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The evolution of food distribution system and its implications on the marketing of typical products

Gabriele Canali [1]

[1] Institute of Agri-Food Economics, Università Cattolica del Sacro Cuore, via Emilia Parmense 84, I - 29 l 00 Piacenza, Italy

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Typical and traditional productions:
Rural effect and agro-industrial problems
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GABRIELE CANALI [1]

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ABSTRACT

The paper presents and discusses some of the most relevant changes characterizing the Italian food distribution system, which may have dramatic consequences on food firms and especially on firms producing and/or marketing typical products. The market power of small producers of typical products, as well as the market power of bigger middlemen trading and marketing these products, might be reduced significantly by the behavior of large retailers and large distribution chains. This evolution, however, could also generate unexpected benefits in terms of market efficiency and of new marketing opportunities.

The evolution of the distribution system, indeed, by reducing in a significant way both the role of speculators and of the old-fashioned Italian food distribution system could remove few important causes of market inefficiencies. The reduced role of wholesalers and the development of stricter linkages between producers and large retail chains, could also generate new incentives for the development of new marketing strategies by small producers of typical products.

1. INTRODUCTION

The Italian food distribution system has shown few major structural changes in the last decade, and especially in the last few years: many small retailers have disappeared and large distribution chains have developed rapidly obtaining an increasing share of total food sales. Types of outlets almost completely new for our country, like hypermarkets and hard discounts, have been scattering all over the country and especially in the northern part: only very few of them were present only ten years ago in Italy. Moreover, an increasing number of foreign, mostly European, large distribution chains have started to develop their business

[1] *Istituto di Economia Agro-alimentare, Università Cattolica del S. Cuore, via Emilia Parmense 84, I - 29100 Piacenza - Italy*

also in Italy, building their own super- or hypermarkets, and/or buying relatively small Italian distribution chains.

These and other changes are generating major effects on the whole food system by shifting market power from food firms and wholesalers to retailers, and by requiring new services and a different organization of the logistic process to all economic agents of the food chain. These changes may also affect, both negatively and positively, producers of typical food products especially in Italy where producers of these products are small and where there is only little experience of these relatively new distribution forms. Among positive effects of this revolution of the food distribution system in Italy, there is an overall improvement of the efficiency of the whole food system and this fact could even create or widen market space also for typical products.

When in this paper we refer to 'typical' products we implicitly include both food products officially protected by the Protected Designation of Origin (PDO) or by the Protected Geographical Indication (PGI) as defined by EU Regulation n.2081/92, and other 'traditional' food, usually produced in a limited geographical area, according to some local or regional recipe and technology. All these products have, actually, almost the same marketing problems, besides the one of defending the collective brand name, which is easier in the case of PDO and PGI products because of the EU Regulation, and more difficult in the other cases.

In the following section the major changes occurring to the Italian distribution system are described and analyzed; in the third one, new threats and new opportunities for typical products due to these changes in the distribution system are discussed; in the fourth one, the specific case of high quality typical products with a long aging period is analyzed, again with specific reference to the effect of the evolution of the distribution sector, as a specific and interesting example. Few comments conclude the paper.

2. Major changes in the Italian food distribution system

In recent years, and in particular in the nineties, in Italy there has been a dramatic change in the structure of the food distribution sector, particularly at the retail level. While for many years, mainly because of a legislation designed at protecting small retail outlets, there has been a very large number of traditional retailers, in the last few years the number of these outlets has decreased significantly, while the number of large supermarkets and hypermarkets has increased rapidly.

In the last 6 years (1991-1996) the total number of retail outlets has decreased of one third (-33.2%) while the number of supermarkets has increased of more than 1 thousand units (+24%) in the last two years only (1994-1996), reaching the level of 5.207 units.

Table 1 - Number of retail outlets in Italy in 1995, 1996 and forecast for the year 2000.

Type of retail outlets	1995	1996	% Variation 1996-1995	2000 (Forecast)	% Variation (2000-1996)
Food	203,085	180,951	-10.9	146,400	-19.1
Non-food	372,145	327,971	-11.9	278,700	-15.0
Total	575,230	508,922	-11.5	425,100	-16.5
of which:					
Supermarkets	4,787	5,207	+8.8	6,000	+15.2
Department stores	841	902	+7.3	n.a.	-
Hypermarkets	225	230	+2.2	375	+63.0
Shopping centers	n.a.	309	-	n.a.	-
Cash & carry	293	288	-1.7	n.a.	-

Source: elaboration on data by the Ministry of Industry and forecast by Nielsen (Il sole - 24 ore, August 5, 1997).

In 1996 the number of food retail outlets has decreased of more than 20,000 units (-10.9% with respect to 1995), while the number of supermarkets, department stores and hypermarkets has increased, respectively, of 8.8%, 7.3% and 2.2%. In 1993 there were only 120 hypermarkets in Italy while in 1997 they are estimated at the level of 230, notwithstanding a legislation which is still unfavorable towards the diffusion of these structures; this explains also the lower growth rate of these outlets with respect to the others. With respect to total sales, the percentage of total grocery sales realized by these hypermarkets was only 4.9% in 1993, while it is estimated at the level of 8.4% in 1997 (Chierchia, 1997). Moreover, with reference to the same year the percentage of total grocery sales sold by supermarkets in Italy is estimated at the level of 36%.

According to a recent forecast (see table 1), in the year 2000 there should be only 146,000 food outlets in Italy, about 35,000 less than in the 1996 (-19%), while the number of supermarkets could reach the level of 6,000 (+15% with respect to 1996), and the number of hypermarkets, without a an excessively binding legislation, could reach the level of 375 (+65% always with respect to 1996).

The evolution of the food distribution system has been very rapid but not uniform over the country: while in the North of Italy the area of supermarkets and hypermarkets has reached, on average, the level of about 120 square meters for 1,000 people, which is considered comparable to the standards of Central and Northern European countries, in the Central part of Italy this area is only 94 square meters and in the South only about 50. Therefore, the revolution of the distribution sector in Italy has not been uniform and its effects are much stronger in the North of the country; however, since this new situation is of interest manly for food firms, also the one in the Central and Southern Italy are interested by this evolution as long as they are interested in selling their products in the North. This fact is much less relevant for foreign food firms which generally are much more accustomed to interact with large retailers than with smaller one, given the different experience they have in their home country.

But this parameter alone, the one of the store area, does not allow to understand the real changes which are involving the whole Italian agricultural and food system: the

development of these distribution forms is not completely new in Italy but what has been new in the nineties, has been the intensity of their diffusion and the consequent radical change in the relationships between food firms and large retailers or large distribution chains.

The internationalization of the economy and the growing integration at the European level of the eighties, clearly showed to both Italian and foreign managers of large retail chains that the organization of the retail sector was by far one of the least developed in Europe and among developed economies. This lag was not only a problem but also an interesting opportunity for national distribution chains as well as for foreign retailers: these opportunities were available for the first distribution firms able to answer to them and to do it in the most effective and efficient way. At the beginning of the last decade, a number of foreign large distribution chains, mostly French and German, started to invest in Italy, especially in the North; at the same time the largest national distribution chains increased their expansion in new areas of the country and invested in the new form of distribution like hypermarkets and hard discount.

The recession which occurred in Italy in 1993 and the economic crisis of the following year, together with the new economic and political attitude at the national level more focused on a restrictive economic policy approach, defined a new economic environment characterized by diminished expectation for the near future from consumers' point of view, worrying for the possible evolution of the welfare state, and increased fiscal pressure. These conditions influenced consumers' behaviors generating a substantial and very unusual decrease of total private consumption, as well as of food consumption. The evolution of the distribution sector, the increasing competition by foreign distributors, the decrease of total consumption interacted each other, changing completely, once and for all, the relationships among retailers and between retailers and food firms: consumers started to experience the positive and unusual effects of competition at this level especially through large price discounts.

One of the most relevant change was the new competition among retailers: the Italian food distribution industry started to evolve from a "monopolistic competition" scheme to a more competitive one where the total number of outlets is smaller, where localization becomes less important, and where prices, product quality and services become more important. In this new competitive environment price competition among retailers has greatly increased for all products, and most of all for high quality products which may have a positive effect on the image of the whole store or chain.

During these years there has been also the beginning of the diffusion of hard discounts: this kind of outlet was almost completely new for Italy, and contributed to create a strong competitive pressure on food firms with strong own label: as a result price competition increased very much.

At the beginning, food firms with strong own brand were able to obtain favorable position on the shelves of the supermarkets and to retain an interesting margin. With the increase in competition among retailers and with the increase of the relative market power of retailers with respect to food firms, also large and well known food firms have been constrained by retailers to lower their prices in order to remain on the shelves.

Another interesting tool used by retailers for competing both horizontally (i.e. with other retail chains) and vertically (with food firms) has been the diffusion of private labels, a marketing tool 'new' for the Italian food distribution system. During the first stages of

development of a modern distribution system, like the one which is now interesting the Italian distribution sector, large retail chains start to use private label in order to compete with well known brand of food firms.

The development of private label in the last few years, however, has been also able to create new opportunities also for small and medium firms producing them for large distribution chains. In few cases this cooperation is now such that food firms produce both private label products and own label product (dual branding) with positive effects for both retailers and producers. Competition by 'unbranded' products sold by hard discount, 'first price' products and 'private label' products sold by supermarkets and hypermarkets, have had the effect, already mentioned, to decrease prices also for branded food.

Therefore the two major effects of these radical changes have been (1) the deflation (reduction or only slight increase) of prices for grocery products and for food, and (2) the increase in the overall efficiency of the distribution sector which has been shown by the substantial lowering of marketing cost; of course this evolution required a substantial decrease in the number of small traditional outlets.

The evolution has been very fast and it seems that in the last few years the situation reached in the North of Italy could start to stabilize, while a significant evolution will probably occur in the rest of the country. In the same period, after a strong growth of the first years, for example, also the phenomenon of hard discount is stabilizing and its relative importance is possibly decreasing.

3. EFFECTS ON MARKETING OF TYPICAL FOOD PRODUCTS: A SWOT ANALYSIS

In this new marketing environment, a greater attention must be given to the possible consequences of the (r)evolution of the distribution sector for the specific effects that it may have on the marketing strategies for typical food products, in Italy first, and then also abroad.

As already mentioned with reference to food firms in general, while at the beginning of this phenomenon it seemed that there would have been no more room for small food firms, it is now clear that also small and medium food firms may have a future in a more competitive market, under some condition. One way of surviving for small and medium firms is to produce 'private label' goods, but this is not easy, if possible at all, in the case of PDO and PGI products. It is therefore important to identify, in this case, adequate and specific strategies in order to cope with threats and to take advantage of new opportunities.

3.1. Strengths and weaknesses

Typical products present many strengths, mainly with respect to the evolution of consumers' preferences: first of all these products are generally considered of high quality, particularly with respect to 'industrial' products. Typical food products are also identified, somehow, with the rich and diverse tradition, culture, history of a specific rural area and this characteristic is often appreciated by consumers.

The richness of flavors, taste, and the particular way of eating that very often are specific of these products make these typical product to be preferred because they are good

but also because they are interesting. In other words it is easy to show that these products are in almost all cases, very easy to differentiate from other industrial products or from other similar typical products produced in other areas and according to other traditions. While most products in general, and food in particular, tend to become everyday more standardized and uniform in terms of intrinsic characteristics, and therefore more easy to copy or reproduce in other places in the world, the typical food products have intrinsic characteristics which make them unique and not reproducible everywhere else. The differentiation of typical products, therefore, is much more easy and generally is strongly based on a number of intrinsic characteristics. Also for these reason, moreover, typical products tend to naturally satisfy the increasing demand of variety which is applied also to food consumption.

From a competitive point of view, this means that in this case agricultural products used for producing typical food can be differentiate from other agricultural row material and can therefore capture a greater share of value added also thank you to their specific characteristics. These typical products, if supporting marketing policies are correct and effective, can make the agricultural sector to go away from price competition and to take advantage from differentiation strategies.

It is worthwhile to emphasize that an adequate public support to these typical products is coherent with new directions of EU agricultural policy which is imposing growing limitations to production of agricultural commodities with increasing marketing problems, but is also promoting the development of products of high quality and with high potential demand. Again this fact can be considered as an important strength for these agricultural and food products since most of their competitiveness is directly or indirectly influenced, to a good extent, from agricultural and trade policies, especially in the European Union.

On the other hand, among weaknesses it is crucial to focus on the very low market power of small and medium enterprises producing these typical products: in most cases the production activity is performed from very few workers and the firm itself is managed directly by the owner which is often also the founder. The nature and dimension of these firms do not stimulate the growth of the firm itself especially in the marketing area. Moreover, the small dimension of these firms together with the collective brand of these products do not make it easy to develop a proper marketing strategy at the firm level; as a consequence, in most firms there almost no marketing strategy besides the usual and traditional selling activity.

The management of a collective brand would require, however, a collective strategy of it and a strong coordination among all different producers in a number of fields, from quality to supply management and control, only to make few examples.

Among other problems, the management of a collective brand would also require a collective management of communication activities and, first, the development of a proper collective communication strategy. The high number of small firms makes it difficult to identify and to develop such a strategy, and sometimes also to understand the need of such activity. This fact tend to under-evaluate the potential demand for typical products and therefore to under estimate the role that these products could play both for the economic development of rural areas and for the development of relevant parts of the national agriculture sector.

Another problem representing a weakness of these chains is the weak and often ineffective coordination among different level of these chains, between farmers and food

firms, between food firms and retailers, etc.. Again this is a problem of coordination between a large number of people managing small and medium firms which are not strictly coordinated as they should; this miss-coordination, for example, do not allow information to flow from consumers to farmers and viceversa, mostly with reference to quantity requirements and quality requirements and contents. This loss of information along the chains do not allow producers to fully benefit from consumers' demand, and consumers to fully incentive production (and therefore consumption) of quality products, for example.

3.2. New threats

After the recent evolution of the distribution sector, producers of typical products, which are in general of small and medium size, face large retail chain and may suffer because of the consequent shift of market power from producers (or from wholesalers) to retailers. Up to very few years ago many producers were seriously worried about the possibility to reach the consumer, to reach the shelves of the supermarkets, and to do it without loosing every possibility of earning some, even little, profit.

During this very quick and somehow chaotic evolution of the distribution sector, there have been cases of exclusion of products from the shelves, as well as of arbitrary and excessive price decrease applied by some retailers. Of course there is almost no room for high quality and relatively high price typical food products in the hard discount outlets, but the development of these kind of retail sales seems to have reached an equilibrium level without creating great problems as previously forecast.

The most important threat for typical products still comes from low-price low-quality imitation produced by large and industrialized food firms: after many years from the first legislative intervention (in 1954) at the national level, for protecting producers of typical products form imitation, this is still the most relevant threat with the only difference due, perhaps, to the fact that now producers imitating these products may be of relevant dimensions and well-known brand name. Of course this threat is much more relevant now than few years ago since on one side there is more competition and lower profitability on other food products, and on the other there is an increasing potential demand for these products which, as already mentioned, are highly differentiable and may generate higher profits. Given the great problems that small and medium firms have in coordinating their policies including marketing policies, and given, viceversa, the high effectiveness of large food firms in managing the same functions, this threat seems really effective.

Another problem is the one of the relationship between producers of typical products and large retail chains: the possibility that these large buyers have to buy these products directly from one or few producers, gives them an increasing market power which may reduce in drastic terms, over time, the economic role and independence of small producers if no adjustment occur. Producers of typical products may become, de facto, producers of private label products for large distribution chains, since their brands are in most cases almost unknown. The most important way for reducing this threat is the development of a well known collective brand of the typical product, clearly identified by consumers and well appreciated. The strength of the brand of the typical product do not allow any other private brand to substitute to it. The only way for using the collective brand by food firms

is, in this case, the one of adding it to the private one in order to reinforce the value of the final food product which contains (for example) typical products as an ingredient.

3.3 New opportunities

The new structure of the Italian distribution system creates not only new threats for producers of typical products, but also new interesting opportunities. First of all it is important to note that price competition is not the only way of competing both for food firms and for retail chains: as long as the competition evolves, the most interesting forms of competition are the non-price ones, and typical food products, as already mentioned, are particularly interesting as differentiable products.

The development of the retail distribution system itself is such that while at the beginnig price competition is much stronger, later it evolves towards a competition among retail chains' brands, competing mostly on a basis of non-price factors. Among these factors, typical products may play a relevant role if they are well known and appreciated by consumers, even at the local or regional level: this fact may justify a non price competition strategy based also on promotion activities involving typical products, trough specialty corners for example.

Another way of getting the most for producers of typical products is the one developing food specialty shops where national as well as foreign specialty food can be sold emphasizing their specific aspects and characteristics. The development of a modern distribution system generally imply both an increasing role for large distribution chains based on large supermarkets and hypermarkets, and, at the same time, an increasing role also for specialty shops and specialized retail outlets selling high quality products where the reputation of the shop is relevant together with the one of the products sold. This dual development, while tends to shrink prices and profits for food firms producing undifferentiated goods, also creates new opportunities for differentiated products and for their producers.

Among new forms of retailing, it is interesting for producers of typical products, also the direct sale: i.e. producers may contact final consumers by means of the usual tools of direct marketing, and may sell and send products directly or using specialized transportation firm. This form of retailing is relatively new for the Italian distribution system and is an interesting possibility form many small food firms and specially for the one involved in production of typical product.

The new role of large retail chains of wholesale markets may have also another positive effect on marketing of typical products: the decrease of marketing cost is particularly interesting for these products which present higher prices, since in most cases their elasticities with respect to price is also higher and therefore they may benefit more, in relative terms, from price decrease.

4. DISTRIBUTION EFFICIENCY AND THE CASE OF AGED TYPICAL PRODUCTS

With specific reference to some important Italian typical products - hard cheeses like 'Parmigiano-Reggiano' and 'Grana Padano', and aged hams like 'Prosciutto di Parma' and 'Prosciutto di S. Daniele' - it is possible to show how an old fashioned distribution system might have a negative role in generating, maintaining and emphasizing market cycles in production and prices at the production and/or wholesale level, and therefore an overall negative effects on these chains.

Usual contracts and usual market relations do not seem to be able to stimulate economic agents of these production chains to properly coordinate their production activities in order to reduce or eliminate a cyclical behavior which typically affects production and prices of these products

In both chains an opportunistic and short term view of market opportunities by producers tend to prevail over a long term view of market evolution: this imply that when market prices are high the response is, very often, too high. Mainly because of differences in time length of the diverse production phases, producers and other economic agents tends to react to price signals in different ways and intensities; and this fact contribute to the generation of cyclical behavior of prices and quantities through the whole chains.

This failure in supplying the market with an adequate quantity of these products seems particularly dangerous also for producers (farmers and food firms) of these products characterized by an unusual length of production processes and large fluctuation of prices: long and deep crisis may have dramatic consequences.

In order to understand how these cycles develop themselves and how the evolution of the distribution sector may have an influence on them, it is crucial to describe al least to some extent, these marketing chains.

First of all in both cases the realization of a desired adjustment of the quantity produced cannot be instantaneous but is strictly determined by biological characters of production: in the case of milk it is required to increase the number of milking cows and this will require at minimum 9 months as in the case of production of the so called "heavy" pig (160 kilograms of live weight) required for producing quality hams.

The first industrial transformation of the agricultural raw material (milk and heavy pigs) takes place in a very short time: the cheese making activity and the slaughtering activity last, in a very strict sense, only few hours. After this very short stage there is a phase of preparation of the fresh products for the long aging period: for both products the aging period lasts at least one year but it may last even two years and more.

Moreover, at the agricultural level there is always a large number of producers, if compared with the number of agents at the following stage of the chain; therefore there is no doubt that they have no market power with respect to their buyers; moreover, their agricultural raw material are absolutely perishable (milk and fresh meat) and very specific to their transformation, that is, they can be used only for the production of the specific high quality products because other uses do not allow to obtain a price high enough to cover, in almost all cases, the higher production costs due to the specific quality requirements for these PDO products.

The following stage of these two chains is made, respectively, by middlemen ("stagionatori") - they buy fresh cheese, age it for many months and finally sell it to

retailers -, and by producers of aged hams. In the case of cheese this has been generally considered, by economic agents of the chain as well as by economists, the strongest point of the chain for many reason. First of all the number of agents is much smaller than the one of sellers; secondly they have more information about prices and the evolution of final demand than sellers have; the third reason is due to the fact that these buyers generally have a stronger contractual and economic competence compared to the one of cheese makers, and this allow them to obtain better contractual condition, often through a sophisticated use of apparently minor clauses.

In the last few years, the rapid and dramatic revolution occurring, at national level, to the retail distribution system is generating, as a consequence, a strong, increasing and previously unknown competitive pressure on sellers of the previous stage of the chain: while large retailers are increasing their bargaining power, not only ham producers and traders but also cheese traders (notably with greater bargaining power) are experiencing a decreasing market power. This would reduce any possibility of extra profits for these suppliers while requiring them to supply new services as, for example, new packaging activities, new logistic services, in-store promotion activities, etc..

On the other side the distribution system is also becoming more efficient. As already mentioned, these products traditionally present cyclical behavior of prices (especially at the wholesale level) and of quantity produced. In both cases a price cycle is joint to these production cycles with relevant and generally negative effects on production activities in both cases, but also on middlemen and traders.

Moreover, as shown recently (Canali, 1996), mark up at the retail level is negatively related to changes in wholesale prices, but, most of all, is asymmetric: i.e. when wholesale prices increase, margins tend to decrease but the opposite in not true, at least not to the same extent. This asymmetric response seems due to characteristics of final demand but also to an inefficient behavior of the retail distribution system. In presence of lower wholesale prices due to excess supply, this asymmetry does not give to consumers any incentive to increase their consumption level, since retail prices do not decrease (or decrease only slightly). This lower level of consumption determine an increase of the time required for recovering from the excess supply.

A perceived low demand elasticity for these high quality (but also high price) foods may contribute to explain retailers' behavior: with demand elasticity lower than one the elasticity of total revenue with respect to sales price is positive; in this case there would not be any incentive to decrease prices if competition by other retailers is structurally low.

Therefore we can conclude by that the increasing market power of large retail distribution chains is having two different effects: on one side it is already putting a strong pressure on middlemen leaving them less room for their speculative behaviors and for extra profits. On the other side, this change in the retail distribution could also reduce asymmetric price response at the retail level; this new behavior, and/or the reduction of the speculative component in the previous stage, could generate new incentive and new market opportunities for these products.

Another implication of this new competitive environment is a renew need of supply management all over the chain: supply and price instability, in fact, could become even more dangerous now for the whole chains than in the past, given the increasing pressure by substitute products: more industrialized production of substitutes do not present any of these problems.

5. CONCLUSIONS

Agricultural products and foodstuffs with Protected Designation of Origin (PDO) or Protected Geographical Indication (PGI) represent an interesting and possibly positive answer to the new market environment for agricultural and food products which has been developing in the last decades in all developed countries, in particular in the EU and in Italy. Recent consumer trends towards a slower development of overall food consumption, in quantitative terms, joint with an increasing interest for qualitative aspects, variety, tradition and culture, together with good and "new" foods, are interesting and useful starting point. Nevertheless these products present a number of marketing problems, mainly due to the need of managing a collective brand.

These factors interact, especially at the national level, with the (r)evolution of the food distribution sector which is occurring in the last few years. The development of new large distribution chains based on large supermarkets and hypermarkets and the disappearing of a large number of small traditional retail outlets, is reshaping the Italian food system with relevant and sometimes dramatic consequences. At present, typical food products show both strengths and weaknesses with respect to this evolution of the economic environment, which have been analyzed in the paper, together with opportunities and threats for the near future.

It is not possible nor useful to calculate, at the moment, a balance between positive and negative aspects, since what seems to emerge is more a need to further analyze, with respect to *each* specific typical product, strength and weaknesses, opportunities and threats, in order to identify specific measures and intervention tools for fully taking advantage, at the national level, at the agricultural, food industry and retail level, of these spectacular market opportunities offered by typical food products.

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Table 1. Evolution of the Italian food distribution sector and the role of typical food products: a SWOT analysis

STRENGHTS	***WEAKNESSES***
♦ Overall positive perception of these products by consumers; ♦ high level of compatibility between characteristics of typical products and modern evolution of food consumption styles (with reference to quality, variety, health, naturalness, ...); ♦ compatibility between typical products and new trends in agricultural and rural policy.	♦ No market power of small and medium enterprises producing these products; ♦ not adequate coordination among producers of the same typical product; ♦ insufficient communication activities and insufficient promotion activities which do not allow to develop a widespread reputation for these product among consumers.
OPPORTUNITIES	***THREATS***
♦ Development of specialized retail outlets; ♦ development of specialty corners inside supermarkets as a differentiation tool for retailers; ♦ decrease of marketing cost also for typical products (greater efficiency); ♦ also as result of the above, decrease of retail price without reduction of wholesale price mostly for typical (expensive) products: this would increase final demand in quantitative terms; ♦ these products have an enormous potential of product differentiation which may allow producers to become more competitive.	♦ 'Dereferencement' (exclusion from supermarket shelves) of typical products with low reputation; ♦ imitation, also by large food firms, of typical products with high market potential and relatively low brand reputation (substitution of the collective brand with the private brand); ♦ economic 'dependence' of producers from large retailers (due to a possible almost complete loss of market power).