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Online Food Distribution from the Perspective of Food Producers

INTRODUCTION

In the literature on the subject one can find statements supported by research findings that indicate the potential of small and medium enterprises using the Internet to distribute their products. Online sales, apart from generating additional income, often from beyond the natural market reach, can also contribute to the development of the position of the brand in the global market, and therefore influence the development of competitive position of these companies [Talar, Kos-Łabędowicz, 2014, p. 137].

Online distribution activity, apart from the unquestionable benefits it provides, requires the producers to engage in distribution activity, which is related to performing additional tasks and which results in additional costs. The product range of online stores has been systematically increasing in the recent years and food products are more and more often offered within the framework of distance sales, products which constitute a fairly specific group of products, taking into account for instance their physical and chemical properties, or the frequency of their purchase. Observation of market trends indicates that food producing enterprises should become interested in utilising the potential of distribution brought by the new channel of online distribution. However, this is where the question about the economic and organisational results of initiatives related to the implementation of online food sales appears.

In order to address the doubts presented above, this article attempts to assess the realistic capability of operating online food sales by small and medium enterprises producing food products.

To achieve the mentioned objective, market trends related to the development of the e-commerce industry were reviewed and both the interest in food

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products purchased online and the costs of sales operated via this channel were subjected to critical assessment.

The source materials of presented results include analyses of literature on the subject of distribution, secondary statistical data of companies studying the development of online sales, opinions of e-commerce industry practitioners and individual remarks of the author.

DEVELOPMENT OF E-COMMERCE ON THE FOOD MARKET

Development of the Internet undoubtedly revolutionised the economy of the world and caused the economic processes to accelerate. Owing to the development of the Web, companies can undertake actions of global nature and therefore extend the market on which they function.

Development of the Internet and progress in the field of information and communication technologies also plays a significant role in the transformations of the structures of distribution channels. The development of new media found use in inventive forms of sale, functioning under the name of e-commerce. The definition of e-commerce adopted by the Central Statistical Office of Poland (GUS) covers transactions handled through IP-based networks and other computer networks.

Owing to online commercial activities enterprises are able to reduce the costs of distribution by means of shortening the channel and eliminating traditional commercial agents [Sobczyk, 2008, p. 324].

The development of e-commerce varies substantially in particular regions and states. It is not at the same stage and level of development everywhere. This to a large extent depends on the level of computerisation of society, as well as income, which shapes the level of expenditures on online purchases. Polish e-commerce market is definitely not equal to that of the leading European countries, but it is developing at a fast rate, which is confirmed by the annual increase in value of this market.

The strength of the e-commerce market is shown by the data on the size of turnover generated by means of online stores and the dynamic changes in this field. The report by PMR – “Handel internetowy w Polsce 2014” (“Online retail market in Poland 2014”) shows that in 2014 the income from online trading sector exceeded PLN 27 billion. This is 3.5 billion more than a year earlier. The value of sales for 2015 is estimated by the company at the level of ca. PLN 33 billion, which constitutes an increase by another 20%.

The boom of online shopping has already engulfed many lines of business. This *inter alia* applies to such categories of products as clothes, books or music. In some cases online sales generate as much as over a half of turnover of a given seller. According to the study titled “Kupuję w Internecie 2014” (“I buy online

2014”), prepared by the Chamber of Digital Economy, product categories that attracted most interest in the last 5 years were: perfumes and cosmetics (up by 460%), products for children and toys (233%), general stores (213%) and clothes (81%).

The e-commerce revolution is also affecting the grocery industry to an increasing extent. As emphasised by the authors of the report published by Dunhumby [Izakowski, 2015], some commercial networks and food producers are currently making 20% to 50% of their sales through the online channel. Moreover, one should expect this trend to strengthen on the developed markets. It is estimated that within the next 5 years the increase in sales of grocery products will in 20% be generated by online shopping.

Somewhat less optimistic results are presented by RegioPlan Consulting, an analytical company, which reports that in 2014 in Austria the value of sale of grocery products online corresponded to only 2% of the turnover of the entire FMCG sector. It amounted to ca. EUR 450 million. Other data indicates that only 4% of Austrians regularly buy food in online stores, and an average resident of this country spent EUR 53 to this purpose. The situation is even worse in this respect in Germany. Numerous discount stores constitute a serious competition for grocery e-stores in this country. Even in the UK, the country in which the e-commerce sector is most developed in the entire Europe, only 4% of turnover of the grocery sector is generated online.

The growth trend in online food purchases is also visible in Poland. As shown by the research conducted in 2014 by Gemius [Raport E-commerce w Polsce 2015, p. 94], grocery shopping is done online by almost twice as many Internet users as in a year earlier. Studies of the Polish e-commerce market indicate that 24% of Internet users do grocery shopping online. These are most often Internet users with higher education (29%), who perceive their financial situation as at least average (49%). Polish Internet users pay ca. PLN 70 per month for online grocery shopping.

Three brands of grocery stores most often spontaneously mentioned by the respondents are *alma24.pl* (17%), *etesco.pl* (16%) and *e-piotripawel.pl* (1%).

LIMITATIONS OF ONLINE FOOD DISTRIBUTION

Most of the studies on the possibility of operating online food products sales indicate that the main limitation of this solution lies on the side of their purchasers, their expectations and preferences [Baran, 2012, pp. 218–219]. The authors discussing the barriers to the development of online sales indicate both the limitations resulting from the specificity of food products, particularly including fresh products, and also refer to the characteristics of the households, how they are equipped with tools used to communicate on the Internet and how willing they are to do shopping there.

When analysing the influence of the nature of food products on the behaviour of the buyers, it is advisable to distinguish between fresh products, such as: bread, fruit, vegetables, dairy products, meat and meat products, and pre-packed shelf-stable products, for example pre-packed loose products, sweets and beverages.

In the case of fresh food products, the consumers may have a feeling of discomfort related to being unable to examine the purchased product, and waiting for it to be delivered may involve concerns in regard to the quality of the purchased product [Barska, 2013, p. 11].

The situation is a bit different in the case of shelf-stable food products. Consumers purchasing these products, often known from previous purchases, do not have to examine or touch them. Even if a purchase is made for the first time and post-purchase dissonance appears after the purchase, the consumer can return the purchased goods. However, it is important for the consumer to have full access to all the necessary information on the product, which allows the consumer to familiarise with the offer and make a well-thought-out decision. In reference to shelf-stable food products, it is worth mentioning that these products are much more suitable for online sale than fresh food.

The next limitation of the development of online food sales are the aspects related to the personality traits of the buyers. Numerous studies and analyses show that the greatest inclination to online food shopping is shown by young people, professionally active and living far from shopping centres [Domański, Bryła, 2010, p. 197]. Studies also indicate that purchases of food products are more often made online by well-educated people with higher income [Data from the report "E-commerce w Polsce 2014", pp. 24–26].

The scale of interest in online shopping is determined by possibilities related to Internet access and equipment allowing the customers to make purchases [Kosicka-Gębska et al., 2011, p. 153]. Although the recent years have shown dynamic development of ICT infrastructure, which increases access to the Internet and simultaneously decreases the costs of use of these solutions, there is still a major group of households without access to the medium in question. Lack of Internet access results in turn in little and limited interest in online shopping and making electronic payments. In addition, the problem of low interest in online shopping is aggravated by the lack of computer skills and limited confidence in transactions made online in the group of the oldest consumers.

It is worth mentioning that whether someone continues to purchase or resigns from purchasing food products by means of e-commerce is not only influenced by the traits of the consumers, but also the situational factors affecting the consumer (e.g. poor health, necessity of taking care of children, etc.) [Hand et al., 2009,]. Studies show that many purchasers resign from making food purchases online when the cause which earlier inclined them to make such purchases ceases [Hand et al., 2009].

An important issue taken into consideration when choosing the Internet for purchasing food are factors related to the technical course of the purchase process. This consists of many elements, the most important of which are the duration of the online purchase process, time of completion of the order and delivery of the product by a courier [Ostrowska, 2012, pp. 235-236]. Regardless of a relatively simple and convenient purchase system, the consumer is not certain when the product will be received and whether it will be right until the very last moment. Interest in online food product shopping is also limited by doubts related to the credibility of product information, concerns regarding convoluted wording in terms and conditions of the stores and the right to potential returns.

In search for advantages of traditional sales channels over online food distribution, it should be noted that for a large group of purchasers, particularly the older and professionally inactive ones, going shopping to a traditional store may be one of the few opportunities to be in touch with the external world.

Limitations on the part of consumers, although they are among the important indicators for the rate of development of online food product sales, are not the only ones to determine the development of online food distribution. The source of the second group of limitations are the requirements that have to be met by the enterprises planning to build an online food distribution system.

Launching an online store often seems a relatively easy and low-investment business idea. Unfortunately, a large number of entrepreneurs find out that running distribution via the Internet is not an easy task only once they clash with the reality of e-commerce.

An online food store is one of the more capital-intensive online businesses, and this results from the fact that apart from expenditures on the strictly e-business issues, such as building a website and marketing, there are significant costs related to logistics and storage of grocery products.

When discussing online food sales, one cannot disregard the civil law regulations applicable to the broadly conceived e-commerce industry [Żarczyńska, 2014, pp. 24-26]. In the Polish law this issue is currently mainly regulated by the act on the protection of certain consumer rights and on the liability for damage caused by a dangerous product. This act guarantees a 14-day period allowing the customer to withdraw from the contract without giving a reason to virtual consumers. Admittedly, there are certain exceptions from general regulations in reference to the grocery products sector (if parties do not agree otherwise, the right to withdraw from a contract concluded at a distance is excluded if the object of performance (in this case food) deteriorates rapidly). In such a case the possibility of withdrawing from a contract should be assessed from the angle of a particular case.

To recapitulate, running an online store is a difficult business, in spite of appearances. Online food sales is not a simple issue, as there are many problems that need to be addressed, and solving them significantly increases the operating

costs. The only economically viable businesses are the ones that exceed the right scale of orders. Taking into account the above and the fact that food products sales also require warehouses and transport to be adapted to the statutory requirements, it should be stated that not every entrepreneur will be able to operate such a business.

PERSPECTIVES OF ONLINE FOOD DISTRIBUTION BY PRODUCERS

In the literature on the subject of food products distribution, particularly in the small and medium enterprise sector, one can encounter data indicating little engagement of these companies in using the Internet to distribute products [Cyranyan, Dybka, 2014, p. 81].

The reasons for the low scale of activity of the studied companies on the Internet can be sought in the mentality of the consumers, who do not fully accept the option of purchasing food products online, and simultaneously in low frequency of purchases of these products online. One can therefore assume that the development of the food e-market is still in its initial phase. This development is additionally hindered by a range of limitations of objective nature, as well as subjective barriers reported by the respondents. The conducted market analyses indicate that they are highly accustomed to traditional food supply channels [Cyrek, 2013, p. 107]. Customers able to choose the conventional source of product purchase do not see the need to use the Internet for this purpose, concerned about the quality of the goods received that way, the loss of anonymity and the safety of payments made.

Low interest in purchasing food products offered by means of e-commerce translates to a low number of stores dealing in online food sales. Although in the case of stores functioning in the brick and mortar sales system there is an increasing number of online sale packages, such as for example [alma24.pl](#), [etesco.pl](#) or [e-piotripawel.pl](#), it is difficult to find an online store selling food operated by a producer.

The reason for this situation may be the passivity and low interest of food producers in organising online stores in which they would be offering their products. However, taking into account the determinants related both to the interest of consumers in online shopping and the requirements that have to be met by a seller willing to sell food online, one cannot be too critical of the entrepreneurs representing small companies in the grocery industry as the ones who fail to keep up with progress, to implement innovations in the field of distribution and to launch online stores. A consumer shopping online is often guided by the desire to buy a product at a lower price, the convenience of shopping being delivered home, without the need to spend time on shopping, or decides on such shopping as a result of being unable to go to the store. However, in each case the consumer expects being able to do shopping that will provide all the required

basic products, if possible. The chance to do thorough food product shopping is provided to the consumer by the store with a wide and in some areas extensive product range. This condition is not and cannot be met by food producers producing a narrow range of products. Considering the above, producers offering solely their own products are becoming hardly competitive for the buyers interested in their products and therefore launching their own sale distribution channels online is recognised as hardly reasonable.

If we add to the above the information on the high costs of operating online stores, the perspectives of development of brand online food stores seem seriously limited.

CONCLUSION

Final conclusions from the studies of the development of online distribution indicate that we will keep observing an increase in the significance of online stores in food distribution. The main offerors among the online food stores will be the stores dealing in brick and mortar trade and most often the ones that belong to major commercial networks. These stores will be launching online sales as a secondary, complementary channel of distribution. However, one should not expect online food sales to constitute a significant alternative to distribution of food in traditional stores. Online sales and appropriate presentation of the product range can contribute to attracting customers to brick and mortar stores to a greater extent than an increase of income received by means of this channel.

However, one should not expect major interest in this form of sale among food producers in the immediate future. High expectations of e-food consumers in relation to the comprehensiveness of the product range, price level and quality of service constitute an obstacle that is not economically viable nor possible to overcome by small producers. At the current scale of interest in online food purchases and high organisational and financial expenditures on online food distribution of small and medium food producers, such initiatives should be recognised as unjustified.

To recapitulate, regardless of the continuous increase of interest in shopping for different kinds of products online, this form of sale cannot be treated as a universal distribution channel, by means of which every producer can and should sell their products.

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Summary

Development of the Internet undoubtedly revolutionised the economy of the world and caused the economic processes to accelerate. Owing to the development of the Web, companies can undertake actions of global nature and therefore extend the market they function on.

Development of the Internet and progress in the field of information and communication technologies also plays a significant role in the transformations of distribution channels. Distribution of products via the Internet has been becoming increasingly popular in the recent years, which is confirmed by the data on the number of buyers buying online and the increasing value of online sales.

The study is an attempt to assess the possibility of using the Internet for distribution of grocery products produced by small and medium food producing enterprises. The presented analyses indicate a growing interest in online food shopping, and this shows that this phenomenon is going to intensify. However, it should be noted that online food distribution will complement supply with food products purchased in brick and mortar stores, and online stores will be launched by trade companies operating on the market in traditional form. At the current scale of interest in online food shopping and high organisational and financial expenditures on running food distribution online by small food producers, such initiatives should be recognised as unjustified. Regardless of the continuous increase of interest in purchases of different kinds of products online and the optimism in regard to sales via this channel, this form of sales cannot be treated as a universal distribution channel, which every producer can and should use to sell their products.

Keywords: distribution, e-commerce, food product

Dystrybucja żywności w Internecie z perspektywy producentów żywności

Streszczenie

Rozwój Internetu niewątpliwie zrewolucjonizował gospodarkę na świecie i spowodował, że procesy gospodarcze zdecydowanie przyspieszyły. Dzięki rozwojowi sieci firmy mogą podejmować działania o charakterze globalnym, a tym samym także poszerzać rynek na którym funkcjonują.

Rozwój Internetu oraz postęp w dziedzinie technologii informatycznych i komunikacyjnych odgrywa również istotną rolę w przeobrażeniach kanałów dystrybucji. Dystrybucja produktów za pośrednictwem Internetu staje się w ostatnich latach coraz bardziej popularna, co potwierdzają dane dotyczące liczby nabywców kupujących w sieci oraz rosnąca wartość sprzedaży realizowanej tą drogą.

W opracowaniu podjęto próbę oceny możliwości wykorzystania sieci Internet do dystrybucji produktów spożywczych wytwarzanych przez małe i średnie przedsiębiorstwa produkujące żywność.

Prezentowane analizy wskazują na rosnące zainteresowania zakupami żywności w sieci, a z tego wynika, że zjawisko to będzie się nasilać. Należy jednak zauważyć, że dystrybucja żywności w Internecie stanowić będzie uzupełnienie zaopatrzenia w produkty żywnościowe nabywane w sklepach stacjonarnych, a sklepy internetowe uruchamiały będą firmy handlowe prowadzące działalność na rynku w tradycyjnej formie. Przy obecnej skali zainteresowania zakupami żywności w sieci i wysokich nakładach organizacyjno-finansowych na prowadzenie dystrybucji żywności w Internecie przez małych producentów żywności, inicjatywy takie należy uznać za niezasadne.

Pomimo obserwowanego ciągłego wzrostu zainteresowania zakupami różnego rodzaju produktów w Internecie i optymizmu dotyczącego sprzedaży za pośrednictwem tego kanału nie można traktować tej formy sprzedaży jako uniwersalnego kanału zbytu, za pośrednictwem którego każdy producent może i powinien sprzedawać swoje produkty.

Słowa kluczowe: dystrybucja, handel internetowy, produkt żywnościowy