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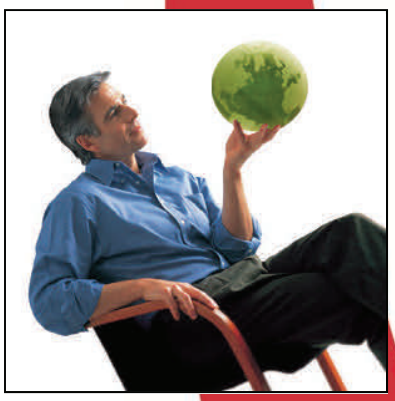
Consumer Trends

Chilled Foods in Poland



Growing Forward

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MARKET SNAPSHOT

From August 2011 to August 2012 there were 428 new, chilled, processed food products launched in Poland, of which 54% were yogurt based.

Consumer demographics are playing a pivotal role in determining what consumers of chilled processed food want. Many Polish consumers live alone, making convenience and portioning key, while the lower-income consumer sees price as a top priority.

At the same time, there is a growing concern for food quality, which is causing some consumers to shift their purchases to higher quality products that are reasonably priced. This has resulted in an increase in the number of private label offerings in this sector. From August 2011 to August 2012, all of the new products offered by Biedronka, the leader in the Polish chilled, processed food market, consisted of private label items.

The typical Polish diet tends to incorporate chilled meat into every meal and Euromonitor's data indicates that Poles spend, on average, one third (33%) of their food budget on meat. For this reason, meat purchases tend to lead sales in the chilled, processed food sector. Sausages are the most popular choice, followed closely by pâté.

As for product positioning claims, convenience was used most often in the chilled, processed food category, along with no additives or preservatives.

The majority of Polish grocery shoppers favour the hypermarket. Jerónimo Martins is the retail leader, followed by Swartz Group. In general, the urban landscape is saturated with many grocery retail giants, with the next phase of grocery store openings expected to occur in smaller cities.

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Source: *Planet Retail*

RETAIL SALES

- Mintel reported in "*Food Retailing in Europe, 2011*" that Poland was one of the only countries in the European region to completely avoid a recession, maintaining real overall growth between 2008 to 2010.

- The Polish consumer generally prefers homemade meals; therefore, cooking at home is highly popular. Nevertheless, Polish consumers have embraced chilled, processed food products and are using them as the base for many quick dishes.

- Nearly 30% of all households in Poland are single-person dwellings, and Euromonitor is predicting this number will reach 35% by 2020. Delayed marriage, rising divorce rates, and a growing number of young, urban professionals choosing to live alone have all had a major role in creating this environment. Convenience and smaller/single portion packaging are increasingly sought after by this growing demographic.

- For some less-affluent Polish consumers, price is the deciding factor for their food purchases. This has caused some consumers to shift their purchases to cheaper brands and private label products.

- Additionally, in a survey conducted by the European Food Information Council, entitled *European Consumers Spill the Beans on Food Labels*, Polish consumers placed significant importance on the I dentification of food additives in the products they buy, and they most often consult nutrition tables for this information. In this same survey, when Polish consumers were asked to estimate the fat, sugar or salt content of food, only 57% of the respondents were able to answer correctly.

- Overall, the demand for chilled, processed meat will likely continue to grow, as Poles consider meat to be the main ingredient of almost every meal, spending approximately 33% of their food budget on meat.

- However, Polish consumers are becoming increasingly concerned with the quality of chilled meat products. This trend has influenced a growing shift from economy products to mid- and premium priced products.

- According to Euromonitor, the chilled meat category will be driven by unit price increases, caused by rising production costs. While these prices can fluctuate, the savings enjoyed by manufacturers when costs decline tend not to be reflected in the final price paid by the consumer. For example, in 2011, Polish pork producers benefited from the falling prices of the raw materials used to produce pork-based meats, which are often used in processed meat products. However, these lower costs were not reflected in the pricing of chilled processed food.

- The Polish consumers' demand for more convenient meal preparation has stoked the popularity of chilled fish salads and fish paste over more traditional processed products, such as rollmops (pickled herring fillet rolled into a cylindrical shape around a savoury filling). Herring salads are the most popular of all the chilled fish salads. Other popular salad choices are salmon, tuna and mackerel.

- Chilled meat products that are targeted to Polish children are also increasing, according to Euromonitor. There are approximately 3 million children in Poland between the ages of 3 and 10. This is roughly 10% of the population. This demographic will grow in significance, as more manufacturers are now aiming products towards them. However, such products tend to have high unit prices, and so tend to be impulse purchases.

RETAIL SALES (continued)

- In the chilled, processed food category, the processed meat and fish/seafood sub-categories made up the majority of sales. Per capita spending on chilled fish/ seafood in 2011 was US$4.9 and is expected to grow to US$5.9 by 2016. Per capita spending on chilled, processed meat was US$10.8 in 2011 and is predicted to rise to US$11.5 by 2016 (Euromonitor, 2012).

Poland—Chilled Processed Food—Market Sizes–Historic/Forecast—Retail Value—US$ Millions

Category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Chilled processed food	605.5	647.9	690.5	730.5	771.1	809.4	847.9	886.5	924.7	964.2
Chilled fish/seafood	247.6	255.0	262.6	271.5	281.2	292.0	303.7	316.6	330.6	345.7
Chilled pizza	1.5	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.8	1.8
Chilled processed meat	345.1	380.1	415.0	445.7	476.1	503.1	529.3	554.4	577.9	601.6
Chilled ready meals	10.7	10.7	10.8	11.2	11.6	12.1	12.6	13.2	13.8	14.5
Chilled/fresh pasta	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6

Poland—Chilled Processed Food—Market Sizes
Historic/Forecast—Retail Value—Unit Price—US$ per kilogram

Category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Chilled processed food	6.1	6.2	6.5	6.7	6.9	7.0	7.1	7.2	7.2	7.2
Chilled fish/seafood	6.4	6.5	6.6	6.6	6.7	6.7	6.8	6.9	6.9	7.0
Chilled pizza	4.3	4.2	4.1	4.1	4.2	4.2	4.2	4.3	4.3	4.3
Chilled processed meat	6.0	6.2	6.7	7.0	7.3	7.4	7.5	7.6	7.6	7.6
Chilled ready meals	3.5	3.4	3.3	3.3	3.4	3.4	3.4	3.4	3.5	3.5
Chilled/fresh pasta	5.3	5.3	5.4	5.4	5.5	5.5	5.6	5.6	5.6	5.7

Poland—Chilled Processed Meat by Type—% Retail Value—2007-2011

	2007	2008	2009	2010	2011
Black pudding	4.3	4.2	4.1	4.1	4.1
Boiled and smoked ham	6.2	6.3	6.3	6.3	6.5
Cooked ham	5.5	5.4	5.4	5.3	5.2
Ham	14.1	14.1	14.2	14.2	14.0
Luncheon meat	7.3	7.2	7.0	7.0	7.1
Pâté	12.8	12.8	12.9	13.0	13.1
Processed chicken, filled	6.4	6.4	6.5	6.5	6.3
Salami	10.5	10.6	10.6	10.5	10.6
Sausages	27.1	27.0	26.8	27.2	27.6
Others	5.9	6.0	6.1	5.8	5.5

Source for all: *Euromonitor, Packaged Food*

DISTRIBUTION CHANNELS

Convenience stores and discounters are the fastest growing retail formats in the Polish market, due to their convenient locations and low prices (Mintel, 2012). Overall, the compact hypermarket format is the most popular grocery retail format, however store preference is heavily influenced by location. For instance, residents of Lodz, Malopolskie, Mazopwieckie and Slaskie tend to frequent hypermarkets and supermarkets. However, bazaars are preferred by those who live in Mazovia and Podlasie, due to their proximity. In general, urban areas in Poland are saturated with grocery retail options, so new store openings will most likely take place in cities smaller than 50,000 inhabitants.

Poland—Sales of Chilled, Processed Food by Distribution Format—% breakdown by Retail Value

	2007	2008	2009	2010	2011
Store-based retailing	99.39	99.39	99.34	99.34	99.31
Grocery retailers	96.75	98.25	98.22	98.26	98.40
Supermarkets/hypermarkets	29.47	29.86	35.23	40.17	43.51
Discounters	12.63	12.74	12.84	13.04	13.19
Small grocery retailers	54.65	55.65	50.16	45.06	41.70
- Convenience stores	2.95	3.00	3.05	3.10	3.14
- Independent small grocers	49.79	50.71	45.12	39.9	36.46
- Forecourt retailers	1.91	1.94	1.99	2.05	2.10
Other grocery retailers	0	0	0	0	0
Non-grocery retailers	2.65	1.15	1.12	1.08	0.91
Non-store retailing	0.61	0.61	0.66	0.66	0.69

Source: *Euromonitor, 2012*

Jerónimo Martins was the dominant food retailer in 2011, accounting for 8.76% of total grocery market share in Poland. That year, the chilled food category registered the second-highest sales for the retailer. This Portugal-based company operates only in Portugal and Poland, and is considered one of the top 20 grocery retailers in Central and Eastern Europe (Planet Retail, 2012). Store banners under the Jerónimo Martins name in Poland include Jumbo, Biedronka, and Eurocash. Eurocash is a network of wholesale outlets, cash-and-carry stores and franchised neighbourhood stores. It is the largest cash-and-carry operator, in terms of store numbers, in Poland. The wholesale company supplies almost 9,000 independent neighbourhood stores. The Eurocash banner is projecting the largest expansion/growth in its sector, and in the country, with the planned opening of 4,112 stores in 2012. This growth is attributed to the company's acquisition of Tradis, which belonged to Emperia Holding.

Poland—Top 5 Retailers—Market Share—Historic/Forecast—Banner Sales in US$ Billions

Banner	2011			2012		
	Number Of Outlets	Total Grocery banner sales (US$ Billions)	Total Grocery market share (%)	Number Of Outlets	Total Grocery banner sales (US$ Billions)	Total Grocery market share (%)
Jerónimo Martins	1,916	7.87	8.76	2,156	7.98	9.77
Eurocash	786	3.32	0.62	4,898	4.79	0.97
Schwarz Group	604	4.26	4.74	665	4.15	5.08
Tesco	412	3.19	3.56	434	3.44	4.21
Metro Group	154	3.11	1.56	158	2.75	1.47

Source: *PlanetRetail, 2012*

A Polish Breakfast

The standard Polish breakfast, described by Poland's Ministry of Agriculture and Rural Development in its *Polish Food* newsletter, can consist of:

- cottage cheese with fresh vegetables (radishes and chives) and served with bread;
- scrambled eggs with chives and cooked with butter;
- yeast rolls served with butter, thick apple mousse, honey or various types of cottage cheese;
- Polish cold meat plate (pink ham, white ham, liverwurst, country sausage); and
- soft-boiled egg laid by a green-leg partridge hen.

- Traditional foods, such as sausages, fat, and root vegetables are still included in the daily diet of today's modern Pole, with some form of chilled food eaten at every meal. Meats, such as pork and poultry, are the most popular choices for main courses.

- Despite the popularity of chilled foods, the proportion of new products launched in this category has been declining. According to Mintel, of all the food products launched in Poland from August 2011 to August 2012, 23.8% were of the chilled variety, down from the previous twelve months, which saw chilled products claim 34% of new launches. This is lower again than 2009 to 2010, where chilled food launches represented 37% of total new food product launches.

Poland—Top 15 New Chilled Food Product Launches—2009-2010

Sub-Category	Number of Variants
Soft cheese and semi-soft cheese	53
Spoonable yogurt	41
Hard cheese and semi-hard cheese	34
Drinking yogurts and liquid cultured milk	33
Processed cheese	28
Meat products	26
Fresh cheese and cream cheese	23
butter	20
Soft cheese desserts	12
Flavoured milk	11
Cream	10
Chilled desserts	10
Curd & quark	9
Margarine and other blends	9
Fish products	9

Source: *Mintel, GNPD*

Poland—Top 15 Chilled Food New Product Launches—2010-2011

Sub-Category	Number of Variants
Spoonable yogurt	49
Meat products	48
Soft cheese and semi-soft cheese	45
Drinking yogurts and liquid cultured milk	39
Hard cheese and semi-hard cheese	37
Fish products	20
Soft cheese desserts	17
Margarine and other blends	17
Processed cheese	13
Chilled desserts	12
Curd and quark	11
Pasta	11
Fresh cheese and cream cheese	9
Cream	8
Vegetables	8

Poland—Top 15 Chilled Food New Product Launches—2011- August 2012

Sub-Category	Number of Variants
Spoonable yogurt	64
Drinking yogurts and liquid cultured milk	59
Meat products	53
Chilled desserts	27
Processed cheese	22
Poultry products	15
Fresh cheese and cream cheese	13
Prepared meals	13
Salads	13
Pasta	13
Soft cheese and semi-soft cheese	12
Curd and quark	12
Eggs and egg products	12
Fish products	12
Butter	10

Source for both: *Mintel, GNPD*

PRODUCT RANGES AND INNOVATION (continued)

Top Five Companies	# of Products
Biedronka	24
Bakoma	23
Piotri I Pawel	21
Danone	21
Bacha	16

Top Five Sub-Categories	# of Products
Spoonable yogurt	62
Drinking yogurts and liquid cultured milk	56
Meat products	51
Chilled deserts	26
Processed cheese	22

Top Five Package Types	# of Products
Tub	166
Tray	103
Flexible sachet	48
Flexible	40
Bottle	40

Top Five Flavours (including blends)	# of Products
Unflavoured/plain	60
Strawberry	20
Vanilla/vanilla bourbon/vanilla Madagascar	11
Chocolate (unspecified)	10
Peach	9

Total Private Label Categories	# of Products
Processed fish, meat and egg products	14
Dairy	13
Side dishes	11
Meals and meal centers	10
Desserts and ice cream	6
Fruit and vegetables	6

***Source for all**: Mintel 2012*

Private label offerings fast growing

From August 2011 to August 2012, there were 63 new private label product launches in Poland. This number is up from 46 (August 2010-2011). All of Biedronka's new product launches for 2011-2012 were private label, as well as 20 of Piotri I Pawel's 21 new product launches. This trend, as demonstrated by market leaders, is a good indicator of the growing importance of private labels.

Processed fish, meat and egg products dominated these new private label launches, with eight processed meat products and one processed fish product. Substantial gains were made in the following private label categories in 2011-2012 over 2010-2011: processed fish, meat and egg products (14/10); meals and meal centers (10/1); and side dishes (11/4). There was also a big shift in the dairy category, where the number of new launches in 2011-2012 fell to 13, from 18 in the previous year. Two-thirds of the new product launches in the dairy category were cheese-based in 2010-2011, while 9 of the 13 new launches in this same category were yogurt-based in 2011-2012.

Convenience is a key claim

The year 2012 saw a 100% increase in the number of new product launches claiming to be ethical, while innovations featuring natural and convenience claims were prominent within the chilled foods market. Poles view chilled items as modern food that stores well. Manufacturers are expected to target customers who are looking to save time shopping, without sacrificing quality. However, many Poles continue to believe that chilled, processed meat contains more preservatives than unpackaged offerings. As a result, Euromonitor predicts that packaged meat will remain a smaller category than unpackaged products. Ready-meals showed the most dynamic volume growth in 2011, up 3% from 2010. This trend is evidence of the growing demand for convenience foods.

Consumer awareness is growing

Euromonitor predicts that Polish consumers will become more aware of the differences in quality apparent between various price segments of meat, and the more expensive variants will become more popular. Higher-end products are expected to play an increasingly important role in chilled, processed meat.

Poland—Chilled Foods—Product Claims by Category and Number of Products—2011-2012

Claim	2011	2012	Total
	Number of products	Number of products	Number of products
Minus	10	32	42
Demographic	6	17	23
Natural	20	44	64
Convenience	15	47	62
Plus	2	5	7
Suitable for	5	12	17
Positioning	6	25	31
Functional	1	11	12
Ethical	0	10	10

Source**: Mintel 2012* ***Note: *Products can feature more than one claim each.*

Poland—New Chilled Food Product Launches by Sub-Category—2011-2012

Claim	Sub-Category								
	Spoonable yogurt	Meat products	Drinking yogurts & liquid cultured milk	Prepared meals	Poultry products	Curd & quark	Cooking sauces	Processed cheese	Hard cheese & semi-hard cheese
No additives/ preservatives	15	5	4	4	4	1	7	1	-
Low/no/ reduced fat	3	3	10	-	3	6		1	2
Microwaveable	-	6	-	10	2	-	2	-	-
Ease of use	-	2	-	-	-	-	7	-	-
Children (5-12)	6	2	4	-	3	-	-	-	-
Premium	5	7	-	-	2	-	-	-	1
Convenient packaging	-	2	-	-	1	1	--	3	2
Low/no/ reduced allergen	-	4	-	-	4	-	-	-	-
Low/no/ reduced sugar	5	1	5	-	-	-	-	-	-
Event merchandising	1	-	3	-	-	-	-	2	2

***Source** : Mintel 2012*

NEW PRODUCT EXAMPLES

Piotr I Pawl private label brand Viando sausages sold in a 0.15 kg, 6-unit size, flexible package. The product claims to be GMO-free and is listed as a new product.

Price: US$ 1.48

Bakoma launched a new variety/range extension, Bakoma brand spoonable yogurt. The product is marketed as thick, natural and containing live cultures with no added sugar. The product retails in a 150 g, plastic tub.

Price: US$ 0.35

Dr. Oetker's private label brand chilled, crème-flavoured porridge dessert is sold in a 130 g plastic tub. This product is a new variety/ range extension to the manufacturer's product line. The product also comes in chocolate.

Price: US $0.33

Bakoma launched a wafer-flavoured, soft cheese dessert targeted towards children. This is a new variety/range extension to its private label line and comes in a raspberry cheese flavour as well. The manufacturer has added calcium and vitamin D3. The product is sold in a 90 g plastic tub.

Price: US$ 0.46

Lisner launched a herring with pesto oil fish product under its Lisner PrzySnak label. The product is made with no preservatives and retails in a 250 g plastic tub.

Price: US$ 1.58

***Source for all**: Mintel 2012*

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