Strongly agree	46	38,33	44	36,67
Somewhat agree	40	33,33	41	34,17
Neither agree nor disagree	21	17,50	19	15,83
Somewhat disagree	8	6,67	12	10,00
Strongly disagree	5	4,17	4	3,33

Which strategy fits best to your company

Strategy	Broad scope	Narrow scope	
Cost-leadership	17	26	
	14,17%	21,67%	
Differentiation	33	44	
	27,50%	36,67%	
	50	70	
Total	41,67%	58,33%	1



		New geographical	markets with	
		<u>new</u> products (p	oast 3 years)	
		(diversific	ation)	
		No	Yes	Total
New geographical	No	48,33%	7,50%	55,83%
markets with <u>existing</u>		(none)	Diversification	
products (past 3 years)	Voc	19,17%	25,00%	11 170
(market development)	Yes	Market development	Both	44,17%
	Total	67,50%	32,50%	100,00%

Market innovation strategies, (intended) adoption and (expected) contribution to the success of the company, % of SMEs

	Adopt	ion		
<u>PAST</u>	(past 3 y	years)		
	Existing products	New products		Exis
no	55,83	67,50	(strongly) disagree	
yes	44,17	32,50	neutral	
			(strongly) agree	

	Adopt	ion		
<u>FUTURE</u>	(coming 3	years)		
	Existing products	New products		Exis
(extremely) unlikely	24,16	30,83	(strongly) disagree	
neutral	17,50	23,33	neutral	
(extremely) likely	58,34	45,83	(strongly) agree	

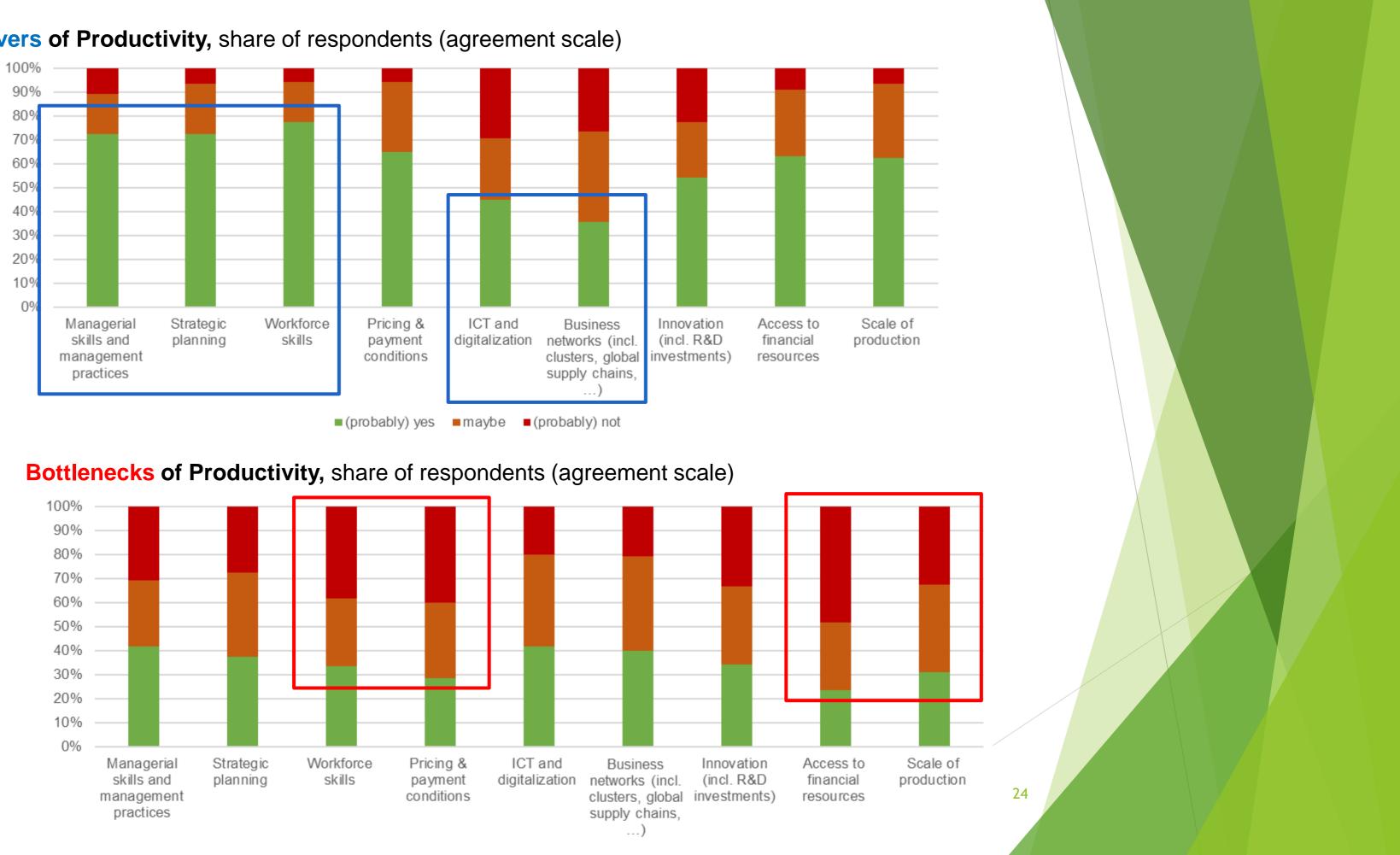
Contribu	ution
(past 3 y	ears)
isting products	New products
6,56	7,89
18,03	13,16
75,41	78,95
Contribu	ution
Contribu (coming 3	
	years)
(coming 3	years)
(coming 3 isting products	<mark>years)</mark> New products
(coming 3 isting products 18,75	years) New products 20,54

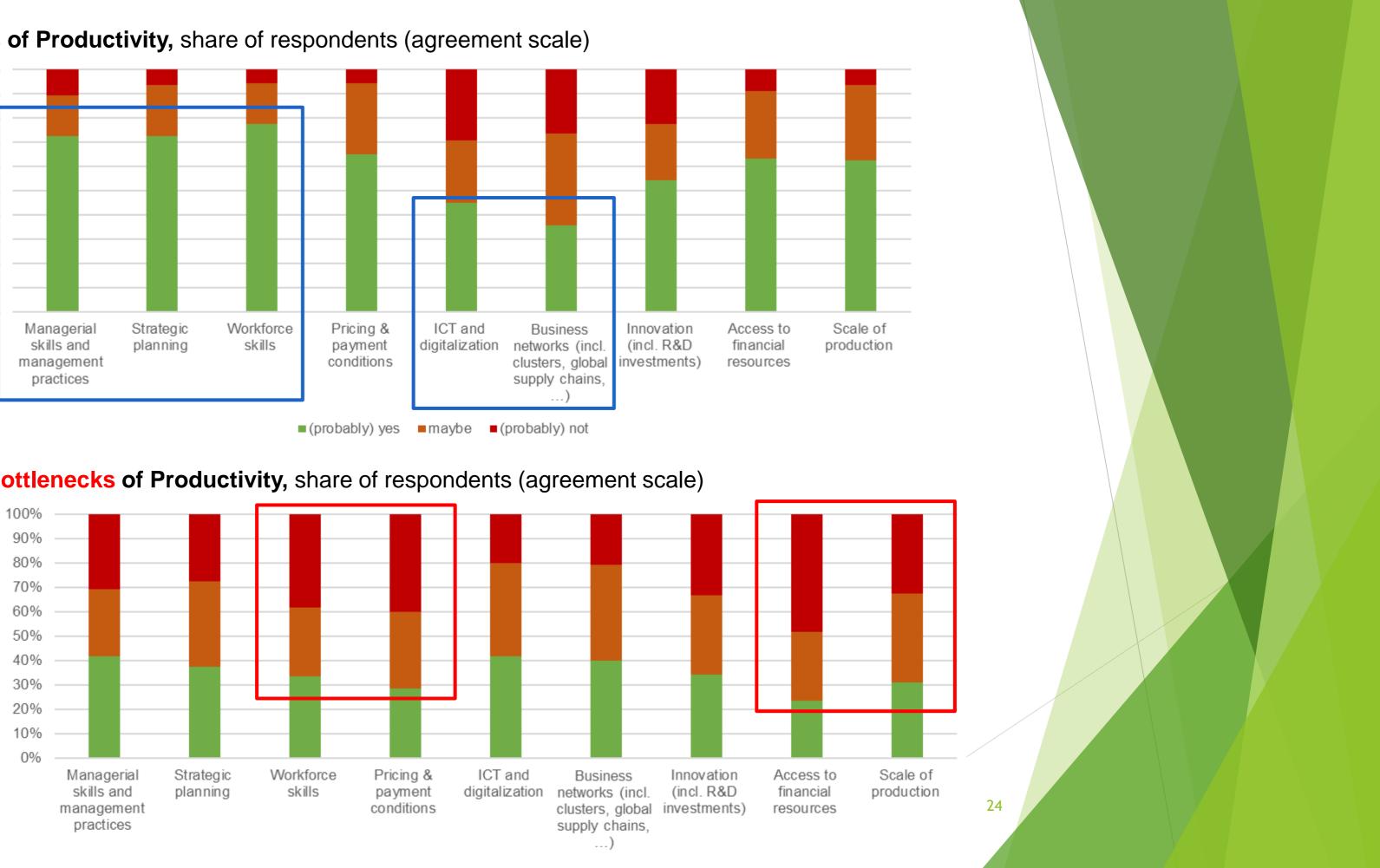
Productivity

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Drivers of Productivity, share of respondents (agreement scale)





■ (probably) not ■ maybe ■ (probably) yes

Drivers and bottlenecks of productivity, ranking, and descriptives (mean and standard deviation)

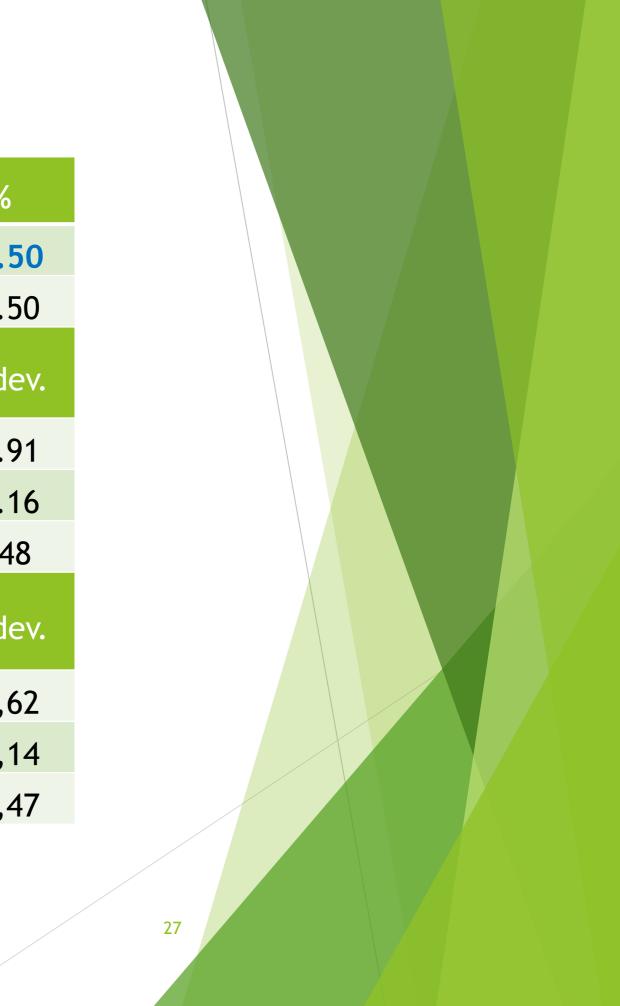
Productivity		Drivers			Bottleneck		
		Mean	Std. Dev.	Rank	Mean	Std. Dev.	
Managerial skills and management practices	3	3,85	0,96	6	2,86	1,10	
Strategic planning	2	3,88	0,86	7	2,82	1,05	
Workforce skills	1	4,13	0,93	4	3,05	1,17	
Pricing & payment conditions	4	3,82	0,91	2	3,20	1,07	
ICT and digitalization	8	3,20	1,13	8	2,74	1,02	
Business networks (incl. clusters, global supply chains,)	9	3,08	1,07	9	2,74	1,02	
Innovation (incl. R&D investments)	7	3,42	1,19	5	2,96	1,09	
Access to financial resources	6	3,72	1,03	1	3,36	1,19	
Scale of production	5	3,75	0,90	3	3,11	1,14	

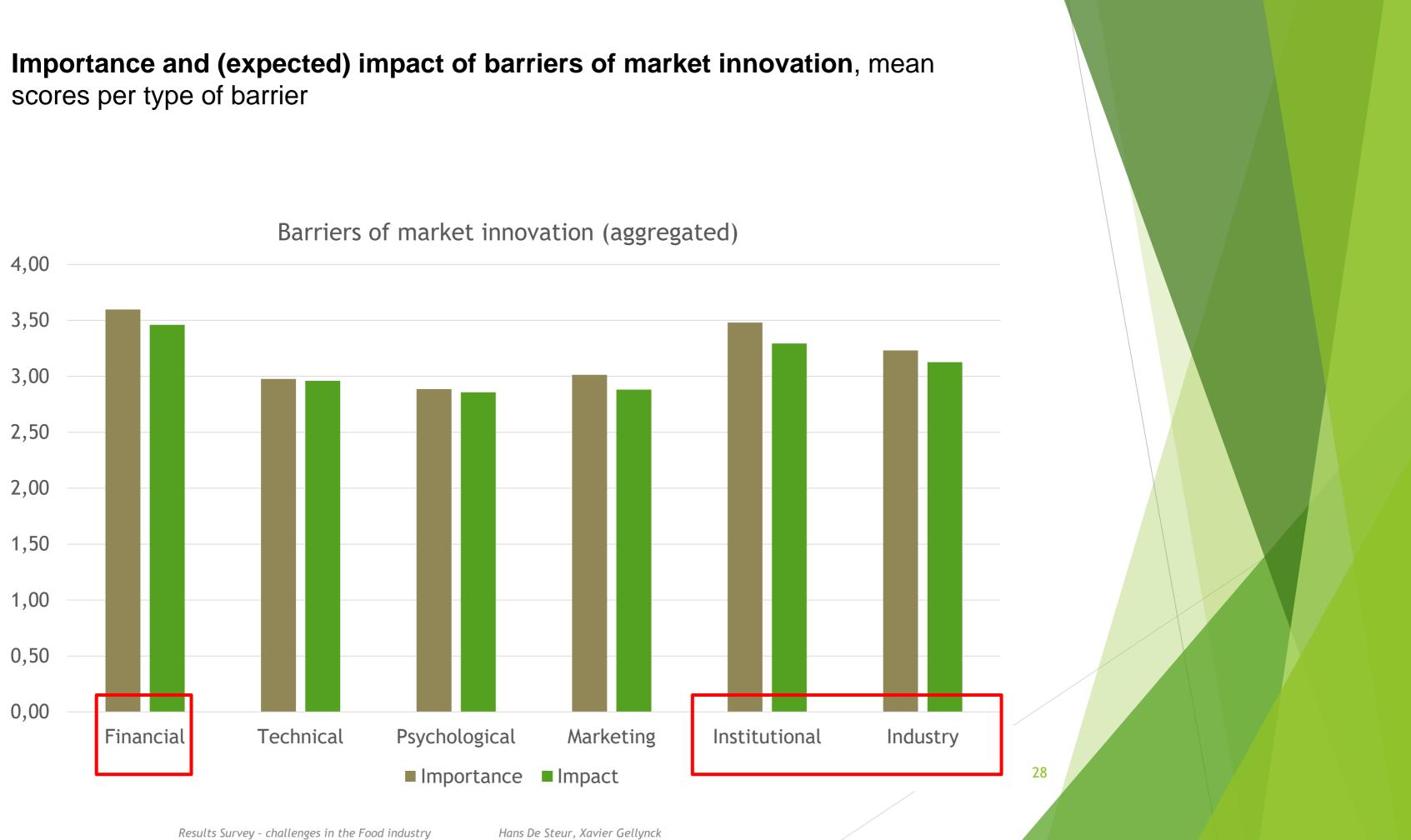
Market innovation

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Export experience	#	%
No	75	62.5
Yes	45	37.5
Share of turnover, in % (all)	Mean	St de
Domestic market	91.05	19.9
Intra-EU	6.23	14.1
Extra-EU	2.72	9.4
Share of turnover, in % (if exporting, n=45)	Mean	St de
Domestic market	76,13	26,6
Intra-EU	16,60	19,1
Extra-EU	7,27	14,4



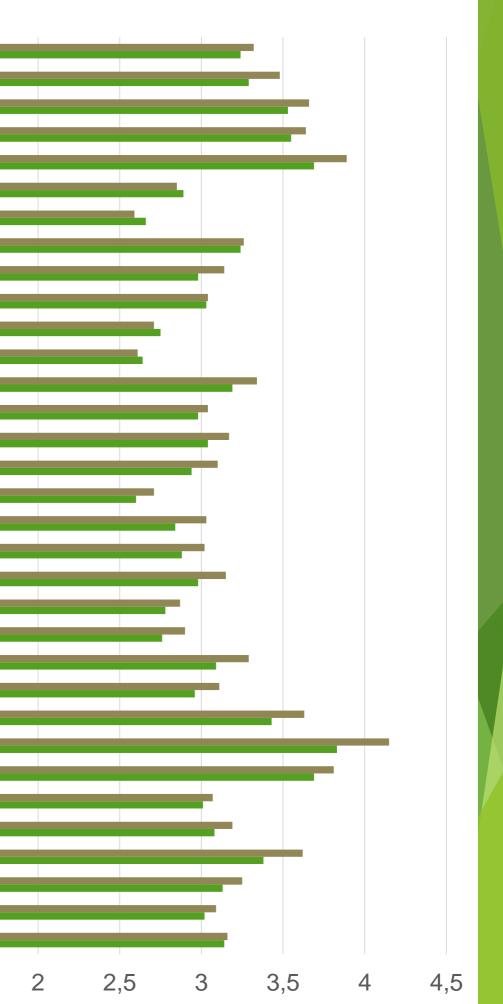


Potential impact Importance

Pay-on period is too long Difficult access to external financial resources Lack of own financial resources Excessive transportation coasts High costs High costs High costs Lack of excess production capacity Difficulty to meet export product quality standards Lack of thooledge on exports Lack of thooledge on exports Lack of third to deal with exports Lack of motivation (e.g. high profitability with current business) Manager resistance to change Excessive risk Difficulty to adjust promotional activities to new markets Limited information about competitor's prices Access to foreign distribution channels Difficulty to adjust promotional activities to new markets Limited information about competitors in new markets Limited information about competitors in new markets Limited information about competitors in new markets Limited information about curp risks in new markets Currency risks in new markets Currency risks in new markets Governmental bureaucracy Insufficient government support Lack of opportunities for collaboration with other companies Innovat	I	Pay-off period is too long				
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		Lack of responsiveness of new customers to your products				
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Importance and (potential) impact of market innovation barriers,

mean, per barrier



Regional governmental support

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Importance of regional government support for innovation, rank and mean scores Note: Importance, based on a 5-point importance scale

Importance of regional support

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Organizing training activities

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	Importance				
	Rank	Mean			
	1	3,92			
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	2	3,80			
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