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SALE OF ORGANIC FOOD IN SPECIALIST AND GENERAL RETAIL GROCERY OUTLETS – A COMPARATIVE ANALYSIS

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Abstract. The article presents the results of an inquiry research carried out in 2011 among specialist and general retail grocery outlets offering organic food. A comparative analysis of the width and depth of organic products range was conducted and grounds for lack of the offer complexity, particularly in retail grocery outlets, were presented as well. The sources of supply in basic products groups and the distance to supplier as the factors determining the offer were discussed. The conducted research proves that the product range, especially in general retail outlets, is not sufficient, which results from the offer of the intermediate links of the organic food distribution channels and the relatively long distance to suppliers.

Key words: organic food, distribution, specialist outlets, general retail grocery outlets, product range, supply sources

INTRODUCTION

Organic farming is a significant element of the sustainable development of rural areas. Opposite to intensive agriculture based mainly on economic premises, in this system the most importance is attributed to short- and long-term environmental goals, which are harmoniously connected to economic and social goals. According to the latest FiBL--IFOAM Survey on certified organic agriculture worldwide in 2010 there are 37 million hectares of organic agricultural land. The regions with the largest organic areas Oceania – (12.1 million ha), Europe (10 million ha), and Latin America (8.4 million ha). The countries with the most organic land are Australia, Argentina and the United States [Willer and Kilcher 2012].

Poland is a country of great potential in organic farming development in regard to low chemicalisation of agriculture and strong dispersion of agricultural holdings. This system is one of the basic elements of the sustainable agriculture, because particular benefits,

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both environmental and socio-economic, are related to its growth. The organic farming has positive influence on quality of environment components, such as air, water, soil and it also increases biodiversity. Moreover, due to application of quite laborious organic methods, it is possible to maintain some part of workplaces in rural areas, and farmers' participation in agrienvironmental programme as well as gaining higher prices for certified products may result in obtaining incomes higher or comparable as in conventional agriculture.

Currently the share of organic agricultural land in Poland amounts to 3.4% of total agricultural land, while in Europe this ratio is at the level of 2.1%[1]. However, the necessary condition of organic farming development is properly functioning market of organic food, which would be able to take over the increasing volume of supply. In Poland this market is in initial stage and insufficiently formed distribution channels as well as logistical network constitute its significant problem [Kilcher et al. 2011]. Two kinds of the channels dominate: direct sale and through specialist outlets. Recently the growth of interest in sales of organic food in general retail grocery outlets has been observed. This occurrence fosters growth of possibility of sale from organic agricultural holdings and organic processors as well as increases the organics' accessibility for consumers.

The aim of the paper is the analysis of the structure and range of specialist and general retail grocery outlets' organic food offer and their supply sources. In order to achieve this goal, the results of research conducted in 2001 concerning retail sale of organic products were presented.

MATERIAL AND METHODS

In 2011 in the 8 largest agglomerations in Poland, i.e. warszawska, śląska, krakowska, gdańska, łódzka, wrocławska, poznańska and szczecińska, the investigation on organic food retail distributors was conducted. It covered 131 specialist outlets and 109 general retail grocery shops offering organic food. Questions in the inquiry questionnaire concerned mainly range of the offered organic food, prices, supply sources and evaluation of functioning and perspectives of distribution and market of this kind of food, as well as its main development obstacles. The research was funded by the Polish Ministry of Science and Higher Education within the research project No NN112 385440 "State and Condition of the Development of the Organic Food Retail".

Range of organic food

In Poland the indirect sale of organic food through specialist channels (specialists outlets) dominate [v. Osch et al. 2008]. An outlet is meant specialist when it sells large assortment of products in quite narrow and deep product line [Pilarczyk et al. 2001]. These channels assure more or less complex offer of organics.

In recent years general grocery retail outlets have also introduced organic products to their offer, which somehow increased the accessibility of organics for consumers. An outlet is meant general grocery when it quite small and offers most of the food products at high price [Pilarczyk et al. 2001].

[1] See website http://www.organic-world.net.

Decisions concerning the range of products are one of the most important ones in running a commercial activity. An outlet must subordinate their goals to customers' needs. Apart from good relation, favourable prices, adequate working hours assortment offer is one of the most important factors increasing demand [Cyrek 2010]. Selection of assortment means defining a specific combination of products, which a given outlet will offer customers. It is an essential element of sale strategy, which should be preceded by market research, defining segments and estimation of demand size. In planning and selection of product range, according to brands, types and classes, such factors as predicted turnover, profitability, expected costs and revenues as well as resulting margin realized upon the sale of particular products should be taken into account [Szulce 1998].

Most of the inquired retailers specializing in sale of organic food (almost 86%) offered over 100 different organic products and nearly 2/5 over 300 (Fig. 1). In turn, in case of general retail grocery outlets the majority (almost 48%) sold between 50 and 100 articles, wherein none of the investigated retailers had more than 200 organic products in the assortment. The differences between these two kinds of shops result mainly from the specificity of the inquired outlets and place of organic food in the applied sales strategy. These retailers predict that organic food would not increase the turnover in high degree and the offer of organics is a kind of diversification of their regular product range. In specialist outlets this type of food has a priority meaning and in nearly 2/3 of the inquired units the share of the organics in total assortment offer amounted to 60%. In general retail outlets this share is far fewer and generally totals a few per cent. In this kind of shops organic food is so to say an addiction to basic assortment, which is constituted by conventional products. Some part of the general retailers would have introduced organics to their offer earlier, however this moment was delayed by:

- small supply of domestic organic food (mainly consisted of processed products),
- lack of market information,
- high cost of gaining of organic food.

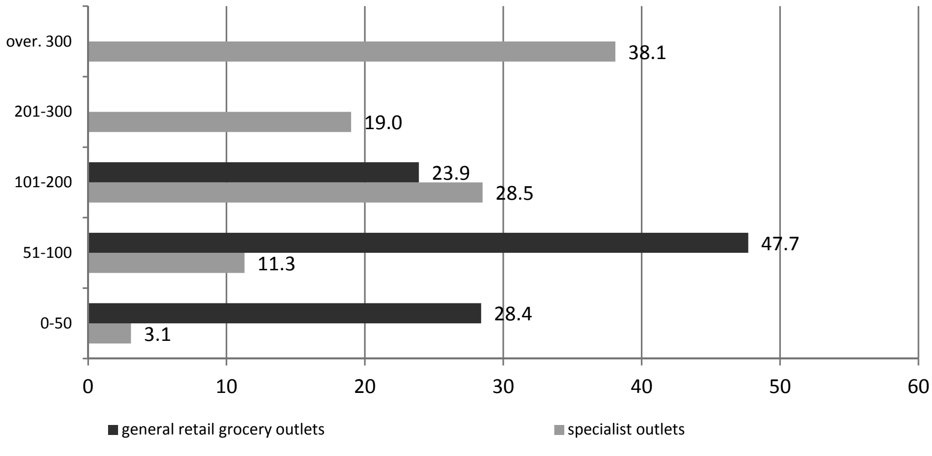


Fig. 1. The amount of organic products offered in the investigated outlets (%)
Source: Authors' own research.

The most specialist shops (about 2/3) offered all the product groups besides meat and sausages (Table 1). It results from the fact that part of the units run sale of food for vegetarians, and on the other hand the market offer of this product group is rather limited[2]. The majority of products are offered in such groups as: herbs, spices and cereals, in turn the fewest articles in eggs[3], meat and bread. In grocery shops, cereals (95%) and oils (80%) were mainly offered and the fewest units sold meat, sausages and bread. In case of this kind of outlets the most articles were offered in group cereals and herbs, spices, while the fewest in eggs, meat, sausages and dairy products.

The similarities in range of products (e.g. large share of cereals or spices) in both types of outlets mainly results from wider market offer of some products and their accessibility in intermediate links of distribution channels as well as relative ease of storage. In turn, the differences are the consequences of different sale strategies applied in these shops. In specialist outlets assuring of complex organics offers is very significant, because part of regular purchasers want to have an overall diet consisting of organic products, in turn customers of grocery shops are rather occasional consumers, who buy only particular groups of products or purchase organic food for little children [Łuczka-Bakuła 2007, Koreleska 2009].

Table 1. Assortment offer of the investigated retail outlets

Product group	Share of outlets offering the given product group (%)		Average amount of the offered products in the given group	
	specialist outlets	general retail grocery outlets	specialist outlets	general retail grocery outlets
Bread	69.0	20.2	12.7	3.0
Cereals	72.6	95.4	40.4	32.9
Fruit	65.5	51.4	15.1	6.8
Vegetables	65.5	27.5	18.2	7.2
Fruit products	67.9	77.1	29.8	8.3
Vegetable products	67.9	71.6	29.4	10.0
Spices, herbs	69.0	70.6	42.5	21.8
Oils	67.9	80.7	18.1	6.5
Dairy products	67.9	32.1	23.4	5.6
Eggs	69.0	51.4	3.4	2.1
Sausages	40.5	22.9	19.4	4.6
Meat	31.0	9.2	10.0	5.0
Tea, coffee	67.9	70.6	29.6	16.9
Sweets	67.9	53.2	31.6	7.5

Source: Authors' own research.

[2] In 2010 the meat processing had 5.1% share in whole organic processing.
[3] The specificity of this group limits its product range.

The retailers are aware that their offer does not entirely meet the expectations of consumers. In the opinion of all owners of the investigated grocery outlets, their offer does not assure the assortment complexity, whereas every fifth specialist distributor answered that their range of organic is sufficient (Fig. 2). Over 2/3 of all retailers indicated that sometimes there is a lack of some products, while definitely more owners of general retail outlets than specialist ones (by 24 percentage points) responded that often or very often there is a lack of some wanted articles.

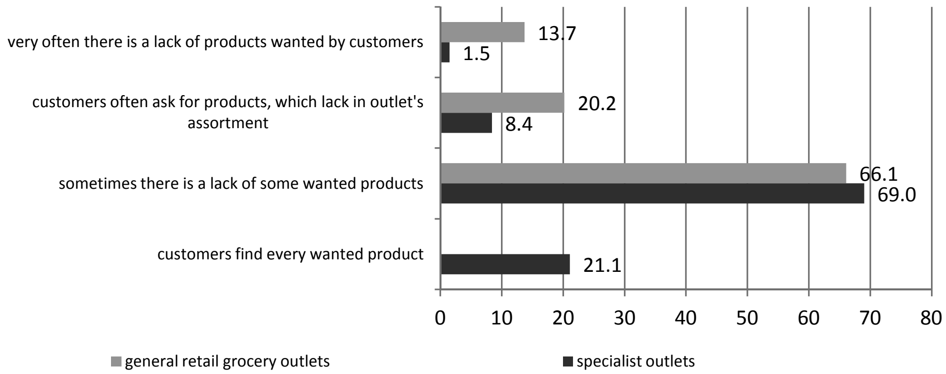


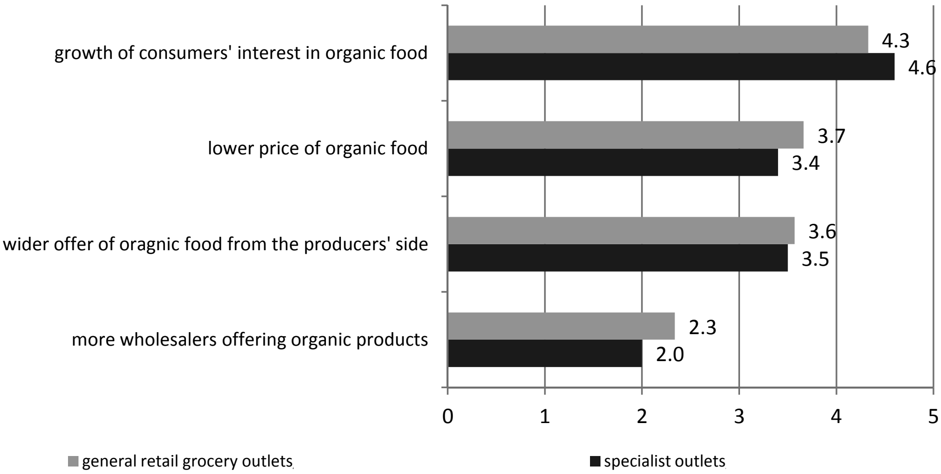
Fig. 2. The degree of complexity of organic food offer in the opinion of the investigated distributors (in percentage points)
Source: Authors' own reserach.

As a reason for insufficient organic food offer, both types of retailers agreeably indicated narrow suppliers' product range and high price (Fig. 3). Specialist distributors assigned more meaning to seasonality of supply and high costs of gaining of products, mainly in regard to the necessity to assure the possibly most complex offer consisting of fresh products, which are characterised by seasonality and price volatility. In their opin-

Fig. 3. Reasons for insufficient organics offer (%)
Source: Authors' own research.

ion, the significant factor was lack of consumers' interest, because consumers of organic food constitute in these outlets a large share of all purchasers, in opposite to grocery outlets, where buyers of organics are small percentage of customers.

Definite majority of specialist retailers (over 92%) and quite big share of general retailers (over 60%) aim at widening the range of organics in future. However, they condition their decision on particular factors, such as demand growth, lower price of organics or wider supplier offer (Fig. 4). Specialist distributors assign more meaning to determinants of supply character rather than the ones of demand character, which is also related to assuring wider offer of organic food. Factors connected to demand have less significance, because regular customers constitute large part of their outlets' clients of already formed awareness, who, while expressing their needs, at some degree influence the offer level in the investigated shops.



The investigated assigned ranks to particular factors from 1 - he least important to 5 - the most important.

Fig. 4. Factors determining growth of assortment offer of organics
Source: Authors' own research.

The product range in the inquired outlets, both specialist and grocery, only in part satisfies the consumers' needs. Too poor offer, in particular in case of fresh products, for which the demand is the highest, negatively influences the image and interest of organic food, most of all for occasional consumers. General retail grocery outlets dispose adequate equipment, which may be used for storage of fresh organic products, however the retailers very rare decide to widen their offer. It is worth noting, that often their location (large housing estates) favours gaining new customers' groups, which in regard to health conditions or lack of time are not able to find organic food in distant specialist shops situated mostly in city centres or shopping malls.

Supply sources

The selection of the supply sources requires evaluation of their purposefulness from the retailer. While deciding on the product range, they take into account many factors, among which the most important are [Szczepankiewicz 2004]:

- factors forming delivery prices, including discounts, conditions and terms as well as regulation of payment,
- commodity quality factors, which are brand, quality level, innovations and production technology,
- factors connected to delivery organisation, such as conditions of ordering, reliability,
- specific factors, which are transportation means, storage of supplies, technical support, repair service or supplier policy in the area of complaints and return.

From the variety of factors forming price, the transaction conditions are the most important ones for the investigated distributors, because in regard to limited supply and small amount of organic food suppliers, the retailers do not have the possibility to choose diverse supply sources. Considering high dispersion of supply, the supply sources are very often determined by specific factors, such as distance to provider and the means of transportation, which costs are additionally increased by the necessity to fulfil special requirements accompanying transportation of organic products. These costs influence price and may cause spatial limitation of product market [Tomanek 2004], which in the Polish conditions, by the necessity of searching for additional possibilities of sale, has particular meaning for organic food market development.

Quite big differences between specialist and grocery outlets occur in number of suppliers, which mainly results from the need for widening the offer in the specialist shops. The average number of suppliers of specialists shops amounts to nearly 24, wherein 10 is the dominant. In turn, in general retail grocery outlets this number totals almost 4, wherein 3 is the dominant. Agricultural holdings are generally providers of fresh eggs, fruit and vegetables, both to specialist and general retail outlets, partly dairy products, bread, cereals as well as fruit and vegetable products to specialist shops (Table 2). In turn, wholesalers deliver most of assortment to general retail grocery outlets (they have smaller meaning in case of eggs, fruit and vegetables, meat and sausages), whereas they are suppliers of coffee, tea, sweets, oils and fruit and vegetable products. Processors provide both types of outlets in meat, sausages, bread and fruit and vegetable products. Considering processed products, agents and producers' groups (in case of meat and sausages) have some significance, particularly for specialist retailers. The supply on farmers' market has marginal significance.

Table 2. The supply sources of the investigated outlets

Product	Agricultural holding		Wholesaler		Proce		Farmers' marketssor		Agent		Producers' group	
	1	2	1	2	1	2	1	2	1	2	1	2
1	2	3	4	5	6	7	8	9	10	11	12	13
Bread	43.4	23.8	38.2	50.0	25.0	26.2	–	–	9.2	11.9	11.8	–
Cereals	27.8	10.6	83.5	100.0	16.5	–	–	–	17.7	10.6	10.1	–
Fruit	68.9	35.7	54.1	64.3	–	–	1.4	–	6.8	–	9.5	–
Vegetables	74.7	55.6	54.7	44.4	–		1.3	–	6.7	–	10.7	–
Fruit products	20.0	6.7	71.3	87.6	22.5	19.1	–	–	20.0	–	7.5	–

Table 2 cont.

1	2	3	4	5	6	7	8	9	10	11	12	13
Vegetable products	25.0	8.2	72.5	76.7	21.3	23.3	–	–	20.0	–	7.5	–
Herbs. spices	8.8	–	85.0	100.0	16.3	–	–	–	8.8	6.1	7.5	–
Oils	15.0	13.3	85.0	80.7	26.3	–	–	–	7.5	6.0	5.0	6.0
Dairy	44.3	57.1	54.4	42.9	22.8	57.1	–	–	10.1	–	7.6	–
Eggs	86.1	82.1	27.8	35.7	2.5	8.9	1.3	–	5.1	–	3.8	–
Ham-and-sausage	27.3	–	40.9	40.0	43.2	60.0	–	–	4.5	–	13.6	–
Meat	35.3	–	41.2	–	41.2	100.0	–	–	2.9	–	17.6	–
Tea. Coffee	–	–	94.9	93.5	11.4	–	–	–	15.2	6.5	6.3	–
Sweets	–	–	96.0	90.5	12.0	19.0	–	–	14.7	–	2.7	–

1 – specialist outlets, 2 – general retail grocery outlets.
Source: Authors' own research.

The choice of means of transportation limits only to relatively expensive car transportation in regard to its high elasticity. On average, the most distant from the investigated specialist shops were wholesalers and processors, whereas the least – agents (Table 3). In turn in case of general retail grocery outlets, the wholesaler was the most distant source, whereas the least – agent and processor. The differences result from the fact that specialist shops search for wider assortment, often at very distant suppliers, while general retail grocery outlets limit that search to the suppliers located in the region, which mostly take the transportation cost over. Considering cost of transportation to specialist outlets, the cost is in half of cases beard by the outlets or even in 3/4 cases of transportation from an agent. On one hand, such large participation in transportation cost has influence on retail prices, on the other, gaining products from distant suppliers assures more diverse range of products, which results in meeting the needs of wider group of customers.

Table 3. Average distances between the investigated outlets and suppliers

Supplier	Distance (km)		Who takes the transportation cost over (%)					
			Supplier		Outlet		Jointly	
	1	2	1	2	1	2	1	2
Wholesaler	145.9	159.1	39.7	48.8	50.9	51.2	9.4	–
Agent	75.7	50.0	10.0	50.0	75.0	50.0	15.0	–
Processor	169.7	52.4	30.3	80.8	51.5	19.2	18.2	–
Agricultural holding	101.4	76.0	36.6	77.1	56.1	22.9	7.3	–

1 – specialist outlets, 2 – general retail grocery outlets.
Source: Authors' own research.

CONCLUSIONS

Specialist outlets dominate in distribution of organic food in Poland. Recently general retail grocery outlets have been introduced into sale of organic food. Nevertheless, in these outlets organic food has no priority significance and constitutes only a small share in total product range of an outlet. The offer is very often limited to processed products with longer term of validity. In turn, specialist outlets proposing more varied, but not always complete assortment, search for more diverse products at many different suppliers, which consequently shifts prices of organic food. Nevertheless, in both types of shops there are some lacks considering fresh products, particularly meat, which is related to small market supply as well as difficulties with storage (short validity term). This is one of the most important problems, because consumers claim that the offer of this product group should be wider and more accessible. This situation leads to a permanent imbalance on organic food market.

Despite a number of limitation and lacks, general retail grocery outlets constitute a possible opportunity for organic market, mostly in regard to localisation in population centres, where one can hardly find any shop specialising in organic food. Introducing this kind of outlets to organic food sale on wider scale might increase the accessibility of organics for broader group of consumers, particularly if these shops extended their offer with fresh organic products, which generally lack in retail networks.

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SPRZEDAŻ ŻYWNOŚCI EKOLOGICZNEJ W SKLEPACH SPECJALISTYCZNYCH I DROBNODETALICZNYCH PLACÓWKACH SPOŻYWCZYCH – ANALIZA PORÓWNAWCZA

Streszczenie. W artykule przestawiono wyniki badań ankietowych przeprowadzonych w 2011 roku wśród sklepów specjalistycznych i drobnodetalicznych oferujących żywność ekologiczną. Przeprowadzono analizę porównawczą szerokości i głębokości oferowanego asortymentu oraz przedstawiono przyczyny braku kompleksowości oferty, zwłaszcza w sklepach detalicznych. Przedstawiono również źródła zaopatrzenia sklepów w podstawowe grupy produktów oraz przeciętną odległość placówek handlowych od dostawców. Z badań wynika, że oferowany asortyment, zwłaszcza w sklepach drobnodetalicznych jest niewystarczający, co głównie jest rezultatem niskiej oferty ogniw pośredniczących w kanale dystrybucji żywności ekologicznej oraz relatywnie dużego oddalenia dostawców.

Słowa kluczowe: żywność ekologiczna, dystrybucja, sklepy specjalistyczne, sklepy drobnodetaliczne, oferta asortymentowa, źródła zaopatrzenia

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